

**Statement of
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Before the Committee on Ways and Means
Subcommittee on Social Security
U.S. House of Representatives
Hearing on
The Effects of the COVID-19 Pandemic on Social Security**

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Chairman Larson and Ranking Member Reed:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, I want to thank you for holding this hearing on how the coronavirus pandemic has affected Social Security beneficiaries. H.R. 7499, the “Social Security COVID Correction and Equity Act,” introduced by Chairman John Larson, makes improvements to both Social Security and the Supplemental Security Income (SSI) program that are of historic importance, and which strengthen the benefits provided by these two programs as they assume even greater importance during the COVID pandemic. The National Committee supports the programmatic improvements made in Chairman Larson’s legislation and applauds him for his leadership in strengthening both the Social Security and SSI programs.

First, a few words about our organization. National Committee members come from all walks of life and every political persuasion. What unites them is their passion for protecting and strengthening Social Security, SSI, Medicare and Medicaid, not just for themselves, but for their children and grandchildren as well. Our members see Social Security as an inter-generational compact that protects all members of the family. To them, it is a single integrated system of benefits that provides protection from birth to death. It is a system where all of its parts are equally important.

Through the services it provides, the Social Security Administration (SSA) touches the lives of virtually all Americans, including the 71 million individuals who receive Social Security and SSI

benefits and the over 177 million workers who are contributing to Social Security today. One out of every five Americans receives monthly cash benefits from Social Security or SSI, the major programs that SSA administers. This fact alone highlights the critical role customer service plays in the functioning of this agency as it provides services to millions of Americans.

Importance of Today's Hearing

Social Security is an essential economic lifeline for millions of America's most vulnerable people, including aged individuals and persons with disabilities, as well as their spouses, dependents and survivors. At the end of 2019, 48.2 million people were receiving retirement and survivor benefits and another 9.9 million disabled workers and their family members were receiving disability benefits. In fiscal year 2019, SSA:

- Paid approximately \$1.091 trillion in benefits to over 71 million Social Security and SSI beneficiaries;
- Served about 40 million visitors to its network of 1,200 field offices nationwide;
- Completed over 5.6 million new applications for Social Security retirement, survivors and Medicare benefits; almost 2.5 million applications for initial disability claims and almost 187,000 SSI aged claims;
- Handled over 33 million calls on the agency's toll-free telephone service; and
- Posted over 279 million earnings reports to workers' records.

While there is no denying the extraordinary magnitude of these achievements, recent reductions in the agency's administrative budgets have taken their toll on the quality and timeliness of the services the agency provides. Adding uncertainty to the picture is how beneficiaries have been affected by the COVID-pandemic driven decision to close all Social Security offices while the agency's employees

work from home. While we support this decision, we are concerned about individuals who may have found it difficult or beyond their technological abilities to navigate access to agency employees.

The COVID Pandemic and Social Security

All Americans have been affected in one way or another by the advent of the COVID pandemic, massive job losses yielding unemployment rates not seen since the Great Depression, occurring in tandem with selloffs on the stock market have gutted the financial resources of workers and retirees alike. And while the Congress has responded with legislation intended to address the public health and economic consequences of the pandemic, more must be done to adequately target the specific needs of America's seniors who have been the hardest hit by the coronavirus.

The bill under consideration today, Chairman Larson's "Social Security COVID Correction and Equity Act," helps the most vulnerable among us. I am pleased to state today that the National Committee to Preserve Social Security and Medicare supports Chairman Larson's bill. It makes an important technical correction to the statutory rules regarding benefit computations and it makes several benefit improvements that, while temporary, we hope the Congress will make permanent features of the Social Security Act.

The Notch

As someone who has been involved with the formulation of Social Security policy for many years, it is with some dread that we have learned that another notch problem has arisen, again involving the manner in which individuals' Social Security benefits are calculated. Unless corrected, future Social Security beneficiaries turning 60 this year are in for a rude surprise: their monthly benefits may be lower than for those born in previous years, by perhaps as much as \$1,400 per year, or \$120 per month **for the rest of their lives**. And we know that tomorrow's retirees will depend even more on Social Security than the current generation of seniors.

Benefits for each group born in a particular year are calculated based on the Average Wage Index, or AWI, for the year they turn 60. Normally, average wages rise from year to year, but this year, because

of the COVID pandemic, aggregate wages are likely to decline by as much as 10 percent. Benefits for individuals who become 60 in 2020 would be as much as 5.9 percent lower than for workers hitting that milestone birthday in 2019. This incipient benefit reduction is what we refer to as a “notch” in benefits for people born in 1960.

The problem created by the notch for workers turning 60 this year is due to an unintended glitch in the Social Security laws. Social Security benefits are based on the highest 35 years of salary in a worker’s earning history. The AWI is applied to each year’s earnings to ensure that benefits account for the growth in economy-wide wages.

The AWI for each generation of workers who attain age 60 in a given year is also used to update the dollar-values in the formula that is used to calculate the amount of the Primary Insurance Amount, or PIA, which is the amount a worker receives if retirement is deferred to an individual’s full retirement age. For individuals reaching age 60 in 2020, their benefit formula is also depressed by the COVID-related decline in average wages for that year.

The AWI was introduced into benefit calculations by the Social Security Amendments of 1977. The drafters of that legislation clearly did not anticipate that average wages would fall precipitously from one year to another. In fact, since 1977, average wages have only declined one other time, at the height of the Great Recession in 2009. That dip was a relatively small 1.5 percent and did not catch policy maker’s attention because the effects on benefits were negligible.

Unfortunately, if no remedial action is taken to address the current challenge, the benefit reduction for workers turning 60 this year will be permanent. Their benefits will be substantially lower than workers who turned 60 in 2019, as indicated earlier, by about \$1,400 per year, **for life**. To make matters worse, depending on how quickly wages rebound from the economic dislocations stemming from the pandemic, other age cohorts, such as those reaching age 60 in 2021, might also experience significant reductions in their Social Security benefits.

To avoid this unintentional reduction for individuals turning 60 in 2020, Congress must fix this shortcoming before those workers begin claiming Social Security. The “Social Security COVID

Correction and Equity Act” includes a provision that remedies this problem. The National Committee thanks you, Mr. Chairman, for ensuring that your bill fixes the notch for individuals born in 1960 and 1961 without cutting benefits for any other beneficiaries.

Benefit Improvements to Support Seniors During the Pandemic

What is remarkable about Social Security is benefits paid to our most vulnerable citizens, and the program’s economic stimulus to local businesses, is not dependent on the ups and downs of stock market performance.

In other words, Social Security is a bulwark against dips in the economy and performs its core mission ably where other forms of income security and economic stimulus fail. Fortunately for today’s seniors, people with disabilities and survivors, the program keeps humming along during all forms of disasters including this coronavirus pandemic.

And the pandemic demonstrates why Social Security is an essential program. The current crisis has laid bare pervasive economic inequality caused by nearly thirty years of stagnant middle-class wage growth and the erosion of employer-sponsored retirement benefits.

Based on the need for COVID rebate relief payments and expanded unemployment compensation, we are reminded that a high percentage of workers live paycheck-to-paycheck, have no savings to pay for basic living expenses during an emergency, and no disposal income. Today we know that Social Security’s reliability -- in good times and bad -- is a rock for the growing share of Americans who depend on it for all or most of their income in retirement. But for the program to pay full benefits past 2035 and continue to perform its vital mission, Congress needs to improve solvency and benefits through enactment of your bill, Mr. Chairman, H.R. 860, the Social Security 2100 Act.

But more immediate relief is needed for seniors and people with disabilities who have been the hardest hit by the coronavirus. That’s why the National Committee supports provisions in the

“Social Security COVID Corrections and Equity Act” that temporarily provide many of the benefit improvements contained in the Social Security 2100 Act, including:

- An across-the-board increase for all beneficiaries of about two percent, which would be particularly crucial for retirees and people with disabilities if the upcoming cost-of-living adjustment is lower than anticipated by the Social Security Trustees;
- An increase in the special minimum benefit so that it equals up to 125 percent of the poverty level for an individual;
- Tax relief for Social Security beneficiaries due to an increase in the threshold for taxation of Social Security benefits to \$35,000 for individuals and \$50,000 for joint filers, up from \$25,000 and \$32,000 respectively;

H.R. 7499 includes additional benefit improvements that would provide needed economic security to beneficiaries who have been hit the hardest by the pandemic, including:

- An extension of dependent Social Security childhood benefits for full-time post-secondary students under age 23;
- Improving Social Security benefits for widows and widowers by limiting the amount of the reduction in family benefits when an individual’s spouse dies;
- Improving access to Social Security benefits for children who live with grandparents or other relatives; and
- Updating and simplifying the SSI program by increasing the income exclusions, which have not been updated since the inception of the program in 1972, and by eliminating the in-kind income charge for SSI beneficiaries who live in someone else’s home.

We note that the Chairman's bill proposes that these important improvements be in effect only during the COVID pandemic, and that these benefits are funded on an emergency basis with transfers from the general fund. Our hope is that the Congress will recognize the importance of these improvements by making them a permanent feature of Social Security and SSI.

Conclusion

In closing, we wish again to thank Chairman Larson for his leadership in developing the vitally important provisions that have been included in the "Social Security COVID Correction and Equity Act." Certainly, the seniors who would lose a significant amount of Social Security benefits will thank you and your colleagues in finding a solution to the "notch." But they will also be grateful, particularly during this pandemic, for the broad array of benefit improvements that have been included in the bill. All Americans will benefit from their enactment, but we believe that they will prove to be especially helpful to women, African Americans, and those in communities of color who have been hardest hit by the COVID pandemic. On behalf of the National Committee, I want to thank you for your leadership on this matter, and we stand ready to work with you to see your bill enacted into law.