# Republican Perspective
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# Here We Go Again

*"It is time for the general fund to pay the Social Security fund back." Jack Lew (D), former Secreatry of the Treasury*

One thankless job is being a trustee of Social Security & Medicare. The Trustees recently issued their 2017 report on the financial state of the two programs and guess what? The Trustees have again reported to Congress that both programs are headed for insolvency.

According to the Trustees, over the next ten years (2018-2027), Social Security will run deficits totaling $1.4 trillion. In the following decade, deficits will total $4.9 trillion. To better understand the magnitude of these deficits, Google "what a trillion dollars looks like." Social Security will pay out $27 billion more in benefits than it takes in tax revenue this year.

The Trustees again tell Congress the price of inaction is high. All Social Security beneficiaries – regardless of age or income – are projected to face a 23 percent benefit cut in 2034, when today's 50-year-olds reach the normal retirement age and today's youngest retirees turn 79. Cuts would grow over time, reaching 27 percent by 2091. Is this the legacy we wish to leave our children and grandchildren?

The Congressional Budget Office (CBO) says Social Security may be out of money faster than the Trustees report. CBO projects the OASI program will reach insolvency in 2030, five years before the Trustees' reported insolvency date.

President Trump has stated that cuts to Social Security are a non-starter. However, Republicans need to start the reform dialog now versus later. The Heritage Foundation has offered reforms worthy of debate:

- Raise the eligiblity age — Life expectancy at age 65 has increased signifcantly, enabling seniors to draw benefits longer than in the past. Men who reached age 65 in 2014 live an average of six years longer than did men who reached age 65 in 1940. For women, the difference is even larger - seven years. Yet Social Security's full retirement age will gradually increase by only two years by 2027, to 67, and the early retirement age has not increased at all.

- Update Social Security's cost-of-living adjustment (COLA) — Congress should index Social Security's COLA to the chained consumer price index (CPI-U). CPI-U results in lower estimates of inflation than the traditional CPI does. CBO expects that annual inflation as measured by the CPI-U will be about 0.25 percentage points lower, on average, than annual inflation as measured by the traditional CPI. CPI-U acknowledges that people choose less expensive and different goods and services in response to changes in prices. Heritage estimates this reform would eliminate about 20% of Social Security's long-term fiscal imbalance, and would more accurately protect the value of benefits against changes in the cost of living.

- Target Social Security benefits progressively — Social Security's benefit formula should be adjusted such that more of the benefits go to working Americans of modest means. Heritage suggests the establishment of a minimum, anti-poverty flat benefit. This would result in higher benefits for low-income workers who currently receive income below the poverty threshold.

- Lower and phase out payroll taxes — this recommendation will cause much angst among lawmakers. Heritage argues with lower payroll taxes, more Americans will be able to accrue personal savings in their own retirement accounts—savings that will almost certainly provide higher returns than Social Security does, and which can be passed on to workers' heirs.

Traditionally, Democrats have favored higher taxes to address Social Security funding. House Rep. John Larson's (D-CT) Social Security 2100 Act has accrued 160 co-sponsors (80% of House Democrats), more than any other reform proposal in recent history. Here are highlights of his proposal:

- Increase the Social Security payroll tax rate from the current 12.4% to 14.8% between 2019 and 2042. Phase out the ceiling on earnings subject to the tax, currently $127,000, so that by the mid-2030s all earnings would be taxed.

- Boost the initial benefits Americans receive upon retirement, and pay larger cost-of-living adjustments. Over the plan's first 10 years, Social Security benefit payments would rise by almost $1.2 trillion, according to an analysis by Social Security's actuaries.

Democrats wish to expand Social Security benefits because of the belief that personal retirement savings are inadequate. Rep. Larson's impact to low and middle-income workers is costly. Estimates show lifetime payroll taxes would rise by nearly 20% from current levels. For a high earner with an average annual salary of $237,000, payroll taxes would more than double.

There are a variety of options to reform and protect Social Security. The question for Congress is: "if not now, when?"