Welcome
Susan Reinhard, AARP Senior Vice President; Director, Public Policy Institute

Panel Discussion
Madonna Harrington Meyer, Center for Policy Research, Syracuse University
Alicia Munnell, Director, Center for Retirement Research, Boston College
Alice Rivlin, Senior Fellow, Brookings Institution
John Rother, Executive Vice President and chief policy strategist, AARP
Juan Williams, National Public Radio and Fox News (Moderator)
SUSAN REINHARD: Good morning and welcome. My name is Susan Reinhard. I'm the Senior Vice-president for Public Policy at AARP and the Director of the Public Policy Institute, so it's my great pleasure to welcome you here today. Just a few words of introduction, before I turn this over to the panel. This year marks the 25th anniversary of the Public Policy Institute which John Rother started. So, we thank John for that. The institute is responsible for analyzing and developing policies across a wide range of issues related to the economic security and health of older Americans. And as part of our efforts to promote the adoption of sound policy, we have begun a series of solutions forums about two years ago. These forums serve as a venue for exploring a wide range of ideas from multiple points of view, and our goal is to put it in an atmosphere where there can be dialogues. So, we hope that you find this to your liking.

Our goal is that by working together, we will make significant strides towards ensuring not only the health and economic security of today's workers, but that of future generations. Today's forum is on Social Security and the future of retirement. You know--you know, everyone in this room knows that Social Security has been in the news a lot lately. I'm looking at some of my AARP colleagues who had been quite involved, especially on August 14th when we celebrated Social Security's 75th anniversary. But the program has been getting a lot of attention because of long-term financial challenges and that of the country's long-term financial challenges; somehow promote a change in Social Security to help deal with America's growing long-term fiscal imbalance. The Public Policy Institute, AARP in general, believes that any long-term changes to Social Security should be guided by a focus on achieving adequate retirement security for future generations.

Today's discussion will hopefully leave us with a better understanding of Social Security's role in the retirement security of future generations and the challenges that future generations of retirees will face. And we do want you to know this is the first of a series. We don't know when the next one will be, but there--it will be a series of forums on Social Security. So before I turn this over, I'd like to thank the panelists for participating in today's forums. But I really want to thank Gary Koenig, who is sitting in the front row, he's the acting director of our economics team at the Public Policy Institute, and he and Janet McCubbin, who've just left us, worked for months on making sure that this panel is here today and that you're here today to join us. I also want to thank Rick Deutsch who really started the solutions forums and has been a major part of all of these, and our whole Public Policy Institute team and our AARP events team for making the--all the logistics in coming together. I also want to note Selena Caldera, who I don't believe is here at the moment, is releasing our fact sheet on key retirement income source of minorities today. So that is in your packet along with another fact sheet that we hope would be helpful to you.

So, let me turn this over to Juan. It's a great pleasure that I introduce him today as the moderator for today's forum. I'm sure you all know him, but I thought we will give him his due, at least to say that he's the news analyst for NPR and Fox News and he has also appeared on numerous television programs such as Nightline, Washington Week In Review, CNN's Crossfire, and Capital Gang Sunday. Juan serves as an editorial writer, an ad columnist and White House reporter at the Washington Post for 21 years. He has won an Emmy award for TV documentary writing and he has authored articles that have appeared in magazines ranging from Newsweek, Fortune, and the Atlantic Monthly, to Ebony, Gentleman's Quarterly, and the New Republic. So please welcome Juan and the team.
JUAN WILLIAMS: Thanks. Thanks. As you were saying all of those nice things about me, I was thinking them too. Thanks. So here we are to talk about Social Security and the future of retirement the financial challenges that face Social Security, face the nation, face individuals, because we all know Social Security is such an important source of income. So, we're going to try to be quick about this, and we very much value your ideas and questions for our panel of experts. And--so let me immediately introduce them. I think that, for most of you in the audience, people who are involved with policy, the politics, thinking about these issues, you know Alice Rivlin, professor of Public Policy now at Georgetown University; senior fellow, economic studies at Brookings. But I think for most of us who had been in Washington awhile, you know that she's the former vice-chairman of the Federal Reserve, director of OMB under the first Clinton administration and also with the DC Financial Management Authority. So please welcome Alice Rivlin.

And you've already been introduced to John Rother, executive vice-president for AARP, but you might not know that he came to AARP from the Senate. He had been the special counsel to Labor and Health, and then staff director and chief counsel for the Special Committee on Aging. So, please welcome John. And then we have Madonna Harrington Meyer, who is professor of sociology at Syracuse and expert in so many areas of aging. So Madonna, thank you for joining us. And then Alicia Munnell, who's the professor of Management Sciences at Boston College and also director of the Center for Retirement Research at Boston College. Thank so much for joining us. So, what I'm going to do as your moderator is, I'm just going to ask them a general question, all the same question, to get us going, before we go into more detail in terms of their areas of expertise and before we invite you to join the conversation. We'll have two people who will be circulating with microphones to take your questions, and we also want you to know that we are recording this event for use on the Web. So here we go. So, let me start with you Alice and this is the same question for all four of you. Do you think, given the state of the debate about Social Security in the country, that Americans, and here I'm right--I'm not just talking generically about Americans, but I mean American voters, people with power, money, and influence, given the political climate of today, are willing or ready to make changes to Social Security, that budget experts are all saying are necessary?

ALICE RIVLIN: I do want it. I'm always hopeful. And I do think that, at the moment, the stars are aligned for putting Social Security on a firm foundation for future generations. And the reason for that is I think we all agree that Social Security is a tremendously successful program, at least, I think so. We did a good thing 75 years ago, and we've strengthened it since. But it is not on a firm foundation for the next couple of generations. If we do nothing, and that will be extraordinarily stupid, Social Security will have to reduce benefits quite drastically, like 25% around the end of the 21st. Now, that would be a major change and an unfortunate thing. And we used to say "future generations". Well, people who retire in 2037 or 2038 they're already in the labor force. They're already paying into this fund. They need to know that it's going to be there for them, what their benefits are going to be. Now, we happened also to have this big general budget deficit. Social Security is not a major contributor to the future budget deficit, not nearly as much as Medicare or Medicaid, for instance, on the spending side. But it's an opportunity to face Social Security for the next couple of generations. And incidentally, serve [INDISTINCT], if you like, if they--doing so, however we do it, would make a modest contribution to reducing future deficits.

JUAN WILLIAMS: You think that despite of all the talk, and people do say, "Debt is too large, we need to reduce the size of government. Obama's a socialist by encouraging all these large social programs," if you just think, you know what, people are, in fact, willing to make changes to Social Security right now.
ALICE RIVLIN: We don't think of--we Americans, the fact is, people of the country don't think of Social Security. Most of us, as socialism, we think of it as the bedrock of a contributory retirement system. We need to have a good one.

JUAN WILLIAMS: All right, John, what do you--John, what are you thinking? Is America--again, people of influence, power, the policy-makers, the politicians, the voters, ready to make changes to Social Security?

JOHN ROTHER: Not on the short term and not under certain conditions. We're just started a national debate on Social Security and this is part of it, but I think most Americans haven't heard too much. They certainly haven't heard too much from their political loops. And so, if we're going to do something, and we probably should, for the reasons that Alice listed in the reasonable future, we have to have a major effort to get people ready and explain why and also formulate direction. Now, I was in the Congress working for a senator in 1983, and there were three things then that made it possible for us to enact Social Security reforms. One was, there was a sense of urgency. Two, the changes were very gradual, phased down and really did not impact current beneficiaries very much. Three, it's bipartisan. We need all of those, and that's going to take awhile till we get to that point. I'm not sure we're anywhere close to being ready to tackle it. At least, not to achieve those three conditions.

JUAN WILLIAMS: So what you're saying is in the short term 'no', long-term, hopeful--hopeful, you're hopeful about it.

JOHN ROTHER: Well, I do think, along with Alice, that if we can act in the next few years, we can make some very modest adjustments and keep Social Security strong. The longer you wait the more difficult…

JUAN WILLIAMS: But Alice thinks that people are ready, but you're saying people aren't ready.

JOHN ROTHER: I don't think they're ready today. They might be ready in another short period of time, a few years. But we need to really compare a lot more.

JUAN WILLIAMS: Madonna, from your perspective, looking at it in terms of the data, looking at impact on various segments of the American population, do you think that the people--and I'm imagining, because of the age, that most of the people who aren't recipients of Social Security benefits are voters. Are they ready to make any change--to accept any change to Social Security?

MADONNA HARRINGTON-MEYER: Well, I think what makes the attributing answer to this question is it depends on which changes we're talking about. So it's not that there's a group of experts with one clear path ahead. There's a whole lot of bickering, fighting, and different ideas about what should be done. What I see is that most Americans really support Social Security. They like it. They're part of it. They want it for their grandparents. They want it for their parents and they want it for themselves. But every semester I teach undergrad aging class. And every semester, I look at 45 new faces and all of them think, it won't be there when they get old. So, I think if we had a clear plan, people would be very ready to take action to vote in favor of changes that would stabilize the program and secure it, so that when the 20 year olds are 65, it's there for them. So, I think that the biggest issue before us is to make a plan that will stabilize the program and not undermine it. I think people are supportive of plans that would keep it if it's long (ph), that will help reduce the inequality in old age; and I think people are opposed to any kind of plan that looks like it's just going to undermine or weaken the program.
JUAN WILLIAMS: Really, so even though the young people think it won't be there for them, they want to strengthen it—it seems a little contradictory to me. Do you understand what I'm saying? They think it's not going to be there for them, what do they care?

MADONNA HARRINGTON-MEYER: They want it to be there for them.

JUAN WILLIAMS: They do want it?

MADONNA HARRINGTON-MEYER: But all they hear is that it won't be. A lot of what you hear on the news is that it might not be there. They want it for their grandparents, and they want it for their parents, and they would love to know for sure it's going to be there for them. Every semester, the students in my classes tell me how important it is for us to have respect for older people, how important it is for us to have economic security for older people. They want those things. But they just keep hearing that the program is in peril.

JUAN WILLIAMS: All right. Alicia, what do you think? Do you think Americans are ready?

ALICIA MUNNELL: Well, I think that Alice made one important point in the terms of a deficit reduction effort. Social Security is really small potatoes. The changes required to restore balance to the program are quite modest. So, this should not be a deficit reduction initiative, if we need to restore balance because people do think that this deficit—that it won't be there for them, and undermines confidence. And I think it makes people grab Social Security benefits early. So, we need to close the gap. There are ways to do it. My concern is that it shouldn't be done as—in terms of filling a hole a deficit hole. A Social Security is a key part of our current income system. It's the base, and we need to look at it and the other components such as employer sponsored pensions, which are now 401k's, which transfers all the rest to individuals. People really don't save on their own, so Social Security is a backbone of the system and we should keep that in mind, when we think about whether we should reduce benefits or put more money into the program. I—I think we should put more money.

JUAN WILLIAMS: I appreciate that. But I'm just saying to you, in terms of a very direct question that I'm asking, do you think that the politicians, the policymakers, the voters, are ready for this?

ALICIA MUNNELL: I don't—I agree with John. I don't think we've had the debate yet. And then I think it's very dangerous that there is a large group of people out there who think they're not going to get anything, because they are going to be too willing to accept cuts. I mean, what's the problem with cutting something if you're not going to get anything there in the first place? So I think we need to prepare people, have the debate, make clear the role that Social Security plays, and I think within…a year or two, people would be ready to make the changes that are needed.

JUAN WILLIAMS: In a year or two? In the midst of a presidential campaign?

ALICIA MUNNELL: Like—or three.

JUAN WILLIAMS: John, you were raising your hand.

JOHN ROTHER: Yeah, we know a lot about what the American people think today. We've got a lot of polling. AARP did a major poll in conjunction with the 75th anniversary. And we know that younger people very strongly support the program, even though they're skeptical about it for themselves, because they see the value to their grandparents, basically. If they knew more about
disability and survivor benefits, they'd also see the immediate benefit to them. And we also know that people today are not very confident about other sources of retirement income. They've taken real hits on their savings. They've taken real hits on the value of their home. Unemployment is a problem, especially for older workers. So, you know, what's left is Social Security. So in the midst of a weak economy, I think it would be very difficult to talk about benefit reductions when we keep seeing reductions everywhere else.

JUAN WILLIAMS: Well, that was your point earlier. You think that in short-term, people aren't ready to listen. Alice?

ALICE RIVLIN: I want to pick up on something that Madonna said, namely, that if some group of respected leaders, and preferably including members of the Congress and the Senate, were to come forward with a sensible-looking plan, that didn't cut benefits immediately, and no one's talking about cutting benefits immediately, that's a total myth. The last time we fixed the Social Security, we raised the retirement age so far in the future that we're still doing it. It hasn't entirely happened yet. So, and I'm not necessarily endorsing another increase in retirement age. But the things that people would--sensible people would think of doing would not affect people who are now retired or who are about to retire, at least not on the benefits side.

JUAN WILLIAMS: All right.

ALICE RIVLIN: So that--that a sensible plan brought forward, maybe before the next election, might actually command support.

JUAN WILLIAMS: So politically palatable would be that you don't increase or lower retirement age benefits for the current generation, and then you hope to win their political support?

ALICE RIVLIN: Yeah, and that's what people are actually talking about.

JUAN WILLIAMS: Okay. All right. So let me move to the second part of this Q&A with you guys. And, say, given your expertise on budget issues and given what we know is coming from the president's commission in December, where they're going to make recommendations about how to deal with the budget how does Social Security fit into that long-term budget picture?

ALICE RIVLIN: Well, we don't know what the president's commission will come forward with. I know that because I'm on it. And the current state of affairs is 12 out of the 18 members are sitting members of Congress, and they don't want to make any decisions until after the election, so nothing has been decided. But I do expect that some long-run changes in Social Security, both on the benefits side and on the revenue side, are likely to be part of a package on--and as I said earlier, not because they made huge contributions to the future deficit, though they make some, but because this is a convenient moment to do this, and the only better time to fix Social Security than this year is last year or the year before. The less we--the sooner we do it, the less we have to do.

JUAN WILLIAMS: Now, Senator Simpson has some controversial things to say.

ALICE RIVLIN: Yeah, Senator Simpson, whom I love dearly, should be more careful with what he says.

JUAN WILLIAMS:
So, John, given what Alice has just said, what do you think gives the public view of Social Security, long term?

JOHN ROTHER: Well, let me answer the question you asked Alice first, which is Social Security in a deficit, because we know the public has very strong views about this. And, you know, I think, while it's legitimate, certainly, to have a debate about long-term Social Security, doing it in the context of deficit reduction is a real problem. Three out of four Americans are strongly opposed to cutting Social Security as a way of dealing with the deficit. And talking about it in the same breadth as a deficit is making it harder, I think, to look at Social Security in terms of adequate retirement income, strengthening the program long-run. So, in a way, I think Madonna is right. You know, we need to get to more definition about where we're going, but doing it as part of the deficit is a real--I think that's a real issue with most Americans. So I think that's--it's not the way to start this. Most Americans think that the money they put into Social Security is there for their future benefits and is part of the rest of the Federal Budget. And now economists, you know, understand the relationship between the two. But I think most Americans really do see Social Security as self-financed and separate from the rest of the government.

JUAN WILLIAMS: So the public view is what?

JOHN ROTHER: Well, the public view is if we're going to tackle Social Security, let's do it by itself and let's do it as part of the retirement income.

JUAN WILLIAMS: So Madonna, I wanted to ask you to kind of take us to another level, where the rubber meets the road. How does Social Security really affect retirement plans for older Americans at this point?

MADONNA HARRINGTON-MEYER: Social Security is the single most important source of income for older people. And as Alice mentioned, private pensions are much riskier than they used to be and private savings were negative, last time I checked. So, Social Security is the single strongest program, the single biggest source of income. This is especially true for older women. Social Security provides 60% of all income to older women. There are some features about Social Security that I think sometimes people forget about that have made it really advantageous for older women and also for older Blacks and Hispanics who are lower income.

JUAN WILLIAMS: How old is an older woman? Because, you know, I'm getting older myself.

MADONNA HARRINGTON-MEYER: Well, for early reduced benefits, it's 62. And for full benefits, it's between 66 and 67.

JUAN WILLIAMS: So that's in retirement…

MADONNA HARRINGTON-MEYER: All have to be 67.

JUAN WILLIAMS: All right.

MADONNA HARRINGTON-MEYER: For one thing, Social Security benefit structure is redistributive. So, what that means is people who have lower earnings over their lifetime actually get a slightly bigger benefit than they would. The benefit structure purposely redistributes a little bit from higher earners to lower earners. This has been a thing that's been fortuitous for low income earners, mainly for older women or African-Americans or Hispanics. Also, Social Security has an actuarial advantage for women that people hardly ever mention. But women live,
on average, in this country five years longer than men but we don't make their benefits smaller because of that. And the third thing is that Social Security provides spouse and widow benefits. And so spouse benefits are equal to 50% and widow benefits are equal to 100%. Now, those rules are gender control and there are some men who get benefits to those programs, but it's still about 97% women who get benefits to those programs. So, those are the three features of Social Security that make it especially valuable to older women. And it's especially important, for example, for older women who are Hispanic and Black. So one-half of Hispanic and Black older women rely on Social Security for 90% of their income.

JUAN WILLIAMS: Oh.

MADONNA HARRINGTON-MEYER: Yeah. So if we mess with that program, we have to be constantly asking ourselves, "How will any changes we're making effect in particular older women, and particular older Blacks and Hispanics that had been low earners over their lifetime?"

JUAN WILLIAMS: So what I take from your comment is that if you want to reduce the cost of Social Security, we should do something to lower the benefits to women because they live long? Is that correct?

MADONNA HARRINGTON-MEYER: No.

JUAN WILLIAMS: Oh. I screwed it up again. You know, how journalists are. No. That was a good point.

MADONNA HARRINGTON-MEYER: I'm going to have to be a lot more careful.

JUAN WILLIAMS: All right. All right. Alicia, so given what we've just heard from Madonna, what do you know, from your work, about how Social Security affects decisions to continue working or to retire?

ALICIA MUNNELL: So, Social Security was introduced so people could retire. So it does enable people to retire. But I'm mostly concerned about the role that Social Security plays in our retirement income system. And it is the base on which everybody builds their retirement income, and as everybody has pointed out in the employers sector, the pensions are now 401k's and people have seen what had happened to those in the downturns. People do save a little on their own but really very little. The only way people save is through their house, and it's hard for them to access that. So, Social Security is the base we should be really careful about cutting benefits. And I think it's important to note that even under current law, Social Security is going to provide less relative to earnings in the future than it has in the past. And that's for three reasons.

As Alice noted, we're still facing in the increase in default that are not indexed for inflation or anything like that. So an increasing proportion of households are going to be subject to taxation on their income. You put all the stuff together and it means that Social Security is going to provide relatively less going forward. And as I keep emphasizing, the other two components of the retirement income stool are--have wobbly legs.

JUAN WILLIAMS: But how does it impact someone's decision to continue working or to retire, especially given the fact that we have so many folks who are about to get to that age, the baby boomers?
ALICIA MUNNELL: There's a sort of a bible-whole (ph) thing that the benefits are available at 62, those are reduced benefits. It would be much better if people postponed claiming those benefits, but they—a large percentage more than half of—that reach 62 grab their benefits right then. The reason for that is a lot of people have really awful jobs and want to stop working or have health problems or for some other reason. We really need an educational program so that people understand the benefit of postponing their retirement till 70. Your monthly benefit is 75% higher if you can wait till age 70 to claim your benefit than if you claim it at 62. So, people have every advantage to wait if they possibly can. But when the money is available, people tend to take it.

JUAN WILLIAMS: So what we know about Social Security at the moment is people take it as quickly as possible.

ALICIA MUNNELL: A lot do.

JUAN WILLIAMS: Preferring to retire earlier because of the system, because of the structure, and what you're suggesting is we should change the structure in some ways so that we would encourage people to wait to claim those benefits?

ALICIA MUNNELL: Well, I actually—working longer is my thing. I think that that's really the way to square the circle, and I...

JUAN WILLIAMS: Maybe you're saying that because men die sooner, right?

ALICIA MUNNELL: This is some gender bias..


ALICIA MUNNELL: No, I actually--I think this may come up later, but I actually would support increasing the earliest age of eligibility...

JUAN WILLIAMS: Right.

ALICIA MUNNELL: ...which is 62. I actually would move that to 64. So very—it's a controversial decision because it does very little for Social Security finances. It's disadvantageous to people who have shorter life expectancies like men.

JUAN WILLIAMS: So why do you want to do it?

ALICIA MUNNELL: Because I think for a large portion of the population, it's the only way to get them to retire later and I--this just sounds very materialistic, but they will be better off if they take their benefits later rather than earlier. That leaves a group of people who have no choice, who have outdated skills or can't—that have health problems or can't find employment, and we need to do something to make sure those who really can't work, half of it maybe to the disability program, seek some sort of support. Right.

JUAN WILLIAMS: Okay. I think that our fellow panels all want to jump in the house.

ALICIA MUNNELL: Yes, they didn't look happy.
ALICE RIVLIN: No. I was not looking unhappy. I think that Alicia has brought up the fundamental problem that we somehow have to face. People are living longer, and we are paying out benefits from any retirement system much longer than we used to. On top of which, a lot of people are much healthier and much more able to work in their 60s and into their 70s. But the problem is, this increase in health and longevity has come at the top-end of the income scale and more pronounced for people with higher education and more pronounced for Whites than Blacks and Hispanics. So, we have to figure a way that we could encourage people who can work longer to work longer but still figure out what we can do about to people who can't, and in some sense, who are not necessarily disabled, because we have programs for the seriously disabled, but who just are at a point in which they can't do a heavy job; construction, waitressing, whatever it is, for a full time.

The one--I agree with most of what Alice said, but I do think that the discussion is unreal in a certain sense because we're kind of in a bubble here in Washington. The members of Congress work long, you know, we--most of us with white collar jobs, you know, we can work longer. But unless employers are going to want to keep employees longer, unless they make jobs available for all the workers, this is a discussion that doesn't have a base of reality. And right now, we're not seeing too many employers asking their workers to stay on until later in their lives, and that would be great if we did. But we're not there. So, just raising the age of doing things that ask people to work longer may not be very effective unless we have a labor market that's ready to make use of these people.

JUAN WILLIAMS: Well Alicia, this is your point so you should respond.

MADONNA HARRINGTON-MEYER: Can I say something before she does?

JUAN WILLIAMS: Oh sure, just go ahead.

MADONNA HARRINGTON-MEYER: I'm not in favor at all of increasing the early retirement age. I would like to keep it at age 62 for many of the reasons that you've all just said. There is better health among--especially higher income and higher-educated people. But I'm a professor, we have great jobs. Professors work--professors die in their offices. But a lot of people don't have jobs that are that wonderful. And there's a new study by the Center for Economic and Policy Research that show that one-third of all workers ages 55 and older do physically demanding jobs that are so demanding, they're hard to do at age 58, let alone 62 or 64. So, I actually think there's a problem for age 62 already with people who have difficult positions, who are hard to maintain as they've aged. And I also think that employers sometimes don't want older workers around.

So, years ago I did a study of retired auto workers. We talked to men who were young. And they were telling us how--because the employers were trying to push them out, they reassigned them. So, they had worked their way up to a particular position over the years but because they were trying to get rid of them, they made them do heavy lifting or carry things up and down steps, jobs they knew they wouldn't be able to do because they were older. And I had a student in my class just last week that told us how her father retired because he was forced by his employer to reassign the auto workers to physically demanding jobs with the hope of getting them out. And these aren't people who are 62 to 64. These are people who are 55. So I have a lot of concerns and so--you know, my hope is that--the first part of what I wish to propose is that we educate people to understand how economically fortuitous it is to stay in the labor market, I'm all for that part.
ALICIA MUNNELL: They are. So here's the deal. It's very hard to work for 40 years, raise your family, educate your family and save enough money to spend for the next 20 years when they're not working. And that's the average. And there's a 50% chance that one person out of a 65-year-old couple's going to live into their 90s. So some people might have to support themselves for a very long time. And this has been changing over time and, yes, the improvements have been greater from higher income, but health and longevity improvements have also been happening for low income. So the whole group is moving forward. And I think that we're going to have to change this ratio of how much time we work versus how much time we have in retirement. This doesn't have to be necessarily done for Social Security, but this has to change over the long period of time. And we are seeing changes. For a long time, there was a decline in the work effort of older Americans until about the early 90s. And now it's starting to increase somewhat, and it has to do with a lot of things. It has to do with the incentives in Social Security.

It has to do with the demise of defined benefit plans which have real incentive. It has to do with people are healthier. It has to do with the fact that jobs are physically demanding. It has to do with fear, because--with healthcare the cost is so high, people don't like that period before they're eligible for Medicare, and that helps keep it, so there's a whole host of reasons. But retirement ages do change, and these are increasing. I don't think we should spend the whole time on this proposal of increasing the early retirement age. I think we all agree that people have to work longer and probably have some different mechanisms for doing it. And I'm actually--I just want to be clear--I'm not for cutting much on the Social Security benefits side. So that is just--I threw that out because working longer is crucial.

DON MATHIS: Don Mathis, Community Action Partnership here in DC. The notion of means testing, everybody throws up--Warren Buffett, why does he get a Social Security check? I know he doesn't have to, but that's his business. But should there be means testing for Social Security?

ALICIA MUNNELL: I think means testing of Social Security--explicit means testing other than taxing the benefits would be a terrible idea. I think the strength of Social Security is that everybody can [INDISTINCT], and Warren Buffett gets a benefit. It's not a huge benefit, but it's a benefit, and it's--Bob Ball, who was mentor to us all, used to say, "Programs for poor people are poor programs and the programs that we designed for ourselves are good programs. We index them to keep up-to-date with inflation and the design will..."
JUAN WILLIAMS: But the point--I think that point, though, is that it was an entitlement program, it has less political support, right? It's got...

ALICIA MUNNELL: No, I think if it has an entitlement program, it has more political support.

JUAN WILLIAMS: Right.

ALICIA MUNNELL: We all can. We want our benefits.

JUAN WILLIAMS: That’s what I spoke rather. But, yeah, you mean that if--it's--if everyone gets it, there's more political support.

ALICIA MUNNELL: Right.

JUAN WILLIAMS: If it becomes means tested, there's going to be less political support.

ALICIA MUNNELL: Right.

JUAN WILLIAMS: But on the other hand, given what you were saying a moment ago, it doesn't make sense for people who have high earnings to get the benefit.

ALICIA MUNNELL: High--but first of all, I--who--I never know who we're talking about when we're talking about high earners. The cap on Social Security is like $106,000...

JUAN WILLIAMS: Right.

ALICIA MUNNELL: ...and it may be used--that's--a lot of people have a hard time making it on $106,000. So that's the max when I'm paying you payroll taxes. So those people knew that [INDISTINCT] just as much as everybody else. So, I think they should be part of the program and you shouldn't mean steps the program; it will undermine support for the program and so that's a terrible way to go.

JUAN WILLIAMS: All right.

MADONNA HARRINGTON-MEYER: I'm with Alicia 100%.

ALICIA MUNNELL: Yes.

MADONNA HARRINGTON-MEYER: I'm completely opposed to [INDISTINCT] as well. There's a fantastic book by a scholar named Suzanne Mettler. Actually, I forgot its name. But it is--what she did was she interviewed people from World War II, and she asked them about what it was like when they came back from World War II. And she waited to see if any of them mentioned the aid benefits, and what she found was that they all mentioned the aid benefits. And what they talked to her about was we admit that the aid benefit is a way to thank the military people but they felt indebted for the benefits. And what they talked about was we got help with college, we got help being moved to our first houses, and we knew we had to give back to this country our whole lives. And that it’s a very powerful book and it really shows how when we work together as a group in a social contract like that, people feel proud to be Americans. They feel proud of our government. They feel proud that they served a country that's going to help take care of...

JUAN WILLIAMS: Yeah, that's--but that's not the point. The point is can we afford it?
MADONNA HARRINGTON-MEYER: But Social...

JUAN WILLIAMS: Why is Warren Buffett getting us Social Security?

MADONNA HARRINGTON-MEYER: The Social Security is also a social contract. This is a thing where you're paying your whole life and you get benefits out at the end. And Bill Gates should get a benefit if he wants it and Warren Buffett should get a benefit if he wants it; they paid them. They paid it the whole time. So, of course, they should get a benefit. So I'm completely opposed to means testing because it makes it divisive.

JUAN WILLIAMS: Alice is dying to get in.

ALICE RIVLIN: I am not another proponent of means testing. I think everyone should get a benefit but that doesn't mean we couldn't make Social Security even more progressive than it already is. Somebody made that quite early on that lower income people get a higher replacement rate and that could--we could put it in another bend point, as they say, to reduce the high-end benefits a little bit. We could also raise the CAP to which the tax is applied from 106 gradually higher. At the time that the system was set up, 90% of earnings were taxed for Social Security. Now, because high-end people have made more money compared to the lower-end; that percentage has slipped so that the only something like 83% of total earnings are covered. One could move that back up gradually over time to their--it used to be. Both of those would give high-end people slightly less benefit over their lifetimes, but it wouldn't make it a means that could...

JUAN WILLIAMS: So you're all opposed to means testing, is that right?

ALICE RIVLIN: Well, if means testing means you have to prove you're poor to get it.

JUAN WILLIAMS: Okay. John?

JOHN ROTHER: You know, it's interesting that you use Warren Buffett as an example. I'm pretty sure Warren Buffett declines its check, you know, and that we should probably ask millionaires to refund their checks to the system on a monetary basis, but it wouldn't make any difference to the financing of the system. There are so few people at that level; it's insignificant in terms of Social Security financing. You can only affect Social Security financing if you get down well into the middle class and there, we have a big problem. So I think mean assessing is not a solution to Social Security finances. It would undermine the rationale and the political support for the program. On the other hand, it wouldn't hurt if we ask the really rich to contribute back.

JUAN WILLIAMS: Well, you just said something really important that you said even if we did it, it wouldn't help the financing of the program significantly.

JOHN ROTHER: Not at all.

JUAN WILLIAMS: Not at all?

ALICE RIVLIN: If you really think.
JOHN ROTHER: Yeah. I mean, Warren Buffett could refund his check the rest of his life and you'd never even see it on the--on the calculations. It wouldn't show at all; our people at that level.

JUAN WILLIAMS: Okay, next question. I don't see--oh, here we go.

KEY LEISTRA: Good morning. Key Leistra (ph) with WorldAtWork. And something that Alicia and Madonna touched on was the idea of, you know, financial education is educating our older workforce about staying in the workforce, but what about our younger people? As someone who's under 30, I, you know, pay into my Social Security but I also have a 401(K) and a Roth IRA, whereas I'm looking, you know, when I retire hopefully after a long career that I'm saving and that Social Security is there as kind of the backstop that isn't going to be my sole means for retirement. So what do you think that we could be doing better or, you know, the group, you know, between, you know. 21 and 35 to make sure that they're saving, that they understand the importance? Because I think both of you made a comment that people aren't saving, which I think is true, but how can we change that so that then we're more secure as we get older and if we retire?

JUAN WILLIAMS: So, I guess the point here--well, first of all, how did you get in here? Okay. Let's--since you're in here, your point is that you want to increase other sources of income for the--for seniors so that when they're not so dependent on Social Security and then we can make changes to Social Security?

KEY LEISTRA: My point was when Madonna brought up the point about how young people in her class say, you know, "Social Security is great for our grandparents and we don't think it's going to be there." I mean, I'm of that mind of; you know, I look at our Social Security benefit report just came out last month. But I looked at it and say, "Well, gee, that's nice, but I don't think it's going to be there, so I'm doing other things." But then to their other comment that people aren't doing other things and they're only relying on...

JUAN WILLIAMS: Right, because you all said people aren't saving.

KEY LEISTRA: Right.

ALICIA MUNNELL: The Center for Retirement Research at Boston College is actually undertaking a big financial education initiative. And a part of it is--a part is looking at new retirees, part of it is at looking pre-retirees, but part of it is going to look at new entrances, the labor force. And it's really important that you can start saving early. The difference between starting at 25 versus 35 versus 45 makes a big difference. If you're doing it now, you're an exception. People aren't very good at contributing to the 401(K), and if they do contribute, they tend to cash out. We've not only have--need education but we need widespread adoption of all these automatic mechanisms so that you're already automatically into the plan, your contribution rate automatically increases. But I also think we've got to get Social Security's financing straight so that there's no more discussion of whether it will be there for you or not be there for you.

I agree with it. I think everybody on this panel wants it put on a solid basis so then we can focus on how much you've saved in your 401(K) and how much you're saving off through [INDISTINCT].

JUAN WILLIAMS: But your basic prescription is automatic deduction.
ALICIA MUNNELL: Oh, automatic is good.

JUAN WILLIAMS: Okay.

JOHN ROTHER: I want to just build on that point. Half of the work force in the United States today has no pension and no automatic way to save for the future. And so we're, you know, preaching 'til we're blue in the face, take your paycheck and walk down to the bank and put it on a long term account; it doesn't happen. So, automatic features are absolutely crucial. There's a bill in Congress today to establish automatic IRAs. It's not down to--not the end of--it's not the total solution but it's a start and it gets people used to the idea from the very first that they need to put money away for the long run. There's also a problem of people taking out the money prematurely even if there's a penalty especially in today's economic environment. And sure, people have emergencies, but they're really hurting themselves in the long run when they do that. So--but we have a long way to go to build on the foundation that Social Security establishes so that people can really have the output to retirement.

JUAN WILLIAMS: Well, so one idea here is automatic deductions, you're all for that, but the second point you're making is about educating workers about the value of saving and investment.

JOHN ROTHER: And we're--let's face it, we're up against human nature. About half of people do not think long term. They think of immediate gratification.

JUAN WILLIAMS: But these are Americans, right, because we see higher savings rates elsewhere in the world.

JOHN ROTHER: Well, elsewhere in the world, people have more generous Social Security systems as well. So, we are more dependent on individual savings than most other countries.

JUAN WILLIAMS: You would think that would make for a higher savings rate?

JOHN ROTHER: You would think.

JUAN WILLIAMS: So in what--so in AARP--is AARP doing anything to encourage people to save money?

JOHN ROTHER: Yeah, absolutely. And we're trying to get people who are retired today and talk to their children and grandchildren.

JUAN WILLIAMS: But it sounds like lecturing.

ALICIA MUNNELL: Lecturing doesn’t work.

JOHN ROTHER: Yeah. That's like--what we really need to do is get every employer to establish an automatic deduction system so that people don't even have to think about it. Just has…

JUAN WILLIAMS: And that's part of the pending legislation?

JOHN ROTHER: Yes.

JUAN WILLIAMS: All right. Another question from the audience?
JOHN BREYAUT: Hi, John Breyault with the National Consumers League. As more baby boomers--this is a question to the whole panel. But as more baby boomers get closer to the age where they're supposed to be drawing Social Security benefits, does it get harder politically to make a reform in the system? In other words, won't they just say, "What are we missing? Budget must be a good thing." I guess this goes to the question earlier on when you said about timing, we're ready for it.

JUAN WILLIAMS: Who do you want to answer it?

JOHN ROTHER: It's to the whole panel.

JUAN WILLIAMS: Okay.

ALICIA MUNNELL: So, I mean, any proposal that's always sort of exempting people sort of 55 and over, I think that the sooner that we do this, the better; that having a whole--if you--it needs to be explained to baby boomers approaching retirement that their benefits are not going to be cut. Because--or else you are going to have this huge negative reaction which just goes back to this point that John made earlier is that we do need to have a debate and then we do need to sort of coalesce around some sort of general plan. I thought the point that Alice made about taxing, raising cap on the tax basis is something that probably all of us agree on. Not taking it off completely, but sort of going back to the 1983 level and that gets you gradually--very gradually.

JUAN WILLIAMS: And what was that about?

Where you had 90% of earnings covered in financing what income would you have to raise this?

ALICIA MUNNELL: It'd be like a 160?

MADONNA HARRINGTON-MEYER: Was it kind of 40 [INDISTINCT] 150?

ALICE RIVLIN: About 189.

ALICIA MUNNELL: Okay.

JOHN ROTHER: Right, right. Well, if I could, you know, [INDISTINCT] that people near retirement shouldn't be touched because their expectation is they don't have much time to adjust. But in reality, it's not quite as simple. Let's take 1983 again as the example. There's a change in the column that affected everyone immediately. And, you know, do revenues, we need--we're going to need revenues and that's going to affect everybody right away. So it's not quite true that we can completely protect people in or near retirement. But certainly, the major changes, we should protect it. We should respect the fact that they have certain legitimate needs and plans, and that they cannot be adjusted in short order.

JUAN WILLIAMS: Just to sort of play the skunk at this garden party, why is it that if you ask those very same people about, let's say, having an annual healthcare plan, they're the biggest components? Why is it if you ask them about the size of the deficit, they're the ones who say, "Yeah, we've got to cut spending right now?" But you're saying to me, "Oh, but they won't tolerate any cuts in their Social Security benefits."

JOHN ROTHER: No, what I'm saying is you got to do it carefully. But I think the main thrust of these changes, whatever they are, should be directed at people who've got plenty of time to make
adjustments in the plan for the future. It would be unfair to change the terms of the deal for people who are already retired or near retirement.

JUAN WILLIAMS: Another question?

We have the next one, Heidi Hartmann.

HEIDI HARTMANN: Heidi Hartmann, Institute for Women's Policy Research. I would like to thank you all. It's fun for me to see you disagree; it's great. And--but I do think that someone said, "Well, we all agree probably that people should be encouraged to work longer," and I'd like to challenge that idea. We're already, I think, the hardest work in society on earth. We've outpaced the Japanese a few years ago. And as we've had economic growth over the history of our country, we ought to be able to take advantage of that growth and have more leisure time, not more work time. So raising the retirement age already to 67, I think we should pull that back and keep it at 66. We don't know what the social effects of that increase in age is already. And for people that go around talking, "Oh, we should raise it to 70," when you don't even know--you've done this major change to 67 and you don't even know yet who it's impacting negatively and how much it's costing us. Plus we have a jobs problem. You know, it'd be great, I mean, when we allow them to retire at 62 and a sudden they said, "Great, that's two million more jobs for young Americans." So it's not at all clear to me that we should be working longer. Plus the idea...

JUAN WILLIAMS: Now, hold on. Okay. So, your point is about, "Let's not increase the retirement age." And now, who do you think--like, who has a different point of view on the panel?

HEIDI HARTMANN: Specifically, I'd like to ask Alicia about her advice that people should work longer rather than [INDISTINCT].

JUAN WILLIAMS: Okay. So, I think it was Alicia. Go ahead.

HEIDI HARTMANN: …Because Social Security has set this actuarially neutral. It shouldn't make any difference whether you retire at 62 or 70 unless you're going to live longer than average.

JUAN WILLIAMS: All right, that is not controlled. I mean, their part of the benefits increase if you wait longer.

HEIDI HARTMANN: Yeah, but you might not live. I mean, [INDISTINCT] are going to live longer than average. The other half of people are going to die before it happens.

JUAN WILLIAMS: All right, so let's give Alicia a chance.

ALICIA MUNNELL: So, Heidi, a couple of things; I don't think anybody has said anything about increasing the full retirement age here. I unfortunately mentioned the early age of eligibility, but the key thing is just the arithmetic. We are trying to support our families for 40 years, and during that time, save enough money to support ourselves for 20 years on average in retirement without working at all. The arithmetic doesn't work. It's not possible. So we're going to have to change that ratio of working years to retirement years and how we do it and who does it, we all need to figure it out. But the arithmetic doesn't work out if you don't change how long people stay in the labor force.
JOHN ROTHER: Now, this is an international phenomenon. Other countries are raising their retirement ages; although in France, it's...

ALICIA MUNNELL: For instance, what?

JOHN ROTHER: But...  

JUAN WILLIAMS: What's their retirement?

ALICIA MUNNELL: I think you're going from 60 to 62

JOHN ROTHER: But people are marching in the streets to keep it at 60. But the point I meant to Heidi is that although it doesn't--age retirement doesn't really make much difference in Social Security financing, that makes a huge difference in adequacy, and we should be probably focusing a whole lot more on adequacy and not just solvency. And adequacy of benefit over time especially for women is really at risks for all the reasons that Alicia outlined earlier.

JUAN WILLIAMS: Did you want to answer it?

HEIDI HARTMANN: No, that's for them.

JUAN WILLIAMS: All right. Another question?

MARK GARTH: Okay, Mark Garth (ph), I'm working with MBO Partners. I'm a recovering economist. I work on a tax projectbrookings and at one point, it was on GDP. I have done some research. Well, just looking back into things and one of the fundamental causes that the problem with Social Security was some of the unfunded obligation that Congress put on the Social Security administration. They gave the military from World War II and up until 1958, tax credits without any--without any contribution to those, and so, $160 a month for each month that they were in active duty. And when I figured that out, it's about double what the average collector--the average person was making at that time in each way back in [INDISTINCT] was very small group of people who were actually in that--in that group. In other words, the Congress were making these obligations, these entitlements, where they're to contribute to this. This was strictly for workers. And so I think it's--we need to kind of pull back and take a look at trying to recoup some of that. I think that the [INDISTINCT] tax money should have gone into repaying this obligation, keeping the sum sort of--for me, if somebody else could address this, we might know a little bit more about the background on it. One other thing is that this group of people are actually, you know, a lot more disabled in some ways. We're receiving a lot more of these benefits and their families are receiving a lot more of the benefits if they were injured or died in the [INDISTINCT] period.

JUAN WILLIAMS: It's still true that they don't have to pay in?

MARK GARTH: This was up until 1958.

JUAN WILLIAMS: Oh, it stopped?

MARK GARTH: Right. And then the military started contributing themselves.

JUAN WILLIAMS: Right.
MARK GARTH: My understanding when I was working on the GDP is that the Department of Defense did not contribute until the [INDISTINCT] agreement, I guess, through Congress...

JUAN WILLIAMS: Right, what I'm saying is also in terms of the question is if it stopped, what is it that you would suggest?

MARK GARTH: Well, I think that the Congress owes the American--us, people, who are paying in to Social Security some benefit we're having with this whole group of people entitled this huge number...

JUAN WILLIAMS: Well, what benefit would they give the American people as a result?

MARK GARTH: When they get the--it would be putting money back into the Social Security...

JUAN WILLIAMS: Oh, the government should just grow additional money into the Social Security System, you're saying?

MARK GARTH: They should be contributing out to general fund. They should not have had an unfunded contribution.

JUAN WILLIAMS: I understand. Well, so, Alice, you're our budget expert here but, I mean, the idea that that would again entangle Social Security with the general fund.

ALICE RIVLIN: It may have been a mistake, but it was corrected in 1958 and taxing current taxpayers to--on the income tax to pay for this benefit just strikes me as a political non-starter and not very important in the future of Social Security.

JUAN WILLIAMS: Does anyone differ? Okay, another question?

JANICE GREGORY: Hi, Janice Gregory with the National Academy of Social Insurance. And I've been doing a little looking back just to get my head around certain factors and I want to talk about one thing I've discovered. It was--it kind of brought me up short because I hadn't realized it before. And that has to do with the Social Security tax right--which is now 6.2 million OASDI rate. When I went back and looked, the 1972 amendments which indexed the program had increases in the tax rate scheduled out over time including one in 2015. Now, the program in the '70s got caught up in high--a very high inflation problem with high unemployment. In '77, there was a change which brought those tax increases back and also increased them a bit and we wound up with a 6.2% tax rate in 1977. Okay? We went through the 1983 amendments, there was some other proposals floating around, but in the end, the 1983 amendments had an increase in the age, but no increase in the tax rate for the long term. So basically, we've had the same--although we've known clearly since 1972 that this baby boom was coming along, there would be an increase in the number of people. The tax rate has remained the same since 1977. So, I'd start off with Madonna in terms of your students, where you think they would come down on a higher tax increase somewhere down the road, I'm not talking about tomorrow.

JUAN WILLIAMS: Okay. Madonna...

JANICE GREGORY: But--and then others, if they would like to comment and...

JUAN WILLIAMS: Sure. Let's go into the end.
MADONNA HARRINGTON-MEYER: So, whenever people talk about how should we restore Social Security solvency for the long haul, one of the things people talk about is raising that tax cap on earnings, which Alice has already talked about, which I support. Another thing people talk about is raising the FICA tax by 1%, and I actually do support that idea and my students support that idea. So, I mean, that's 45 kids, that's not all of them but I'm actually supportive of that.

JUAN WILLIAMS: Well, hang on, John. Well, hang on, John, do we know from any polling that you guys have done if--would Americans support--was it 6.2 then to 7.2?

JOHN ROTHER: Well, right now is a tough time to talk about taxes, but nonetheless, if posed as a trade-off, lower benefits or paying more in that, there is a majority for paying more than that.

JUAN WILLIAMS: Yeah. But now, all people say, "Yes," but that would be only young people, right?

JOHN ROTHER: I'm talking about people under 50, between 18 and 50, those majority for paying more now as opposed to accepting lower benefits…

JUAN WILLIAMS: Okay, that's critical.

ALICIA MUNNELL: And with your [INDISTINCT], it would be 6.2 or 7.2 if the 1% combined from the employer and the employees, so that's half a percent on each.

JUAN WILLIAMS: On each.

ALICIA MUNNELL: Yeah, and I think almost everybody, the panel, will support something like that, right?

MADONNA HARRINGTON-MEYER: And it's also--and in part you remember that and, you know, that we do have to get to the baby boomers, but then the generation is stabilized. You know, when you show the population pyramid, it's quite a straight line pretty straight down after the baby boom. And so, I think most people think that the FICA tax would return back on 6.2 after some 20 to 30 years. Is that correct?

JOHN ROTHER: No.

MADONNA HARRINGTON-MEYER: That we could return it?

JOHN ROTHER: No, the people think that the baby boom is a temporary phenomenon; it's not. It's a permanent change in the age distribution in our population that will go on as far as we can predict in the future. But we're never going to go back to where we were. So, you know, that's--we can't go up and then down.

JUAN WILLIAMS: But--well, you have a little bit of thought of what it used to be.

MADONNA HARRINGTON-MEYER: Well, I mean, it's true. The population got bigger and then it pretty much is a straight line from then down.

JANICE GREGORY: I think the reason can be permanent, so the change has to do with birth rate. The birth rate is…
JOHN ROTHER: Plus longevity.

ALICIA MUNNELL: And longevity.

JANICE GREGORY: Plus longevity; those are the things that change.

JUAN WILLIAMS: But your point earlier in treating was just you said, "This is not a good time to have any discussion about taxes." So, would people view this as a tax increase or they view it as a way to save Social Security?

JOHN ROTHER: No. Probably the latter, but it will be characterized as the former. But I think most people look at their contributions to Social Security the way they look at their payments to life insurance or health insurance, other things, as kind of separate from other taxes. But of course economically, it's the same and it will certainly be characterized as a tax increase, but…

JUAN WILLIAMS: So can you win that fight?

JOHN ROTHER: Maybe as part of a broader package. I think, frankly, we have to have that--we have to win that fight or we're not going to be able to strengthen Social Security for a long time.

ALICE RIVLIN: I'm not necessarily opposed to a modest increase in the payroll tax rate combined with an increase in the--in the cap. But we got to remind ourselves Social Security is a progressive benefit structure supported by a regressive tax and there is a question whether we want to increase that regressive tax. The opposition, however, to taxes for Social Security I think may be much less than general tax rate increases. We just saw that the cap came off the Medicare tax entirely and there was almost no--nothing in the press about it or nobody has picked up the banner and said, "This is a horrible tax increase." It just happened.

JUAN WILLIAMS: I have to tell the people the facts about it.

JOHN ROTHER: So, one other--one other point that I thought that Alice would make us all channel Alice Rivlin here. You know, this isn't the only problem we face as a country. We have out of control healthcare cost increases that are going to require more taxes. We have a budget deficit that's quite serious and that's going to retire--require taxes. So, how to stage Social Security in the context of these other events? I think that's a serious issue. And we can't just talk about Social Security by itself without acknowledging that we're going to need more money for healthcare and we're certainly going to need more money to get our physical health support.

JUAN WILLIAMS: What is the outstanding--or consensus about how much that tax rate might be raised and succeed in getting through the Congress?

JOHN ROTHER: For Social Security?

JUAN WILLIAMS: Yeah.

JOHN ROTHER: Well, I think if it was very gradual, you could do half a percent on the employee, half a percent on the employer…

JUAN WILLIAMS: So one percent is the number?

JOHN ROTHER: And you would solve a majority of the long-term problem.
JUAN WILLIAMS: So, that's the consensus and that's likely what the plan would be?

JOHN ROTHER: Now, I think we're looking to Alice for the plan.

JUAN WILLIAMS: Yeah.

ALICE RIVLIN: I would say that no, there's no consensus because it's hardly been discussed. The schedule has been mostly about raising a cap, which has the effect of being a marginal tax increase on a fairly limited group of people. Now, the people who make more than $106,000 a year…

JOHN ROTHER: Every member of the Congress.

ALICE RIVLIN: …which is every member of Congress. But it's a lot of both pretty vocal, pretty influential people and it's a big marginal tax. So, one might look at the trade-offs between that and the rate increase, but to my knowledge, there's no consensus formula yet.

ALICIA MUNNELL: Juan, can I just make one point?

JUAN WILLIAMS: Go.

ALICIA MUNNELL: It's that none of us who are sitting up here believe there's a silver bullet. If you want to restore balance, you either have to put more money into this program or cut the money going out of this program. So, the debate has to be about which we want to do and it has to be in the context of making sure that people can actually stop working and have enough money to support themselves. And so, that's what the debate is. We have not--there are no tricks. There's only tax increases or benefit cuts.

JUAN WILLIAMS: Right. But Madonna was making a point earlier.

ALICIA MUNNELL: The third one?

JUAN WILLIAMS: That you had different segments of the population, for example, women, higher rate of dependence; minorities, higher level of dependence, higher rate of poverty. So, it can't be a blanket action. It would have to be quite--it would have--you'd have to discern who is impacted in what way and then go out of your way to try to meet those needs, is that fair?

ALICIA MUNNELL: That'd be exhausting.

JUAN WILLIAMS: Well, that's what--I think that's what you were saying.

MADONNA HARRINGTON-MEYER: But if you think about--I mean, I'm not for making Social Security a poverty-based program or redirecting Social Security toward the poor in particular. My goal is to have the program be strong for everybody, and when we do that, that flips all the boats, that keeps everybody; the lower income people, higher up as well. So, I think it's imperative that we do things that restores the program for everyone and not try to make it a poverty-based program. If we make it poverty-based, people will start to oppose it. They will be politically divisive. Right now, it's politically solitary, people are supportive of it.

JUAN WILLIAMS: But to get back--but your earlier point was that those people have greater needs at a younger age.
MADONNA HARRINGTON-MEYER: What I was saying was that older women in particular would lack Social Security more than older men, and that older black and Hispanic women in particular are really likely to rely on Social Security.

JUAN WILLIAMS: At a younger age?

MADONNA HARRINGTON-MEYER: I didn't say they'd do it at a younger age. I think they maybe do retire a little earlier, but yes. When you think about this situation for older black and Hispanic women in particular, they have the smallest Social Security benefits, they have the smallest private pensions, and they have the least savings. They've had a lifetime of being the lowest paid people in the country. And so that is a group I'm particularly concerned about. My actual--it's--I'm just nervous even to say this, but here we go, I actually support a broad minimum benefit, so that there's a line below which nobody goes. As long as you've contributed to the program and you're fully eligible for the program, that there would be a decent size of minimum benefit that would keep all lower income people at a certain level.

JUAN WILLIAMS: And there is no minimum benefit now?

MADONNA HARRINGTON-MEYER: There's a special minimum benefit right now, but not too many people actually get it. I'm looking for broad-based minimum benefit, a line below which nobody would go. I'm nervous to bring it up, but that's really what I...

JUAN WILLIAMS: You're making a research...

ALICIA MUNNELL: You know what? It's a horrible position because you have to sort of say, "I'm against supporting..."

MADONNA HARRINGTON-MEYER: Right.

ALICIA MUNNELL: "...poor people. But I'm against supporting poor people through the Social Security program." It's an earnings replacement program. I think it gets dangerous when you get too much emphasis on fund to make it an anti-poverty program. So, I don't think we'd need to go off on a tangent on this but there's--it's a controversial position it is that Madonna stated.

JOHN ROTHER: In addition to that, majority of people who are older and have very low incomes are people who were not lifetime workers. They were people who are in and out of the labor force or worked for shorter periods of times and that's the reason they have very low benefits. So, again, going back to Alicia's point, if we're going to make this about earnings replacement, which it should be, the fundamental problem is people didn't have enough earnings over a long enough period of time.

JUAN WILLIAMS: Okay, we have another question.

RUTH: I'm Ruth [INDISTINCT] Customer Action. My question has to do with savings. Historically, I think we all agree that people haven't saved and aren't saving, but I wonder if there's some sort of sea change going on. In the last year or so since this financial crisis, the last two years, we've been dreaming about that people are in fact saving in ways that they haven't. So, are we at the beginning of some sort of sea change? Do you have any reason to think that?
ALICIA MUNNELL: I think what we've seen is the savings rate is turning up from a negative position. And I--what, essentially, people were doing is they were borrowing from their house and spending more than their income. And they can't do that anymore and they were also scared. So, I think it's a reaction to the financial crisis. I don't think that we are seeing a great sea change in terms of saving it for retirement right now that is going to last for any period of time. Alice?

ALICE RIVLIN: I don't think we know but I can only say, "I hope so," because of what the Great Depression of the 1930s did was convince a lot of people to be very cautious about spending. That generation were savers and they didn't have credit cards that they went out and spent a lot on, and they told their children, "Don't do that, it's dangerous." Now, it took two generations to erode that caution, but my hope is that the crisis of the last couple of years has, in some ways, restored it.

JUAN WILLIAMS: Another question.

Hi. Donna [INDISTINCT] from Generations United. And I have a question for the panel and then a request of you one. The question for the panel is as we were talking about Social Security, one of the things we've not really touched on a lot is what we can do to strengthen the program and how we can encourage a really healthy debate about changes to Social Security. And at Generations United, we would lobby for reinstating the student benefit, for example. So, I'd like to hear what your thoughts are on how we can--rather than look at how we defend what exists, how we can strengthen it to make it grow even further in the future.

JUAN WILLIAMS: Great. Hang on. So, that student benefit--how would you change the student benefit?

We would reinstate the student benefit which was eliminated back in the '80s.

JUAN WILLIAMS: So, what do you guys think about this?

ALICE RIVLIN: The reason it was eliminated was that we had created the Pell Grant Program and other benefits for students and it was thought to be duplicative. Now--and I think that's still the right reasoning. If I want to help students, I'd really rather do it through the government program than through Social Security.

JUAN WILLIAMS: How would your students feel about that?

MADONNA HARRINGTON-MEYER: I don't know enough about this particular issue to talk about this. I think there's a great study done by NAS recently that showed that a third of the young people who would have received the student benefits didn't go to college because that wasn't there for them. So, I do think that there's a really important role that it plays and they're just a remembering examples, including members of Congress, that of where they are today is because that student benefit was available.

DANIEL MARINCH: I'm Daniel Marinch (ph) from Social Security Works, but my views don't represent those of the organization. And sort of along the lines of what Donna was saying, if we all have concerns about the adequacy of benefits and yet, it seems the entire solvency issue can be eliminated on a revenue side either by lifting a cap, eliminating it entirely--which, as we said for Medicare, did not cost a political eruption--or somehow playing with the payroll tax rate; why not take benefit cuts of any kind off the table, including an increase in the retirement age, which we know would disproportionately hurt blue-collar workers that many of whom for whom--through
whom many retiring early is not a choice? And so, I would pose that question, if it seems that the revenue changes are that sort of relatively painless. It seems that--and that's the way [INDISTINCT], he said that the changes should be done in the revenue side.

JUAN WILLIAMS: So that would increase the tax rate specifically?

DANIEL MARINCH: There are any--there are any number of different possibilities. I know that Bob Ball talked towards about freezing the estate tax at 2009 levels and dedicating it to Social Security while in addition to diversifying the funds in which the Social Security administration itself wouldn't invest it's money. But we can't even do that and continue to increase benefits, do things like reinstate the student benefit. NASI put on a publication called Fixing Social Security, Adequate Benefits, Adequate Financing, and it goes through all the list of possibilities.

DANIEL MARINCH: And really, the revenue side changes make the biggest dents. And it--yeah, so, it's one of the possibilities.

JUAN WILLIAMS: So, what do you think? You just take everything off the table and focus on the revenue side, is that, politically, a winning ticket?

ALICIA MUNNELL: I personally think that it's got to be viewed within the context of the retirement income system. I would put most of the emphasis on raising additional revenues and not on cutting benefits. But to say we should freeze the system forever and not ever adjust, I'm not in favor of increasing the normal retirement age or full retirement age, but I could see some argument for indexing it very gradually as life expectancy increases in the future, right? A couple of months for every two years or something like that. So, I think the idea of taking everything off the table is probably not workable but I certainly think the adjustments should be made on the revenue side and not on the benefits side. We're all going to--we're going to need it, our children are going to need it, and our grandchildren are going to need it. And it doesn't provide that much. The average benefit is $12,000. It's just not an extraordinarily generous program.

JUAN WILLIAMS: But is that politically feasible? Is that something, you think, that would allow people then to accept?

ALICIA MUNNELL: Well, I think--as John's point in the beginning is I think that we need to explain to the American people what's at stake here, that this program needs to be fixed. There's only two ways of fixing it. You put in more money or you put--you cut all of it down on how much is going out. Let's think what we want to do. Let's think what other sources of retirement income we're going to have. Are those going to be adequate? Do we want to put our money into the program so that we have a solid base, or do we want to do some other kind of arrangement? But if you're going to live 20 years without working you need a lot of money.

ALICE RIVLIN: I'm going to put it back at another point that John made which was we can't view Social Security in isolation. This is a room full of people who care about Social Security, that's why we're here, and that's why we came, and we want to think about, "How do we fix this system?" But there's Medicare and there's Medicaid, and there are other things that are rising faster than the GDP and faster than revenue. So, we do have to think about where do you want to put the revenue increase, assuming we could get any? Do we want to raise a singularly regressive tax? Do we want to think about another regressive tax as in a sales tax? Do we want to raise the income tax? And what do we want to use it for? So having this conversation in isolation is a bit misleading.
JUAN WILLIAMS: So, how…

ALICE RIVLIN: And as Alicia has eloquently said. And there's a kind of fairness idea; everybody has got to sacrifice in this--in this situation where we are borrowing more than we can afford to borrow and that includes older people. They can't just be exempted.

JUAN WILLIAMS: So, if we just hope it's not on the revenue side, you think it would sort of exacerbate the fact that you called it a regressive tax.

ALICE RIVLIN: Well, it is a regressive tax.

ALICIA MUNNELL: But Alice, can I just ask you about this--I thought going back to history of Genesis, following Genesis' footnote, the EITC, Earned Income Tax Credit, was originally introduced to offset the regressive of the payroll tax and this provision has gotten more and more generous, which is a good thing. It's a good part of our income tax code but I do think it does offset some of the threats of the payroll tax.

ALICE RIVLIN: Well, I think--I think it does it, too. But my basic point is I love to sit in a room and talk about Social Security and say, "Let's do it all on the revenue side." And then we go to another room and talk about Medicare and say, "Let's do all that on the revenue side." And then we could talk about Medicaid, but that's not a winning--it's not a winning ticket politically or I think economically.

JUAN WILLIAMS: Okay. We have another question.

BENNY GLENN: Hello. I'm Benny Glenn from Acon (ph) Investments in Boston. I wanted first of all to say we strongly support the extension of the Auto IRA as to the workforce that is not covered. And then I wanted to ask a question to Alice really and along with the others. Is there any chance that--and I know, John, you don't want have this discussed in terms of the deficit--but is there any chance that the deficit commission comes forward with an up or down solution set for fixing, making Social Security long-term solving? The December 1st deadline is not too far away. Would--could we anticipate or is there a likely going to be a proposal? This set of--some from problem A, some from problem B would fix the system, yes or no?

ALICE RIVLIN: I don't know because, as I said earlier, the discussion in the commission has not jogged. There's been no negotiation. For a very good reason, there's an election in November. And we've had briefing meetings. We've had question and answer sessions that have been very interesting and very good, and they have included Social Security, but there isn't an answer to your question. It's not some secret that needs withholding. It doesn't have any.

JUAN WILLIAMS: But I thought it was supposed to be apart from politics and that that was the whole idea.

ALICE RIVLIN: Well, it is supposed to bring in a by-partisan solution. Right now, if you're running for congress of either party, you don't want anybody to leak that you favored whatever because they'll use it against you on other side. Democrats or Republicans will say, "My opponent is for a Social Security tax increase or a benefit income," or whatever, and so nobody is going to talk about it or write it down or do anything until after the election is over. Now, that doesn't mean it won't happen until the election is over. [INDISTINCT] that it will; it being some kind of patent that everybody can agree to. But it hasn't happened yet and asking how likely it is, is just not--there's no answer to that question.
JUAN WILLIAMS: But you'll have a month after the election, basically?

ALICE RIVLIN: Oh, yes, but, you know, they're going to send us to jail if we take two months. I don't know, so.

JUAN WILLIAMS: So the headline is you will not pull to the [INDISTINCT] list.

ALICE RIVLIN: Nice try but there is--there is no information to impart. I know that stuff is amazing. I don't know anything.

JUAN WILLIAMS: Okay. Oh, I'm sorry. You have the mic.

HECTOR ORTIZ: It's Hector Ortiz from the National Council on Aging. There are two proposals that have not been mentioned here. One of them doesn't require either increasing, you know, taxes or increasing benefits and that is including more people in the system through immigration or reform, and I'm just wondering what would be the effect of including many of these unauthorized individuals who are working in this country. The second one...

JUAN WILLIAMS: Well, let's get one at a time. We'll give you an opportunity to ask your second question. Does anyone want to deal with the impact of immigrants, especially illegal immigrants?

ALICE RIVLIN: Well, illegal immigrants are, in many cases, paying Social Security--paying into Social Security probably in most cases. Now, they may have false documents but they have a Social Security card and the money's going in. So I don't--but I do believe that one of the solutions, long-term, to the fact that we have an aging population is to reform immigration but not stop it to have a comprehensive immigration reform that will allow us to have a reasonable number of immigrants over time because we need them and one of the reasons we need them is to pay their Social Security.

JUAN WILLIAMS: That's an interesting argument. Obviously, it hasn't had much impact because we haven't had any kind of immigration reform, so.

ALICE RIVLIN: No, but it would be one of the side benefits of getting our immigration system reformed in a comprehensive way that would allow an increase, a substantial [INDISTINCT].

JUAN WILLIAMS: Because, but, you know, on the one hand, it would--you would increase the number of people paying in at the moment.

ALICE RIVLIN: Eventually, they get old.

JUAN WILLIAMS: That's what I was going to say. And they would then fall into your category, which is minority low income earners, right, who plan.

ALICE RIVLIN: Some of them would.

MADONNA HARRINGTON-MEYER: The less controversial expansion that people talk about is to bring in the remaining about 25% of state employee--government employees who aren't in the program. And that does have the same sort of double-edged sword to it, though, initially including those people in the Social Security would increase revenues into the program. But in time, they, too, will grow old and draw out benefits but that's a less controversial expansion.
JUAN WILLIAMS: Your second question.

HECTOR ORTIZ: One of the features of social insurance is that it works best during times like this, the recession. And something that I--we just noticed yesterday by doing analysis of the CPS data is that poverty breaks among seniors without decline between 2008 and 2009, and part of it was the weight, the cost of living adjustments were applied to the Social Security versus the way they were applied to the poverty guidelines. And I'm just wondering this proposal of changing the cost of living adjustment as a way to say that it extends Social Security whether that's a smart move, especially from what we learned during this recession.

ALICIA MUNNELL: Can I respond to this fact first because the--how many rates for those 65 members did drop? And I'm concerned that that's going to be taken as a sign that older people are doing great while the rest of the population is suffering. It was an anomaly because the Social Security benefits--beneficiary has gotten 5.8% cost of living adjustment for 2009 because the modern crisis had gone way up and then had crashed by the time they actually got the adjustment, and the poverty threshold on the other hand actually declined because they did year over year. And so, yes, in 2009, the poverty rate for those 65 and over fell. But going forward, in 2010, in 2011, you're going to see that reversed because, basically, Social Security beneficiaries got no cost of living adjustment in 2010. It looks like they'll get no cost of living adjustment in 2011 until the Consumer Price Index gets back to the level it was in 2008 when this calculation was made, and yet the poverty thresholds are going to up in 2010, in 2011. So this revert you're going to see, the reversal of this, really, an anomaly that the poverty rate for the older Americans grew that's falling.

JUAN WILLIAMS: So you wouldn't adjust the COLA then?

ALICIA MUNNELL: No, I wouldn't. I just don't want people to go away with the wrong impression that old people are doing great because we've had this--we had this one fluky statistic in 2009.

JUAN WILLIAMS: Yeah--but you don't know for sure that it's going to improve in 2010 and '11?

ALICIA MUNNELL: No, I think it's going worsen.

JUAN WILLIAMS: I mean, you don't know for sure it's getting worst.

ALICIA MUNNELL: Oh, I would bet money because they got no cost of living in 2000--the Social Security beneficiaries got no cost of living in 2010 and probably will get none in 2011, and yet the poverty thresholds themselves are going up. So, five bucks?

JUAN WILLIAMS: You would make money off the misery of others. Yes. John, did you want to say something?

JOHN ROTHER: Well, I think I have two points. One is, you know, the poverty is totally inadequate as a measure. I mean, we have a whole lot of beneficiaries who are just above the poverty line who aren't really making it. And to judge the success of the program on how many people are above or just below the poverty line is just a long measure. But the other thing that most people don't realize is the cost of living adjustment is--it doesn't measure--it doesn't include seniors. It's based on the cost of the working age population encountered so it vastly underrates healthcare, for example. And in a way, it's kind of unfair to base Social
Security [INDISTINCT] and not count the actual experience that retired people have in calculating that. So I thought that might be one thing we could impress.

JUAN WILLIAMS: Okay. Does anyone have the mic because we just have time for one more question before we head to closing? Yes, please.

Yeah, my name is Barbara. I'm a [INDISTINCT] director with ERP. Well, a lot of what you're talking about has through [INDISTINCT] how people stay in the workforce. That's one common crew member and a lot of it. There's so many employers that require people to retire at 65 and you read articles in the paper all the time about how they would like to stay with their jobs and [INDISTINCT] for these people who are doing their jobs, and I never hear anything from the politicians in the political arena about the issues of can we take away some, you know, change the laws, the favor, keeping older workers in the workforce that want to stay and can't.

ALICIA MUNNELL: Well, I think that's illegal.

JUAN WILLIAMS: Wait. It's illegal to do what?

ALICIA MUNNELL: To force people to retire at 65.

MADONNA HARRINGTON-MEYER: At any age.

ALICIA MUNNELL: At any age gap.

MADONNA HARRINGTON-MEYER: The ABA, APPA are very [INDISTINCT] age discrimination [INDISTINCT]...illegal to require somebody to retire at any age.

JUAN WILLIAMS: But you describe strategies that employers do.

MADONNA HARRINGTON-MEYER: People do use strategies.

ALICIA MUNNELL: Yeah.

JUAN WILLIAMS: Right, illegal strategies. That was your response?

JOHN ROTHER: Well, just because it's illegal, it doesn't mean it doesn't happen.

JUAN WILLIAMS: All right. The point that I would like you to address is if you could help us as a group, remember we're in Washington, we're among policy makers, people who are going to try to impact the future of Social Security, understand what is the most pressing threat, if you will, to retirement security for future generations? Who would like to start?

ALICIA MUNNELL: I will start.

JUAN WILLIAMS: Please.

ALICIA MUNNELL: People are going to live for a very long time. You're entering an era where life expectancy at 65 is going to be 20 years on average. That means half are going to live more than 20 years. My view is if we take our entire retirement system that we have now, which is existing Social Security benefit levels, 401(k) plan list and individual savings it is too small in the system. It is not enough. I actually think we need to have more organized savings mechanisms for people to have a more secured retirement. It's not manna from heaven, people
are actually going to have put more aside of their work lives to support themselves for this longer-term. I--on top of that, we have healthcare cost which are rising very rapidly. We haven't even discussed long term care cost. If we have to go into a nursing home, that is really expensive. So I think that retirements going forward are in danger. I definitely support this, as everybody knows, keeping everybody who is healthy and can be employed in the workforce as long as possible. But even then, I think that retirements are at risk in going forward.

MADONNA HARRINGTON-MEYER: I'd like to begin my comments by just saying that there is a study--at the moment I can't remember who did it but I just have a PowerPoint rounded up the other day that talked about people who are ages 58 to 62 who have retired and 1/3 of them have said they felt pushed out of the labor force, that they felt that they've been forced out of their jobs. So it is illegal but we also know that people have quite different kind of strategies that encourage people to leave. When I look at long term issues related to economic security for older people, I remain preoccupied with how older women will fare and altogether how older a lot of Hispanic women will fare. So that poverty for the elderly is down to about in the, I don't know, maybe10%, 9%; has changed a little over time. But certain groups of people are still particularly likely to be poor in old age. If you look at older black and Hispanic women who are single, almost 40% of them are poor, below the poverty line. And so my concern is always with making sure that as we make adjustments and as we make changes, we keep the benefits in the program especially strong so that these people who are felt lower in the economic totem poll are assured decent and adequate benefits as they move forward.

JUAN WILLIAMS: But if there's one present threat--I'm still interested in that statistic you got. You said, only 9% of the elderly are poor...

MADONNA HARRINGTON-MEYER: It's around 9% or 10%. It was changed. Yeah.

JUAN WILLIAMS: ...that, of course, the poverty rate for the country is poor?

MADONNA HARRINGTON-MEYER: Just one to fourteen, yeah.

JUAN WILLIAMS: So there're much less poor in the general population?

JOHN ROTHER: They're just above the poverty line.

ALICIA MUNNELL: And do you know what the poverty line is? It's $10,000 for a single individual and $12,000 for a couple. That's really little.

JUAN WILLIAMS: Right. And it applies to everyone. We're looking at them which isn't right.

ALICIA MUNNELL: And actually, it's lower for 65.

ALICE RIVLIN: I think we're facing a major threat to retirement systems coming from the fact that we are living longer and because earnings are getting more desperate or less equal. There a lot of things we need to do, but my priority would be let's put the Social Security System on a firm basis for the foreseeable future. And I think that's going to require changes on both the benefit side and on the revenue side, and they should be phased in slowly, and they should be done with respect to considerations or adequacy that this should be done.

JUAN WILLIAMS: But the most present threat is...?
ALICE RIVLIN: I think the most--well, just in turn where I just said around, a serious threat is that our Social Security System is not fully funded by whatever definition of fully funded, and we need to fix that so that we know it's there, it's the foundation, and we can do a lot of these other things around that foundation.

JUAN WILLIAMS: And you agree with that?

ALICIA MUNNELL: Oh, I agree with that. Thank you for that.

JUAN WILLIAMS: And you agree with that, too?

JOHN ROTHER: Yeah.

JUAN WILLIAMS: And so everyone agrees; the most pressing threat to the financial security of seniors in the United States is the instability of the Social Security retirement system.

JOHN ROTHER: No.

MADONNA HARRINGTON-MEYER: No.

ALICIA MUNNELL: Well, that's not right. It's this not the--solving the financing problem. It's a very stable system.

JUAN WILLIAMS: Basically is not...

ALICIA MUNNELL: If we don't solve the problem, then...

JUAN WILLIAMS: Our Social Security...

ALICIA MUNNELL: Our Social Security solvency. It's not unstable. You shouldn't say that.

JUAN WILLIAMS: Okay.

ALICIA MUNNELL: Then that is a threat to retirement security for all Americans.

JUAN WILLIAMS: So that's the most pressing threat. But what I'm saying the most...

ALICIA MUNNELL: Yes. Yes.

JUAN WILLIAMS: ...pressing threat?

ALICE RIVLIN: We will solve it. The question of who we would sensibly and soon...

ALICIA MUNNELL: Yes.

ALICE RIVLIN:...or do we do it unsensibly in two ways.

ALICIA MUNNELL: Yes, sensibly and soon.

JOHN ROTHER: I just like to mention the fact, again, that Social Security is a result of the economy of work and work opportunities, of job opportunities for all the workers. And if we don't get the economy back into shape, that's a big threat to retirement. Secondly, the cost of
healthcare is by far, in my mind, the greatest threat. I don't care what your income is with Social Security. If you have to pay it all out to Medicare out of private costs, you're not going to have adequate security retirement. And demographically, yeah, we're living longer and, yes, women outlive men, my favorite solution, let's get policies in place that would add five years to life span of men.

JUAN WILLIAMS: Well, then, I just want to thank Alice very much for coming. Alice, that's a terrific set of comments. We appreciate it very much. Alicia, thank you. Madonna, thank you. Thank you. And thank you for coming out this morning.

ALICIA MUNNELL: Thank you.