



AP Photo/File  
President Franklin D. Roosevelt signs the Social Security Bill in Washington Aug. 14, 1935. As Social Security approaches its 80th birthday on Aug. 14, 2015, the federal government's largest benefit program faces serious financial problems that could be fixed with only modest changes, if Congress acts quickly.

# SOCIAL SECURITY AT 80

Changes needed to save the federal government's largest benefit program

By STEPHEN OHLEMACHER  
Associated Press

WASHINGTON — As Social Security approaches its 80th birthday Friday, the federal government's largest benefit program stands at a pivotal point in its history.

Relatively modest changes to taxes and benefits could still save it for generations of Americans to come, but Congress must act quickly, and even limited changes are politically difficult.

The longer lawmakers wait, the harder it will become to maintain Social Security as a program that pays for itself, a key feature since President Franklin Roosevelt signed the Social Security Act on Aug. 14, 1935.

"The more time that they take, the less acceptable the changes will be because there needs to be adequate time for the public to prepare and to adjust to whatever changes Congress will make," Carolyn Colvin, acting commissioner of the Social Security Administration, said in an interview.

Social Security's long-term financial problems are largely a result of demographic changes. As baby boomers swell the ranks of retirees, relatively fewer workers are left to pay taxes.

In 1960, there were more than five workers for every person receiving Social Security. Today there are fewer than three. In 20 years, there will be about two workers for every person getting benefits.

"Remember, these are our most vulnerable population," Colvin said. "These are the elderly who helped to build this country. These are the disabled who certainly did not wish to become disabled."

The options fall into broad categories: benefit cuts, tax increases or a combination of both.

None is popular.

Nearly 60 million retirees, disabled workers, spouses and children get monthly Social Security payments, a number that is projected to grow to 90 million over the next two decades.

About 168 million workers pay Social Security taxes.

## Push and pull

Adding to the gridlock, policymakers are moving in opposite directions. Republicans are pushing to cut benefits while a growing number of Democrats is pulling to expand them. The debate is playing out in Congress and the presidential campaign, increasing the likelihood that Washington will deal with Social Security the same way it has so many other issues — not until it becomes a crisis.

Some 72 members of Congress signed a letter to President Barack Obama in July, calling for Social Security benefits to be enhanced.

"In my view, given the fact that poverty among seniors is going up, that seniors are struggling, that people with disabilities are struggling, we have got to expand benefits, not cut



AP Photo/File  
Ida Fuller, 95, of Brattleboro, Vt., who received Social Security check No. 1 in January 1940, is congratulated by Robert E. Normandie, district manager of Vermont's Social Security division, on getting 368th check as the program reaches its 35th anniversary in Brattleboro Aug. 14, 1970.

them," said Sen. Bernie Sanders, I-Vt., who is running for the Democratic nomination for president.

The poverty rate among those 65 and older has inched up in recent years. But it still is significantly lower than the poverty rate for younger age groups, in large part because of Social Security.

Sanders has proposed increasing Social Security's annual cost-of-living adjustment, or COLA, and increasing minimum benefits for low-wage workers.

The average monthly payment is \$1,221. That comes to about \$14,700 a year.

Sen. Orrin Hatch, R-Utah, scoffs at the idea of expanding benefits.

"Where are they going to get the money?" asked Hatch, chairman of the Senate Finance Committee, which has jurisdiction over Social Security. "They don't ever seem to give any consideration to how deeply in debt our country is and how difficult it's going to be to get out of it."

## Surpluses

For much of the past three decades, Social Security produced big surpluses, collecting more in taxes than it paid in benefits. Social Security's combined trust funds are now valued at \$2.8 trillion.

The retirement trust fund has enough money to pay full benefits until 2035. At that point, the program would collect enough payroll taxes to pay about 79 percent of benefits, triggering an automatic 21 percent cut.

The disability trust fund is projected to run out of reserves much sooner, in late 2016. If that happens, it would trigger an automatic 19 percent cut in benefits.

Obama and other Democrats want to redirect tax revenue from the much bigger retirement fund to the disability fund, as Congress has done in the past. But Republicans say that would be like robbing seniors to pay the disabled.

If the two funds were combined, they would have enough money to pay full benefits for both programs until 2034, according to the trustees.

But long before then, Social Security's long-term financial problems could become too big to solve without painful remedies or excessive borrowing.

Once the surplus is gone, the

gap between scheduled benefits and projected tax revenues starts off big and quickly becomes huge. In the first year, the gap would be \$571 billion, according to agency data. Over the first decade, the deficit would total more than \$7 trillion.

Social Security uses a 75-year window to forecast its finances, so the projections cover the life expectancy of every worker paying into the system.

Options to address Social Security's finances, along with the share of the 75-year shortfall that each one would eliminate:

## Taxes

Social Security is financed by a 12.4 percent tax on wages. Workers pay half and their employers pay the other half. The tax is applied to the first \$118,500 of a worker's wages, a level that increases each year with inflation.

Options:

- apply the payroll tax to all wages, including those above \$118,500. This option would wipe out 66 percent of the shortfall.

- increase the combined payroll tax rate by 0.1 percentage point a year, until it reaches 14.4 percent in 20 years. This option would eliminate 49 percent of the shortfall.

## Retirement age

Workers qualify for full retirement benefits at age 66, a threshold that gradually rises to 67 for people born in 1960 or later. Workers are eligible for early retirement at 62, though monthly benefits are reduced.

Options:

- gradually increase the full retirement age until it reaches 68 in 2033. This option would eliminate 15 percent of the shortfall.

- raise the early retirement age to 64 in 2023, and the full retirement age to 69 in 2027. This option would wipe out 29 percent of the shortfall.

## COLAs

Each year, if consumer prices increase, Social Security benefits go up as well. By law, the increases are pegged to an inflation index. This year, benefits went up by 1.7 percent.

Options:

- adopt a new inflation index called the Chained CPI, which assumes that people change their buying habits when prices increase to reduce the impact on their pocketbooks. The Chained

## Things to know about Social Security's election-year crisis

By STEPHEN OHLEMACHER  
Associated Press

WASHINGTON — The 11 million Americans who receive Social Security disability face steep benefit cuts next year — right in the middle of a presidential election — unless Congress acts.

Social Security's trustees say the disability trust fund will run out of money in late 2016. That would trigger an automatic 19 percent cut in benefits.

There is an easy fix available, but Republicans in Congress are resisting.

GOP lawmakers see the funding crisis as an opportunity to improve a program that they believe is plagued by waste and abuse. Democrats are much more defensive about the program, noting that its modest benefits keep millions of disabled workers and their families out of poverty.

Lawmakers from both political parties would like to resolve the issue this year, protecting beneficiaries from steep cuts before presidential politics consumes the capital. But a deal remains elusive as Social Security approaches its 80th birthday Friday.

President Franklin Roosevelt signed the Social Security Act on Aug. 14, 1935. The disability program was added in 1956.

Some things to know about the disability program's funding crisis:

### Benefits are modest

The average monthly payment for disabled workers and their families is \$1,019. That comes to \$12,228 a year. A 19 percent cut would lower the average annual benefit to less than \$10,000.

### How is the disability program financed?

Social Security is self-financed by a 12.4 percent tax on wages up to \$118,500. Workers

pay half and employers pay half. Social Security also gets revenue from taxes on benefits and interest on the program's two trust funds.

Last year, the wage tax generated \$756 billion. By law, the tax revenue is divided between the disability trust fund and Social Security's much larger retirement fund. The retirement fund gets about 85 percent of the money, and the rest goes to disability.

Over the past 20 years, the fund balances have gotten out of whack. The retirement fund has enough money to pay full benefits until 2035, according to the Social Security trustees. But they disability fund is projected to run out of money in the fourth quarter of 2016.

### What's the easy fix?

Congress could redirect tax revenue from the retirement fund to the disability fund, as it has done in the past. The last time was in 1994.

If Congress redirects the tax revenue, the retirement fund would lose one year of solvency, so both the retirement program and the disability program would have enough money to pay full benefits until 2034.

### Why do Republicans oppose the fix?

Republicans say that simply redirecting the tax revenue would be taking money from retired workers to pay disabled workers — robbing one fund to finance another.

Also, Republicans say they want changes in the disability program to reduce fraud and to encourage disabled workers to re-enter the workforce.

### What do Democrats say?

Democrats say they too want to reduce fraud and to encourage disabled workers who can work to re-enter the workforce. But they accuse Republicans of manufacturing a crisis by refusing to redirect tax revenue between the trust funds.

## LEGAL NOTICE

### You Could Get \$164 or More If You Bought Gas in Oregon at an ARCO or ARCO *ampm* Station and Paid a Debit Card Fee

**Case Update** You may have seen a previous notice in this case. The Oregon state rule on unclaimed money in class actions has recently changed, and your rights may be affected.

People who did not previously receive a letter about this case, file a claim, or opt out of this lawsuit may need to take action. If this applies to you, you must file a claim or opt-out of this lawsuit to preserve your rights. Any money that is not claimed will be paid to Oregon Legal Services and an entity (or entities) chosen by the Court.

**What is this case about?** An Oregon jury found that BP West Coast Products LLC ("BPWCP") charged more for gas than the amount registered at the pump and failed to properly disclose its prices when it charged a 35-cent fee to consumers who used debit cards to pay for gas at Oregon ARCO stations and *ampm* locations. BPWCP has denied the claims in this case and plans to appeal the jury verdict.

**Am I eligible to file a claim?** You can file a claim now if:

- You purchased gas at Oregon ARCO or ARCO *ampm* locations between January 1, 2011 and August 30, 2013 and paid a 35-cent debit card transaction fee,
- You did not receive a letter about the lawsuit,
- You did not already file a claim, and
- You did not opt-out.

If you already received a letter about this case, do not file a claim because you will receive an automatic payment.

**How can I file a claim?** File a claim online or by mail by **September 21, 2015**. If you file a valid claim, you will be eligible to receive \$164.85 or more, and you will give up your right to individually sue BPWCP for the claims in this case. The previous notice talked about a \$200 payment, but the fees required to pay Class Counsel will reduce payments by \$35.15.

**What are my other rights?** If eligible, you may also:

- Exclude yourself (or opt-out) online or by mail from the lawsuit by **September 21, 2015**. You will keep your right to sue BPWCP yourself.
- Object to the notice or claims process (or the fees if you file a claim now) by **September 18, 2015**.
- Do nothing. If you did not previously take action and now do not file a claim or exclude yourself, you will give up your right to get any money from this lawsuit and your right to sue BPWCP yourself.

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Call: 1-866-329-5931