

STRENGTHEN SOCIAL SECURITY

...don't cut it.

Rick Santorum: Consistently Wrong on Social Security

Republican presidential candidate Rick Santorum's statements about Social Security have been consistently false or misleading, and completely out of touch with the American people. At best, they reveal a dangerous ignorance about Social Security, a program that has provided essential economic security to America's working families for the past 76 years. At worst, they telegraph the candidate's willingness to disregard and distort the facts, as well as his enthusiasm for privatizing the program. Santorum has said:

- We need to cut benefits for current beneficiaries to "save" the program for future generations. **Wrong.**
- We should privatize Social Security by allowing workers to divert part of their Social Security contributions into individual private accounts. **Wrong.**
- We need to raise the retirement age. **Wrong.**
- We should NOT lift the current \$110,100 cap on wages covered by Social Security – the solution that more than two-thirds of Americans support. Wrong again.

Below is an analysis of Santorum's recent statements about Social Security.

SANTORUM WOULD CUT BENEFITS FOR CURRENT BENEFICIARIES

Santorum: "The Democratic National Committee is going to say, 'Ah, ... he's for changing benefits now.' Yes, I am. Yes, I am." – [December 27, 2011, Fort Dodge, IA](#)

"We need to change benefits for everybody now." – [December 27, 2011, Fort Dodge, IA](#)

"That's why you see Paul Ryan saying, 'Oh, I'm going to fix Social Security, I'm going to fix Medicare in 10 years.' [Ryan assumes], well, if you're under 55, you won't be paying much attention, right? Well, the problem is, this is not a problem that we can wait 10 years to solve." – [January 5, 2012, Northfield, N.H.](#)

Truth: Santorum's rush to cut benefits for current Social Security beneficiaries—including retirees, disabled workers, widow(er)s, and their dependents—is both unnecessary and unwise.

While Santorum claims immediate benefit cuts are needed because Social Security's financial require immediate action, that is just not true. Social Security had a [\\$2.7 trillion surplus](#) in 2011, which is projected to grow to \$3.7 trillion by 2022.¹ Social Security can pay [all benefits in full through 2035](#)—and it can pay three-quarters of promised benefits indefinitely thereafter.² Social Security's projected deficit after 2035 is just [0.8% of our nation's economy](#), or GDP, about the same size as extending the Bush tax cuts for the top two percent of the wealthiest Americans.³ If Santorum is so eager to cut benefits "now," he should explain why he is willing to hurt the middle class, but not require millionaires and billionaires to give an additional penny in taxes.

By seeking immediate cuts, Santorum's plan puts him to the right of even the most conservative Republicans. Even Representative Paul Ryan's plan to replace traditional Medicare with a voucher system would not affect individuals aged 55 or older in order to ["protect those in and near retirement from disruptions."](#)⁴ Santorum apparently does not share Ryan's concerns.

SANTORUM SUPPORTS THE CREATION OF PRIVATE ACCOUNTS

Santorum: "Personal retirement accounts provide individuals—not the government—with control and ownership. And they hold the promise of a greater return for future generations than what they are promised by today's Social Security system." (The Hill, March 1, 2005)

The Truth: The American people resoundingly rejected this misguided idea when President George W. Bush proposed it after the 2004 election. Privatizing Social Security would place all risk on the individual, subjecting benefits to the risks of the stock market. By diverting funds away from Social Security and into private accounts, the proposal undercuts the future financing of the program, effectively ending Social Security as we know it.

Private accounts substitute Social Security's guaranteed benefits with a risky Wall Street gamble. Currently, workers' benefits are based on pre-retirement earnings; with private accounts, benefits would depend on how lucky workers are with their investments. Retirement income should not be a gamble. Social Security's conservative financing, together with its conservative investment strategy, as well as its ability to pool risk through the entire population, enables it to provide guaranteed, inflation-adjusted benefits for as long as a retiree or disabled person lives.

Social Security, unlike private accounts, is an insurance program, so it is better targeted to insure workers against the loss of income due to unforeseen circumstances. It provides life insurance, disability insurance, and old age annuities which Americans cannot outlive. For unlikely but devastating losses, such as premature death or severe disability, we need insurance, not savings. For unpredictable expenses – how long we will live, and thus, how many years we will need income – savings cannot replace the insurance which Social Security provides.

Benefits from private accounts are much less reliable, as they are tied to investment performance, which can fluctuate widely. For instance, IRAs and 401(k) plans lost \$2.7 trillion – 32 percent of their value – when the stock market collapsed from 2007 to 2009.⁵ And unlike Social Security benefits, income from private accounts is not guaranteed to last the lifetime of a beneficiary, nor is it protected against inflation. Studies have shown that private accounts can [produce dramatically different retirement incomes](#) depending on how the stock market is performing at the time workers reach retirement age.⁶

Moreover, private accounts severely undercut the future financing of Social Security. Because Social Security is primarily current-funded, that is, current contributions are used to pay current benefits, transferring those contributions away from Social Security into personal accounts will make Social Security's projected shortfall in 25 years much larger. To avoid this, those who have proposed personal retirement accounts – including Santorum, President George W. Bush, and Representative Paul Ryan (R-WI) – would make up for the losses through deep benefit cuts – for retirees and people with severe disabilities.

Typically proposals to create private accounts do not save enough through deep benefit cuts to pay for the steep transition costs required to maintain promised benefits for current beneficiaries. Instead those proposals deepen the federal budget deficit. For instance, Rep. Paul Ryan's proposal to divert 2 percentage points of an individual's payroll tax contributions to private accounts would have resulted in [the transfer of \\$1.2 trillion from the rest of the budget](#) to Social Security between 2037 and 2056 to make up for funding shortfalls on top of deep benefit cuts.⁷

SANTORUM WOULD RAISE THE RETIREMENT AGE

Santorum: "I proposed [raising the retirement age] back in 1994, and I think that's an option that has to be on the table." –[Meet the Press, June 12, 2011](#)

"We're in the middle of a phase-up [in the retirement age] to age 67...We need to continue to do that." – [Remarks at Lancaster, SC, September 13, 2011](#)

The Truth: Not only do we not *need* to raise the retirement age, we should not. We can close Social Security's projected long-term funding gap by removing the cap on wages taxed for Social Security.

Santorum does not seem to realize that raising the retirement age is bad policy. Raising Social Security's full retirement age from 67 to 69 amounts to a [13 percent across-the-board benefit cut](#), no matter what age an eligible worker retires.⁸ This would be especially unfair to low-income workers and minorities, who are more likely to experience work-limiting health problems and/or work in [physically demanding jobs](#).⁹ Finally, raising the retirement age discriminates against the [growing number of elderly unemployed](#), who have a [much harder time finding new work](#) after being laid off.¹⁰ Santorum is out of touch with the vast majority of Americans who oppose raising the retirement age.

SANTORUM OPPOSES RAISING THE PAYROLL TAX CAP

Santorum: "So to say, why don't we just raise the cap, you're basically just taxing people to fund the program...You've turned the Social Security system into an income support and replacement system, to a welfare transfer tax...[Raising the cap] would exacerbate [that] problem." ([Interview, November 1, 2011](#))

The Truth: Social Security payroll tax contributions will only be paid on wages up to \$110,100 in 2012, with employees and employers each contributing. [Just 6 percent of the population has wages above that cap](#).¹¹ While the vast majority of Americans must make payroll tax contributions on all of their wages, millionaires and billionaires will only do so on the first \$110,100 of their earnings in 2012.

Scrapping the cap so that all earnings are subject to the payroll tax would close Social Security's entire projected 75-year funding gap, or come very close to doing so (depending on the technical details of the proposal). For example, Social Security's Office of the Chief Actuary estimates that [eliminating the cap on earnings subject to the payroll tax](#), while maintaining the cap for calculating benefits so they do not climb higher based on the increased contributions, would close over 100 percent of the projected funding gap.¹²

[Seven out of ten \(71 percent\) voters support enacting Social Security payroll tax contributions on wages above \\$110,100](#), according to a bipartisan poll by Lake Research Partners and American Viewpoint.¹³

Ensuring that the next generation will fully benefit from the promise of Social Security is all about choices, Mr. Santorum is out of step with the American people – not just Democrats, but Independents, and Republicans, who overwhelmingly and correctly reject the choice of cutting Social Security’s benefits.

¹ Social Security Trustees, “Table VI.F8- Operations of the Combined OASI and DI Trust Funds, in Current Dollars, Calendar Years 2011-86,” in *Single-Year Tables*, 2011. <http://www.ssa.gov/oact/TR/2011/lr6f8.html>

² Social Security Trustees, *The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, 2011, p. 9. <http://www.ssa.gov/oact/TR/2011/tr2011.pdf>

³ Social Security Trustees, *Ibid.*, p. 12. CBPP, “Statement of Robert Greenstein on 2011 Social Security Trustees’ Report.” <http://www.cbpp.org/files/5-13-11socsec-stmt.pdf>

⁴ Representative Paul Ryan, *Fiscal Year 2012 Budget Resolution (The Path to Prosperity)*, April 5, 2011, p. 6. <http://budget.house.gov/UploadedFiles/PathToProsperityFY2012.pdf>

⁵ Economic Policy Institute calculation based on Federal Reserve Flow of Funds data, September 17, 2010, Tables L.118.c, L.213, L.225.i, prepared October 7, 2010. Unpublished.

⁶ Gary Burtless, “Social Security Privatization and Financial Market Risk,” May 2000. http://www.diw.de/documents/publikationen/73/diw_01.c.38569.de/dp211.pdf

⁷ Paul N. Van de Water, Center on Budget and Policy Priorities, “The Ryan Budget’s Radical Priorities,” July 7, 2010, p. 3. <http://www.cbpp.org/files/3-10-10bud-rev7-7-10.pdf>

⁸ Social Security Administration, “Effect of Early or Delayed Retirement on Retirement Benefits,” 2010. http://www.ssa.gov/OACT/ProgData/ar_drc.html Each one-year increase represents a cut of 6 percent to 7 percent.

⁹ Hye Jin Rho, “Hard Work? Patterns in Physically Demanding Labor Among Older Workers,” Center for Economic and Policy Research, July 2010, p. 1. <http://www.cepr.net/documents/publications/older-workers-2010-08.pdf>

¹⁰ For rates of early retirement by older laid-off workers: Government Accountability Office, “Raising the Retirement Ages Would Have Implications for Older Workers and SSA Disability Rolls,” November 2010, p. 25. <http://www.gao.gov/new.items/d11125.pdf> For recent increase in age discrimination claims: *Washington Post*, “Age Discrimination Claims Jump, Worrying EEOC, Worker Advocates,” July 2009. <http://www.washingtonpost.com/wp-dyn/content/article/2009/07/15/AR2009071503760.html>

¹¹ Social Security Administration (SSA), Annual Statistical Supplement, 2010 (released Feb. 2011), “Table 4.B4 – Percentage of workers with earnings below annual maximum taxable, by sex, selected years 1937-2008.” The 2011 version of the table has not yet been produced. <http://www.ssa.gov/policy/docs/statcomps/supplement/2010/4b.html#table4.b4>

¹² SSA, Office of the Chief Actuary, “E2.1- Beginning in 2011 make all earnings subject to the payroll tax (but retain the current-law taxable maximum for benefit calculations),” in *Provisions Affecting Payroll Tax Rates*. http://www.ssa.gov/oact/solvency/provisions/charts/chart_run205.html. This estimate is made on the basis of the 2010 Trustees Report, the most recent data available for this particular calculation.

¹³ Lake Research partners and American Viewpoint, “Medicare, Social Security and the Deficit: Findings from a national survey of likely 2012 voters,” September 2011, p. 3. <http://www.ncpssm.org/pdf/poll.pdf>