Statement of the Alliance for Retired Americans
Before the
White House Conference on Aging
Policy Committee
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Madam Chair, and members of the Policy Committee, thank you for this opportunity to present the views of the Alliance for Retired Americans on the 2005 White House Conference on Aging (WHCoA).

The Alliance for Retired Americans is a national organization of over 3 million members that works to create an America that protects the health and economic security of seniors, rewards work, strengthens families and builds thriving communities. Our organization was launched in January 2001 by a national coalition of labor unions and community-based organizations dedicated to improving the quality of life for retirees and older Americans. We are working together to make our voices heard in the laws, policies, politics and institutions that shape our lives.

Prior White House Conferences on Aging in 1961, 1971, 1981, and 1995 and the earlier national conferences under Presidents Truman and Eisenhower brought national attention to aging issues. Many recommendations from these conferences became law. Most notably, after the 1961 conference the Medicare and Medicaid programs were created and the Older Americans Act was enacted establishing the Administration on Aging and the aging network, which today provides a broad array of home and community-based services for older Americans across the country.

The Alliance for Retired Americans believes that there are many issues confronting us today and in the future that must be addressed. As significant as the previous four conferences were, the 2005 conference could have the greatest significance because policy directions will be determined for the next decade. In 2015 more than half of the 77 million baby boomers will be over age 60, a major demographic change that will demand additional and innovative services.

We appreciate the broad topic areas that the committee has outlined in its invitation. The WHCoA provides an opportunity to promote adequate income security, comprehensive health care, and affordable housing all of which are essential to overall high quality of life for older Americans. I would like to speak to each of these in my remarks today.

Retirement Income Security

Social Security is the foundation of America's retirement security. Two-thirds of older Americans rely on Social Security for half or more of their income. But Social Security is far more than just a retirement program for older Americans. It is a family security program. Millions of people with disabilities and their families and surviving spouses and children of deceased wage earners receive Social Security benefits.

Social Security is not going bankrupt. The Social Security Trustees reported in March 2004 that the Social Security Trust Fund has adequate resources to pay full benefits through 2042 and, even if no changes are made, the system will be able to pay nearly 75% of benefits for decades thereafter. An analysis by the Congressional Budget Office projects that Social Security will remain solvent even longer— to 2052. Because of the long-term shortfall, however, it is imperative to make some changes that will strengthen and improve the financing as well as the benefits.

The Alliance for Retired Americans urges you to reject proposals to privatize Social Security such as those that emerged from the President's Commission to Strengthen Social Security in 2001. None of those options would achieve Social Security Trust Fund solvency. The efforts to privatize Social Security by allowing a portion of payroll taxes to be invested in private investment accounts undermines a program that is the bedrock of retirement security. Transitional costs to create private accounts would be very high and drain $1 trillion from the Social Security Trust Fund in the first decade alone. Attempts to create private accounts subject retirement security to investment and market risks. In addition, administrative costs could consume 20% of funds that otherwise would go to Social Security beneficiaries. Finally, private accounts undercut the basic premise, and promise, of a Social Security system that shares across all contributors protection against the risks of disability, death of a family worker, a low-earning work life, and the prospect of living a long time in old age. The Leadership Council of Aging Organizations, a coalition of over 50 national organizations, opposes a privatized system of individual investment accounts.

The White House Conference on Social Security in 1999 brought together leading experts to discuss options for Social Security reform. Some of those options continue to be raised as an answer to the projected shortfall, options such as raising the full retirement age, reducing benefit or increasing the amount of earnings subject to the payroll tax. Unfortunately, the option to use the budget surplus to pay down some of the national debt no longer exists since the United States is now running unprecedented budget deficits due to tax cuts in 2001 and 2003.

The Alliance believes that Social Security's financing can be made more equitable and stable by eliminating the cap on wages covered by Social Security. Currently the Social Security tax rate is 6.2% for employers and employees each, on earned income up to $87,900 in 2004. Increases in the maximum taxable amount are made automatically on the basis of increases in national average earnings.

Eliminating the cap would produce billions of dollars in additional revenues for the Social Security Trust Fund. Subjecting higher levels of earnings to the payroll tax would guarantee a more equitable distribution. Highly compensated workers and their employers would pay proportionately on their earnings. The cap on earnings subject to the Medicare tax was repealed in 1993.

Pensions and savings are meant to supplement Social Security benefits. Yet over 25 million American workers have no retirement plan other than Social Security. This creates the potential for economic hardship by millions of Americans during their retirement years.

Many with pension and savings plans, however, have realized how vulnerable these plans can be with the steep decline in the stock market and the collapse and bankruptcies of giant corporations. Conversions to the so-called hybrid or cash balance defined benefit plans by employers have frequently resulted in less benefits for older workers.

A major threat to retirement security has been the movement over the last 20 years to replace defined benefit pension plans with uninsured retirement savings plans such as 401(k) plans, which are often minimally or poorly regulated. The growth in retirement savings plans at the expense of defined benefit pension plans has forced retirees and workers to face much more risk in their retirement incomes. Defined benefit pension benefits in the private sector are guaranteed by the federal government while retirement savings plans have no such protection.

However, even the Pension Benefit Guaranty Corporation, the government agency that insures defined benefit plans, has a deficit of $9.7 billion this year, which could exceed $18 billion by 2013. The pension plans it insures are underfunded by $280 billion, many due to bankruptcies. The pension scheme of United Airlines, for example, is underfunded by $7.5 billion while the airline is trying to pull out of bankruptcy.

The Alliance for Retired Americans hopes that the WHCoA will provide the venue for serious consideration of options that will protect traditional or encourage new defined benefit plans, increase coverage, encourage protected retirement savings, and provide incentives for increased employer contributions particularly for low-wage workers.

Health Care

Health plans for retirees over and under age 65 in America today, including Medicare, are not keeping pace with the needs of our nation’s seniors. Medicare beneficiaries on average are spending nearly 20 percent of their income for health needs.

Most early retirees, those retiring before age 65, are without insurance coverage. Only a little more than a third (37%) of early retirees have medical insurance based on their prior employment. This percentage is expected to decline sharply in the years ahead. Faced with increasing numbers of retirees and rising costs, employers are expected to further cut benefits, leaving fewer and fewer early retirees with health care coverage.

For those over age 65, Medicare is typically the primary source of health insurance coverage. However, Medicare covers little more than half of the costs (53%) of health care, excluding long-term care. Non-covered services such as dental care, eyeglasses and hearing aids plus Medicare cost sharing, deductibles and premiums generally amount to 45 to 47 percent of total retiree health care expenditures.

The WHCoA should examine ways to prevent the erosion of health care coverage for early retirees and expand the Medicare program in a meaningful way. The Medicare program of the future, in addition to providing for doctor and hospital services, should be expanded to provide annual physical exams, dental services, eyeglasses, hearing aids and foot care, affordable home and community-based long-term care, rehabilitative and nursing home care and extended preventive services. The Alliance for Retired Americans wants to see a genuine prescription drug benefit in the Medicare program that goes beyond that provided in the 2003 Medicare law—a benefit that is universal, comprehensive, affordable, and voluntary.

The Medicare program will be 40 years old at the time of the conference. Some improvements have been made over the decades but we must continue to improve the program with sufficient financing mechanisms without destroying its basic structure.

Housing

Housing is critical to the health and well being of older adults. Older Americans spend more of their income on housing—one-third—than any other consumption category. Seniors pay nearly twice as much for housing, which includes mortgages, insurance, property tax, rent, utilities and maintenance, than they do for their health care.

One-fourth of retirees have either a pre-existing mortgage or they have re-financed their homes in order to pay their expenses. Six percent (1.45 million households) live in housing that needs repair and rehabilitation.

Yet funding for federal housing programs assisting older persons has sharply declined during the past decade and construction of senior housing has virtually stopped.

The Alliance for Retired Americans believes that the WHCoA can generate innovative approaches for providing affordable housing. We need to develop long-term strategies to ensure adequate federal, state and local resources are directed to building and renovating housing for older Americans. However, increased funding for subsidized housing and a range of services for those who are aging-in-place is only part of the answer.

Partnerships between the for-profit and not-for-profit sectors could be forged for mutual gains. Many not-for-profit organizations in local communities could restructure as competent institutions that attract private investments. Numerous urban areas have or are undergoing substantial revitalization efforts with multi-purpose buildings accommodating businesses and apartments. But the rents are often out of reach for moderate and low-income families. Local governments could specify that new multi-unit buildings allocate a specific percentage to individuals at various income levels and eliminate zoning barriers that prohibit non-traditional housing arrangements. And we must find ways to address the isolation and substandard housing older Americans living in rural areas experience.

Concluding Remarks

Thank you for allowing me to speak here today. The Alliance for Retired Americans sees the 2005 White House Conference on Aging as an opportunity to pull together some of the greatest minds in the country—older Americans—to assess our goals and strategies on aging policy for the next decade. Our members stand ready to work with you for a successful conference.