Committee Minutes

Date: March 16th, 1999
Time: 8:30 AM
Room: SH Room 103

The Senate Committee on **Insurance** held a hearing on the following:

SCR2 *urging the President and Congress to strengthen the finances of Social Security.*

Members of Committee present:

Senator Wheeler, Chairman
Senator Blaisdell, Vice Chairman
Senator Francoeur
Senator Fraser
Senator Hollingworth
Sen. J. King
Sen. McCarley
Senator Squires

The Chair, Senator Katie Wheeler, opened the hearing.

Senator Clesson J. Blaisdell, D. 10:
Good morning everyone. We will now open the hearing on ***SCR2***. I will call on the prime sponsor Senator Wheeler.

Senator Katherine W. Wheeler, D. 21:
Thank you very much Mr. Chairman and members of the committee. I am Senator Katie Wheeler and I represent senate district 21. I am coming before you as the prime sponsor to ***SCR2,*** which is referring to a resolution to keep Social Security strong and solvent.

This idea was brought to me by people who will be testifying later on. We've tried to work on the wording, to make it strong and yet not so prescriptive that it is in anyway dictating to Congress. But we're trying to express some serious and important principles to keep the guaranteed retirement benefits that we have been promised for generations. Not to jeopardize them and not

to change the time at which you would become eligible for these. The amendment that you have before you, I finally figured out that it says, "After the resolving clause", which must be on line 9.

So the whereas' would stay in place. The resolving clause becomes a little stronger because it says that *"the President of the United States preserve and perpetuate Social Security for future generations of Americans without raising the normal retirement age or reducing other guaranteed benefits".* So that is the addition in the amendment that was not in the bill as introduced. Thank you.

Senator Clesson J. Blaisdell, D. 10:
Thank you Senator Wheeler. Any questions for Senator Wheeler? Yes Senator Squires.

Senator James W. Squires, D. 12:
Thank you. Senator Wheeler, I have sympathy with this proposal. My concern is with "future". I think there is a contract with "present" beneficiaries that should not be changed. But I wonder if it is wise for all time to say that the retirement age is 65; which is a concept that came out in the late 1900th Century from Bismarck. And that the world changes people live longer, they remain productive for a longer period of time. To suggest that age should be permanent, I wonder about the wisdom.

I also wonder about the wisdom for future generations about not, in some way, linking this to income, other income. Because, again in 1937, 1939, when Social Security came into existence, there where no IRA's, there where no 401k's. There were no other means of providing for your retirement security but now there are. So the world is changing. We're all changing. I think I would ask us to at least consider future generations and perhaps consider wording for present beneficiaries or something like that.

Senator Katherine W. Wheeler, D. 21:
Thank you Senator Squires. Would you be; is it the main thing that you are concerned about, and I understand the ideas that you are concerned about, but the wording of "future generations of Americans"? I guess the reason, I don't know that I should be asking you questions, I should be trying to understand your question. Is your question about the fact of what congress might do now for the future?

Senator James W. Squires, D. 12:
My question is do you think it is wise that the state of New Hampshire or to begin with the New Hampshire Senate ask the President and the Congress to in effect keep the present system in place for all time?

Senator Katherine W. Wheeler, D. 21:
Thank you Senator Squires. I understand your question now. I understand your concern that things are different from the way they were when we first instituted Social Security. But I think that for this legislative session, in Congress, that it would be important to maintain the system as we have it. As you know, Congress can change in the next biennium, as we can change. So, we're not locking something into place forever. But we're reassuring this generation of people who are reaching retirement age.

Senator Clesson J. Blaisdell, D. 10:
Further questions of Senator Wheeler? Yes Senator Francoeur.

Senator Gary R. Francoeur, D. 14:
Senator Wheeler, don't you think that there are other investments that possibly, even those in their fifties might make that would give them a lot better return for their retirement then Social Security?

Senator Katherine W. Wheeler, D. 21:
Senator Francoeur, I have no objection to people investing their money in anyway they want to invest their money. But somehow we have to have some guaranteed, secure foundation for people. And as exciting as the stock market is, there is no guarantee it is always going to be increasing our investments.

Senator Clesson J. Blaisdell, D. 10:
Further questions of Senator Wheeler? Thank you very much Senator.

Senator Katherine W. Wheeler, D. 21:
Thank you.

Senator Clesson J. Blaisdell, D. 10:
Senator John King, Senator McCarley here are co-sponsors, do you want to speak to this or not? No, all right then I will turn the hearing back over to Senator Wheeler.

Senator Katherine W. Wheeler, D. 21:
I will call on Sam Rosen.

Sam Rosen - New Hampshire Association for the Elderly:
I'm speaking on behalf of the New Hampshire Association for the Elderly of which obviously I am representing. I'm also a retired Professor of Economics at UNH. The main thing I want to emphasis today is that there is no immediate crisis for Social Security. There is not even a thirty-year crisis for Social Security.

The National Committee originally determined that the crisis would begin in terms of only being able to meet 75% of the guaranteed benefits of Social Security for those who are eligible for them, in 2029. But the following year they pushed that up to 2032, where it now stands. This means that until 2032, everyone who is paying into Social Security will get all the guaranteed benefits that they are entitled to. There is not immediate crisis.

Now what do we hear about the baby boomers? I think that I left something here that I wanted...

Senator Katherine W. Wheeler, D. 21:
Sam you are going to have to sit down I think unless you're in your professorial mode of wondering.

Sam Rosen:
Right, right. Sorry I got criticized for that the first time I taught at the University of Wyoming.

Senator Katherine W. Wheeler, D. 21:
Is it against your principals to sit-down while your testifying? You'd rather stand?

Sam Rosen:
I prefer to stand.

Senator Katherine W. Wheeler, D. 21:
All right.

Sam Rosen:
I think better when I stand. Baby boomers were born between 1946 – 1964. Add 65 years to the baby boomers born in 1946, you come out to the year 2011. We're saying that until 2032, and that is likely to be changed and pushed forward. Nobody knows at this moment how far forward. There's no problem for these folks, 2011, assuming that they retire at 65. Even if they retire later.

How about those born at the end of the baby boom in 1964. Again on the assumption that they're going to retire at 65, add 65 years, 2029. At least for a couple of years, full guarantee. This is a red herring, which should be totally ignored.

Now, there are two things on which we base the critical year when Social Security indeed may have some serious problems. These two things are the rate of economic growth and actuarially estimates of the work force. With respect to the rate of economic growth, the National Commission in Washington has chosen a ridiculously low figure. As indicated by the fact that they first came out with 2029 and then after a couple of good years in this country, bang, they pushed it up to 2032. It is likely to be pushed forward even more in the future.

The second thing is the matter of the actuarial estimates. Meaning what's going to be the size of the work force? Here there is no saying what will happen for example to immigration in all this period of time. In other words we are dealing with estimates based on what I would argue are serious, faulty bases for coming to these conclusions.

Now the matter of privatization is perhaps the one that bothers me the most. Maybe it's because of my age. Maybe it is because of what I have lived through. Maybe it is because my specialty was the business cycle. I wrote my dissertation on the first post war business cycle, 1948 – 1949. I followed everyone since, 9 since the end of World War II.

(Sam Rosen continued)

We are dealing here with a suggestion that first of all that there's something significantly wrong with the present Social Security system and we have to help people so their retirement benefits will be better in the future. We're only talking here, about a guaranteed benefit. Those who want to invest in IRA's and all the other things which have recently come into being there's nothing to stop them if they have the funds to do so. But they still have that guarantee which had helped their grandparents; it's helped our parents. Which has worked so successfully for 60 years or more and will at least work with total success if we don't full with it, to the year 2032 and beyond.

Now what about privatization, it has been tried in part or in whole in three countries, The United Kingdom, Australia and Chili. In each instance, it has been found not to accomplish what many would argue would be its benefits. As far as the United Kingdom is concerned, an article in the Wall Street Journal, August 10, 1998, was devastating with respect to what this did to people who got involved in partial privatization of a counter part to our Social Security system in Great Britain.

What about the other two countries, Australia and Chili? An article in Newsweek December 7, 1998 showed the serious difficulties with both of these programs as they got into a privatization mode. Now who is it that is arguing for privatization? In the forefront, State Street Boston, Payne Webber and more discreetly Merrill Lynch, Fidelity, American Express, and on and on. Let's not leave out our own Senator Gregg, who received money from the pact of Payne Webber, the Payne Webber pack, because he apparently favors partial privatization.

(Sam Rosen continued)

Now I argue that what is going to happen if we have any kind of privatization is that those who will benefit will be privateers, as I call them. I mentioned to you who some of the privateers are. You are asking millions of people, 10's of millions of people, who are totally unsophisticated with the stock market to consider jeopardizing a sure benefit in the future by fooling around with something like this. Right now the stock market is booming. It was also booming like this just before 1929, before 1987 and just before every one of our 9 post war recessions.

We have a system that works. That guarantees something. We should keep it. We should not be drawn in by the lure of these privateers who stand to benefit privately. Thank you.

Senator Katherine W. Wheeler, D. 21:
Professor wait, you can't go away. The students always ask questions.

Sam Rosen:
Sorry.

Senator Katherine W. Wheeler, D. 21:
Senator Fraser.

Senator Leo W. Fraser, Jr., D. 4:
Professor I think that you were probably looking at the original resolution, when you talk about privatization. Senator Wheeler has proposed this amendment. I'd appreciate it if you would take a look at it and see if that would more.....

My first question would be, do have any; even though you spoke in opposition to the fact that there's a problem out there. My first question would be Professor do you have any problem with the Senate sending a resolution to Washington? Number two does the language in the proposed amendment satisfies the criticism that you had of the original SCR?

Senator Katherine W. Wheeler, D. 21:
Senator Fraser I could ask you a question because we have not interpreted appropriately in the amendment when it says, "Replace all after the resolving clause". What is the resolving clause? Is it the resolution? In other words does this take the place of the...

Senator Leo W. Fraser, Jr., D. 4:
It starts with Line 9.

Senator Katherine W. Wheeler, D. 21:
So the whereas' stay in there?

Senator Leo W. Fraser, Jr., D. 4:
Yes.

Senator Katherine W. Wheeler, D. 21:
So the whereas' have the privatization in it.

Senator Leo W. Fraser, Jr., D. 4:
Oh that's right to, they do. I am sorry.

Sam Rosen:
To answer your two questions, may I? The first question I think it is a great thing that the New Hampshire Senate will do something like this. I am tempted to say in the past I would not have imagined a New Hampshire Senate doing something like this. So, I approve of that, totally.

Secondly, I've read this and it seems to me that it is a very excellent statement. I support it.

Senator Leo W. Fraser, Jr., D. 4:
Thank you very much Professor, I appreciate it.

Senator Katherine W. Wheeler, D. 21:
Senator Squires.

Senator James W. Squires, D. 12:
A most entertaining and enlightening testimony. I think; I believe it is true, that depending on a number of variables, that within 8 years following the receipt of Social Security payments, the majority of the people receive back with interest everything that they have put in.

So in my case that means, hopefully that I will enjoy about 20 years of a direct transfer of payment from my children to me. Is that a sound economic policy? Assuming for the moment that I don't in a sense need it?

Sam Rosen:
Let me put it this way. We could conceivably put in some kind of stipulation, which rules out people of higher income. But that is already beginning to sound like welfare, the welfare program. One of the advantages of this program, since its inception, is it made no exclusions what so ever, which meant that people didn't look on it as some kind of a welfare program. You paid in while you were working.

(Sam Rosen continued)
And true you might have received after you stopped working considerably more than you put in. The fact is that it applied to everybody and we didn't have this division in society in which one group was saying, one class was saying, "Look, we don't want to do this because only a handful of us benefit". Everybody did. There's never been any claim that this is a welfare program. It isn't. That's one thing I would say.

The other thing is that, even though you may be as you say, when you retire, receiving as long as 15 or 20 years of benefits, with your children paying into it. This means your children, especially if you are not particularly well off, your children would be relieved of the responsibility which existed for millions of Americans, 10's of millions of Americans, before we had a Social Security Program; to be responsible for their parents.

These days they aren't at least up to a point, because it's intergenerational. The same thing will happen to them. When they become grandparents or parents, they will not have to be supported by their children.

Don't forget, none of us should forget, that there are two other aspects of Social Security that are very critical and seldom mentioned. One of them is if you are totally disabled you got some kind of income coming out of Social Security. The second one is if you become a Widow or Widower, and the support is totally gone, you are then eligible to receive something in the way of Social Security. So, there's benefits beyond the immediate one. That would be my response.

Senator Katherine W. Wheeler, D. 21:
Follow-up Senator Squires?

Senator James W. Squires, D. 12:
When Social Security began, I think there where something like 11 payees contributing for every recipient. Over time due to change in demographics and a reduced birth rate, the figure is down to something like three and will soon be approaching two.

In the face of that, do you still think that these; all though I think in a certain sense it's appealing, but the intergenerational transfers, because they're falling on a smaller and smaller number of people, becomes an increasing economic burden to the generation following ours?

Sam Rosen:
I've heard that argument before. The fact of the matter is that the number of people working in relation to those who are receiving benefits, will receive benefits, has been shrinking over time. Yet we have a guarantee at least 2032, that any, all benefits that people anticipate and are entitled to, they will get. We are talking more than three decades here.

Now if you are concerned about what will happen then, when the National Commission in any event said 75% of the benefits will be available. I have a very easy solution. I don't understand why it hasn't been put into effect.

We currently have a cap on Social Security. It was just raised from 68,000 something to 72,600.00, something like that. Meaning that any money you earn beyond that 72,000.00 has nothing to due with the Social Security tax. You only pay up to 72,000.00 dollars.

Now we have people running around this country, arguing that we should have a flat tax for the income tax. These individuals, one of whom is a very prominent publisher, never talks about a flat tax for Social Security. Why not? The way this tax exists now it is definitely a very regressive tax. Because the percentage related to the very low-income people is extremely high compared to the upper income people.

Whether removing this cap on Social Security would make up for the 25% estimated, and that estimate is a very shaky thing, in a sense that it could vary easily be pushed up well beyond 2032. In any event whether that would make up all of the 25%, that is allegedly missing, I don't know. But at least it would make up a significant part of it. So, there's one way of handling that problem.

Senator Katherine W. Wheeler, D. 21:
Senator Blaisdell.

Senator Clesson J. Blaisdell, D. 10:
Professor, what the heck are you doing being retired?

Sam Rosen:
I am having a great time with my wife and 10 grandchildren.

Senator Clesson J. Blaisdell, D. 10:
I love that that gives me hope.

Senator Katherine W. Wheeler, D. 21:
Senator Francoeur has a question.

Senator Gary R. Francoeur, D. 14:
Professor Rosen if I had invested in the Social Security, what is the rate of return over say the last 40-50 years, if you have any idea?

Sam Rosen:
I don't have that figure but what I can tell you is, is that it's positive the rate of return that you get.

Senator Gary R. Francoeur, D. 14:
Is it a 2%, 3% is it....

Sam Rosen:
I don't really know. I have to confess I don't have the knowledge about that. But I would argue that I'm sure it's at least 3% probably higher. And incidentally in Chili, where they allow privatization, at least in one year the return was something like a negative 2 or 3% as revealed by Business Week; the article that I cited.

Senator Katherine W. Wheeler, D. 21:
Any other questions? Senator Francoeur.

Senator Gary R. Francoeur, D. 14:
Yes, one last one. As you mentioned the publisher, would he receive any Social Security benefits after.....

Sam Rosen:
Sure, Sure he would. And I think he makes a little more than $72,400.00, Senator Francoeur.

Senator Katherine W. Wheeler, D. 21:
Any further questions for Professor Rosen? Thank you very much.

Sam Rosen:
You're welcome.
(See attached text handed in by Professor Rosen, Document #1).

Senator Katherine W. Wheeler, D. 21:
Bob Stauffer has signed up in favor of the bill, from the NH Association of the Elderly but not wishing to speak. Michael Power from the NH AFL-CIO has signed up in favor of the bill but not wishing to speak. Dorthea O'Neil from the AARP has signed up in favor but not wishing to speak. And Eva Sartwell has signed up in favor of the bill, from NH AFL-CIO, not wishing to speak. The last person who signed up wishing to speak is Bob Forsing from the AARP.

Bob Forsing - AARP:
Good Morning Madame Chair, Members of the Committee, for the record my name is Bob Forsing, I come from Raymond, NH, the garden spot of NH, I am here today to speak for AARP.
(See attached written Testimony, Document #2).

Senator Katherine W. Wheeler, D. 21:
Thank you very much, are there any questions for Mr. Forsing? Senator Squires.

Senator James W. Squires, D. 12:
Does AARP have a position on the New Hampshire interest in Dividends Tax, which is to some, a disincentive to save because you get taxed on the interest?

Bob Forsing:
We are monitoring all the tax bills and we, AARP's position on tax is that there has to be a blend of all of them. We are not in support or opposing any particular tax. We are monitoring and looking for a blend of everything.

Senator Katherine W. Wheeler, D. 21:
Further questions for Mr. Forsing? See none. I have a second final speaker Sara Dustin.

Sara Dustin – NH Association of Senior Citizens:
Good Morning for the record, my name is Sara Dustin. I'm standing up here as a member of the board of NH Association of Senior Citizens. I wanted to take a second crack at answering Senator Squire's question. You mentioned the declining ratio of payers' into the Social Security system to the number of retire payees'? I would like to mention to you that despite this, the Social Security tax, payroll collections continues to exceed the obligation to current retirees' by a very large sum. And in fact I believe the surplus increases every year despite this declining ratio. I would like to call your attention to something that was written in the US News and World Report, editor and chief Mortimer Zuckerman, editorial at the end of the magazine. I think it was the 6th .....
(Tape Change)
..... of national economic growth on which the Social Security crisis is, has been predicted, are extremely and unfairly low. I've been hearing this mostly from partisan people but now I hear it from Mortimer Zuckerman himself. He says, he cites "the truly pessimistic gross domestic product growth estimates, he says that the Social Security trustees' are predicting that there's a crisis based on a growth estimate on 2.1% per year for the next 10 years". Current growth is 3.7% per year; depression level growth was 2.4% per year. The 75-year average was 2.8%. If we continue to grow as we have been, the labor economists have said there really is no problem. What Mortimer Zuckerman says "that if we put aside a part of the surplus and the economy performs better than the Social Security Trustees' predict we will have a manageable problem or perhaps no problem at all". So this, we're really hearing a lot of "cry wolf". Therefore I'm very much in favor of Senator Wheelers' resolution and I hope you'll pass it.

Senator Katherine W. Wheeler, D. 21:
Any questions for Ms. Dustin? Senator Squires.

Senator James W. Squires, D. 12:
I appreciate what you said, Ms. Dustin and your response to my query. But is it not also true, that for many people, particularly low-income, that Social Security Tax is the largest proportion of their tax? And in fact, as Professor Rosen pointed out, it's extremely regressive for low-income payees', in the present structure?

Sara Dustin:
You know, thank you so much for raising that point, because that's been very much on my mind and on the mind of our board. If the Social Security payroll tax continuously produces a surplus it's obviously too large. And the real reform we need is a reduce in the percentages of Social Security Tax, so people at bottom of the working pyramid, who get hit the hardest, will get some relief. And these families that are so tight-pressed to meet everyday expenses will have a break. The other way to relieve this, of course, is if we raise the cap and tax all earned income. Including the income of these corporate CEOs' who get thousands of times the pay per hour of a worker in their own corporations. There would be no Social Security problem what so ever and we would also have a social incentive for the corporations to stop paying their CEOs' such excessive salaries. They would not like having to pay the 15% tax on them. That would be good for economic equate in this country and for the health of democracy. Now, did I really answer your question?

Senator James W. Squires, D. 12:
Thank you.

Sara Dustin:
You're welcome.

Senator Katherine W. Wheeler, D. 21:
Further questions? Thank you very much, Ms. Dustin. Anybody else wishing to testify on SCR2? Yes.

Bob Stauffer:
I signed up not to testify, but I just wanted to make a comment. Bob Stauffer is my name and I wanted to respond to Senator Francoeur's questions about better ways in investing your money. This is six-senses that just was excerpted from a wire on Monday.
(See attached written testimony Document #3).

Senator Katherine W. Wheeler, D. 21:
Any questions for Mr. Stauffer? See none then I will close the hearing on SCR2.

Hearing on SCR2 closed 9:10AM

Respectfully submitted,
Linda Brosseau, secretary

SCR #2
Document
#1

Letters to the editor

Ignore siren call of the privateers

By Sam Rosen
Durham

Community Commentary

As the White House Conference on Social Security gets under way, the gimmick most highly touted is privatization, either partial or total. The presumed crisis is based on long-run forecasts (about 30 years) that the Social Security Fund will be depleted. Why? Because there will be fewer workers contributing and the vast number of baby boomers retiring. In truth, no one can predict with even minimal accuracy the rate of economic growth and the rate of immigration so far into the future. But that's what the doomsayers have done.

If there is indeed a long-range problem, is privatization the answer? A recent Wall Street Journal (Aug. 10, 1998) article was headlined, "Financial Flop," and sublined, "Social Security Switch In U.K. Is Disastrous: A Caution to the U.S." It seems that a decade ago the government of the United Kingdom (Great Britain or even England to some of us) allowed millions of its people to leave their public and company-sponsored pension plans to privately invest instead. Now labeled the "pension misselling scandal," it could cost U.K. insurers as much as $18 billion in compensation to employees who were given bad advice. This was optional privatization of social security.

These "personal pensions" were highly touted by insurance companies, banks, financial advisers, Margaret Thatcher, and John Major, whose U.S. counterparts are similarly pushing for privatization. It was noted that commissions and management fees for the privatized pensions were frequently excessive.

And what about the situation in Chile and Australia, both of which have introduced privatization? According to Newsweek Dec. 7, 1998, Chile's private retirement system fails to reach 40 percent of its population, omitting farmers, day laborers, and some self-employed. Note, too, that the average rate of return on Chilean pension accounts in 1995 was minus 2.5 percent. Australia excludes the working poor in its national privatization scheme. Our present Social Security system is virtually all-inclusive.

Newsweek also raises the following questions in relation to U.S. privatizing. Who will service the private accounts? Who will regulate them, how will they be "tracked" and at what cost? And what about 31 million private accounts for low-income people contributing $100 per year or less? Who will handle these?

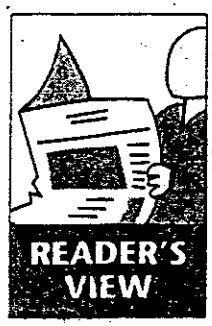
Forewarned is forearmed. If Social Security needs fixing there are a number of ways to accomplish that end. Removing the cap on wages and salaries, now set at $68,400 for the FICA tax, is one obvious means which would recover two-thirds of the tenuous actuarial shortfall. Why should Bill Gates be taxed the flat rate on only the above amount while an employee earning, say $20,000 is taxed on his total wage? What could be more regressive!

In any event, there is no evidence for an immediate impending crisis in Social Security, a system which has served the country well for over 60 years. And there is sufficient evidence to ignore the siren call of the privateers.

(Sam Rosen is professor emeritus of economics at the University of New Hampshire in Durham.)

Thoughts on how to 'fix' Social Security now

In the coming months, the president will hold a White House Conference on "retirement security," really on the existing Social Security system and its presumed need for "fixing." Much of the purported need is based on a 1997 prediction by a government advisory committee that the system will only have 75 percent of the benefits required for those retiring in 2029. But due to economic growth in 1997, the guesstimate has now been forwarded to 2032!



Note that these forecasts are actuarial and not economic. Nor could they be the latter since economists have enough trouble predicting the short-run let alone three decades hence. And actuarial estimates can be revised dramatically if real wages rise by even a quarter of one percent annually or immigration changes even slightly.

If there is a need to shore up the system, one obvious way is to remove the $68,400 cap wages. This cap makes the Social Security tax extremely regressive. For example, someone with double the cap effectively pays half the rate of those earning just less than the cap, but both receive the same benefits at retirement. Over the years the cap has been raised a number of times, and logically and in fairness, should be eliminated of Social Security revenues are truly found wanting. In so doing, two-thirds of the tenuous actuarial shortfall would be recovered.

One proposal gaining prominence is to invest some Social Security funds in the stock market. After all, in the long run the market outpaces Social Security Trust Fund gains. But the market also experiences frequent downturns, some of extreme severity such as in 1929 and in 1987. And the present boom will not last forever, given clear historical evidence. Moreover, the obvious beneficiaries of privatizing all or part of Social Security are those who broker stocks and bonds, presently feeling no pain. As noted in Current Issues, Federal Reserve Bank of New York, August, 1997: "In addition to altering the programs' risk exposure, the reform (investing in stocks and corporate bonds) could change the extent to which Social Security pools risk and redistributes income, both within a single generation and across generations."

As it stands, Social Security means an escape from poverty for half of all Americans over 65. And it is at least one federal program that works for the benefit of the vast majority. And as a countercyclical element, it has helped in preventing a cataclysmic event such as the Great Depression in each of our nine post-World War II recessions. If there are problems with the system, they can easily be resolved as indicated above without the highly speculative stock market alternative.

Sam Rosen
Durham

Portsmouth Herald
7/30/98

SCR 2
Document #2

AARP

NEW HAMPSHIRE STATE LEGISLATIVE COMMITTEE

CHAIR
Claire D. Clarke
437 Daniel Webster Highway
Boscawen, NH 03303
(603) 796-2268

VICE CHAIR
Edward Brueggemann
60 Winding Pond Road
Londonderry, NH 03053
(603) 434-4725

SECRETARY
Geraldine Rudenfeldt
HC66 Box 282
Newport, NH 03773
(603) 863-1024

CAPITAL CITY TASK FORCE COORDINATOR
Robert Forsing
12 Green Road
Raymond, NH 03077
(603) 895-9451

TESTIMONY OF AARP STATE LEGISLATIVE COMMITTEE

Before the Senate Insurance Committee
March 16, 1999

A Resolution Urging the President and Congress to Strengthen the Finances of Social Security

Good morning. My name is Bob Forsing, and I am chair of the Capital City Task Force of the State Legislative Committee (SLC). I am here today to testify on behalf of the over 180,000 members of AARP in New Hampshire in support of SCR 2.

AARP applauds the sponsors of New Hampshire Senate Concurrent Resolution 2 concerning strengthening the Social Security system for the long term. The Social Security program has more than 6 decades of demonstrated value to Americans both working and retired, and has been the single most effective government program in raising the older population out of poverty. It has accomplished this feat with very low administrative expenses, highly efficient operations, and nearly universal coverage of the nation's population.

Not only would individual accounts be a bad deal for many Americans, diverting large sums to administrative expenses and broker fees, but they would not provide for the millions of surviving spouses, dependent children, and disabled workers who currently depend on Social Security benefits. Indeed, instituting individual accounts would actually weaken Social Security by drawing funds away from the program to establish them--a point rarely acknowledged by promoters of such accounts.

One reason given for setting up individual accounts is that they would supposedly strengthen the country's currently poor rate of saving. AARP strongly supports attempts at raising the US savings rate and encouraging Americans to save more on their own for retirement and other needs. However, this goal can and should be accomplished outside the Social Security system—by improving incentives for private saving as well as improving the employer pension system so that it covers more workers and provides more generous benefits than is currently the case. But by no means should increasing the nation's savings rate be accomplished at the expense of a system that has worked so well for so many for so long.

If AARP can be of any further assistance to you on this issue in the future, please do not hesitate to contact us. Thank you.

SCR2
Document #2

TALKING POINTS
SCR 2 to strengthen the finances of Social Security

Hearing of the Senate Committee on Insurance
March 16, 1999
Presented by Robert Stauffer, New Hampshire Association for the Elderly

NHAE: was formed in 1972 by retired steel workers over in the Connecticut River Valley. We speak for working class families and retirees, who depend on Social Security and Medicare for their retirement security.

Who would have guessed that in the year 2000 the predominant issue in Congress would be about dismantling Social Security? Social Security and Medicare are two of the most effective and popular government programs in our history. Social Security has become a **major economic stabilizer** for the nation and for families.

> **As a nation**, we have been saved from depression at least six to seven times since the Great Depression, primarily because Social Security enabled fixed income families to survive downturns in the economy and keep consumer spending up.
>
> **As working families**, we see our grandparents, parents and other relatives receive Social Security that is funded through deductions from our paychecks.
>
> **As individual retirees**, we live more independently and with dignity. Most of us have grown up believing that we don't have to be poor when we get old!

Rather than dismantle Social Security, we must improve it and adapt it to the needs of America's workers.

> There is a lot of concern about the most vulnerable segment of the retired population: older women. Their benefits could be increased.
>
> There is a lot of concern about the burden of tax on self-employed, who pay a 15.3% tax on their earnings. That burden can be reduced.
>
> We can make this system fair and even more effective.

Social security is not in crisis. The Social Security Commission is required by law to select the pessimistic projection of our economic growth and plan for that eventuality. So our projections for the next 75 years of Social Security are based on a level of economic performance that is lower than what we achieved during the ten year period of the Great Depression.

No. Social Security is not in crisis. Social Security is a gold mine. It is a gold mine for investment managers, bankers, real estate interests, all of those people who make their living off of winners and losers in the market. If they can just channel a portion of the nation's Social Security contributions into the stock market, they can make a lot of money. And that is what we have shifted the Social Security discussion to: gold.

The General Accounting Office released a report last week refuting the notion, advanced by Wall Street, that privatizing Social Security will produce greater returns than the current system. According to the report, private accounts are a good deal for only those among the top ten percent of wage earners. The GAO investigated three counties near Galveston, Texas that opted out of the federal Social Security system nearly two decades ago. The report concluded that low and median-wage workers fared worse than they would have from the current system. Women fared worse, as well, regardless of age, marital or economic status. According to economist John Mueller, the private system eliminated the progressive nature of the current benefit structure. " The only modest winners under realistic assumptions would be higher-income unmarried men, if born far enough into the future to avoid the transition tax." Mueller is a former economic advisor of 1996 Republican Vice Presidential candidate Jack Kemp.

Speakers

SENATE INSURARNCE COMMITTEE

Date March 16th, 1999 Time 8:30AM Public Hearing on **SCR2**

Appearing in FAVOR: (Please print) **Please check box at left to speak.**

Speaking?	Name	Address	Representing
☑	Sam Rosen	17 Oyster River Rd. Durham	NH Assn for the Elderly
☑	Bob Stauffer	15 Ash St Exeter	NH Assn for the Elderly
☐	Michael Power	Contoocook, NH	NH AFL-CIO
☐	Dorthea O'Neil, AARP	– Weare NH	AARP
☑	Bob Forsing	Raymond, N.H.	AARP
☐	Eva Lartweld	Concord N.H.	NH AFL-CIO
☑	Sen Katie Wheeler		
☑	Sara Dustin		
☐	Sen. Larsen	Concord	
☐			

Appearing in OPPOSITION: (Please Print) **Please check box at left to speak.**

☐	
☐	
☐	
☐	
☐	
☐	
☐	
☐	
☐	
☐	

Committee Report

SCR2 Docket

Next|Previous|Results List|Bill Status

Bill Title: urging the President and Congress to strengthen the finances of Social Security.

Date	Body	Description
1/28/99	**S**	Introduction and referring to Insurance 1/28/99; SJ 3, Pg.39
2/10/99	**S**	Hearing, 3/9/99, Room 103, SH, 8:3 0 a.m.
2/17/99	**S**	Hearing Cancelled Due To Town Meeting Day
2/24/99	**S**	Hearing, 3/16/99, Room 103, SH, 8:30 a.m.
5/12/99	**S**	Committee Report, Ought to Pass W/Amendment, 5/13/99
5/12/99	**S**	Committee Amendment, {1199}, SC30, Pg.7
5/13/99	**S**	Sen. Wheeler Subtitute Motion Of Rereferred, MA, VV; SJ 18, Pg. 448
1/11/00	**S**	Committee Report, Inexpedient to Legislate, 1/13/00
1/13/00	**S**	Inexpedient to Legislate, MA,VV; SJ 1, Pg.26

**Docket Abbreviation Explanations

Next|Previous|Results List|Bill Status

|SCR2 Docket

Bill Title: urging the President and Congress to strengthen the finances of Social Security.

Date	Body	Description
1/28/1999	**S**	Introduction and referring to Insurance 1/28/99; SJ 3, Pg.39
2/10/1999	**S**	Hearing, 3/9/99, Room 103, SH, 8:3 0 a.m.
2/17/1999	**S**	Hearing Cancelled Due To Town Meeting Day
2/24/1999	**S**	Hearing, 3/16/99, Room 103, SH, 8:30 a.m.
5/12/1999	**S**	Committee Report, Ought to Pass W/Amendment, 5/13/99
5/12/1999	**S**	Committee Amendment, {1199}, SC30, Pg.7
5/13/1999	**S**	Sen. Wheeler Subtitute Motion Of Rereferred, MA, VV; SJ 18, Pg. 448
1/11/2000	**S**	Committee Report, Inexpedient to Legislate, 1/13/00
1/13/2000	**S**	Inexpedient to Legislate, MA,VV; SJ 1, Pg.26

Docket Abbreviations