LEGISLATIVE SUMMARY

The Preserving our Promise to Seniors Act of 2010 **Rep. Ted Deutch (FL-19)**

Consumer Price Index for the Elderly

The Preserving our Promise to Seniors Act of 2010 creates a price index for elderly consumers that would direct the Social Security Administration to use it for determining cost of living adjustments (COLAs) for those aged 62 and up. Presently, COLAs are based on the Consumer Price Index, a figure released by the Department of Labor on the cost of a basket of goods for the average wage earner in the United States. While the Consumer Price Index has gone down during our recession, the cost of living for seniors has continued to rise. This disparity is due to the fact that this basket of goods undercounts items that seniors disproportionately spend their money on, such as prescription drugs, homeowners' insurance premiums, and medical supplies.

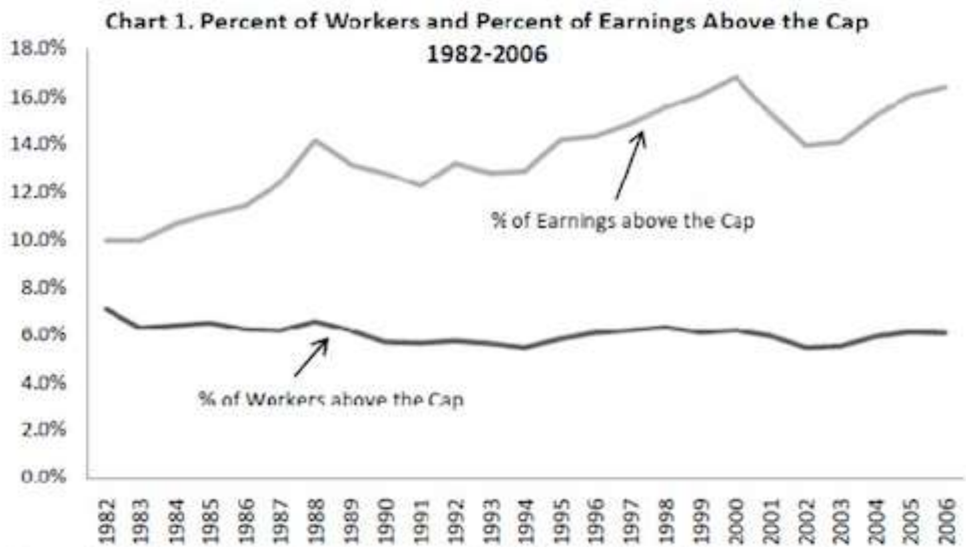
Guaranteed Supplemental Payment

The legislation also codifies a $250 supplemental payment to all COLA-tied retirees every year that there is no COLA. This ensures that in times of economic recession, seniors are guaranteed this important benefit without future Congresses sabotaging it.

Contribution and Benefit Fairness

A. **Eliminate the Cap**

Currently, the Social Security cap is indexed to inflation rather than wages, and as a result, rising income inequality has left fewer wages subject to Social Security taxes. The current cap is down to 84% of all wages earned, a 30-year low (see Chart 1).



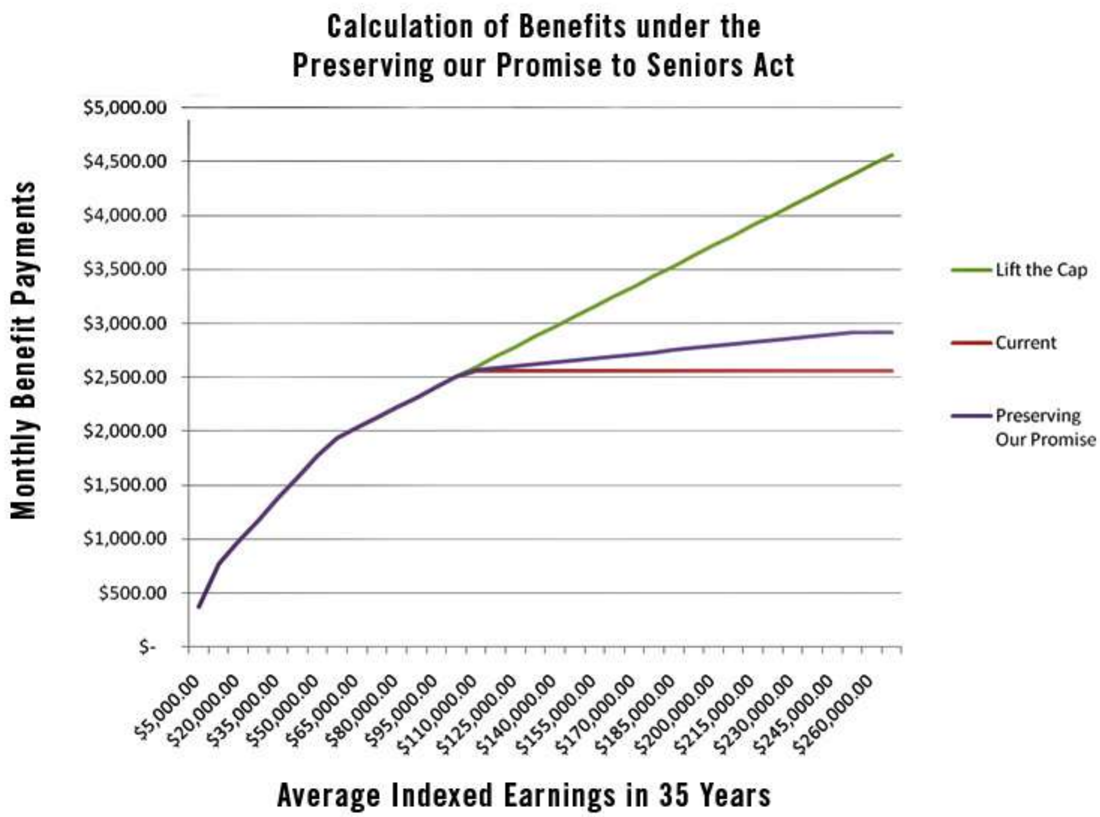
Graph produced by Economic Policy Institute, based on Social Security Administration Figures

This 30-year low is made worse by the fact that the cap was set at a level to simply cover the costs of the program. As benefits increased and coverage expanded over the years, the Baby Boomers maintained the program's solvency because of their disproportionate worker to retiree ratio. As the Baby Boomers leave the workforce, the wages below the cap will no longer cover the costs of promised benefits.

The elimination of the cap will cover the long-term costs of the program by phasing it out in the following manner: 6/7 of an individual's income (with no limit) above the cap shall be exempt from OASDI taxes (and for the purposes of calculating benefits) in 2011. This exemption will decrease to 5/7 in 2012, 4/7 in 2013, 3/7 in 2014, 2/7 in 2015, 1/7 in 2016, and a full elimination of the cap in 2017. During the phase-in years, the cap should still rise as it would under current law. By 2017, all payroll income would be subject to Social Security taxes.

B. **Benefit Fairness**

This provision will add two more bend points, wage-indexed like current law, to pay 3% of AIME from $8,900-$20,833 and .25% above $20,833. (See Chart 2)



Benefit Protection

The legislation establishes point of order against any bill, joint resolution, amendment, motion, or conference report that would reduce Social Security benefits, have the effect of reducing benefits, require or permit the diversion of OASDI contributions to personal accounts, allow the investment of Trust Fund assets in anything other than U.S. Government-backed securities, or allow the Social Security program to be administered in whole or in part by any private entity.