KAY BAILEY HUTCHISON
TEXAS

COMMITTEES:
APPROPRIATIONS
COMMERCE, SCIENCE, AND TRANSPORTATION
RULES AND ADMINISTRATION

United States Senate

WASHINGTON, DC 20510–4304

June 29, 2011

The Honorable Kent Conrad
530 Hart Senate Office Building
U.S. Senate
Washington, D.C. 20510

The Honorable Saxby Chambliss
416 Russell Senate Office Building
U.S. Senate
Washington, D.C. 20510

The Honorable Mike Crapo
239 Dirksen Senate Office Building
U.S. Senate
Washington, D.C. 20510

The Honorable Dick Durbin
711 Hart Senate Office Building
U.S. Senate
Washington, D.C. 20510

The Honorable Mark Warner
459A Russell Senate Office Building
U.S. Senate
Washington, D.C. 20510

Dear Senators Conrad, Chambliss, Crapo, Durbin and Warner:

We cannot resolve our deficit spending crisis without addressing mandatory spending issues. The Congressional Budget Office's new *2011 Long-Term Budget Outlook*, makes this point forcefully: Social Security will account for one-fifth of all federal government expenditures in 2011, and Social Security, Medicare and other entitlement programs are projected to increase much faster than tax revenues.

I believe there is an opportunity to move ahead now with needed, long-range Social Security reforms, and simultaneously help to reduce federal deficits during the next ten years.

Last week, I introduced S. 1213, the *Defend and Save Social Security Act*, with Senator Jon Kyl as original cosponsor. If enacted, our bill would put Social Security on a sound financial footing for at least the next 75 years – without raising taxes – and reduce federal deficits over the coming decade by more than $400 billion.

We know that the Social Security system is on a glide path to a financial crash. According to the latest report from the Social Security Administration's Chief Actuary, the growing imbalance between benefits expenditures and payroll tax revenues will exhaust Trust Fund reserves by 2036. Under current law, a 23 percent cut in benefits would then be triggered.

Congress will surely act to avert such a catastrophic cut in retirees' benefits. But the longer we wait to address Social Security's growing financial problems, the greater the pain – in the form of higher taxes and/or reductions in benefits – that will accompany saving Social Security. A better alternative is surely a bipartisan agreement this year on a long-range plan to assure Social

Security benefits for future retirees – without higher taxes or benefits cuts – and also reduce deficit pressures over the coming decade.

Our bill proposes gradual changes in Social Security retirement age, as set forth in the enclosed table. By increasing the retirement age by 3 months each year, starting in 2016, normal retirement age would reach 67 in 2019, 68 by 2023, and 69 by 2027. Our bill would also raise the early retirement eligibility age to 63 by 2019 and 64 by 2023.

In addition, our bill would modify the annual Social Security cost-of-living-adjustment (COLA). Using the current formula, the COLA would be decreased by 1 percent in any year in which the COLA would exceed 1 percent. However, if in any year the COLA is calculated to be less than 1 percent, under my bill, the final COLA would be reduced to zero.

According to the Social Security Administration, these changes would guarantee a stable, solvent Social Security system for at least 75 years (see enclosed chart), and reduce federal deficits by $416 billion over the next ten years. Furthermore, the steps set forth in S. 1213 would not require higher taxes and would not touch core Social Security benefits.

Our legislation is not being offered as an all-or-nothing proposal, but as a sound, moderate basis for pursuing bipartisan agreement to solve two crucial national problems: the looming threat of Social Security insolvency, and skyrocketing federal deficits that put our economic future and national security at risk.

Thank you for undertaking the difficult challenge of reaching bipartisan agreement for addressing the debt limit and deficit crises. I believe an indispensable part of the solution to these urgent problems is embedded in the need to reform Social Security and avoid drastic disruptions for current and future retirees. Please do not hesitate to reach out if you have questions or need more information.

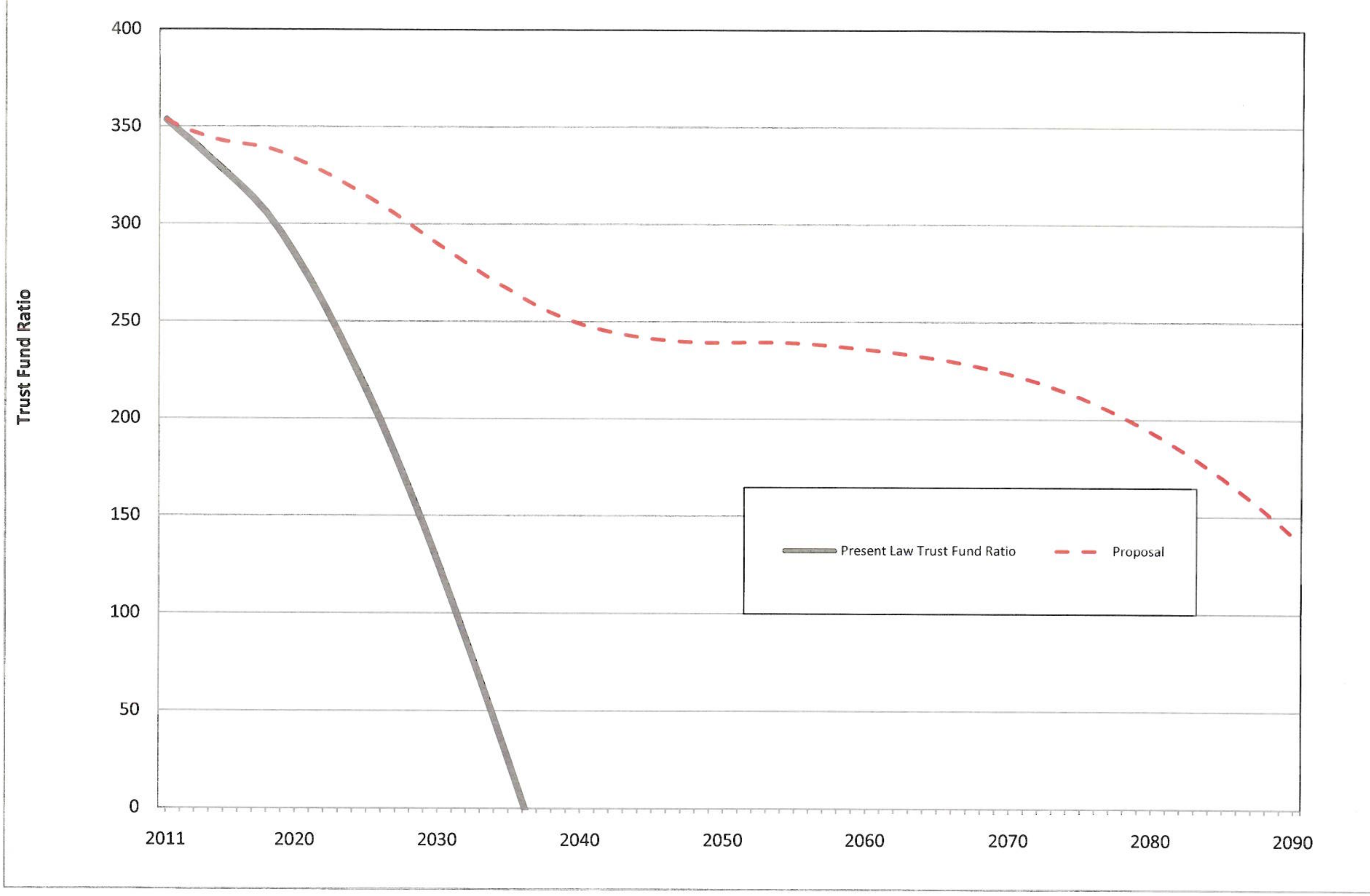
Sincerely,

Kay

Kay Bailey Hutchison

Enclosures

Figure 1. Present Law and Proposal OASDI Trust Fund Assets as Percent of Annual Cost: 2011 TR Intermediate Assumptions



Senator Hutchison's Defend and Save Social Security Act

The Problem:

Demographic Changes Are Severely Impacting Social Security

- 1935: 42 workers supported 1 retiree
- 1955: 9 workers supported 1 retiree
- 2011: 3 workers support 1 retiree
- 2035: 2 workers will support 1 retiree

Why Social Security Reform Cannot Wait

- According to the projections made by the Trustees' 2011 report, Social Security trust fund assets will be fully exhausted by 2036.
- Under current law, retirees will have their Social Security benefits cut by 23 percent in approximately 25 years. In today's dollars that would mean an average cut of $271 per month.
- The unfunded obligation of the Trust Fund over the 75-year period is $6.5 trillion, an unprecedented $1.1 trillion increase from projections made just one year ago.

Senator Hutchison's Solution:

Key Reforms of Defend & Save Social Security Act

- Gradually raises the Normal Retirement age to 67 by 2019, 68 by 2023, and 69 by 2027.
- Gradually raises the Early Retirement Age to 63 by 2019 and 64 by 2023.
- Slows the growth in benefits by lowering the annual cost of living adjustment by one percent or about $11 dollars per month, as opposed to an average reduction of $271 per month if nothing is done.
- Does not affect anyone who is currently 58 years old or older.
- DOES NOT RAISE TAXES.
- DOES NOT CUT CORE BENEFITS.

Key Results of Defend & Save Social Security Act

- Establishes a fully safe and secure Social Security system that will make good on its promises to all retirees by restoring confidence in currently near bankrupt program.
- Eliminates entire Trust Fund shortfall, defending seniors from the coming automatic 23 percent benefits cut in 2036.
- Decreases deficits by $416 billion over the next 10 years.
- Reduces publically held debt by $7.2 trillion by 2085.
- Saves Social Security for future generations.

Prepared by the Office of Senator Kay Bailey Hutchison

Present Law

Age in 2011	Year Attain Age 62	EEA		NRA	
		Years	Months	Years	Months
58	2015	62	0	66	0
57	2016	62	0	66	0
56	2017	62	0	66	2
55	2018	62	0	66	4
54	2019	62	0	66	6
53	2020	62	0	66	8
52	2021	62	0	66	10
51	2022	62	0	67	0
50	2023	62	0	67	0
49	2024	62	0	67	0
48	2025	62	0	67	0
47	2026	62	0	67	0
46	2027	62	0	67	0
45	2028	62	0	67	0
44	2029	62	0	67	0
43	2030	62	0	67	0

EEA: stays at 62

NRA: increases 2 months a year (starting in 2017) until it reaches 67 (in 2022); remains at 67

Defend and Save Plan

Age in 2011	Year Attain Age 62	Proposed EEA		Change from Current Law EEA	Proposed NRA		Change from Current Law NRA
		Years	Months		Years	Months	
58 & older	unaffected						
57	2016	62	3	3 mos	66	3	3 mos
56	2017	62	6	6 mos	66	6	4 mos
55	2018	62	9	9 mos	66	9	5 mos
54	2019	63	0	1 yr	67	0	6 mos
53	2020	63	3	1 yr 3 mos	67	3	7 mos
52	2021	63	6	1 yr 6 mos	67	6	8 mos
51	2022	63	9	1 yr 9 mos	67	9	9 mos
50	2023	64	0	2 yrs	68	0	1 yr
49	2024	64	0	2 yrs	68	3	1 yr 3 mos
48	2025	64	0	2 yrs	68	6	1 yr 6 mos
47	2026	64	0	2 yrs	68	9	1 yr 9 mos
46	2027	64	0	2 yrs	69	0	2 yrs
45	2028	64	0	2 yrs	69	0	2 yrs
44	2029	64	0	2 yrs	69	0	2 yrs
43	2030	64	0	2 yrs	69	0	2 yrs

EEA: increases 3 months a year starting immediately in 2016 until it reaches 64 (in 2023); remains at 64

NRA: increases 3 months a year starting immediately in 2016 until it reaches 69 (in 2027); remains at 69