

United States Senate

WASHINGTON, DC 20510-4304

June 16, 2011

The Vice President
Old Executive Office Building
Washington, DC 20501

Dear Mr. Vice President:

I am writing to urge consideration of my Social Security proposal in the broader deficit reduction package on which you are currently working. I am concerned that Social Security reform must be a part of the negotiations on the debt ceiling.

We cannot address our soaring deficits without reforming our broken entitlement programs. Social Security's \$6.5 trillion unfunded obligation must be resolved, and I strongly encourage you to focus on Social Security's impending fiscal problem.

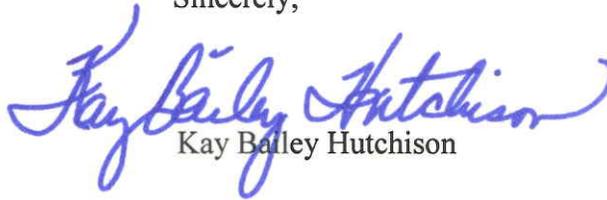
In its current form, Social Security will fall short on its financial obligations to current and future retirees. The 2011 Social Security Board of Trustees report estimated that once the trust fund is exhausted, revenue will cover only 77 percent of the benefits that will be due to beneficiaries in 2036, forcing an immediate 23 percent cut in core benefits.

The time is now to implement reasonable, gradual reform that will strengthen Social Security for current and future retirees. Since we are living longer, it makes sense to increase the retirement age gradually – without impacting those who are about to retire. Under my proposal, anyone who is currently 58 years old or older would not be affected. For everyone else, the normal retirement age and the early retirement age would increase by three months each year, starting in 2016. The normal retirement age would reach 67 by 2019, 68 by 2023, and 69 by 2027. The early retirement age would gradually reach 63 by 2019 and 64 by 2023. The cost-of-living-adjustment (COLA) would be computed as is under current law, but under my plan, it would be reduced by one percent annually.

Instead of adding to our national debt and continuing our deficit spending, my Social Security proposal will restore the program's finances without contributing a penny more to the nation's total debt. According to the Social Security Administration's Chief Actuary, my proposal achieves \$416 billion towards deficit reduction during the next ten years and a total of \$7.2 trillion by 2085.

It is imperative that Social Security is a part of your working group. Thank you for your attention to and consideration of this important matter.

Sincerely,



Kay Bailey Hutchison

Enclosure

CC:

The Honorable Daniel Inouye
The Honorable Jon Kyl
The Honorable Max Baucus
The Honorable Eric Cantor
The Honorable James Clyburn
The Honorable Chris Van Hollen



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.