



**ECONOMIC
SECURITY**
FOR OLDER ADULTS



Approved by the 217th General Assembly
of the Presbyterian Church (U.S.A.)

2006

A REPORT ON ECONOMIC SECURITY FOR OLDER ADULTS

Approved by the 217th General Assembly (2006)
Presbyterian Church (U.S.A.)

Developed by
**The Advisory Committee on Social Witness Policy
of the General Assembly Council**

Published by
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A Report on Economic Security for Older Adults

Recommendations

Christians are called to focus first on the common good, not on what is good for only themselves. Both Old and New Testaments enjoin believers to care for their neighbors, especially the less fortunate, but increasingly today's society finds it acceptable to base decisions on what's in it for me. From a Christian perspective, this radical individualism is worrisome.

Emphasizing the common good has clear implications for improving the economic security of older Americans. For example, Social Security is not a personal retirement plan but a social insurance program—a compact with other people, other generations, and the United States government. The essence of social insurance is community, that is, we are all in this together as God's children. It also affirms the responsibility to make health insurance available to all Americans, not just to one's own family.

In this spirit, the Advisory Committee on Social Witness Policy (ACSWP) makes the following recommendations to the 217th General Assembly (2006), to middle governing bodies, congregations, state and federal legislators, various national divisions of this church and ecumenical partners.

1. Reaffirm the principles and recommendations of the prior General Assemblies of the PC(USA) including to:
 - a. Support and maintain the fundamental structure and intent of Social Security including: that it continue to be universal, compulsory, an earned right, contributory self financed, wage related rather than means tested, protected against inflation, and backed by the full faith and credit of the United States (*Minutes*, 2004, Part I, p. 800).

- b. Reaffirm the church's commitment to advocacy for a national medical plan (*Minutes*, 1991, Part I, pp. 810–11)**
- c. Encourage the church to be diligent in its covenant responsibility to its older members and their caregivers advocating for living wages for all in this important ministry (*Minutes*, 2001, Part I, pp. 49, 280–82).**
- d. Reaffirm the language of the 1983 paper on the Economic Security of Older Adults, calling for the establishment of a Mandatory Universal Pension System (MUPS). (*Minutes*, 1983, Part I, p. 346)**
- e. Direct the Stated Clerk to publish this "Report on Economic Security for Older Adults" in its entirety on the PC(USA) website, making available a copy for each presbytery, synod, and requesting session, and further notifying the church of its availability online.**

To Individuals:

- 2. Develop friendships that foster sharing and appreciation of unique qualities and experiences of older adults.**
- 3. Seek to understand and to support elimination of barriers for older adults in achieving economic security.**
- 4. Advocate on behalf of older adults through work and community activities.**
- 5. Take steps toward improving one's own personal retirement security, and to maintain healthy lifestyles.**

To Congregations:

- 6. Encourage congregations to support programs such as: Congregational Health Ministries, Faith Community Nursing, Congregational Care Teams and other caregiver support such as home**

delivered meals, intergenerational activities, and, to develop knowledge of programs within their communities that can be a resource for aging parishioners.

- 7. Provide and promote information for and about the needs of older adults, as well as legislation that affects their well-being, economic viability, and access to health care, such as Social Security, Medicare, and Medicaid.**
- 8. Encourage all members to promote social justice through public policy on behalf of older adults and to inform elected officials of their concerns.**
- 9. Promote recognition of the growing shortage of health professionals who work with older adults in assisted living, nursing homes, clinics, and other senior facilities and to support required training in geriatrics for all who work in these settings.**
- 10. Take full advantage of the opportunity to enroll all full- and part-time employees in the pensions plans of the Presbyterian Church (U.S.A.).**

To General Assembly units:

- 11. Encourage the General Assembly Council (through Congregational Ministries Publishing), and the Presbyterian Publishing Corporation to develop study guides to assist Presbyterians of all ages to better understand the aging process and ways to achieve a long, healthy, and secure life.**
- 12. Encourage the General Assembly Council (through Racial Ethnic, Women's and Older Adult ministry units) to educate their constituencies about Social Security, Medicare, and Medicaid.**
- 13. Call on the Presbyterian Washington Office to keep abreast of pending legislation affecting Social Security, Medicare, Medicaid, and health insurance, and to alert elected officials and church**

members about these policies and recommendations.

14. Call on the Office of National Health Ministries to provide information through its website, publications, and workshops, and training on congregational care, healthful living, and health care access for all people.

15. Call on the Stated Clerk to write the president and Congress:

a. Regarding Social Security, Medicare, and Medicaid and long-term care to:

(1) allay needless anxiety about the future of Social Security by acting to restore the program to long-run financial balance, which aims to strengthen the universal, contributory nature of Social Security;

(2) provide adequate funding for the continuation of Medicare Parts A & B and the implementation of the Medicare prescription drug benefit—Part D, and to carefully monitor this program to assure that costs are contained and that enrollees have access to needed prescription drugs;

(3) preserve the Medicaid program as a safety-net for those who are economically vulnerable, who require assistance to purchase long-term care, and to strongly limit the ability of states to obtain waivers that reduce the population eligible for Medicaid supported services;

(4) take steps to develop a long-term care system that is adequate to meet current and future individual needs, preserves the autonomy of people receiving services, and shares costs equitably among individuals, families, and society, and that is available and affordable regardless of the state in which a person lives;

- (5) provide workers in the formal, long-term care system decent wages, benefits, and working conditions;**
 - (6) provide family and other unpaid caregivers assistance needed to carry out their vital role; and**
 - (7) avoid reductions in needs-tested programs, and seek to increase income and asset ceiling limits on programs designed for persons with low income.**
- b. Regarding pensions and income gaps to:**
- (1) enable employers to automatically enroll employees in contributory pension plans enabling them to better use these plans to achieve their retirement security needs;**
 - (2) prohibit employers from “freezing” existing defined benefit (DB) pension plans and shifting responsibility for future retirement income to defined contribution (DC) plans that would severely disrupt the ability of many workers to achieve retirement security;**
 - (3) improve the benefits of low-wage workers and widowed and divorced women; and**
 - (4) increase incentives to encourage personal savings.**

Rationale

These recommendations are in response to the following referral: *2004 Referral: Item 10-10. On Reaffirming the Importance of Our Nation’s Social Insurance System (Social Security and Medicare)—From the Presbytery of Hudson River, Recommendation 3. Request the Advisory Committee on Social Witness Policy, in Concert with the Office of Health Ministries U.S.A., to Review the PC(USA) Position Paper, “Economic Security for Older Persons”, Approved by the 195th General Assembly (1983), and in Concert with the Office of Health Ministries*

U.S.A., Make a Report of the Review to the 217th General Assembly (2006)—(*Minutes*, 2004, Part I, pp. 60, 800–805).

The 216th General Assembly (2004) approved the following recommendations from *Item 10-10, Overture 04-67, On Reaffirming the Importance of Our Nation's Social Insurance System (Social Security and Medicare) from the Presbytery of Hudson River*.

3. Request the Advisory Committee on Social Witness Policy, in concert with the Office of Health Ministries U.S.A., to review the PC(USA) position paper, "Economic Security for Older Persons," approved by the 195th General Assembly (1983), in order to update the changes in laws affecting mandatory retirement, Social Security, and pension policies; and to reexamine the interpretations of some of these policies. Request that the Advisory Committee on Social Witness Policy, in concert with Office of Health Ministries U.S.A., make a report of this review to the 217th General Assembly (2006). (*Minutes*, Part I, 2004, p. 800)

ABSTRACT

Psalm 71:9 "Do not cast me off in the time of old age;
do not forsake me when my strength is spent."

Our society has something never before seen in human history, aging on a mass scale. The prayer by the Psalmist is no longer the hope and the plea and the searching of merely a handful of lucky men and women whose struggles brought them to advanced age. Now we have millions of people who live into their 70s, 80s, 90s, and beyond. We in the United States will have multitudes for whom Psalm 71:9 speaks to the heart.

Millions of people have the luxury and opportunity to continue their quests, personal, social, and spiritual into advanced ages. They must have the material base to do so, the economic resources to have a decent life, and the health to enjoy the extra years granted to them beyond the biblical threescore and ten.

The economic foundations, the pillars supporting older people in the United States, are Social Security, Medicare, savings, and pensions. They are the foundations and the foundations must be strong for millions more to enjoy. Today, there are thirty-five million Americans over the age of sixty-five, about 13 percent of the total population. It is a growing number, bolstered by members of the largest generation in American history, the baby boomers born in the years from 1946 through 1964. By 2030, when even the youngest of the boomers reaches age sixty-

five, there will be seventy-five million Americans over the age of sixty-five, or 20 percent of the entire population.

The Presbyterian Church (U.S.A.) has long been on record in support of policies to assure the economic security of older adults. It is time to reaffirm that support, and provide even a broader vision of a just society with prosperity and security for people of all ages.

This document sets out in detail the history of the modern quest for economic security, and its many ramifications in the complex society we now inhabit.

With Social Security, only 10 percent of those over sixty-five live in poverty. The vast majority can live independent lives, not having to depend on their children or other relatives, or to throw themselves at the mercy of charities or the government. They have the dignity that comes with the monthly Social Security check, a payment in retirement they have earned through a lifetime of work. Less than half of workers have a pension on the job. But 96 percent of Americans are covered by Social Security, a tree with a broad network of sheltering branches. They can receive benefits as a retired worker, a spouse or child of a retired worker, a survivor of a retired worker, a disabled worker, or a spouse or child of a disabled worker.

This edifice of social protection must endure. It should be strengthened and supported for the generations to come. For many low paid workers, for many members of minority groups, for many women, the benefits can be relatively meager because their earnings were relatively low in their working years.

We should consider ways to bolster the benefits, so that all retirees of all ethnic groups can enjoy years free of poverty after they are no longer working, so that all women who may have left the paid workforce to raise children, or care for their own aging parents will not suffer an economic penalty for the choices they have made.

Even with the Social Security check as a protection against indigence, there are still too many people struggling. For the frail elderly, many of whom live alone, we should make available affordable housing and extra help when needed to enable them to stay in their own homes.

Medicare, like Social Security, must be protected and sustained to assure that its benefits can be provided to future generations. A chance to visit the doctor when needed, coverage for procedures, surgeries, and hospital stays must continue to be provided. Modern medicine is a wonderful process and blessing, but it is a very expensive one. Costs are ever rising, and society must make efforts to slow the explosion in costs to assure that everyone can enjoy the benefits. The new prescription drug coverage is welcome, especially for those of low and moderate income who have struggled to pay for their medications. The benefit must be implemented carefully and effectively.

The vision of a just society cannot be satisfied simply with good health coverage for older adults. Justice in the distribution of health care should not simply start at age sixty-five, or when someone is deemed disabled. It should be available to all age groups. Therefore, the reality of forty-five million uninsured Americans is a disturbing reminder of a task still undone. Health security should be available to Americans of all ages.

INTRODUCTION

Proverbs 31.9 “Speak out, judge righteously, defend the rights of the poor and needy.”

As early as 1910, a social creed supported “suitable provision for the old age of workers and those incapacitated by injury.” More than thirty years ago, predating the paper on economic justice, the UPCUSA, developed “The Rights and Responsibilities of Older Persons: The Basis for Christian Concern and Action.” The language used in the 1973 document challenges the contemporary church to take action to work for those rights that some thirty years later, are not yet fully attained.

1. The right of older persons to live in community with dignity and self-worth worth regardless of racial or ethnic background.
2. The right to have financial and material resources to provide for their physical and social well-being, free from harassment, stigma and enforced pauperization.
3. The right to employment without discrimination on the basis of age.
4. The right to the benefits of an adequate health program, and with comprehensive health care.

5. The right to expanded educational and recreational opportunities.

6. The right to die with dignity and with a sense of life fulfillment. (*Minutes*, UPCUSA, 1973, pp. 548, 551–55)

In response to the request of the 193rd General Assembly (1981) of the United Presbyterian Church in the United States of America, the Advisory Council on Church and Society submitted in 1983 a paper on issues related to the Economic Security of Older Adults. When preparing that paper, they found that “the social policy implications of its findings [of economic justice for older adults] were inextricably tied to those of a much larger study of economic policy.”

The 216th General Assembly (2004) revisited the topic of economic security for older adults. The assembly approved a resolution reaffirming the importance of a national health plan. They reaffirmed support for Social Security and Medicare, which were enacted to promote the general welfare, and to assure a guaranteed income and health care for the workers of the United States or their survivors when they reach retirement age, die, or become disabled. In addition, the resolution called for review and update of the 1983 position paper.

In 2005, a resolution group of ACSWP was assigned the responsibility to carry out that review. It quickly saw that policies on (1) Social Security, (2) pensions, and (3) savings were insufficient to fully assure economic security for older adults. Affordable, quality health care had become so essential and so costly that it had to be considered as a fourth “pillar” for a secure retirement.

The financing issues that confront both Medicare and Medicaid are just a part of the larger problem of the soaring cost of health care in this country and the increasing numbers of people who are uninsured. While this paper does not undertake a comprehensive analysis of our health care system, it must conclude that affordable and accessible health care and a sound economy with opportunities for all Americans must be part of the vision and goal for our society.

This paper also does not fully describe those older adults who are on the margins of society, and often outside our mainstream institutions. These persons may be immigrants, whose language or cultural differences create barriers, or the impover-

ished persons who have had few opportunities for nurture, education, training, and health care, or individuals with health and mental health problems that have robbed them of a future. They may be grandparents caring and sharing fixed incomes with their grandchildren, or rural older adults isolated from community health services. For all these older adults, economic security may depend upon the charity and grace of the church and reviving the covenant between a government and the people.

THEOLOGICAL PERSPECTIVE

Expression of our love for God through the love and care of others is deeply rooted in our faith. Again and again, beginning in Genesis, by admonition and example, God's people are reminded to care for those in need: especially the sick, the older adults, the widowed, and the orphaned.

Prophets like Isaiah, Micah, and Amos continued to warn the people when they strayed from God's purpose for them. "Remove the evil of your doings from before my eyes; cease to do evil, learn to do good; seek justice, rescue the oppressed, defend the orphan, plead for the widow" (Isa. 1:16–17).

Christ himself in Matthew 25:35 calls those who would inherit the kingdom blessed when they minister to the hungry, thirsty, the stranger, the naked and those in prison. "... Truly I tell you, just as you did it to one of the least of these who are members of my family, you did it to me" (Matt. 25:40).

The extended family of biblical times changed with industrialization and the movement of many to cities. John Calvin, recognizing this in the seventeenth century, called for governments, which had authority over these new communities, along with churches and individuals, to participate in providing social and health services for those in need.

Our own *Book of Order* supports this tradition, listing services through which the church and its members participate in God's activity:

- (a) healing and reconciling and binding up wounds,
- (b) ministering to the ... poor, the sick, the lonely, and the powerless,
- (c) engaging in the struggle to free people from sin, fear, oppression, hunger, and injustice,

- (d) giving itself and its substance to ... those who suffer,
- (e) sharing with Christ in the establishing of his just, peaceable, and loving rule of the world. (*Book of Order*, G-3:300c(3)(a)–(e).)

Within this context we consider our Christian calling to provide economic security for our elderly population.

Early Steps in Establishing Retirement Security

Social justice for older adults first became a major public concern in the early part of the twentieth century. With the depression of the 1930s, unemployment, homelessness, and poverty were rampant. Older workers, who were frequently destitute, were particularly vulnerable. Private charities and public homes for the poor were often their only resource.

These acute public problems prompted civic and political leaders to call for governments to respond. Newly elected President Franklin Delano Roosevelt proposed Social Security, a national social insurance program to reduce poverty, encourage the retirement of older workers, and achieve family income security.

In his 1932 nomination address, President Roosevelt said, “What do the people of America want more than anything else? To my mind, they want two things: work, with all the moral and spiritual values that go with it; and with work, a reasonable measure of security—security for themselves and for their wives and children. ... These are the spiritual values, the true goal toward which our efforts of reconstruction should lead.”

The enactment and subsequent development of Social Security became a cornerstone in the covenant between the federal government and citizens and became the foundation for economic security for older adults. Private pensions, Medicare and Medicaid were added in the following decades.

The economy is changing again. Thanks to modern medicine, people are living longer. Birth rates have also dropped and the average age of the population is increasing. Jobs are less secure and many employers are paring back employee benefits including defined benefit pensions (DB) and health insurance. Medicaid funding is being cut by federal and state governments. The Medicare Hospital Insurance Trust fund is facing financial shortfalls in 2020 as will Social Security in 2041.

Once again, the social policy implications of economic justice for older adults are inextricably tied to national economic policies. Because of these developments, the role of the church at both the congregational and the national policy level needs to be reassessed.

The Graying of America

During the twentieth century, the older population grew from three million to thirty-five million and, with the retirement of the baby boom generation, is projected to grow to almost eighty-seven million by 2050. In 2003, nearly thirty-six million people aged sixty-five and over accounted for just over 12 percent of the total population (Older Americans 2004, Key Indicators of Well Being, Federal Interagency Forum on Aging-Related Statistics, www.agingstats.gov/chartbook2004/default.htm, p. xiv).

A major reason has been the increased life expectancy at both age sixty-five and age eighty-five. “Under current mortality conditions, people who survive to age 65 can expect to live an average of nearly 18 more years, more than 6 years longer than people age 65 in 1900. The life expectancy of people who survive to age 85 today is about 7 years for women and 6 years for men”(Ibid., p. 22).

As the older population grows larger, it will also grow more diverse, reflecting the demographic changes in the U.S. population as a whole over the last several decades ... In 2003, non-Hispanic whites accounted for nearly 83 percent of the U.S. older populations. Blacks made up just over 8 percent, Asians made up nearly 3 percent, and Hispanics (of any race) accounted for nearly 6 percent of the older population. By 2050, non-Hispanic whites are projected to represent only 61 percent of older adult population. (*Older Americans 2004: Key Indicators of Well-Being*, p. 4)

Economic Security in Retirement

This long-expected aging phenomenon will test the priorities and capacities of our nation and its citizens. To achieve retirement security, four pillars are essential for retirement security: Social Security, pensions and savings, earnings, and health insurance. These “must be strong enough to support the overall weight of expenditure needs in retirement and balanced enough that the structure doesn’t collapse” (*Beyond 50, Auditing the 50+ Ledger*, p. 22; and http://assets.aarp.org/rgcenter/econ/beyond_50_econ.pdf).

For most retirees, the predominant source of income in retirement will continue to be Social Security. It will very likely provide 40 percent of re-

tirement income, on average ... [Social Security] is thus the chief bulwark against poverty for a majority of persons over age 65. Without it, the poverty rate would soar to nearly 50 percent. (Ibid. p.17)

Pension coverage has not increased much among retirees, but the dollar amount of pensions has increased substantially for those who have them, reflecting the significant growth in wages that has occurred among the advantaged workers who have pension coverage. However, pensions provide retirement income to fewer than half of high or middle-income retirees at any given time, and to a small percentage of low-income retirees. (Ibid., p. 17)

For some retirees, “personal savings and net worth have grown robustly in the past several years ... this also underscores the increased risk individuals have to bear for their own well-being in retirement, as they become more dependent on their own skill or luck in investing” (Ibid., p. 17).

On the other hand, neither pensions nor personal savings for retirement is likely among some moderate and low-wage workers. The median income among the working-age population has continued to drop during the past three years, and the minimum wage remains unchanged for the 8th straight year (Center on Budget and Policy Priorities, August 30, Sept. 1, 2005; also online at www.cbpp.org/9-1-05mw.htm).

Economic insecurity due to lack of health insurance grew among pre-retirees in all income groups, especially the lowest income population (*Beyond 50*, Auditing the 50+ Ledger, p. 70).

Poverty and Near Poor

In 1999, poverty among persons over age sixty-five reached an all-time low of 9.7 percent. However, according to the latest Census Bureau estimates, certain subgroups among older population continue to suffer extraordinarily high rates of poverty, especially women, minorities, and persons living alone. Furthermore, “there are a higher percentage of near-poor and low-income elderly persons—just barely above the poverty line—than there are among younger age groups”(AARP, May 2005, *Beyond 50*, Auditing the 50+ Ledger, p. 28).

Minorities

The status and resources of many minority older persons reflect social and economic discrimination experienced earlier in life. Many, especially those who have migrated to the U.S., face cultural and language differences as well. Consequently, [these] minority groups . . . have increased risks of

poor education, substandard housing, poverty, malnutrition and generally poor health. (AARP, *A Portrait of Older Minorities Research Report*, AARP Minority Affairs, November 1995, p.2; and online at <http://www.aarp.org/research/reference/minorities/aresearch-import-509.html>)

For more than a century blacks have experienced income disparities that result in their lower lifetime earnings. ...African Americans had a real median income of \$29,600 compared to \$47,800 for whites in 2003. The unemployment rate was 10.5 percent [for African-Americans] in 2004 compared to only 4.3 percent for whites. (Maya Rockey Moore, Congressional Black Caucus Foundation, Inc., Center for Policy Analysis and Research, "The Social Security Privatization Crisis: Assessing the Impact on African American Families, January 19, 2005, p. 7; or <http://www.house.gov/mcdermott/pdf/SSPrivatizationonAfrican%20American.pdf> and <http://www.census.gov/prod/2004pubs/p60-226.pdf>)

Women

Three out of four poor older adults are women. Surveys show that the United States has the highest poverty rate of older women in the rich western nations in the Organization for Economic Cooperation and Development, (OECD) (T.M. Smeeding, and S. Sandstrom, 2005. *Poverty and Income Maintenance in Old Age: A Cross National View of Low Income Older Women*, *Feminist Economics* 11(2) (July): pp. 163–97, 2005).

Caregiving for children and aging relatives that require reduced time in the labor force, pay inequities, lack of pensions and savings, and higher out-of-pocket medical expenses, all contribute to impoverishment of women in older years. Divorced or separated, and the very old are among the poorest of older women. "Of these, minority women are likely to experience even greater economic hardship." Four out of ten widowed, divorced, or women who never married rely on Social Security for 90 percent of their income. Without Social Security's monthly benefits guaranteed throughout their lives, more than half of older women would fall into poverty (*Social Security in the 21st Century*, *Gerontological Society of America*, T. Smeeding, C. Estes, L. Glasse, 2000).

Supplemental Security Income

Supplemental Security Income (SSI) was intended to be a safety net for poor, aged, blind, and disabled persons. The asset eligibility test has not, however, kept pace with inflation. The average, monthly benefit for persons sixty-five years and older is \$360. The SSI primarily serves persons with low education, high likelihood of disability, and limited earnings capacity. Beneficiar-

ies are among the poorest in the country (Social Security Administration, 2006 Schedule Payments).

Social Security

Today, Social Security insures 96 percent of all workers, plus their dependents and survivors, against life's adversities.

More than 48 million Americans are now receiving Social Security benefits: 33 million retired workers and dependents, 8 million disabled workers and dependents, and 7 million survivors of deceased workers. Almost 34 million beneficiaries (70 percent) are age 65 or older, 11 million are adults age 18–64, and 3 million (7 percent) are children under the age of 18 (Social Security Administration, *Monthly Statistical Snapshot and OASDI Monthly Statistics*, August 2005).

Social Security is the major source of income for two-thirds of elderly beneficiaries. It contributes 90 percent or more of income for one-third of beneficiaries, and it is the only source of income for 21 percent of them (Social Security Administration, *Fast Facts and Figures About Social Security*, 2005, p. 7).

The Social Security program has always given special consideration to low-wage earners by providing a weighted benefit formula. ... the benefit should be essentially wage-related, paying higher benefits to those who earn more and pay more, nevertheless the replacement of earnings should be on a higher percentage basis for low earners than for middle and high earners. ... the program would not serve the interest of the low-wage earner unless it paid him benefits that were at least enough to make it unnecessary for him to turn to assistance for help. [Bob Ball, *Insuring the Essentials, Bob Ball on Social Security*, (a Century Foundation Book, p 145)]

Without Social Security, half of current beneficiaries would be impoverished.

Milestones in Social Security

As the Social Security system matured, Congress enacted improvements to protect beneficiaries from inflation and to credit their work at and beyond the full retirement age. Other modifications were aimed at increasing the Social Security Trust Fund. These changes include the following:

(1) Making early retirement available at age 62 with reduced benefits (enacted in 1956 for women and 1961 for men).

(2) Adding automatic cost-of-living increases to protect beneficiaries from inflation (1972).

(3) Adding automatic increases in earnings subject to the payroll taxes (1972).

(4) Increasing benefits for workers who delay retirement beyond the full retirement age (originally enacted in 1972 and liberalized in 1977 and 1983).

(5) Gradually raising the full retirement age from 65 years to 67 years (1983). There is some discussion of speeding up this change to encourage people to work longer.

(6) Eliminating the retirement earnings test above the full retirement age (2000).

In 1983, amendments were recommended, for the most part, by a commission chaired by Alan Greenspan. The number one recommendation of the Greenspan Commission was as follows:

The members of the National Commission believe that the Congress, in its deliberations on financing proposals, should not alter the fundamental structure of the Social Security program or undermine its fundamental principles. The National Commission considered, but rejected, proposals to make the Social Security program a voluntary one, or to transform it into a program under which benefits are a product exclusively of the contributions paid, or to convert it into a fully funded program, or to change it to a program under which benefits are conditioned on the showing of financial need. [Bob Ball, *Insuring the Essentials*, Bob Ball on Social Security, (New York: A Century Foundation Book, 2000), p 170.]

The Future of Social Security

At present, Social Security is collecting more in taxes than it pays in benefits. The excess is borrowed by the U.S. Treasury, which issues Treasury bonds to Social Security. These bonds totaled \$1.7 trillion at the beginning of 2005, and Social Security receives more than \$90 billion annually in interest from them. Social Security is still basically a pay-as-you-go system, however, as the \$1.7 trillion is a small percentage of total benefit payments (Board of Trustees of the Federal Old-Age and Survivors and Disability Insurance Trust Funds, *2005 Annual Report*, p. 37; also available at http://www.ssa.gov/OACT/TR/TR05/I_intro.html).

In the longer run, demographic changes will strain Social Security financing. Americans are living longer and healthier lives

than ever before. When Social Security was created in 1935, a sixty-five-year old had an average life expectancy of 12-1/2 more years; today, it is 17-1/2 years and rising. In addition, seventy-nine million baby boomers will begin retiring in 2008, and in about thirty years there will be nearly twice as many older Americans as there are today. At the same time, the number of workers paying into Social Security will drop from 3.3 per beneficiary today to about 2.1 in 2035 (*Ibid.* pp. 47, 77, and 80).

Social Security's Trustees project that by 2017 Social Security tax income will begin to fall short of outlays, and Social Security will need to begin tapping the trust fund to pay benefits. (*Ibid.* p.8)

Even if Congress did nothing, all benefits promised under current law could be paid until 2041 according to the Social Security actuaries, and about a decade longer according to the Congressional Budget Office. After that time 70-80 percent of benefits could be paid. This is not a crisis, but Social Security does...face a projected long-term deficit. (Henry Aaron, *Church & Society*, May/June 2005, p. 111)

While a number of options have been proposed to deal with the long-term short fall, the 2005 Annual Report of the Social Security Board of Trustees concludes, "The projected trust fund deficits should be addressed in a timely way to allow for a gradual phasing in of the necessary changes and to provide advance notice to workers. The sooner adjustments are made the smaller and less abrupt they will have to be" (Paul Van de Water, *Church & Society*, May/June, 2005, p. 33).

The Social Security actuaries put the deficit at 0.7 percent of GDP averaged over the next 75 years. Congressional Budget Office analysts put the deficit at only .04 percent of GDP. Either estimate could be right. Both are probably wrong. Recent tax cuts will reduce revenues by 2 percent of GDP over the same period, three to five times as much as the projected long-term deficit in Social Security. (Henry Aaron, Brookings Institute, *Church & Society*, May/June, 2005, p.111)

As in the 1983 amendments, a compromise of revenue enhancement and reductions in benefits may be necessary to bring solvency to the Social Security Trust Fund. A number of options have been proposed including:

(1) Raise the maximum wage base for taxation of earnings above the current \$90,000. Currently, 6 percent of all workers earn more than this cap.

(2) Extend coverage to all state and local employees under Social Security, including the approximate 25 percent of state and local government employees whose employers chose not to provide Social Security.

(3) Earmark future proceeds of a revised estate tax above \$3.5 million (per individual, \$7 million per couple) for Social Security.

(4) Raise Social Security taxes.

(5) Raise the age for full retirement benefits. (A fuller discussion of options for Social Security Trust Fund solvency by Virginia Reno and Joni Lavery, National Academy of Social Insurance, can be found in *Church & Society*, May/June, 2005.)

Proposals to set up individual private or personal accounts as part of Social Security would shift money away from the Trust Fund. This diversion of funds would make the income shortfall come sooner and make it even more severe.

Pensions

Social Security's guaranteed, inflation-protected benefit provides the foundation for retirement income for most Americans. However Social Security, alone, is seldom sufficient to maintain a pre-retirement standard of living. To secure that, pensions and personal savings are essential.

Employer-sponsored pension plans expanded during World War II and continued in the post-war period. These plans were generally of the defined-benefit (DB) type, in which pension benefits are based on a worker's salary and years of service. By the early 1970s almost half of full-time private sector employees had such pension coverage. From 1972–2003, this level of coverage has fluctuated between 43 and 50 percent (*Social Security, Private Pensions, and Retirement: Life Course Flexibility in the United States*, NASI, p. 8). In contrast, 90 percent of full-time public sector employees are in DB plans" (U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in State and Local Governments, 1998* [Washington D.C., U. S. Government Printing Office], p. 5)].

Since 1983, when the General Assembly last considered economic security of older adults, the majority of the nation's pension plans have changed dramatically. The number of employers offering DB plans has dropped significantly. Instead, many profit-making employers are offering defined contributions (DC) pension, usually in the form of 401(K) plans. Similar not-for-profit pension programs are 403(B) plans. The DC plans are vol-

untary contributions by the employee and any contributions made by the employer. In the worker's DC plans the benefit level depends on accumulated contributions and earnings on investments (*Beyond 50*, AARP, p. 35).

The replacement of DB pension plans by DC pension plans is significant for our understanding of pension coverage of retirees. The DB plans have provided retirees with greater certainty about retirement income throughout their lifetime. Furthermore, the employer was responsible for the investment management of the funds. According to one researcher the shift away from the traditional DB plans "has left many families unprepared to meet challenges of retirement. Despite the hype, switchover from DB to DC has not benefited the average family—it has hurt the average family instead" (Edward N. Wolff, *The Devolution of the American Pension System: Who Gained and Who Lost?* The National Academy of Social Insurance, Jan. 2004, p. 19).

In recent years, there have been highly publicized instances of some large companies, such as Bethlehem Steel, U. S. Airways, and United Airways, defaulting on their pension promises. In these cases the Federal Pension Benefit Guarantee Corporation (PBGC) has usually provided some safeguard against total loss of DB pensions to retirees in the event of a default of the employer. However, PBGC has not been able to pay, in full, the companies promised pensions. Funding for PBGC, itself, may be inadequate to cover the number of troubled pension plans. Congressional action would be required to address this problem.

Contrary to DB plans, participation in DC plans is portable (can be rolled into an individual retirement account (IRA) or into the new employer's pension plan. However, 60 percent of 401(K) participants when changing jobs currently take cash payments rather than transfer their account into an IRA, the new employer's pension plan, or converting their accounts into an annuity. Furthermore, workers are responsible for choosing their own investments. Thus, the responsibility of financial success or failure is shifted to the employee (*Beyond 50*, AARP, p. 40).

Thirty-one percent of pre-retirees in 1995 reported having a 401(K) plan. Low-wage or part-time employees are much less likely to participate in such plans. "Only about 13 percent of part-time employees in the private sector have pension coverage. In firms with fewer than 10 employees, slightly less than 20 percent of full-time workers are covered" (*Social Security, Private Pen-*

sions, and Retirement: Life Course Flexibility in the United States, NASI, p. 9).

Savings

“The distribution of wealth is highly skewed in the U.S., with the top fifth of the population consistently holding more than 80 percent of the total wealth, and the top one percent holding more than 30 percent of aggregate wealth. [Furthermore,] the booming economy of the latter half of the 1990s tended to benefit those who were better off to begin with” (*Beyond 50*, AARP, p. 45). Persons who were low or moderate income workers or who were retirees were less likely to benefit from the improved economy through savings accounts.

“There are also large disparities in net worth between whites and minorities with the net worth of minorities a fraction of that held by whites” (*Beyond 50*, AARP p. 46). As a result, whites are much more likely than black or Hispanics to have income from assets. In 2002, 59 percent of whites age 65 or older had income from assets, compared with about 25 percent of blacks and Hispanics. Aged whites receive 14 percent of their income from assets, while blacks and Hispanics receive only 5 percent from this source (Social Security Administration, *Income of the Population 55 or Older*, 2002, pp. 30, 136).

Housing

Decent and appropriate housing is essential to sustaining the health, security, and dignity of all Americans. “Home equity is the largest net worth component for most families except the very wealthiest ... 80 percent of persons 50 and over own their own home. However, 30 percent of low-income retirees have rental housing” (*Beyond 50*, Auditing the 50+ Ledger, AARP, pp. 47, 68). Less than half of Asian Pacific, African Americans, and Hispanic older adults own their own home. For African Americans, the percentage of home ownership was 47.4 percent and for Hispanics 45.7 percent (2004 U.S. Census).

But many older adults, including those who long ago paid off their mortgage, discover that rising property tax rates are becoming unmanageable. State and local programs of tax abatement or deferral are sometimes an option, although resistance to them is growing (Ray Smith, *The Wall Street Journal Online*). In addition, as many persons “age-in-place” they need to make structural adaptations in their home such as ramps, widening door-

ways, and safety bars in bathrooms. Local services that provide chore or maintenance for persons who have disabilities may sometimes address this need.

The percentage of the population living alone increases as people grow older and widowhood rates rise. However, appropriate, affordable, and subsidized housing for frail older persons, particularly those who live alone and who have impairments, is still too limited.

Retirement Pattern Changing

“In 1950, 72 percent of all 65-year-old men were in the labor force. That percentage fell steadily over the next three and half decades,” as employer policies required or encouraged retirement, and Social Security benefits and early retirement became available (*Social Security, Private Pensions, and Retirement: Life Course Flexibility in the United States*, NASI, p. 2). Disability or ill health has also been cited as reasons that some workers leave the labor force.

Mandatory retirement law was first adopted to encourage older workers to retire so that younger workers would be better able to find work opportunities. However, when resistance to this restriction developed, mandatory retirement was eliminated in 1986. Some other policies that were disincentives to employment of older workers have been eliminated also.

Whether because of need for greater income or for personal satisfaction, labor force participation rates of older men stopped declining in the mid 1980s, and has increased a bit in recent years. Today, half of men aged 62–64 and a third of men aged 65–69 are still in the labor force.

The challenge to the continued employment of older women is that fewer women than men work---at all ages. Many women spend a number of years out of the labor force taking care of children. In addition, more women than men work part time. Even when women work full time, they earn less than their male counterparts. ... Since only a third of women are entitled to benefits based solely on their own earnings record, fewer women than men are able to increase their Social Security benefit by continued work... However, as more women approach older ages, they are participating in the labor force at higher rates than previous generations ... This trend means that [in the future] women are more likely to earn Social Security benefits on their own. ...This may help keep women in the labor force. [A. H. Munnell, N. Jivan, *What Makes Older Women Work*, Center on Retirement Research at Boston College, Work Opportunities for Older Americans, Sept. 2005, pp.5–6]

The coming retirement of the baby boomers may generate greater opportunities for the employment of older workers. Some researchers think that their retirement will cause a shortage of workers and propose that employers try to retain their more experienced employees by designing options that permit phasing into retirement. Flexible work schedules or bridge jobs have served as incentives for some workers to stay within the labor force.

Health Care

Health care in America continues to be expensive, administratively complex, and confusing to consumers. The Census Bureau has announced that the number of persons without health insurance has continued to rise so that 45.8 million Americans were uninsured in 2004. Private employment-based health insurance coverage fell again in 2004, for the fifth successive year (The Center for Budget and Policy Priorities, August 30, 2005). The working poor and persons with low and fixed incomes make up the largest numbers of persons without health insurance. As insurance costs continue to soar and employer-based health coverage falls, some persons of all income levels lose their insurance coverage. Among the uninsured are workers who suffer from untreated health conditions before they become eligible for Medicare. In some cases, medical care then becomes more complicated and costlier.

The 214th General Assembly (2002) approved the *Resolution on Advocacy on Behalf of the Uninsured*. This resolution describes more fully the problems experienced by persons of all ages who are uninsured and who do not have access to good health care.

Medicare and Medicaid

The rising cost of health care threatens Medicare, Medicaid, and their beneficiaries. Federal and state support for Medicaid has been reduced, and premiums and deductibles for Medicare have been increased. With the retirement of baby boomers, the numbers of Medicare beneficiaries will dramatically increase. "In 2025, the Medicare Part A, (Hospital Insurance) Trust Fund is expected to become insolvent, according to the latest estimates from the 2000 Trustees Reports" (S. Maxwell, M. Moon, M Segal, *Growth in Medicare and Out-of-Pocket Spending: Impact on Vulnerable Beneficiaries*, Urban Institute, 2001, p. vi.).

Medicare and Medicaid provide greater economic security, have reduced morbidity, and improved the quality of life for beneficiaries. Although the ratio of persons with disabilities has declined, “the numbers of older persons with chronic disabilities has increased from 6.2 million in 1984 to 6.8 million in 1999. Older women report more problems with [disabling] physical functioning than do older men” (Older Americans 2004, *Federal Interagency Forum on Aging-Related Statistics*, pp. 28–29).

Medicare covers thirty-five million Americans age sixty-five and older and more than five million persons of all ages who are disabled. “The income of [Medicare] beneficiaries has lagged behind the growth in health care spending in the past, and will continue that pattern over the next 25 years. Out-of-pocket spending for health care will rise from 21.7 percent of income in 2000 to an estimated 29.9 percent of income in 2025. Elderly beneficiaries in poor health without additional insurance will see a rise in their [out-of-pocket] share from about 44.0 percent in 2000 to an estimated 63.3 percent in 2025” (S. Maxwell, M. Moon, M Segal, *Growth in Medicare and Out-of-Pocket Spending: Impact on Vulnerable Beneficiaries*, The Urban Institute, 2001, p. ix).

Medicaid pays for nursing care, and for elderly people who cannot afford Medicare co-payments and deductibles. In some states, it also provides personal care for the chronically ill, older persons who are poor. Even though the majority of beneficiaries are low-income children and adults, the majority of Medicaid spending is on older adults and people who are disabled.

Medicare Prescription Drug Program

Medicare began providing coverage for outpatient prescription drugs beginning January 2006 under a new Part D of the program. Beneficiaries may obtain prescription drug coverage either from stand-alone insurance policies or through Medicare managed care plans. Subsidies are available to beneficiaries who qualify based on low incomes and limited assets. However, beneficiaries who are among the lowest income seniors and disabled people are required to pay more for their drugs than they previously did under Medicaid.

Kaiser Family Foundation reports that an estimated 2.4 million Medicare beneficiaries with incomes low enough to qualify for additional subsidies under the new drug benefit are expected to be ineligible for these subsidies because they do not meet the

asset test required by law. To qualify for the extra assistance, beneficiaries must have incomes below 150 percent of the federal poverty level (\$14,355 for an individual in 2005) and must have no more than \$10,000 in assets for an individual and \$20,000 in assets for a couple. The value of a home, automobiles, and household furnishings and possessions do not count toward this asset limit. Nearly half of those excluded because of the asset test are widows or widowers (<http://www.kff.org/medicare/upload/Low-Income-Subsidies-for-the-Medicare-Prescription-Drug-Benefit-The-Impact-of-the-Asset-Test-Report.pdf>).

Long-Term Care

Medicare covers acute care hospitalization and illness. “It covers long-term-care only under limited circumstances— in a skilled nursing facility up to 100 days after a hospitalization or at home for those requiring part-time skilled nursing or therapy services.”

Medicaid finances care only for people with very limited income and resources or those who have exhausted their resources paying for care, and it requires that they contribute virtually all their income and assets toward the costs of care.

...the spousal impoverishment provisions allow community-dwelling spouses of Medicaid beneficiaries residing in long-term care facilities to keep a certain amount of income and resources so that they can provide for themselves. States may recover some of the cost of long-term care and other Medicaid services from the estate of a beneficiary or that of the beneficiary’s surviving spouse. [Sheila P. Burke, Judith Feder, and Paul N. Van de Water (eds.)]. *Developing a Better Long-Term Care Policy: A Vision and Strategy for America’s Future*. Washington: National Academy of Social Insurance, Nov. 2005]

Although neither the home, nor car is counted, this requirement can be very harsh. The community spouse may be left with very limited funds to last over a lifetime.

Informal caregivers (family and friends) remain the backbone of the long-term supportive services system in the United States. They provide the majority of care for older people who need help with activities of daily living. While this care is unpaid, its value has been estimated at approximately \$100 billion. (U. S. Department of Health and Human Services/ASPE, 1998). Although family caregiving is usually preferred by both the family and the beneficiary, out-of-pocket spending by the caregiver can become costly.

The Family and Medical Leave Act (FMLA) is the first U.S. national policy designed to assist working caregivers in meeting their work and caregiving responsibilities. The FMLA allows employees to take up to twelve weeks of unpaid leave to care for an ill family member or newborn child. Since its enactment in 1993, more than fifty million Americans have taken leave under this law (National Partnership for Women and Families, <http://www.nationalpartnership.org/portals/p3/library/FamilyMedicalLeave/FMLAWhatWhoHow.pdf>).

Nonetheless, caregivers often must juggle work with caregiving responsibilities. Some find that they must quit their jobs or reduce their hours of work to provide care. In those circumstances, the caregiver may pay for her generosity with lower retirement income. Low wages and minimal benefits are a major problem for workers in skilled nursing facilities, home care aides, and other paraprofessional staff who work with frail or demented older adults. This problem contributes to the high turnover of staff.

The Board of Pensions of the Presbyterian Church (U.S.A.)

The Board of Pensions of the Presbyterian Church (U.S.A.) is charged with responsibility to provide a comprehensive package of benefits for participating church workers and to offer financial and retirement housing assistance in time of need to those workers and their families. This Pension Plan is fully funded, with sufficient assets to satisfy all accrued liabilities, which includes commitments to pay pension benefits to active members when they retire and all current retirees and their survivors. Their defined benefit plan is designed to supplement Social Security. The plan provides higher replacement rates for low-wage workers at age sixty-five and offers an early retirement option with reduced benefits.

Its health policy, which supplements Medicare, covers the worker and family and includes a prescription drug plan. In recent years, the rising costs of prescription drugs have forced the Board of Pensions to increase “dues” that are paid by the participants. The Board of Pensions is working with the federal office responsible for the Medicare Prescription Drug program to “make sure we can continue to offer the Medicare Supplement, including its drug benefit, to our participants, and qualify for the plan sponsor reimbursement provided for in the legislation. Those federal dollars will be applied to help offset the subscrip-

tion dues requirements.” The plan also offers death and disability coverage.

We wish to acknowledge the progressive, comprehensive benefit that the Board of Pensions has designed and manages.

Challenge to Presbyterians to Work for Economic and Health Justice

For more than thirty years, Presbyterians have lifted up the needs of older adults, especially those who are poor and infirm. As their numbers increase, now and in the future, we are challenged by the words of Proverbs 31:9, “Speak out, judge righteously, defend the rights of the poor and needy.”

For a fuller description of useful steps in advocating for economic and health justice, see Patricia K. Gleich, “Advocacy: The Continuous Circle of Faith to Action,” *Church & Society*, May/June, 2005, pp 135–41.





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