

107TH CONGRESS }
2d Session }

SENATE

{ REPT. 107-158
{ Volume 1

DEVELOPMENTS IN AGING: 1999 and 2000
VOLUME 1

REPORT

OF THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

PURSUANT TO

S. RES. 54, SEC. 17(c), MARCH 8, 2001

Resolution Authorizing a Study of the Problems of the
Aged and Aging



JUNE 4, 2002.—Ordered to be printed

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WASHINGTON : 2002

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LETTER OF TRANSMITTAL

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC, 2002.

Hon. DICK CHENEY,
President, U.S. Senate,
Washington, DC.

DEAR MR. PRESIDENT: Under authority of Senate Resolution 54, agreed to March 8, 2001, I am submitting to you the annual report of the U.S. Senate Special Committee on Aging, *Developments in Aging: 1999 and 2000*, volume 1.

Senate Resolution: 4, the Committee Systems Reorganization Amendments of 1977, authorizes the Special Committee on Aging "to conduct a continuing study of any and all matters pertaining to problems and opportunities of older people, including but not limited to, problems and opportunities of maintaining health, of assuring adequate income, of finding employment, of engaging in productive and rewarding activity, of securing proper housing and, when necessary, of obtaining care and assistance." Senate Resolution 4 also requires that the results of these studies and recommendations be reported to the Senate annually.

This report describes actions taken during 1999 and 2000 by the Congress, the administration, and the U.S. Senate Special Committee on Aging, which are significant to our Nation's older citizens. It also summarizes and analyzes the Federal policies and programs that are of the most continuing importance for older persons and their families.

On behalf of the members of the committee and its staff, I am pleased to transmit this report to you.

Sincerely,

JOHN BREAU, *Chairman.*

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DEVELOPMENTS IN AGING: 1999 and 2000—VOLUME 1

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JUNE 4, 2002.—Ordered to be printed
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Mr. BREAU, from the Special Committee on Aging,
submitted the following

REPORT

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Chapter 1

**SOCIAL SECURITY—OLD AGE, SURVIVORS
AND DISABILITY**

OVERVIEW

Social Security continues to be an important topic of national debate. In May 2001, President George W. Bush established the *President's Commission to Strengthen Social Security*. The Commission has been directed to submit recommendations to “modernize and restore fiscal soundness to the Social Security system” in accordance with 6 guiding principles: (1) modernization must not change Social Security benefits for retirees or near-retirees; (2) the entire Social Security surplus must be dedicated to Social Security only; (3) Social Security payroll taxes must not be increased; (4) government must not invest Social Security funds in the stock market; (5) modernization must preserve Social Security’s disability and survivors components; and (6) modernization must include individually controlled, voluntary personal retirement accounts, which will augment the Social Security safety net. The Commission will make specific recommendations on program changes in its final report expected in the fall of 2001.

In January 1997, the 1994–1996 Advisory Council on Social Security issued a report on ways to solve the program’s long-range financing problems. The Council could not reach a consensus on a single approach, so the report contains three different proposals that are intended to restore long-range solvency to the Social Security system. The first proposal, labeled the “maintain benefits”

plan, keeps the program's benefit structure essentially the same by addressing most of the long-range deficit through revenue increases, including an eventual rise in the payroll tax, and minor benefit cuts. To close the remaining gap, it recommends that investing part of the Social Security trust funds in the stock market be considered. The second, labeled the "individual account" plan, restores financial solvency mostly with reductions in benefits, and in addition imposes mandatory employee contributions to individual savings accounts. The third, labeled the "personal security account" plan, achieves long-range financial balance through a major redesign of the system that gradually replaces a major portion of the Social Security retirement benefit with individual private savings accounts.

Elements of the Council's recommendations were reflected in a number of bills introduced in the 106th Congress. Many of the financing reform bills introduced would permit or require the creation of personal savings accounts to supplement or replace Social Security benefits for future retirees. Some of the bills would allow or require the investment of Social Security trust funds in the financial markets. None of these measures were acted upon during the 106th Congress.

Lawmakers, however, took up a number of other Social Security measures during the 106th Congress. In December 1999, the Ticket to Work and Work Incentives Improvement Act of 1999 was signed into law (H.R. 1180, P.L. 106-170). Under the legislation, a disabled recipient is provided with a "ticket to work" that can be used to obtain employment, vocational rehabilitation, or other support services from approved providers. In turn, the service provider is entitled to a share of the cash benefit savings that result from the recipient's return to work.

In April 2000, Congress enacted the Senior Citizens' Freedom to Work Act (P.L. 106-182) eliminating the earnings test for persons at the full retirement age through age 69 (the earnings test did not apply to persons age 70 and older). Under the new law, beneficiaries who have earnings from work above a certain amount are no longer subject to a reduction in Social Security benefits once they reach the full retirement age. P.L. 106-182 does not affect persons below the full retirement age (currently ages 62 to 64).

In July 2000, the House of Representatives passed H.R. 4865 which would repeal the second (or 85 percent) tier of benefit taxation effective in 2001. To compensate for the loss of revenue to the Medicare HI trust fund, an amount equal to the revenue that would have been generated had the tax not been repealed would be credited to the HI trust fund through a permanent appropriation from the general fund. The Senate did not act on the measure prior to adjournment of the 106th Congress.

Congress considered a number of Social Security "lock box" measures that would create additional procedural obstacles for bills that cause the budget surpluses to fall below a level equal to the Social Security (and, in some cases, Medicare) surpluses if not used for Social Security or Medicare reform. Among them were measures to create new points of order that could be lodged against bills that would cause budget surpluses to be less than Social Security and Medicare HI surpluses, to require new limits on Federal debt that would decline by the amount of annual Social Security surpluses,