

**TESTIMONY OF
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NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE**

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

**HEARING ON
“SOCIAL SECURITY: IS A KEY FOUNDATION OF ECONOMIC SECURITY
WORKING FOR WOMEN?”**

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My name is Catherine Dodd, and I am the Chair of the Board of Directors of the National Committee to Preserve Social Security and Medicare in Washington, DC. The National Committee is a grassroots advocacy and education organization dedicated to preserving and strengthening safety net programs, including Social Security, Medicare and Medicaid.

I would like to thank the Senate Finance Committee and Chairman Ron Wyden and Ranking Member Orrin Hatch for the opportunity to testify on why Social Security is key to the economic and retirement security of women.

Thirty-two years ago, the National Committee was created by former Congressman James Roosevelt, the son of President Franklin Roosevelt and First Lady Eleanor Roosevelt. Through the years we have focused on protecting their work by thwarting attempts to cut Social Security.

But we also know that it is time to build upon those decades of success through new efforts to strengthen Social Security. That is why the National Committee Foundation, working with the National Organization for Women and the Institute for Women’s Policy Research, published the “Breaking the Social Security Glass Ceiling” report in 2012 with proposals for strengthening benefits for women. It is why we launched the *Boost Social Security Now* campaign, in February of this year, to change the national discourse from cutting to improving benefits.

And now, it is in the spirit of our Roosevelt heritage and Eleanor’s work on women’s and social issues that our new project to direct greater attention and resources to women’s issues will honor her name. Eleanor would have celebrated her 130th birthday this year, which makes it a perfect time to kick off our “Eleanor’s Hope” initiative. (www.eleanorshope.org)

In so many ways, women have come a long way since Eleanor's day. However, the inequalities faced by women continue to threaten their retirement security because:

- Women have generally worked for lower wages due to persistent gender wage discrimination, leading to a smaller Social Security benefit.
- Women often interrupt their participation in the labor force to provide care to other family members, usually children and elderly parents or relatives. These temporary interruptions can lead to a significant reduction in the amount of a woman's Social Security benefit.
- Women are less likely to have a pension, and even if they do have pension income it is likely to be less than what men receive for the same reasons their Social Security benefit is often smaller.
- Women live longer than men and consequently are more likely to outlive their retirement savings.

About 22 million women aged 65 and older receive Social Security benefits. A woman who reaches age 65 can expect to live an additional 20 years. For these women, Social Security represents a vitally important source of income, and is often their only available hedge against inflation. Without Social Security, over half of these women would be living in poverty. Even with Social Security, 11 percent of older women still live in poverty; for widows, the rate is worse, at 15 percent. This is 50 percent higher than the poverty rate for all people 65 and older.

These facts led to the National Committee's support for legislation that addresses the inequities threatening millions of retired women and to our work to promote the *Eleanor's Hope* vision of retirement equity for women.

CURRENT BENEFITS AVAILABLE FOR WOMEN

Before I share this vision with you, let me first describe the benefits currently available. Social Security is neutral with respect to gender – individuals with identical earnings histories are treated the same in terms of benefits regardless of whether they are male or female. After working long enough in Social Security-covered employment, a woman becomes eligible for her own Social Security benefit. If she is married, she also may be eligible for a spouse's benefit or widow's benefit based on her deceased husband's earnings record.

A married woman who is not eligible for Social Security based on her own work record can receive a spouse's or widow's benefit. If a married woman is eligible for her own Social Security benefit, she can receive part of her spouse's or widow's benefit, if it is higher than her own benefit. In other words, she will receive her own benefit plus the difference between her benefit and the higher spouse's or widow's benefit. A woman who has worked in public service

employment not covered by Social Security can receive a Social Security spouse's or widow's benefit only if it exceeds two-thirds of her public service annuity under the "Government Pension Offset" provision of the Social Security Act.

A woman divorced after 10 or more years of marriage is eligible for the same spouse's or surviving spouse's benefit she would have received even if she had not been divorced. If a woman is divorced before 10 years of marriage, she is eligible only for her own Social Security benefit.

If a woman remarries after age 60 (50 if disabled), she may still receive a surviving spouse's benefit. However, early retirement significantly reduces these benefits. A young disabled widow or an older widow with little or no work experience may have no choice but to apply for a reduced benefit at the earliest age of eligibility. Social Security offers little incentive for widows to delay benefits, especially if the deceased spouse retired early, as benefits are capped based on the husband's early retirement.

Severely disabled widows who have not yet reached full retirement age are eligible for early widow's benefits, although benefits are reduced as if the decision to elect benefits is a voluntary choice. The reduction at age 50 is 28.5 percent. A disabled widow must be age 50 in order to apply and must have become disabled generally within seven years of her husband's death.

As a result of lower lifetime earnings, the average female worker often receives a substantially smaller Social Security check than a male worker. In 2012, the average monthly Social Security benefit of a retired man was \$1,417, while the average monthly benefit of a retired woman was \$1,103.

Currently, when a woman's husband dies and she begins to collect widow's benefits, the household Social Security benefits decrease by 33 to 50 percent. The reduction is larger for households in which both spouses had nearly equal earnings. As more women entered the workforce in the second half of the twentieth century, their contribution to total household income increased. However, Social Security rules have not been updated to reflect this societal change. Consequently this increased share of household income contributed by wives does not result in higher widow's benefits. On the contrary, more widows will experience a reduction approaching 50 percent of household income.

NATIONAL COMMITTEE POSITION

The National Committee believes women deserve an adequate retirement income whether a work life is spent in the home, in the paid workforce, or a combination of the two. We support changes that safeguard benefits for women, especially those with the greatest need, and that improve benefit equity between one-earner and two-earner couples.

The following proposals would improve benefit equity and safeguard benefits for women. We urge the Senate Committee on Finance to consider the following program improvements:

- **Improving Survivor Benefits.** Women living alone often are forced into poverty because of benefit reductions stemming from the death of a spouse. Widows from low-earning or wealth-depleted households are particularly at risk of poverty. Providing a widow or widower with 75 percent of the couple's combined benefit treats one-earner and two-earner couples more fairly and reduces the likelihood of leaving the survivor in poverty.
- **Providing Social Security Credits for Caregivers.** We recommend, in computing the Social Security retirement or disability benefit, that imputed earnings for up to five family service years be granted to a worker who leaves or reduces his/her participation in the work force to provide care to children under the age of six or to elderly family members.
- **Enhancing the Special Minimum Primary Insurance Amount (PIA).** The Special Minimum Benefit is intended to provide a slightly more generous benefit amount to individuals who work for many years in low-wage employment. We propose to update the method by which this benefit amount is calculated so that more individuals, many of them women, can qualify for this computation. In calculating the benefit we would give individuals credit for up to 10 years spent outside the workforce providing care to family members.
- **Equalizing Rules for Disabled Widows.** Widows can qualify for disabled widow's benefits beginning at age 50. They are the only disabled persons whose benefits are subject to an actuarial reduction. Under our proposal, disabled widows should receive 100 percent of their benefit without any reduction, just like disabled workers, and they would be able to qualify for disabled widow's benefits at any age. Moreover, the seven-year application period should also be eliminated.
- **Benefit Equality for Working Widows.** Under current law, a widow's benefit is capped at the amount the deceased husband would receive if he were still alive. If a husband retires before normal retirement age, his widow generally inherits his early retirement reduction. Under our proposal, the widow's benefit would no longer be tethered to the reduction her deceased spouse elected to receive when he applied for retirement benefits. Instead, the benefit would be reduced only by the widow's own decisions about when to retire.
- **Strengthening the COLA.** We propose that future cost-of-living adjustments (COLAs) be based on a fully developed Consumer Price Index for the Elderly (CPI-E). We believe this index would more accurately measure the effect of inflation on the price of goods and

services that are purchased by seniors than the current CPI-W, which reflects price increases based on the purchasing patterns of urban workers.

- **Restoring Student Benefits.** Social Security pays benefits to children until age 18, or 19 if they are still attending high school, if a working parent has died, become disabled or retired. In the past, those benefits continued until age 22 if the child was a full-time student in college or a vocational school. Congress ended post-secondary students' benefits in 1981. Restoring this benefit would help women who must defer saving for their retirement because they are assisting their children with college expenses.
- **Improving the Basic Benefit of all Current and Future Beneficiaries.** After years of operating under a COLA which does not adequately reflect the higher inflation attributable to health expenditures and the fact that seniors devote a higher percentage of their monthly spending to health care costs, seniors need to have their increased costs offset by an across-the-board benefit increase. Women, especially, who have worked a lifetime with low pay (often the result of sex-based wage discrimination) are financially vulnerable in retirement because they are less likely to have private pensions or discretionary income that would allow for saving.
- **Increasing Benefits for Seniors Who Have Received Social Security for a Long Period of Time.** Seniors who live beyond the age of 85 are more likely to be financially vulnerable, even with Social Security. Additional security should be offered by increasing benefits for all beneficiaries 20 years after retirement by a uniform amount equal to five percent of the average retired worker benefit in the prior year. This proposal would be particularly helpful to women because they live longer than men and are more likely to outlive their retirement savings.
- **Equalizing Benefits for Same-Sex Married Couples and Partners.** Although the U.S. Supreme Court has invalidated Section 3 of the Defense of Marriage Act, gay and lesbian same-sex couples are still denied Social Security benefits under many state laws. To end this discrimination, we propose that the Social Security Act be revised to provide benefits to domestic partners and the members of same-sex marriages without regard to whether they live in a state that recognizes same-sex marriage.
- **Improving Benefits for Disabled Adult Children.** One of the categories of childhood benefits that is payable on a worker's record is benefits to an adult child who becomes disabled before reaching age 22. We propose that disabled adult children be allowed to reestablish entitlement to benefits after divorce and that their benefits be computed without regard to the family maximum.

To make these important proposals aimed at women affordable, the National Committee supports strengthening the financing of the Social Security program by:

- **Eliminating the Cap on Social Security Payroll Contributions.** Currently, workers make Social Security contributions on wages up to \$117,000. In 2015, the wage cap will increase to \$118,500. Eliminating this cap and modestly adjusting the benefit formula for determining benefits for high-wage earners would make these improvements affordable.

CONCLUSION

These proposals represent a straightforward, common sense approach to addressing Social Security inequality for the women of America. We applaud the members of Congress, including Senators Tom Harkin, Mark Begich and Patty Murray and Representatives Linda Sanchez, Gwen Moore, Nita Lowey, Ted Deutch, Ron Kind and Mark Takano, who have embraced our recommendations and introduced many of these legislative proposals.

Eleanor Roosevelt devoted forty years to gender equality by advancing women politically, economically and socially. To continue the work she started, I urge the Finance Committee to approve legislation that will ensure women have as much protection against retirement, disability and survivorship risks as men.

Thank you for the opportunity to testify today on this important issue. I would be happy to answer any questions.