

November 11, 2018  
M19-002

TO: SPEEA Council  
FROM: SPEEA Legislative & Public Affairs Committee

SUBJECT: **PRESUBMITTED NEW BUSINESS: RETIREMENT**

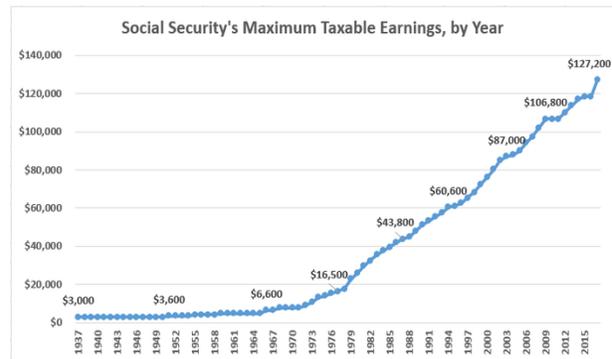
**BACKGROUND:**

**Social Security**

SPEEA represented members work their careers planning their retirements with Social Security, Medicare

Our employers currently withhold from our wages 6.2% of our salary (up to the annual cap) for Social Security and 1.45% for Medicare.

Social Security income is vital to the financial well-being of our members during retirement. The Social Security Administration data shows that better than 61% of retired workers rely on their Social Security benefits for at least half of their monthly income. This means that the well-being of Social Security should among the priorities of Congress. Social Security is funded in three ways: payroll taxes, interest, and the taxation of benefits.



Social Security is a self-funded with payroll taxes (86.4%), interest from the social security trust fund (10.1%) and taxes on benefits (3.4%).

The maximum taxable earnings of the payroll tax is determined by the National Average Wage index rising as the average wage rises with a corresponding rising of the payout cap.

The Social Security's Annual Report of the Board of Trustees shows that by 2034, the Social Security Administration will start drawing on the \$2.89 Trust Fund to fulfill its obligations. Congress will have to make changes in the Old Age and Disability program either increasing the income or decreasing the benefits to remain solvent. If the income is not changed, the income is sufficient to continue at 74% of the current benefits.

**Medicare**

Medicare is hit by the same increases in medical care that threaten our nation's health insurance. Medical costs in the US are increasing significantly faster than inflation. The 2018 Medicare Trustee's report finds that Medicare's Hospital Insurance trust fund is able to pay 100 percent of its obligations through 2026 by drawing on the Medicare trust fund. The report shows that the share of costs covered by payroll taxes will decline to 78% in 2042 and rise back up thereafter.

**Medical costs**

The U.S. spends twice what other high-income nations do on health care while maintaining the lowest life expectancy and the highest infant mortality rates. Studies have shown that Americans use the same amount of health services as people in other affluent nations.

Health spending in the U.S. is higher due to steeper prices for drugs, medical devices, malpractice insurance and administration costs. In 2016, the U.S. spent 17.8% GDP on healthcare while other countries ranged from 9.6% GDP in Australia to 12.4% GDP in Switzerland. The U.S. spends 8% GDP on administrative costs compared to 3% in other countries.

**Pro statements:** SPEEA members work their careers and plan their retirement with pensions, retirement savings plans, Social Security and Medicare.

**Con statements:** Congress has not adequately funded reserves to account for funding the baby boomer retirements.

**SPEEA L&PA Committee Majority Position:** SPEEA should set a priority to ensure funding of Social Security and Medicare that our members and employers have been taxed for through their career.

#### **MOTION**

It is moved: **SPEEA RECOGNIZES THAT SOCIAL SECURITY AND MEDICARE ARE RETIREMENT BENEFITS EARNED BY OUR MEMBERS AND;**

**THEREFORE SUPPORTS LEGISLATION THAT APPROVES MAINTAINING RETIREE SOCIAL SECURITY BENEFITS AND ELIMINATING SOCIAL SECURITY FUNDING SHORTFALLS AND;**

**ANY LEGISLATION THAT APPROVES MAINTAINING RETIREE MEDICARE BENEFITS AND REDUCES MEDICAL COSTS.**

Passage or adoption of any legislative or public issues proposal shall be by published ballot and require: Total affirmative vote must be a majority of all Council Representatives including those not present or not voting, excluding Council Representatives working in excess of 50 statute air miles from the meeting and are unable to attend.