

# Commentary

BUFFIN PARTNERS INC.

ECONOMIC INVESTMENT AND ACTUARIAL RESEARCH

## Where is the Public Debate on National Retirement Income Policy?

In the March 2011 edition of *Commentary* with the title *Appeal for a National Retirement Income Policy* we called for a Presidential Commission to be established to investigate and report on the current state of provision for retirement income in the United States. We identified the major issues to be examined by the Commission as: adequacy and shortfalls in existing arrangements; financial resources required to provide adequate old-age income security; affordability of adequate retirement income relative to other national priorities; roles and responsibilities of government, employers, and individuals; assessment of social transfers policy; viability of employer-financed retirement plans; tax treatment of various retirement income sources; rationalization of tax policy; regulatory framework for pension arrangements; strengthening the funding of defined benefit plans; reducing the potential exposure of the PBGC for under-funded pension obligations; expansion of the Social Security system to offset the decline in employer-sponsored defined benefit pension plans; projected solvency and sustainability of Social Security with due consideration of the potential need for future revenue increases; and the government's responsibility for the ongoing timely payment of principal and interest on its holdings of special-issue Treasury bonds that are held in the Social Security Trust Fund.

Our time spent in Washington discussing the need for a broad-spectrum overview of national retirement income policy has left us with the impression that, in general, policy makers and influential organizations that could show leadership on this issue have an inherent inability to see the forest for the trees. The public interest has been largely ignored in partisan ideological arguments over political aspects of retirement security issues.

Much political capital has been expended in recent months on debates over fiscal policy and deficit reduction. Social Security has been entangled in this maelstrom and targeted for future cutbacks although it is the quintessential cornerstone of national retirement income policy. *Commentary* has always adhered to a policy of objective analysis and discussion and avoided partisan and political aspects of the issues. It is however undeniable that certain political motives are very strong forces underlying the current direction of the policy discussion. In this context, there is a movement to "frame the debate" in such a way as to obfuscate the real issues and focus on slogans and "sound bites" to win public support for a particular ideological viewpoint. Some examples of negative attacks on Social Security are: "Social Security is bankrupt"; "Social Security is a Ponzi scheme"; "the Social Security fund will run out of money by year 20xx"; "Social Security won't be there when the next generation is due to retire"; "Social Security needs to be fixed as part of the deficit reduction strategy"; "Social Security is unsustainable"; "Social Security is unaffordable"; "America has to borrow money from China to pay Social Security benefits"; "Social Security is un-American and socialist and is contrary to the American principle of individual responsibility and self-sufficiency"; "Social Security should be replaced by a system of individual accounts as part of the American ideal of the 'Ownership Society' to give everyone a fair deal".

There is an evident need for reframing the public debate in such a way as to counter the disinformation and distortions contained in all of the preceding statements. The principal objectives in reframing the public debate should be: shoring up public confidence in the effec-

tiveness, value, and sustainability of the system; countering misperceptions among the public with explanations of the reality of the nature and financial condition of the system; speaking truth to power by providing accurate analysis and facts to counter the negative messaging directed at influencing the public debate on ideological grounds. Some of the "messaging" to be included in this reframing of the public debate would be: "Social Security is projected to be 100% solvent on a cash flow basis including interest and asset maturity proceeds over the next 25 years"; "Solvency is projected at a very high level of 90% over the next 50 years and 87% over the next 75 years"; "Long-range deficits of only 10% over the next 50 years and 13% over the next 75 years are manageable with relatively minor adjustments to the system"; "These relatively minor deficits do not make the system unsustainable"; "Social Security works perfectly well as an intergenerational social transfer system exactly as intended by its founders more than 75 years ago"; "Social Security does not borrow money, it is a lender to the US Treasury not a borrower"; "Money lent to the US Treasury is fully secured by US Treasury bonds that are legal obligations of the US Treasury and are routinely redeemed on a fifteen-year maturity cycle"; "Sustainability and affordability of the Social Security system are within the means of the US economy to afford approximately 6% of GDP to support the system".

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