

Will Social Security Last?

By Tammy Flanagan

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Nancy A. Berryhill, acting commissioner of Social Security, recently announced that April is [National Social Security Month](#). During this month, the Social Security Administration is highlighting five steps to financial security:

- Get to know your Social Security
- Verify your lifetime earnings with a My Social Security account
- Estimate your future Social Security benefits at My Social Security
- Apply online for retirement, disability, or Medicare benefits
- Manage your Social Security benefits

Now might be a good time to gain a better understanding of how Social Security fits into your retirement plan, whether you are covered under the Civil Service Retirement System or the Federal Employees Retirement System.

The long-term future of Social Security has been a matter of political debate for years. Recently, Rep. John Larson, D-Conn., re-introduced the [Social Security 2100 Act](#), which aims to provide increased benefits to low- and mid-wage workers while extending the solvency of the program by making the wealthy pay more into the system.

Specifically, the bill would make eight significant changes to Social Security:

- Change the Social Security benefit formula to slightly increase all benefits payable for months of eligibility in January 2018 and later.
- Use the Consumer Price Index for the Elderly (CPI-E) increase rather than the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increase to calculate cost-of-living adjustments. This would boost the COLA by an average of 0.2 percentage points per year.
- Increase the special minimum benefit amount, beginning for workers who become newly eligible for retirement or disability benefits or die in 2018 or later. For workers becoming newly eligible or dying in 2018, the minimum initial full benefit amount for those with 30 or more years of coverage would be 125 percent of the annual poverty guideline for a single individual (as determined by the Department of Health and Human Services), divided by 12. For workers becoming newly eligible or dying after 2018, the minimum initial benefit amount would go up by the growth in the national average wage index.
- Replace the current-law thresholds for federal income taxation of Social Security benefits to a simple set of thresholds: \$50,000 for single filers and \$100,000 for joint filers for taxation of up to 85 percent of Old Age and Survivor and Disability Insurance benefits, effective for tax year 2018. Social Security benefits for those with income levels below those amounts would be free from federal income tax.
- Apply the combined OASDI payroll tax rate on covered earnings above \$400,000 paid in 2018 and later, taxing all covered earnings once the current-law taxable maximum exceeds \$400,000.
- Credit the additional earnings that are taxed for future Social Security benefit purposes by adding a significantly smaller new component to the existing formula for computing Social Security benefits based on the additional wages that were subject to taxation over the \$400,000 threshold.
- Gradually increase the combined OASDI payroll tax rate from 12.4 percent to 14.8 percent by 2042.
- Beginning in 2018, establish a new Social Security Trust Fund by combining the reserves of the separate Old Age Survivor Insurance and Disability Insurance trust funds.

In a [letter to Rep. Larson](#), the chief actuary of Social Security said passage of the bill would mean that the combined Social Security Trust Fund would be fully solvent for 75 years.

Currently, Social Security retirement benefits replace about 40 percent of pre-retirement earnings for the average worker. That's a good foundation, but most people also will need other sources of income in retirement such as the FERS or CSRS retirement benefit and savings in the Thrift Savings Plan or other retirement accounts. Most federal employees covered under FERS contribute to a TSP account, but nearly a third of U.S. workers overall have no money at all set aside for retirement — let alone enough to live comfortably.

If you're interested in learning more about Social Security, I'll be presenting a webinar on April 20 for the [NARFE Federal Benefits Institute](#) called "Social Security Simplified." It's free for NARFE members.

Photo: [401kcalculator.org](#)

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