

**Steve Tisza, President**

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**From:** "Morton Bahr" <morty\_bahr@cwa-union.org>  
**To:** "Steve Tisza" <istvantisza@direcway.com>  
**Sent:** Tuesday, May 03, 2005 10:38 AM  
**Subject:** Impact of Bush Soc. Sec. Plan on Working Families

**Communications Workers of America  
Local Leaders List**

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May 3, 2005

To: All Local Presidents

Dear Colleagues:

The attached from President Sweeney lays out clearly the impact of President Bush's plan for Social Security on America's working families.

I am asking you to share this information with your members, our families, neighbors, and friends. We need to mobilize a grassroots movement across the nation that gets through to the President: Keep Your Hands Off our Social Security.

Working together, we will defeat the Administration's plan to destroy the best retirement plan ever devised and then deal responsibly with fixing the long-term financing problem.

In Solidarity,

Morton Bahr  
President

Attachment ([http://www.cwa-union.org/friday\\_mail/president/AFL-CIOAttachment.htm](http://www.cwa-union.org/friday_mail/president/AFL-CIOAttachment.htm))

cc: Executive Board  
Staff  
Retired Members' Clubs

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this e-mail with "REMOVE" as the subject, we discourage you from doing this because it does not update our main database at CWA.



## ***Memorandum***

**American Federation of Labor and Congress of Industrial Organizations**  
*815 Sixteenth Street, N.W., Washington, D.C. 20006 / (202) 637-5000*



**TO:** AFL-CIO Executive Council Members  
Presidents of National and International Unions  
Principal Officers of State Federations and Central Labor Councils

**FROM:** John J. Sweeney, President

**DATE:** May 2, 2005

**SUBJECT:** President Bush's Graduated Benefit Cut Proposal

President Bush's proposal last week to index Social Security benefits to prices instead of wages, as is now the case, would mean large cuts in benefits for 70% of future retirees.

Low-wage workers, i.e., those with lifetime average earnings of \$20,000 or less, would keep wage indexing and, therefore, maintain their purchasing power in retirement relative to their earnings as workers. But everyone else would see their earnings as retirees fall because prices rise slower than wages. Over time, Bush's proposal would level the dollar benefits of all retirees instead of paying higher amounts to average and high wage workers, despite the fact workers pay significantly more in taxes as their income increases.

This change would turn Social Security from a program where benefits were linked to the amount workers paid in to more of a means-tested one, like welfare. It would end the Roosevelt design of the program and undermine public support for it.

The combination of Bush's proposal of graduated and sharply rising benefit cuts to address future financing needs would slash benefits much more than if nothing whatsoever were done.

Combined with his privatization plan – which would require an additional average 30% cut in guaranteed benefit to finance – the Bush scheme would produce a 66% reduction in guaranteed benefits for medium income earners (\$36,000) retiring in 2055 – from \$22,100 a year to \$7,510 in 2005 dollars – and an 87% reduction in benefits for a worker who earned 60% above the average (\$59,000) – from \$29,300 a year to \$3,750 in 2005 dollars. (See attached factsheet from the Center on Budget and Policy Priorities.)

On top of those cuts, the huge jump in Medicare premiums stemming from Bush's give-aways to pharmaceutical companies and HMO's in last year's drug bill mean that many retirees would see their Social Security check reduce to nothing or close to it. (Congressional Budget Office; Center on Budget and Policy Priorities)

AFL-CIO Memo

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Bush's announcement confirms what labor and many other organizations have been saying since last December: his Social Security "reform" plans would cut guaranteed benefits enormously and force retirees to rely on risky private accounts for their retirement income, even as the federal budget deficit ballooned.

We can stop this proposal in its tracks if we move quickly. I'm asking all national unions and state federations to work together to:

1. Educate union members on the impact of the indexing proposal for them and their families. Worksite fliers and other educational materials such as mailers will be available on the Working Families Toolkit later this week.
2. Forcefully urge members of Congress NOT to negotiate on the basis of this proposal. Today we are contacting labor federations in states where Senators are at risk of falling into this trap and asking them to talk with those Senators during this recess week.
3. Make the plan for graduated benefit cuts radioactive for any member of Congress, especially those up for re-election in 2006. We are working closely with allies to organize an all out effort to inform the public on Bush's proposal and challenge members of Congress.

Attached for your information and use are two documents on Bush's proposed cuts:

First, a one-page summary of the cuts from the authoritative Center on Budget and Policy Priorities.

Second, an analysis from Sunday's *New York Times* on the impact of the Bush cuts.

Third, a spreadsheet with state-by-state numbers of beneficiaries who will have benefits cut, and the amounts, under Bush's plan.

Please immediately notify your local unions about this threat to Social Security and ask them to mobilize now to defend Social Security.

Thank you.

JJS:dh  
Enclosures

opciu #2, afl-cio

**Center on Budget and Policy Priorities**

**Defined Social Security Benefits Would be Lowered Further  
for Workers Electing President's Private Accounts**

The President's proposal, as it now stands, combines Robert Pozen's "progressive price indexing" proposal with private accounts. The President has proposed that workers be allowed to divert payroll taxes equal to four percent of their wages from Social Security into private accounts. The cost of these accounts would be offset by reducing substantially the Social Security benefits of those who elect the accounts.

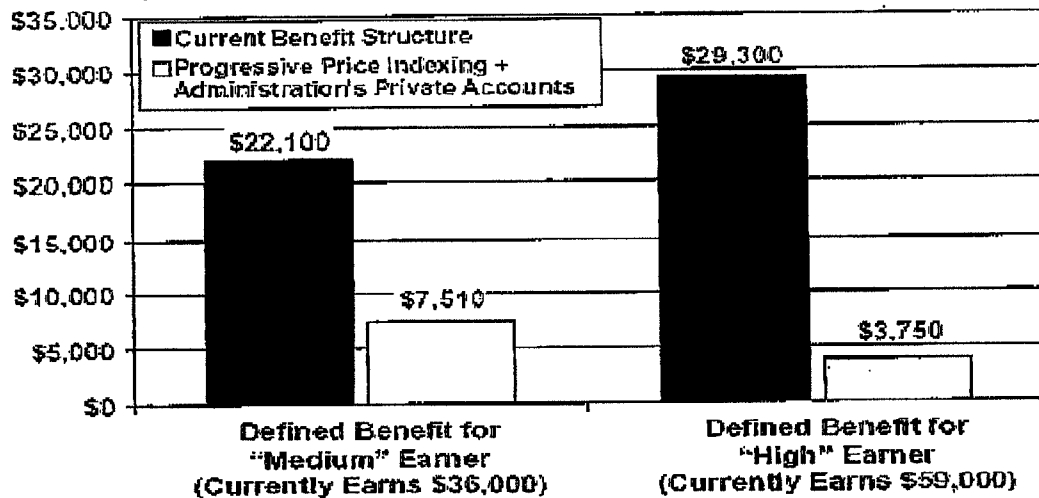
As a result, under the President's plan, defined Social Security benefits (for people electing the accounts) would be lowered twice — one due to the indexing changes, and a second time to pay for the accounts.

The resulting reduction in the Social Security benefits of those who elect the private accounts would be extremely large. Under the combination of the Pozen "progressive price indexing" proposal that the President has embraced and the President's private accounts, the defined Social Security benefit would be reduced by 66 percent — from \$22,100 a year to \$7,510, in 2005 dollars — for a medium earner who retires in 2055. For a worker who earns 60 percent above the average wage, the reduction in Social Security benefits would be 87 percent — from \$29,300 a year to \$3,750 (in 2005 dollars). In addition to this greatly reduced defined benefit, the worker also would get a private account that was subject to market risk.

Moreover, these figures reflect Social Security benefits *before* Medicare premiums are subtracted. (Medicare premiums are collected by being subtracted from Social Security checks.) Since Medicare premiums grow at the rate of health care costs, which is faster than either prices or wages, they will consume a steadily increasing share of Social Security benefits over time. For many middle-income workers, Medicare premiums would consume *most or all* of the very small monthly Social Security benefit that would remain under the combination of progressive price indexing and the President's private accounts. Social Security checks for millions of ordinary American workers thus would be close to or at zero.

**Combined Effect of Progressive Price Indexing  
and President's Private Accounts on Defined  
Social Security Benefits**

(For Worker Retiring in 2055 at Age 65; Figures in 2005 \$)



Source: CBPP Calculations

The New York Times > Washington > Social Security: Help for the Poor or Help for All?

May 1, 2005

Social Security: Help for the Poor or Help for All?

By EDMUND L. ANDREWS  
and EDUARDO PORTER

WASHINGTON, April 30 - In attempting to fix Social Security's long-term problems without raising taxes, President Bush has chosen to recast the 70-year-old retirement program as one that would keep the lowest-income workers out of poverty but become increasingly irrelevant to the middle class and the affluent.

Under Mr. Bush's approach of "progressive indexation," a typical low-income worker who earns about \$16,000 a year today would be entitled to retirement benefits equal to about 49 percent of his or her wages, the same amount that is promised today.

But those earning an average income, about \$36,500 in today's dollars, would see big changes. Instead of replacing 36 percent of that person's working pay, as promised under today's system, benefits would cover only 26 percent of pay by 2075. And people who earn \$90,000 a year in today's dollars would continue to pay as much as ever in taxes but would receive benefits equal to only 12 percent of their pay.

From the beginning, Mr. Bush has adamantly opposed alternative plans that would restore Social Security's solvency by raising taxes. While Mr. Bush has not ruled out an increase in the ceiling on income that is subject to payroll taxes, now \$90,000, the idea is anathema to him and most Republicans.

"I know some rich people, and if you ask them whether they would rather have a tax increase or their benefits cut, they'll immediately say, 'Cut the benefits,'" said Representative Bill Thomas of California, chairman of the House Ways and Means Committee.

In choosing to preserve benefits for the less well off and not raise taxes on more affluent people, Mr. Bush sought to cast himself in the Democrats' traditional role as a defender of the poor. In his radio address on Saturday, he said: "By providing more generous benefits for low-income retirees, we'll make good on this commitment: If you work hard and pay into Social Security your entire life, you will not retire into poverty."

But critics, including most Democratic lawmakers, say that such an approach would undermine a central bargain conceived during the New Deal: that Social Security is not just a welfare program for the poor but a form of social insurance that people at all income levels pay into and reap rewards from.

"Social Security is not a poverty program, it is a retirement system people have worked hard for, paid into and have earned," said Representative Sander M. Levin, Democrat of Michigan.

If it becomes increasingly irrelevant for middle-income people, the critics warn, Social Security will eventually become little more than an empty shell.

Democratic lawmakers have refused to propose an alternative plan unless Mr. Bush abandons his demand for replacing part of Social Security with individual investment accounts.

But one of the most widely discussed alternatives is still on the table:

imposing Social Security taxes on earnings above \$90,000 a year.

That one change would affect 6 percent of all workers, the very highest earners, but actuarial experts estimate that it would raise almost enough money to eliminate the projected shortfall without needing to cut benefits at all.

The two competing approaches - concentrating future benefits on the poor, versus raising taxes on the wealthy - are almost mirror opposites.

Under "progressive indexation," an idea developed by Robert C. Pozen, an investment executive in Boston, the role of Social Security would gradually shrink over the next century. Adding private accounts to the smaller guaranteed payments for retirees, supporters say, would soften the blow from scaling back the system to keep it fiscally sound.

By contrast, raising the ceiling on payroll taxes would maintain the system's solvency just as well, if not better, while allowing it to pay out substantial retirement benefits to the 30 million more people expected to be added to the rolls from the ranks of the nation's aging baby boomers.

How would the president's "progressive indexation" work?

As envisioned by Mr. Pozen, a Democrat who served on Mr. Bush's Social Security advisory commission in 2001, benefits for about 70 percent of workers would be indexed, at least in part, to increases in consumer prices rather than to increases in average wages. Because wages have been rising about 1 percentage point a year faster than prices, the change would mean that retirement benefits for middle- and upper-middle-class Americans would climb in nominal terms much more slowly than currently promised.

While the buying power of those monthly benefits, adjusted for inflation, would remain steady, they would replace smaller and smaller shares of a person's working wages.

As a result, people without other sources of retirement income would experience a sharp plunge in their living standards as soon as they stopped working. Compared with future working Americans, such retirees living during the same period would slip further and further behind.

Under Mr. Pozen's plan, for example, Social Security benefits for a typical low-income worker - someone making \$16,000 today - would keep pace with wages and continue to replace about 49 percent of the person's working income.

But people with incomes in the top 70 percent of the earnings ladder would experience big changes. Where Social Security benefits now replace about 36 percent of earnings for an average-income worker, who earns about \$36,500 a year, the Pozen plan would replace only 26 percent of earnings by 2075. According to calculations by the Center for Budget and Policy Priorities, using Social Security Administration projections, that would translate to a cut of 28 percent, or \$7,629 a year, compared with benefits promised under current law.

For a person who consistently earns \$90,000 a year, in today's dollars, promised benefits would be trimmed 49 percent by 2075 and would replace only 12 percent of earnings.

For all the partisan warfare over Social Security, both supporters and opponents of Mr. Bush's effort increasingly emphasize the need to strengthen the "progressive" aspect of the program to provide disproportionate benefits to low-income workers.

In an interview earlier this week, Mr. Pozen said that today's retirement system is unfairly tilted in favor of the affluent. Not only do high-income people have longer life expectancies, meaning they collect Social Security benefits for more years, but they also benefit disproportionately from tax breaks for pensions and individual retirement plans like 401(k) plans.

"Low-wage workers depend almost entirely on Social Security for retirement income," Mr. Pozen said. "Today, we have a very regressive system from the point of view of government support for retirement."

But Democratic opponents of Mr. Bush's approach say the issues of fairness and inequality could be just as easily addressed by raising taxes on the wealthy. Josh Bivens, an economist at the liberal-leaning Economic Policy Institute in Washington, said Social Security revenues had been undermined because income inequality has dramatically increased over the past 20 years.

One consequence, he said, is that more and more wages are spilling over the ceiling on income that is subject to Social Security taxes. In 1983, when the ceiling was set at \$37,500, 90 percent of wages and salaries were subject to taxes. But in the last four years, only 85 percent of wages have been covered.

If the ceiling were raised to cover 90 percent of earnings, Mr. Bivens estimated, the government would cover about one-third of its projected shortfall over the next 75 years.

Instead, under Mr. Pozen's approach, benefits would be gradually curtailed for anybody earning more than \$25,000 a year. Peter A. Diamond, professor of economics at the Massachusetts Institute of Technology and a co-author of a rival plan to shore up Social Security, noted that about two-thirds of people over the age of 65 rely on Social Security for more than half of their income.

"While the presentation makes it sound as if the benefit cuts only happen to people who can afford it," Mr. Diamond said, "in fact the implications are wider and deeper and more important than appears on the surface."

Representative Jim McCrery, Republican of Louisiana and chairman of the House Subcommittee on Social Security, said progressive indexation was in some ways a return to the original idea that Social Security should be a safety net for the elderly.

"The purpose of Social Security was to prevent the elderly from falling into abject poverty," Mr. McCrery said on Friday. "To me, the president's remarks indicated he wanted to make sure that the primary purpose of Social Security remains a central goal of any reform." Edmund L. Andrews reported from Washington for this article, and Eduardo Porter from New York.

State	# Affected	Ave Benefit	Cut Under Bush Plan	Annual Cut	Total Beneficiaries	Today's Benefit	Benefit Under Bush Plan
Alabama	608,832	\$246	\$246	\$2,947	869,760	\$677	\$531
Alaska	42,749	\$250	\$250	2897.42	61,070	\$892	\$542
Arizona	600,950	\$263	\$263	3151.68	858,500	\$938	\$675
Arkansas	376,026	\$239	\$239	2872.8	537,180	\$855	\$616
California	3,051,195	\$259	\$259	3111.36	4,358,850	\$926	\$667
Colorado	391,391	\$253	\$253	3030.72	559,130	\$902	\$649
Connecticut	408,254	\$283	\$283	3393.6	583,220	\$1,010	\$727
Delaware	101,171	\$271	\$271	3248.12	144,530	\$967	\$696
District of Columbia	50,631	\$220	\$220	2840.96	72,330	\$786	\$566
Florida	2,333,373	\$257	\$257	3084.48	3,333,390	\$918	\$644
Georgia	818,804	\$251	\$251	3007.2	1,169,720	\$895	\$657
Hawaii	136,801	\$255	\$255	3064.32	195,430	\$912	\$648
Idaho	148,232	\$252	\$252	3024	211,760	\$900	\$648
Illinois	1,311,023	\$269	\$269	3228.96	1,872,890	\$961	\$692
Indiana	718,004	\$271	\$271	3249.12	1,025,720	\$967	\$696
Iowa	380,821	\$258	\$258	3091.2	544,030	\$920	\$662
Kansas	310,681	\$254	\$254	3171.84	443,830	\$944	\$680
Kentucky	538,342	\$244	\$244	2932.2	769,060	\$870	\$626
Louisiana	511,756	\$240	\$240	2882.88	731,080	\$858	\$618
Maine	183,820	\$238	\$238	2858.36	262,600	\$851	\$613
Maryland	526,939	\$260	\$260	3114.72	752,770	\$928	\$668
Massachusetts	745,038	\$260	\$260	3144.72	1,064,340	\$927	\$667
Michigan	1,186,136	\$278	\$278	3338.48	1,694,480	\$993	\$715
Minnesota	535,367	\$258	\$258	3338.48	764,810	\$920	\$662
Mississippi	375,949	\$236	\$236	3091.2	537,070	\$842	\$606
Missouri	723,919	\$255	\$255	3057.6	1,034,170	\$910	\$655
Montana	114,604	\$248	\$248	2973.6	163,720	\$885	\$637
Nebraska	201,537	\$253	\$253	3037.44	287,910	\$904	\$651
Nevada	230,734	\$260	\$260	3121.44	329,620	\$929	\$669
New Hampshire	149,464	\$264	\$264	3171.84	213,520	\$944	\$680
New Jersey	956,389	\$285	\$285	3420.48	1,366,270	\$1,018	\$733
New Mexico	206,948	\$241	\$241	2882.96	295,640	\$851	\$620
New York	2,122,897	\$274	\$274	3282.72	3,032,710	\$977	\$703
North Carolina	1,005,095	\$252	\$252	3020.64	1,435,850	\$899	\$647
North Dakota	79,954	\$241	\$241	2886.24	114,220	\$859	\$618
Ohio	1,355,977	\$253	\$253	3151.68	1,937,110	\$938	\$675
Oklahoma	430,171	\$247	\$247	2966.88	614,530	\$883	\$636
Oregon	418,565	\$261	\$261	3120.16	597,950	\$931	\$670
Pennsylvania	1,671,439	\$265	\$265	3185.28	2,387,770	\$948	\$683
Rhode Island	134,372	\$258	\$258	3101.28	191,960	\$923	\$665
South Carolina	513,275	\$251	\$251	3010.56	733,250	\$896	\$645
South Dakota	96,999	\$237	\$237	2839.2	138,570	\$845	\$608
Tennessee	733,390	\$250	\$250	3003.84	1,047,700	\$894	\$644
Texas	1,956,045	\$251	\$251	3017.28	2,794,350	\$898	\$647
Utah	179,627	\$259	\$259	3111.36	256,610	\$926	\$657
Vermont	76,230	\$255	\$255	8084.32	108,900	\$912	\$651
Virginia	764,617	\$253	\$253	3037.44	1,092,310	\$904	\$651
Washington	623,924	\$269	\$269	3226.6	891,320	\$960	\$655
West Virginia	282,359	\$255	\$255	3057.6	403,370	\$910	\$655
Wisconsin	646,905	\$264	\$264	3171.84	924,150	\$944	\$680
Wyoming	56,455	\$258	\$258	3091.2	80,650	\$920	\$662

SOURCE: [http://www.ssa.gov/policy/docs/quickfacts/state\\_stats/index.html](http://www.ssa.gov/policy/docs/quickfacts/state_stats/index.html); CBPP 4/29/05