

December 5, 2010

NRLN Grassroots Network Members

From: NRLN President Bill Kadereit

Subject: NRLN's Review of Budget Deficit Commission Outcome

You may have read or heard recent news reports that the federal budget deficit commission failed to garner enough support on Friday, December 3rd to send its report to Congress for action. Eleven of the 18 commissioners voted for "The Moment of Truth" report, short of the 14 votes needed under the terms of President Obama's executive order last February establishing The National Commission on Fiscal Responsibility and Reform.

The NRLN had been closely following the deliberations of the commission and had been doubtful there would be enough votes in Washington's politically divided climate to send its report to Congress with recommendations to enact legislation.

Unlike some groups that urged their members to call U.S. Representatives and Senators last Tuesday with a message of "Hands Off Our Social Security," we elected not to stimulate actions by our members. The calls resulted in an overload of the Capitol Hill switchboard, causing the phone lines to shut down. As you might expect, many members of Congress and their staffs were unhappy with the disruption of their phones and may have done more damage to the issue than good. The NRLN's view was to "keep our powder dry" until there is a genuine issue being considered by Congress on Social Security and Medicare before we call for action by NRLN Grassroots Network members. Our members appreciate knowing that when we ask for action, we are zeroed in on an impending issue that merits their attention.

The commission report written by co-chairmen Erskine Bowles, a former Chief of Staff to President Bill Clinton, and Alan Simpson, a former Republican U.S. Senator from Wyoming, was an effort to cut \$3.8 trillion from the federal budget over the next decade. The report in part called for:

- A gradual increase in the Social Security retirement age to 68 by 2050 and 69 by 2075. Increase the early retirement age from 62 to 64 along the same timetable.
- Apply a less generous Social Security cost-of-living adjustment.
- Raise Social Security payroll taxes for the affluent and reduce their future benefits.
- Create a Medicare program that is sustainable with reforms to physician payments, cost-sharing, malpractice law, prescription drug costs, government-subsidized medical education, and institute additional long-term measures to bring down Medicare spending growth.
- Imposing tight "caps" on the agency budgets adopted by Congress each year, including a near-freeze on the Pentagon's budget.
- A three-year freeze on federal worker pay and the elimination of 200,000 workers from the federal payroll through attrition.
- Eliminate congressional pet spending projects known as "earmarks."
- Overhaul individual income taxes and corporate taxes, giving Congress the choice of reducing the top rate to as low as 23 percent and no higher than 29 percent. The lower the rate, the fewer the tax credits and deductions that would be available to taxpayers.
- Raise the federal gasoline tax 15 cents per gallon to fund transportation programs.

The 11 supporters were split between the parties, with five Democrats and five Republicans, along with a political independent. The seven opponents were four Democrats and three Republicans. Some supporters of the commission's report said they would not vote for the plan if it were actual legislation, with a chance of becoming law.

Although the commission's report fell short of the necessary votes, it is possible—even probable—that we will see some of its recommendations surface in 2011 in Congress and in President Obama's State of the Union message and the Administration's next budget proposals.

The NRLN—supported by you--will be the voice for retirees when the debate on Social Security and Medicare takes place in Congress. While new Medicare benefits have not been added, the rising cost of benefits has been out of control for some time and Congress has borrowed trillions of dollars from Social Security to pay for non-health care-related other budget needs. Now, members of Congress must prove they can control the cost creep and must pay off the notes they issued to the Social Security trust to cover their borrowing.

The NRLN's position is that Social Security and Medicare must be financially secure to continue the current benefits available to present recipients and to fund commensurate benefits for future recipients. These are obligations of members of Congress; they can't blame retirees for the economic mess they created.

We have posted a link to the 58-page Deficit Commission report in the President's Corner section of the NRLN website home page at www.nrln.org . I suggest you read it before you read accounts rendered by politicians or pundits and watch for updates in President's Corner messages.

You can rely on the NRLN to be vigilant on any issue coming before Congress that has the potential to harm retirement security.