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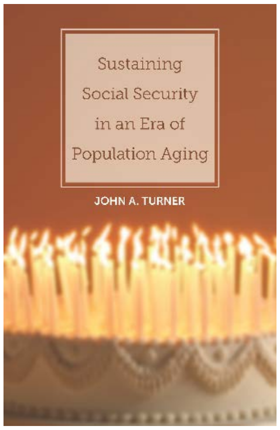

Sustaining Social Security in an Era of Population Aging

John A. Turner, *Pension Policy Center*

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KALAMAZOO, Mich.—Politicians on both sides of the aisle will agree on this—Social Security needs fixing. The system currently lacks the financing to pay for benefits already promised and maintaining the status quo is untenable; the Congressional Budget Office projects that insolvency will occur in 2031. While many proposals for fixing the system have been floated, most are little more than bandages that stem the bleeding but fail to address the underlying malady.

As John A. Turner points out in his new book ***Sustaining Social Security in an Era of Population Aging***, "[T]he fundamental problem is that the current demographic era where the old-age dependency ratio (the ratio of Social Security beneficiaries to covered workers) is increasing, the Social Security benefit formula causes benefits to grow faster than the tax revenues that finance them." While seemingly a problem of demographics (which can't be fixed), Turner argues that the solution to the long-term health of Social Security lies in politically-acceptable periodic reforms of the formula used to determine benefits. Specifically, he endorses a set of reforms that address increased life expectancy, the growing relationship between income and life expectancy, the decline in the physical demands of jobs, the rise in income inequality, and the increasing poverty seen among the older population.

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Turner begins with a discussion of the history of Social Security and the operational basics—and unsustainability—of the system. He discusses different options for restoring solvency and broaches the issue of whether it makes sense to allow part of the Social Security trust fund to be invested in private securities. Next, he discusses achieving benefit adequacy through better targeting of benefits and options for adapting benefits to changes in life expectancy. Turner then examines various retirement issues including strategies used by people deciding when to begin taking benefits and reforms such as raising the retirement age.

In the book's final chapter, Turner offers a package of reforms aimed at restoring Social Security's solvency for a period of 20–30 years including

- instituting a small increase in the payroll tax rate and an increase in the taxable maximum earnings ceiling,
- investing up to 15 percent of Social Security trust funds in the stock market,
- having Social Security cover all new local and state employees,
- improving the financial literacy of workers,
- establishing longevity insurance to deal with the increase in poverty among older citizens, and
- establishing an automatic adjustment mechanism that adjusts system variables such as the retirement age, tax rate, and benefit levels based on the performance of factors such as life expectancy and system solvency.

Finally, what sets this book apart from others that address Social Security's long-term health are the interconnected political and behavioral aspects that Turner emphasizes. These are, he says, what currently hinder policymakers from making the needed reforms.

John A. Turner is director of the Pension Policy Center. He is the former deputy director of the pension research office at the U.S. Department of Labor, and he has taught as an adjunct lecturer in economics at George Washington University. Turner is the author of four previous books for the Upjohn Institute, including *Pension Policy: The Search for Better Solutions* in 2010. He has a PhD in economics from the University of Chicago.

Sustaining Social Security in an Era of Population Aging, by John A. Turner, is published by the W.E. Upjohn Institute for Employment Research. September 2016. 126 pp. $14.99 paperback ISBN 978-88099-515-3. Ebook 978-0-88099-516-0. PDF is free at http://www.upjohn.org/sites/default/files/WEfocus/SustainingSocialSecurity.pdf**.** Opinions expressed are solely those of the author. We encourage you to download a review copy of this book. Paper review copies are also available. Contact: Rich Wyrwa.

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