S O C I A L S E C U R I T Y

TODAY

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GOOD NEWS FOR MEDICARE, TOO

The Trustees also reported good news for the Medicare Trust Fund. The projected depletion date has been extended to 2015, up seven years from last year's projection.

The Trustees credited the combination of a robust economy and restrained expenditures for extending the life of the trust fund and cutting the projected 75-year deficit by one-third since the last report.

"In the last two years, we extended the life of the trust fund by a full 14 years and cut the actuarial deficit by two-thirds," the Trustees said. "But we must keep working for a consensus on how to protect and modernize Medicare."

Solvency Jumps to 2034

The Social Security trust funds have gained two additional years of solvency. As announced in the 1999 Annual Report of the Social Security Board of Trustees, the long-range projections show that Social Security assets will be depleted in 2034 rather than 2032 as predicted last year. The trust funds support benefit payments to more than 44 million Americans.

In announcing the news, Social Security Commissioner Kenneth Apfel said that the improvement in the financial condition of the trust funds is due to continued strong economic growth characterized by reduced unemployment, higher wages and low inflation. "In addition," he said, "recent adjustments by the Bureau of Labor Statistics to improve the measurement of the Consumer Price Index contributed to the improved outlook of the Social Security program."

The trustees reported that trust fund expenditures will begin to exceed tax revenues in 2014, a year later than estimated in 1998. And beginning in 2022, trust fund assets will have to be drawn down to pay benefits until 2034 when the reserves will be exhausted. At that time, tax revenues will be sufficient to pay only 71 percent of the benefit obligations.

Over the 75-year long-range actuarial forecast, the projected actuarial balance is a deficit of 2.07 percent of taxable payroll, compared to 2.19 percent projected a year ago.

As they did last year, the trustees urged legislative action in the immediate future to restore long-term balance to Social Security. "We welcome these favorable developments for Social Security and Medicare," Treasury Secretary Robert Rubin said. "Nonetheless, the need to put these programs on sound financial footing for the long term must still be met. We should move forward on a bipartisan basis to finish the job by using the

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Early Retirement Can Affect Your Social Security Benefits

Retirement in the age 50s bracket has becoming increasingly popular in recent years. Some early retirements are the result of company downsizings. Others may occur because the worker simply wants to enjoy more leisure time or pursue a hobby. Whatever the reason for leaving the workforce earlier than the usual retirement age, it can affect the amount of your Social Security retirement benefits.

Before we explain how early retirement can affect your benefits, you need to know how we calculate them. Social Security benefits are based on your earnings averaged over 35 years of your working lifetime. First, we adjust your actual earnings to account for changes in average wages since the year the earnings were received. Then we calculate your average monthly adjusted earnings during the 35 years in which you earned the most. Benefits are not, as some people think, based on your last five or last 10 years of work.

Unfortunately, some people also think that once they have earned 40 credits (formerly known as quarters of coverage), they are then eligible for the maximum Social Security benefit. Not true. Earning 40 credits makes you eligible for retirement benefits at a certain age; it has nothing to do with the amount of your benefits. We use the formula described above to calculate how much you will receive.

Sometimes people ask, "Will I be penalized if I retire early?" No, you won't be penalized; but, because we're looking at your highest 35 years, you'll have less opportunity to replace your years of lower earnings with years of higher earnings. This probably will reduce the amount of your monthly benefits.

And now a few words about retirement age. You can retire as early as 62 with a reduction in benefits. The full retirement age for people born before 1938 is 65. Because of a change in the law, an increase in the full retirement age is being phased in for people born after 1938. When fully phased in, it will be 67 for workers born in 1960 or later.

So, if Monday mornings are getting more difficult to deal with and you're thinking about leisure-time activities more and more, you may want to consider the effect your decision will have on your Social Security

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GOOD ADVICE FOR BRIDES

Getting married? If you're going to be a bride anytime soon, there's one way to save yourself some time and confusion. And that's to be sure to notify Social Security that you have a new name. The reason is simple. Often brides' earnings are reported under their new names. But unless Social Security is notified of the change, we are unable to process those earnings because the name and Social Security number don't match. So if you're going to be using your new name in the workplace, be sure to let Social Security know.

And it's easy to do. Just stop by any Social Security office with proof of your old and new names. Your marriage certificate will work fine. You'll also need proof of your identity. It's as easy as that. Your Social Security number will remain the same. That's yours for a lifetime. But your records will be updated to show your new married name, and you'll be getting credit for all your earnings without delay.

Commissioner's Message

Older Americans Month

One of the most remarkable achievements of this century is the increased longevity Americans are enjoying. Over the years, Social Security has played a major role in ensuring that these added years are an opportunity to reap the benefits of a lifetime of working rather than an addendum spent in uncertainty and financial despair.

In May, we celebrate Older Americans Month. Its aim is to raise public awareness of the expanded horizons increasing longevity provides for people of all ages. During this time, we want to focus public attention on issues related to older Americans.

And one of the most prominent of these is the future of Social Security. When Older Americans Month was established in 1963, only 17 million Americans had reached their 65th birthday. Today, there are more than 33 million Americans age 65 and older living in the United States. By the year 2030, the figure is expected to double. In 1940, an American could expect to spend 7 percent of his or her adult life in retirement. Today, that figure is 26 percent. A long retirement has become commonplace. The fastest-growing segment of the population is people age 85 and older.

These changing demographics, of course, are the driving force behind the need to change Social Security. Social Security comprises more than 50 percent of the income for two-thirds of the elderly population. It is by far the most important source of income for older Americans.

As our most recent trustees report shows, the Social Security trust funds are in better shape now than they were a year ago. We expect that we won't have to begin drawing on them until 2014, and that they won't be depleted until 2034. But the good economic news does not mean that we do not have to act to ensure that Social Security will be there for future generations. In fact, the time to act is now, while we have the benefits our robust economy is affording us.

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Kenneth S. Apfel, Commissioner of Social Security

"Sir, this is the first time I've ever talked to a phone who's had something meaningful to say back. Thank you."

MEDICARE BEGINS NEW 800 SERVICE

Medicare has more to offer – more benefits, more information and more help with questions about Medicare.

Three places you can get that help are the new Medicare+Choice toll-free telephone line at 1-800-MEDICAR(E) (1-800-633-4227), the *Medicare & You* handbook and on the web at *www.medicare.gov*.

If you call 1-800-MEDICAR(E), you can talk with an English or Spanish-speaking customer service rep between 8 a.m. and 4:30 p.m. for help with questions about Medicare, including–

- general information about Medicare;
- updated information about health plan options in your community;
- general information about Medicare supplemental insurance (Medigap); and
- telephone numbers for assistance with billing questions about Medicare claims or for help with more complex questions about your health insurance.

You can also request a copy of the *Medicare & You* handbook, an audio tape of the handbook in English or Spanish or updated information about health plans available in your community. And you can listen to pre-recorded answers to frequently asked questions.

If you have a teletypewriter (TTY) or telecommunications device for the deaf (TDD), you can call toll-free 1-877-486-2048.

With the new Medicare+Choice, you may have a wider variety of options on how you receive health care, whether from original fee-for-service Medicare or managed care plans. Original fee-for-service Medicare is available to all beneficiaries. Medicare managed care plans are available in many parts of the country. However, if you are satisfied with the way you currently receive Medicare services, you don't have to do anything at all.

The information, whether you get it on the Internet, from 1-800-MEDICAR(E) or from the *Medicare & You* handbook, will help you and your family make the right decisions to meet your health care needs.

1-800-MEDICAR(E)

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MORE MYTHS DEBUNKED

You've all heard the stories about Social Security going broke for whatever reason. Well, Social Security isn't going broke and here are some of the reasons why these myths are just that – stories.

Social Security is poorly managed!

Out of every dollar collected in Social Security taxes, less than a penny is used to cover administrative expenses. All the rest is funneled directly into benefit payments or into the Social Security trust funds.

Social Security is going broke because of all the benefits paid to people who never worked and never paid Social Security taxes!

All Social Security beneficiaries must meet an "insured status" requirement. In other words, you have to work and pay taxes for a pre-determined period of time before you are eligible for benefits.

Some people who have never worked and, of course, never paid Social Security taxes receive "dependents" and "survivors" benefits. But they are eligible for those payments on the account of someone who is insured – someone who has worked and paid Social Security taxes.

Social Security is going broke because of illegal aliens and others who get those supplemental Social Security payments!

Many people confuse Supplemental Security Income (SSI) with Social Security. SSI is not a Social Security benefit. It is a federal welfare program that Social Security administers. SSI is funded from general tax revenues, not Social Security taxes.

Under the SSI program, only low-income elderly and disabled immigrants living in this country legally qualify for payments.

Meet A Beneficiary

Meet Theresa Zezulak. Thirty-three year-old Theresa Zezulak has been receiving Social Security benefits since 1993 as a disabled adult child. That's when her father, George Zezulak, retired.

Theresa was born with a severe form of cerebral palsy. Her doctors predicted that she would probably require institutional care for most of her life. "That was just unacceptable to us," Theresa's mother Pat said. "We never believed that for a moment. The whole family, including a brother and two sisters, worked together to give Theresa every opportunity to grow up and lead a normal life. We tried to expose her to a lot of external stimuli so she'd have as much opportunity as possible."

And the effort has paid off. Theresa now works as a volunteer in the medical records department at Christ Hospital in Chicago and as a file clerk in the hospital's vocational services department. She hopes to land a full-time job in social work in the future.

Social Security pays monthly benefits to unmarried disabled sons and daughters of retired, deceased and disabled workers. The disability must occur before the child reaches 22 and

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What's new:

Affordable Health Insurance Available for Kids

A new program is under way to provide affordable health insurance to over 10 million of our nation's children who are currently uninsured. The Children's Health Insurance Program (CHIP) is the largest single expansion of children's health insurance in 30 years. It aims to make health care services such as doctor visits, prescription drugs and hospital care available to the estimated one out of seven children without health insurance today.

Over the next five years, CHIP will provide $24 billion to cover millions of uninsured children in working families. Each state is developing its own Children's Health Insurance Program to make health care more affordable for kids who need it. To find out more, call 1-877-KIDS-NOW. Additional information is available on the national kids website at *www.hrsa.gov/childhealth*.

YOU MAY BE ELIGIBLE FOR HELP WITH MEDICARE EXPENSES

If you have Medicare and your income and resources are limited, you may be eligible for help with some of your medical expenses. State governments have programs that help pay Medicare costs for certain elderly and disabled people. If you qualify, you could save $546 or more this year in Medicare premiums, even more if you use Medicare services.

To be eligible for these state programs, you must meet certain requirements:

• You must have Medicare Hospital Insurance (Part A).
• Your financial resources, or the things that you own, cannot be more than $4,000 ($6,000 for a couple).
• Your monthly income must be less than $947 ($1,265 for a couple).

If you are eligible for help, your state government will pay your Medicare Medical Insurance (Part B) monthly premium – $45.50 in 1999. And depending on your income and financial resources, you may not have to pay certain Medicare deductibles and coinsurance payments.

To find out if you qualify for help, call your local medical assistance, welfare or social services office. You can also call Social Security at 1-800-772-1213 or contact your local Social Security office. People who are deaf or hard of hearing should call at 1-800-325-0778 (TTY). Be sure to ask what documents you'll need to submit with your application. Most likely you'll be asked to supply proof of your income, resources, identity and residence.

If you are eligible, you can look forward to future Medicare savings.

"Beneficiary" from pg. 4

payments continue for as long as the disability lasts. Social Security currently pays $342 million in monthly benefits to 713,000 disabled adult children.

Theresa walks with the assistance of a walker and has some speech and language difficulties. In high school, a counselor once told her that she would never make it through college. "That really put me down," Theresa said. "It only made me try harder." And Theresa did make it to college, too, and while there lived on campus. Her parents believed the experience would make her more independent.

In 1991, after five years, Theresa was graduated from Southern Illinois University with a bachelor's degree in social work. "It gave me a real sense of accomplishment," she said. "I felt wonderful."

She is a determined daughter, her father, George, points out. "I give her credit for what she's done and what she's doing now. It may take her 10

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SOLVENCY JUMPS TO 2034

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surpluses to pay down the national debt and substantially extend the exhaustion date of the Social Security and Medicare trust funds." (In his State of the Union Address, President Clinton proposed transferring 62 percent of the budget surpluses, about $2.8 trillion, to Social Security over the next 15 years and investing about 20 percent of the transferred surpluses in private markets to earn a better rate of return.)

The Board of Trustees reports to Congress annually on the current and estimated future financial condition of the trust funds, as required by law. The report uses annually updated economic and demographic assumptions, reflecting the nation's recent experiences and available research. Based on their intermediate assumptions, the trustees also reported, "About 148 million people worked in jobs covered by Social Security in 1998 and 44.2 million beneficiaries were on the rolls at the end of the year."

Income to Social Security's combined Old Age, Survivors and Disability Insurance Trust Funds totaled $489.2 billion and expenditures were $382.3 billion.

• The trust fund reserves increased by $106.9 billion to $762.5 billion at the end of December.
• Interest income was $49.3 billion, representing an effective annual interest rate of 7.2 percent. The average interest rate on new securities purchased was 5.6 percent.

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TOP 10 INTERNET SERVICES

If you've ever stopped by Social Security's online website, you're one of a growing number of people who are finding the convenience of getting information without leaving their keyboards. More than 1,000 people a day are visiting *Social Security Online* to find their nearest Social Security office, check out how much they have credited to their Social Security earnings record, learn how to apply for Social Security benefits or find out what they need to do to change their name on their Social Security records. And the address they all go to is *www.ssa.gov.*

Social Security Online houses one of the largest collections of online information in any government agency and it's probably a good way to get the information you need. But have you ever wondered what Internet services people are requesting most often? If so, here's a rundown on the most frequently accessed items.

• *Request for Earnings and Benefit Estimate Statement;*
• *Application for a Social Security card;*
• Frequently asked questions and answers about Social Security;
• The *Social Security Handbook*, a basic program reference;
• The most widely used public forms;
• Publications on retirement, disability and survivors benefits and Supplemental Security Income for the aged, blind and disabled, many available in both English and Spanish;
• Full text of official agency rulings;
• *Social Security Teacher's Kit*, a teaching aid for high school teachers;
• Summary of the trustees' annual report of the Social Security trust funds; and
• Brief factsheets on more than two dozen specific aspects of the Social Security programs.

You may download, copy and print material from *Social Security Online* and redistribute it to others free of charge. There are no copyright restrictions.

COMMISSIONER'S MESSAGE

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Social Security must remain a rock solid benefit that current and future beneficiaries can count on. Today's good news must not lull us into complacency. We should not just celebrate today's prosperity but use it to meet the challenges of the future. We cannot rest until we are able to meet our commitments to our youngest workers. Social Security must be on firm financial footing when they retire.

The strong economy has given us a unique window of opportunity to strengthen Social Security. By acting sooner rather than later, in good economic times, we can make gradual changes to the system that will allow people time to plan adequately for their retirement years. If we have the courage to make the thoughtful decisions for Social Security now, we will strengthen Social Security for future generations of Americans.

We believe wholeheartedly that the President and Congress must continue bipartisan efforts to restore the long-term fiscal health of the trust funds. Without changes, the Social Security Old-Age, Survivors and Disability Insurance Trust Funds will be able to pay only about 71 percent of benefits when the reserves are depleted in 2034. Devoting a portion of the budget surpluses to Social Security over the next 15 years is critical to achieving a balanced resolution to the Social Security shortfall.

We must work together to make the decisions necessary to ensure that Social Security will be there for future generations. If we have the courage to act now, we can restore public confidence to our government institutions and strengthen Social Security for future generations of Americans.

Kenneth S. Apfel
Commissioner

WHAT ELSE IS NEW:

Limit Increases for Disabled Beneficiaries

On July 1, the amount disabled adult beneficiaries can earn while still remaining eligible for benefits will jump from $500 to $700 per month. This is the first increase in the level of substantial gainful activity (SGA) since 1990.

"This increase will allow more beneficiaries with disabilities to return to the workforce and enable them to lead more productive, self-sufficient lives," said Social Security Commissioner Kenneth S. Apfel.

To be eligible to continue receiving Social Security or Supplemental Security Income disability benefits, a beneficiary must be unable to engage in any substantial gainful activity that exceeds the $700 limit.

The increase reflects the level of the growth in average wages since 1990. Currently, less than one half of 1 percent of disability beneficiaries leave the rolls voluntarily and return to work. Each year since 1991, approximately 400,000 disability beneficiaries have remained on the rolls and also participated in the workforce. The higher SGA level is expected to prompt additional beneficiaries to venture into the workforce.

"As a nation, we are best served when all of our citizens have the opportunity to contribute their talent, ideas and energy to the workforce," Commissioner Apfel said. "We must continue to seek new ways to ensure that persons with disabilities can share the benefits of our economic prosperity."

The limit on substantial gainful activity for people receiving Social Security disability benefits based on blindness is $1,100. This limit is adjusted annually based on the national average wage index.

"Beneficiary"

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steps to someone else's two or three, but she can do it. It took her a little longer in college, but she did it. I believe everybody has the potential to do what he or she wants to do."

One of the activities that Theresa was exposed to early in life was horseback riding, and she's stuck with it. "She has a special relationship with horses," her mother explains. Theresa now rides weekly at the Hanson Center in Burr Ridge.

Theresa's parents urge people to accept others with disabilities and to work for more accessibility for this valuable group of Americans. Pat also points out that without Social Security, things would have been a lot tougher for Theresa. And it's something she can count on throughout her life.

Theresa sums up her independence saying, "I'm not a stay-at-home person. I'm out in the community doing something, helping other people."

"Solvency Jumps"

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• Administrative expenses were $3.5 billion, or about 0.9 percent of benefit payments for the year.

The Board of Trustees is composed of six members: the Secretary of the Treasury, the Secretary of Labor, the Secretary of Health and Human Services, the Commissioner of Social Security, and two public members who are appointed by the President and confirmed by the Senate to serve four-year terms. The current public members are Stephen Kellison and Marilyn Moon, currently serving terms that began on July 20, 1995.

"Early Retirement"

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retirement benefits before you take the big leap into retirement.

For more information about how retirement benefits are figured, call or visit your local Social Security office or call our toll-free number, 1-800-772-1213 to ask for the fact-sheet, *Social Security – How Your Retirement Benefit Is Figured.* The fact-sheet also is available on our website, *www.ssa.gov.*

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