

LITERATURE REVIEW ON US SOCIAL SECURITY SYSTEM

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Introduction

Worker's pension and retirement benefits in the United States are considered as a three-legged stool that encompasses the Social Security System, pension schemes for employers and employees, and the personal savings during work (Nishiyama, 2019). Under the Social Security System as a leg, a social insurance plan is created to compensate workers for their retirement benefits or where the immediate family members can be reimbursed for the same. However, employees that have served for long been subjected to or entitled to lifetime benefits, mostly where their cover in the course of employment was eligible (Nishiyama, 2019). That is the same manner employer pensions have transformed for close to three decades. In contrast, under Personal Savings, employers are called upon to retire individually at their own volition based on Individual Retirement Account, or IRA.

There was formerly the Defined Benefits (DB), which was a working pension scheme for employees and is entirely funded by employers. Other avenues through which they made the scheme successful was from offers made monthly depending on the salaries awarded to employees, the years one has been in service, as well as the age of retirement on individual employees (Fang, Brown, & Weir, 2016). Defined Benefits as a plan is set to characteristically offer retired workers a lifetime pension offer, survivor benefits for their spouses or next-of-kin, and even other forms of insurable income. Defined Contribution (DC) scheme, on the other hand, covers employee-funded pensions, which could equally be extended to the conventional 401 (k) scheme. Under the DC plans, employees and workers at their workplaces are mandated to pay a part of their annual earnings, but these contributions have to be matched either part-time or in full by their employers. The workers can later benefit from the investment over time, while some of the money could accrue to be retirement savings.

Upon the successful change from Defined Benefits (DB) to Defined Contributions (DC), workers and employees are made to bear a more significant mandate or responsibility in managing their incomes and assets. Defined Benefits enable a worker to benefit from the security plan so established owing to the monthly contributions in their working period. Still, upon retirement, it is incumbent upon the employees to decide how to use their DC plans. They could, at this juncture as well invoke the benefits of Individual Retirement Account and additional personal accounts (Jackson & Cash, 2018). Beneficiaries could decide to take their money as a lump sum, buy their annual annuities, or draw down the payments as expected. Annuities are generally tailored towards recompensing insurance products for the rest of an individual's lifetime instead of a one-time upfront compensation. A common feature of the Social Security System and privately bought annuities is that they offer fixed income streams. Still, it is entirely difficult to identify the dissimilarities between them. A lot of workers have difficulty comprehending the part of the expected interest as well as life expectancy or even the actual amount of money that they need to annuitize each year.

This literature review will explain and describe the most common yet basic tenets or provisions of the Social Security System in the United States of America. It shall focus on an in-depth explanation of the available funding programs, survivor's benefits, spouses cover, emoluments to retired workers, and even the available benefit taxation. In a similar footing, this literature review elaborates on the available examples of premiums needed to replicate the Social Security System while looking into the income variables that dictate the eventual benefits accrued to employees. There are equally severe risks associated with both the private annuities and risks attendant to the Social Security System, but workers should know the challenges faced while purchasing annuities based on their incomes.

LITERATURE REVIEW

America's Social Security System is primarily and predominantly considered as a pay-as-you-go structure right from the time of its establishment (Anderson, Strand, & Collins, 2018). The implication is that almost all of the retirement benefits are accrued from the tax receipts right from employment. This social security scheme was a deliberate migration from the one that would depend entirely on taxes from employees, especially from their young age. Apart from investing their incomes, workers remit premiums that accrue interest depending on the invested principal (Anderson, Strand, & Collins, 2018). Having the current structure deviating a little from the intended social security plan, it essentially is a transfer scheme of anticipated benefits after many years in service compared to converting the premiums into direct investment reserves. The proportion of taxpayers to the expected recipients is the variable used in determining and calculating the creditworthiness of those that benefit from the pay-as-you-go scheme. Unlike three decades ago, where employees to recipient's ratio were 5.5, the Social Security System is more stable and has not changed in no small degree.

Dushi, Iams, and Trenkamp (2017) state that the proportion above has been declining for the last three decades, and the same will keep on falling. Currently, there are about 4.5 employees or workers per recipient. Still, experts in demographics have predicted the same figures will drop consistently to 2.5 per recipient in the next three decades as well. Many factors have been credited for the drop in this ratio of the compared employee and worker cohort, including the Baby Boomer generation, which was smaller than expected, unlike the Baby Bust generation. Reason number two is that though the age of retirement has been maintained, workers are not retiring early; hence they get to accumulate more benefits for their retirement over the same period (Dushi, Iams & Trenkamp (2017). America's Social Security System

considers that despite having a low mortality and fertility rate, the older population is growing; hence the number of beneficiaries of social security has risen. It, therefore, becomes incumbent upon the young employees to remit more towards the Social Security plan, a severe demographic challenge that the Social Security System has to manage.

According to Konkolewsky (2017), maintaining the retirement and pension schemes currently will require the young employees to pay more from their net incomes into the Social Security System. A good example is bridging the gap existing by enlarging the payroll-based taxation currently standing at 2.2% points, a change from the previous 12.4 to 14.6 percentage. Changes in the employee contribution have also made employers consider increases in salaries, thus developing a system that will be sustained perpetually. Pursuing the route of tax delays will only result in the upsurge in the eventual magnitude of expected contributions.

It is the considered view of the Social Security System in America that if taxes remain as they are, the eventual retirement benefits for workers and employees will reduce (Gannon, Legros, & Touze, 2016). Gannon et al. ascertained that the US Social Security scheme is currently operating on excess and taking their investments into an anticipated reserve fund, a reality that will persist. Approximated timeframes are that the next five years will entail having the system offer enough revenue from the accrued interests based on the taxes and funds collected; hence the current scheme will be sustained (Gannon et al., 2016). Later and if the working tax rates persist, the Social Security System would have to reduce the eventual retirement benefits payable to the beneficiaries. In actual calculations, the retirement benefits would reduce by about 25% in the next twenty years, while in another additional thirty years, it would have reduced by 30%, a severe consequence for the grandchildren of the Baby Boomers.

It is the considered finding in Anderson et al., (2018) study “The impact of electronic payments for vulnerable consumers: Evidence from social security” that poor beneficiaries of social security will face difficulties using electronic payments. Some very deserving citizens of retirement benefits are unbanked; hence no family member can pay premiums or receipt of their benefits. This article provides that the US Social Security Administration migrated officially to the electronic payment model, thus ushering in a new era of payment at the apex level of retirement schemes (Anderson et al., (2018). Moreover, the study breaks down the characteristics of the population in terms of size that will be affected by the shift to electronic remittance systems. Greater pursuit has to be put in the area of encouraging vulnerable populations to subscribe to the use of official bank accounts hence receive their anticipated retirement benefits or financial aids.

Despite having the majority of citizens being unbanked for purposes of benefiting from Social Security in America, most had taken up the electronic payments as of March in 2013 (Anderson et al., 2018). However, that mandate did not appear to have encouraged an increase in the use of bank accounts, but in its place, the recipients had opted for the electronic payment cards. It was also during the same period that transitioning to electronic remittance of social security premiums was slowest, especially with the weak, susceptible, and vulnerable households. That could encourage or necessitate that households are looked into with the view of having them slowly embrace the new forms of financial remittances for their retirement.

“The Importance of social security benefits to the income of the aged population.” By Dushi, Iams, and Trenkamp (2017), older US citizens above 65 years depend on Social Security in their retirement as benefits. Data from the 2015 CPS is studied closely while assessing the incomes made by employees to give a more accurate picture of how retirement benefits are

distributed annually. Dushi et al. compare the 2015 CPS results from those in 2015, which validates the point that majority of citizens are yet to be enrolled under the Survey of Income and Program Participation. That is the same program that sought to bring older citizens under the Social Security System under the Health and Retirement Study (HRS). The advantage of these two surveys is that it divides beneficiaries based on their incomes while seeking to give equally verifiable information to the social security administrators.

In a bid to determine the limit to which citizens aged above 65 years used Social Security and retirement benefits, different approaches have been adopted. The proportion of aged Americans that rely on retirement benefits is accounted for from those getting at least 50 percent or at least 90% of the annual family incomes (Dushi et al., 2018). Interestingly, all the estimates are similar, but there are undeniably design differences in the research surveys. More than fifty percent of the aged population rent or bring up their families in homes receiving at least fifty percent of their support and income from the Social Security benefits (Dushi et al., 2018). Only twenty-five percent of the older households have their 90% income from employment and the rest from social security plans. All the given reasons are potential factors for the variations in income sources for the aged persons and the low households, thus giving citing the biting need for Social Security in the ordinary lives of older citizens.

Data from a redesigned study in 2015 breaks down the beneficiaries of retirement benefits based on their ages and income as directed by the Federal Interagency Forum on Aging-Related Statistics. Information such as the per capita income and the total income quintile for all citizens aged above 65 years and above is used (Dushi et al., 2018). Amongst the majority of older citizens, their primary sources of income after active working years is Social Security System, and that accounts as well for the average family income. Pensions and annuities were

combined to calculate individual income hence shape the distribution of retirement benefits, and this came to about 16 percent of the source of income to some retirees. Assets for the vulnerable families accounted for only 6% of their income; hence they could not rely on assets as is the tradition or have a sound asset security backup plan upon retirement (Dushi et al., 2018). Consequently, lacking in asset security means that younger employees will continue employment while the aged will continue providing for the family. Within this bracket, Dushi et al. state that 'other' sources contributed only two or three percent of the family's per capita income.

Cohort changes in the Social Security System and benefits from the pension and accumulated wealth are incredible resources that need to be utilized, as shown in the studied data (Fang, Brown, & Weir, 2016). Fang et al. uses three sets of data in coming up with the distribution of social security benefits, including; analysis of the publicly available pension plan descriptions, the study of the HRS respondents, and investigating the records from the linked Social Security earnings over time (Fang et al., 2016). All these three criteria provide a basis upon which to calculate the pension wealth accumulations for all the retirees depending on their time or years in employment; economic consequences suffered from changing financial fortunes, including depression. Pension wealth amongst many of the retirees and respondents showed that those who adhered to the pension plan provisions managed to create wealth when errors were not made in imputation.

Recent pension information shows an improved respondent-plan linkage, unlike what was available before, hence providing a platform from which to consider future schemes (Fang et al., 2018). All data is recorded and gleaned from Private Employer's Form while the same can be found, hence improving accountability. New avenues to provide for Social Security retirement benefits show a bid to reduce the errors made in imputation. Still, other plans not implemented

earlier with the HRS have come to light. The validity of the retirees' earnings will facilitate the projection of pension wealth earned from contributions to the Social Security System. Fang et al. offers an opportunity to look into the pros and cons of different retirement benefits' projection plan.

Gannon, Legros, and Touze (2016), in their work "Sustainability of Pension Schemes: Building a Smooth Automatic Balance Mechanism with an Application to the US Social Security," state that retirement benefits offer a smooth balance for retirees. The optimal tradeoff, therefore, would be the resulting outcome from the increased receipts to retirement packages while reducing the expenditures by the Federal Government to the pension scheme. Two budgets are balanced being the intertemporal budget balance and the intertemporal discounted quadratic loss, thus showing the constraints existing in the release of retirement benefits. One of the pros of using the 'optimal' model is to facilitate the unique benefits configurations while creating a balance that regulates the adjustment pace (Gannon et al., 2016). Attaining fair pension and retirement benefits schemes is achieved by balancing the costs incurred from revenue and embracing working available discount rates. America's Social Security System looks into the necessary adjustments while guaranteeing changes to financial solvency, thus factoring in social costs, lowering expenditures, and increasing receipts to low-income households.

Mudrazija and Butrica (2017) opine that the Social Security System in the United States can benefit citizens under the benefit provisions of the Totalization Agreements. These are agreements tailored to protect the workers and employees based on their careers, even while working in different countries. Depending on the social security scheme provided in a country of residence and working, employees will receive a benefit entitlement. The extent of time upon which workers are covered shall be based on the minimum amount; hence it has to be enough to

provide for the basic requirements even in the low-income households (Mudrazija & Butrica, 2017). Citizens born in the third decade of the 20th century and beyond that were not disabled need to remit 40 credits referred to as the Quarters of Coverage or the GCs, which determine the Social Security and retirement benefits.

A partner country to the United States will be tasked with looking into the periods of coverage hence calculate what a worker is entitled (Mudrazija & Butrica, 2017). Circumstances also have to be looked into, including the number of years an employee has worked in a foreign country. Employees with a year of domestic coverage will have to be entitled to the totalization benefits (Mudrazija & Butrica, 2017). In many countries, just like the United States, an employee should have been qualified to receive at least domestic benefits for a year. Still, the worker's annual cover under the Social Security System should either be equal to or exceeding the statutory minimum of the said nation. Equally important is the finding that the total amount payable to one as a retirement benefit will be calculated based on the country of residence (Mudrazija & Butrica, 2017). Hungary requires one to have worked 20 years while Japan requires one to have worked 25 years.

United States agreements have to meet the statutory mandate of being bilateral only compared to other countries whose totalization agreements have to be multilateral (Von Wachter, Song, & Manchester, 2011). That is mostly the case with the European Countries. Calculations are based on whether a worker has gained more than six QCs and has proven that they qualified to work for extended periods in the United States under the Totalization Agreements. The only time insurance cover is granted to employees working from one country to another can be combined using the QCs while offering workers their benefits (Von Wachter et al., 2011). Moreover, they capture provisions from SSA, considering that one has worked in a foreign

nation and has been the practice under the United Social Security System. These systems have been termed to blend or even overlap with the already existing insurance scheme available in the United States laws.

Retiring workers qualify for the United States Social Security benefits depending on the combination of totalization agreements for two countries (Von Wachter et al., 2011). Payable benefits are calculated to be proportional to the time one has worked in the United States hence earned from the coverage scheme. Partner countries are asked to contribute partial benefits, also referred to as prorated benefits and these benefits that are calculated on individual entitlements (Von Wachter et al., 2011). It is considered possible that retiring workers are entitled to totalized benefit pegged in an agreement from two or more countries, and these countries have to meet the applicable requirements. The United States prorated benefits for retiring workers, therefore, have to be calculated based on the provisions from totalization agreements. However, much the changes to the U.S Social Security System under the prorated benefits, all the provisions of the totalization agreement have to be met.

Jackson and Cash (2018), in their study “Social Security Totalization Agreements,” opine that totalization agreements provide other ways through which to calculate retirement benefits. The U.S Social Security System provides that lacking totalization agreement will make workers that are temporarily employed or those that are self-employed in a different country remitting their social security premiums to two separate countries but from the same pay (Jackson & Cash, 2018). In such a retirement plan, an employer-based in the United States could send a worker from the U.S to go and continue to work in another nation, but the employment persists. Where such an agreement lacks or is not enforced, both the worker and employer will remit their social security taxes to the host country and the United States (Jackson & Cash,

2018). The same is the case with a foreign employer whose employee is sent to the U.S and will be required to pay double in social security premiums, unless and until such a country has entered a totalization agreement with the United States.

The above problem is even more severe with workers in the United States. Reason being that under the Self-Employment Contributions Act (SECA) and the Federal Insurance Contributions Act (FICA), workers in the mainland are mandated to remit more for their retirement plan (Hagemejer & McKinnon, 2013). That is different from workers residing in other countries and who are covered by other social insurance schemes. Many countries impose retirement scheme taxes on their nationals or citizens for the work they do while within their territories. In contrast, America imposes taxes on its nationals, making an income within the country or residing outside the United States territory (Hagemejer & McKinnon, 2013). To even worsen this, social security and retirement benefit problems, nations to which workers from the United States are transferred tend levying high payroll-based taxes. They can contribute heavily to financing the generous social insurance plan or scheme back in America. The same is not valid in some nations, while a combination of employer and employee share of taxes can go beyond the expected fifty percent expected within the payroll.

In the sector of U.S-based businesses, the retirement benefits vary from those in mainstream employment or those on permanent and pensionable employment. Business owners are exempted from paying double taxes to the leading Social Security System (Hagemejer & McKinnon, 2013). One of the benefits of such an exemption, according to the Office of International Programs, is that employees and the businesses save up to \$1.5 billion that could have been channeled to the social security taxes every year. It, therefore, goes without saying that such agreements are highly agreeable to the businesses established in foreign countries

(Hagemeyer & McKinnon, 2013). Another equally held finding is that such savings on the taxes make United States businesses more feasible and viable in any country worldwide, for it makes them competitive. Retirement benefits under such agreements further excuse foreign-based workers that are working temporarily from remitting a part of their income to the United Social Security System. That saves \$500 million annually in tax savings, making the country attractive for making foreign capital, thus promoting direct foreign investments.

Most of the totalization agreements are implemented by assigning individual social security coverage hence determining the accompanying tax liability or tax responsibility. The same tax liability changes from one country to another while having the specific rules in each agreement differently for purposes of retirement benefits computation (Hagemeyer & McKinnon, 2013). Rules vary significantly and substantially, but the totalization agreements do not vary significantly, for they are all aimed at providing the requisite social security upon rightful taxation. In most cases involving computations, the SSA works in partnerships with the representatives in the country signing the totalization agreement; hence the negotiating process has to consider the forces at play (Hagemeyer & McKinnon, 2013). Social Security in America has therefore grown to ensure that the most deserving beneficiaries, being the retirees, are granted the best packages upon their retirement.

According to (Ayuso, Bravo, & Javorcik, 2018), the US Social Security under Territorial Rule provides for retirement benefits provides that the agreements with workers should be based on equality. Workers are expected to pay their respective taxes to only be covered under the current social security or be assigned to the employing country for the same cover, be it Hungary, Switzerland, or even Australia (Ayuso et al., 2018). The territorial rule, therefore, restricts an American that has been employed in another country, meaning such citizens have to

comply with the expected tax obligations to their retirement. The detached worker rule is the only available exception to the rule on territoriality, and this law requires a worker to relocate first to the United States. Alternatively, the same company should be the one continuing a worker's employment even when they have been relocated and transferred. Periods for such employee transfers cannot be expected in many totalization agreements. Employees working temporarily in foreign countries will retain their retirement benefits in the United States; hence they will not be detached economically.

A contrast is applied to the Territorial Rule for employees and workers that transfer permanently to other countries (Ayuso et al., 2018). Such permanently transferring workers will be subjected to the retirement benefits of the destination country or the country's social security system through a mutual agreement that can be extended for five years after every expiry date for temporary employees. This has to be done on a case-by-case basis but in most cases the extensions do not go beyond two years (Ayuso et al., 2018). Territoriality rule has an exception as well to the self-employed persons but the most common base the exceptions on the residence rule and the self-employment rule. They operate just like the detached worker rule meaning that apart from being transferred temporarily and choosing to retain the US Social Security benefits, the same coverage will be retained as retirement benefits (Ayuso et al., 2018). Residence rule on the other hand provides that the receiving country will cover for the social security and retirement benefits based in the rules of the country. This retirement benefit is calculated exclusively without consideration to the duration or length of time an employee resides in the said country.

In the "Digital Economy and the Future of Social Security" by Konkolewsky (2017), the digital economy is continuing to facilitate a transformation in the US Social Security System and

retirement benefits. This work of research on retirement computations provides that as workers migrate from the United States, they experience changes with respect to the local laws but most of their citizens will receive slightly lower benefits based on the computations (Konkolewsky, 2017). It however makes it difficult for workers serving in countries hit by financial and economic crises hence subjecting the employees to hardships in their societies and communities. A good example is when US citizens working in Republic of Ireland suffered during the recession owing to the lack of agreement on how to calculate their retirement benefits (Konkolewsky, 2017). It is as a result of such experiences that the new US Social Security System has stressed the need to bring more working citizens under the retirement benefits scheme it provides.

The department of labor and social security has led in the changes within the Social Security Sector including embracing the SSA Good Practice. The same testifies for the achievements that have been realized with bringing more working, employed, and foreign-based workers (Malakhova, Garnov, & Kornilova, 2018). It can therefore be stated that digital transformation in the retirement benefits area will lead to unprecedented changes even as the social security space changes while allowing workers to operate in a free environment from which they are safeguarded by working social security systems. The truth is that digital technologies is changing the way workers around the world are responding to preparing for their retirement while contributing to the economy (Malakhova et al., 2018). Such changes have occurred at an unprecedented scale and in levels that seek to meet the every growing population of both the young and older Americans. Most of the conventional and traditional jobs are being replaced by transnational forms of employment, platform, and non-standard jobs.

A new wave of computing retirement benefits is in the offing as will be characterized by the adoption of Artificial Intelligence, robotics, and automation (Konkolewsky, 2017). Even markets seeking to employ American citizens have been caught in the revolution while the social security system has to align itself to the new system of calculations based on the available numbers, the certainty of employment, and the estimates from source countries of employment. However, there is still a lack of definite social security coverage for workers in the gig economy as they are not captured as a large share in the mainstream employment areas (Konkolewsky, 2017). Federal and State Governments still need to change their rules and laws in relation to coverage especially while seeking to cover those working in online intermediary companies. Though still far-fetched, the changes have triggered great debate in relation to how to speculate and project the development of US Social Security System.

It is the view of Nishiyama (2019) in the study “Joint Labor Supply Decision of Married Couples and the US Social Security Pension System” that families are yet to receive shared retirement cover. Currently, the U.S Social Security system has a developed program of redistributing resources from high-wage-earning employees to the low-wage-earning employees. That program ensures that there is progress in the scheduling of benefits while the spousal retirement benefits are calculate on the basis of two-earner system or the one-earner system while the survivors are also taken for cover (Nishiyama, 2019). Such a development overlaps with the official retirement plans thus covering those that have not been insured for years or those survivors that have suffered in low-income households within the general economy. Other deliberate plans include registering couples for social security benefits while encouraging more women to subscribe to the retirement benefits whether they work in pensionable work or non-pensionable schemes (Nishiyama, 2019). Making all the age cohorts better would be achieved by

employing a cohort-by-cohort removal hence distributing retirement benefits on the basis of survivor policy cover.

Benefit portability under the US Social Security System has been developed to remove any existing restrictions on the payment or disbursements of the retirement benefits (Sabates-Wheeler, Koettl, & Avato, 2011). This applies equally to the United States citizens residing and working in other countries provided the countries have ratified the Totalization Agreements. Traditionally, citizens of the United States are eligible receive these retirement benefits regardless of the country they reside in or the countries that they work from at any given time (Sabates-Wheeler et al., 2011). Non-resident aliens are exempted from this provision and instead, they will be looked into whether they have absented themselves from the United States for more than six months consecutively. They would have to prove that they are covered by a special exception in law.

According to (Sabates-Wheeler et al., 2011), there are some common exceptions that citizens who have absented themselves from the six for six consecutive calendars can cite. It includes a citizen of a country that has an applicable social insurance system which remits monthly or annual death benefits or periodic old-age benefits. It is these remittances that are calculated on the same basis as an actuarial equivalent for the United States nationals living and working outside the borders without any restrictions (Sabates-Wheeler et al., 2011). Secondly, it is a citizen of a country that lacks a working social insurance policy or system hence the same country does not ask its citizens to pay death benefits or old-age benefits for the sake of their retirement. However, it has to be proved that the non-resident had earned his or her 10 years which is equivalent to 40QCs under the United States Social Security System.

The Social Security Act further addresses the exceptions that have been detailed depending on one's country of origin, citizenship, or nationality (Malakhova et al., 2018). Moreover, these totalization agreements seek to expand on the benefit portability that can be calculated as determined by country of residence. With this principle in view is the Auxiliary Benefit Claimant who is a citizen deemed to have been absent from the United States for 6 consecutive months but had earlier lived in the United States for a period of five years (Malakhova et al., 2018). Take an example of a non-resident alien that is rightfully placed to receive his or her spousal retirement benefits. In the event such a non-alien was absent for the six months, they will be entitled to receive unrestricted retirement benefits outside the borders of the country. In such a case, the said spouse has to have been married for the last five years and been living within the borders of the United States as per the 42 U.S.C Section 402 (t) (11) (E). Payment restrictions could be removed for residents depending on the country that a non-alien visited while also considering third-party nationals as beneficiaries of the retirement benefits.

America has in the recent past pursued a modernization of the Totalization Agreements to capture and support the ever expanding demographics within America and beyond (Sabates-Wheeler et al., 2011). This has been achieved by entering into contracts with several countries, both European and non-European in a quest to encourage the adoption of ratification statutes and limiting negotiations in the receiving countries.

The conclusion of such Totalization Agreements in countries will serve to reduce or limit the current burdens that restrict non-residents including workers and spouses from qualifying for retirement benefits (Hoda & Rai, 2019). It has to be appreciated that labor migration movements have changed over the last five decades and hence the United States has to enter into multinational and trade agreements that will safeguard worker's eventual retirement benefits.

Section 233 of the Social Protection Act sought embrace the same principles as applied under the European Social Security System but the same has been extended beyond countries such as Germany and even Italy (Hoda & Rai, 2019). America seeks to maintain a retirement benefit that is designed to benefit its citizens, aliens, and non-aliens working within the borders or away in far countries that are party to the Totalization Agreements. Eventually, the system that most of the countries are embracing is the pay-as-you-go where all the areas of the labor forces are covered despite the powers bestowed in the President to alter the Totalization Agreement as per Section 233. Beneficiaries would be required to make periodic benefit payments depending on the age, death, or disability factors.

Leeuwenhaag (2014) appreciates the fact that the United States business interests and trade have spread across the world. With the increase in crucial trading partners is the need to have the countries agree to protect the retirement security of Americans working in their countries. That entails developing a system that will meet the United States Social Security System as per the statutory provisions while ensuring that the worker's interests, trade, businesses, and other benefits are not affected both at home and abroad (Leeuwenhaag, 2014). Majority of the countries entering into totalization agreements with the United States have to offer a broad range of social security benefits as well as retirement benefits, a change that came into force late 2018. The same has been implemented in many trading partners of the United States including the United Kingdom, Canada, France, and Germany. Some have as many agreements as eighty while the least of these countries could have entered into about fifty totalization agreements just to safeguard the retirement benefits of the United States citizens.

This paper notes the strong enforcement of the double taxation issue which has been based on the calculation of worker's earnings in additional countries. This in turn encourages

heavy direct foreign investment to the US. Majority of the citizens that form the thousands of the ineligible beneficiaries may be locked out of pension in their countries but they will be covered under the totalization programs (Leeuwenhaag, 2014). Great effort has been put in recent years to ensure that legislative proposals amend the provision under Section 233 hence bring millions of disadvantaged Americans under the totalization program. That should however be done in a manner that promotes the interests of the Americans while paying greater attention on financial prudence as well as actuarial balance (Leeuwenhaag, 2014). Despite the fact that legislative proposals have not taken root, there is still much to gain from the same traction including seeking more countries to partner with while dealing with the exceptions that could make it harder to receive retirement benefits under the US Social Security System.

Current Controversies

Major controversies surrounding the US Social Security System involves the complex nature of its funding process with the issue of pursuing private funding being the main bone of contention. This is in contradiction with private pension schemes despite the age-old attempts to equate Social Security with the private pension programs hence the argument that they differ significantly (Hoda & Rai, 2019). Legislators have made attempts to change the law in a bid to make retirement benefits separate and parallel from the Social Security System or associated benefits for social security comes with programs such as the disability benefits. On the other hand, private pensions schemes involves the accumulation of money hence having workers benefit from their reserves being unique from the private system which is not universal (Hoda & Rai, 2019). Another bone of contention is the there is no prefunding in Social Security System hence beneficiaries cannot invest in any available marketable assets including equities for that is

already prohibited in the federal law just as it is not possible to invest assets such as those initiated by the United States Federal Government.

Owing to the controversies, investments hitherto to Social Security System have been limited to a plan known as the non-negotiable securities. Most of the securities are remitted by the Federal National Mortgage Association with the support of non-governmental agencies but they have to meet the legal standards as established (Altman & Kingson, 2015). America has set in law that Social Security cannot facilitate investment in private equities despite the fact that the same has worked in other countries including Canada which set in law pension funds for investment in private equities. Being a universal-based system, Social Security operates in such a manner as pipeline and in that regard it offers current tax receipts from employees, survivors, workers, and the disabled. In a situation involving the excess taxes that have been withheld for purposes of already-paid benefits, the excess that has been paid within Treasury will be used according to the Federal Laws.

Distinct from Social Security is private pension which can be broken down into two broad categories being the 'contribution pension plans' and the 'defined benefit pension plans.' It has therefore been ascertained that Social Security operates more closely to defined benefit pension plan which is also more of a retirement benefit for retirees, workers, and private investors (Altman & Kingson, 2015). A defined pension plan on the other hand awards retirement benefits based on a pre-determined formula including the number of years one has been in service, the lowest and highest salary ever received in service, as well as the job group. Participants generally do not have separate accounts under the defined benefit pension plan and is also determined by the existing contribution pension plan where the beneficiaries deposit into a single account. Ultimate benefits accrued to an individual are calculated from the amount that

one has deposited into a retirement account but the challenge has been the debate seeking to transfer the same benefits into a single pool, hence it operates more like a defined contribution pension plan (Altman & Kingson, 2015). Such controversies could be characterized by George W. Bush' statement in 2005 that Social Security System in the US was headed for bankruptcy hence recommended partial privatization.

“Defined Contribution” and “Defined Benefit” private-based pension programs are developed and advanced under the Employee Retirement Income Security Act (ERISA). Under this program, employees or workers are tasked to provide minimum funding in support particularly of the ‘defined benefits’ retirement and pension scheme. Its intended goal is the protection of employees and workers that could be affected by bankruptcy and corporate mismanagement. However, over the years, this plan has come under heavy criticisms and hence has fallen short in the most recent years for lack of a working financial structure. Other challenges bedeviling the Social Security System is the underfunding meaning that workers earning less than their savings will not benefit in the long run in the form of retirement benefits payable to them.

Contrast with Insurance

There is an argument whether the benefits from Social Security contributions can be related to the other benefits made from private investment avenues. Moreover, questions have emerged as to whether such contributions are analogous to the already pooled-together premiums required for remittance to the for-profit commercial insurance providers. This would be done in a bid to generate and maintain retirement benefits from the ‘risk pool of funds.’ Social Security in the US aims at protecting employees, workers, and family survivors against incurring any losses in terms of wages and hence generate their retirement benefits to their death or eventual

disability (Auten & Splinter, 2018). Employees who end up becoming disabled at their young age will be entitled to receive a return that is relative or equal to the amount that they contributed to FICA. That means workers can have their retirement benefits on the basis of their disability for such benefits are made to be awarded for life.

It has however been argued that payment of the FICA-due taxes does not automatically create any legal rights to retirement benefits. Such a position is different from Social Security which creates a legal right to the retirement benefits considering that it is largely funded by the taxes payable to FICA. This was felt in 2012 when the taxes that had been paid to FICA failed to meet, sustain, and maintain the insolvency suffered by the US Social Security System hence there were no transfers of benefits from the general revenues.

A crucial private retirement savings crisis that was caused by inflation-adjusted stock exchanges in the market affects the payable retirement benefits. Such a problem was suffered in 2013 just as had been the case in the year 2007. In effect and consequence, the changes caused variations in the employee's supplemental retirement benefits including the ones under 401 (k) (s). It therefore performed substantially poorer compared to what retirees expect after investing huge sums of their savings. Ten years, US Social Security System calculated the median household retirement benefits for employees aged above 55 years as \$120,000 (Banerjee, 2015). That was considered as too little and trivial as a supplement to Social Security retirement benefits but better to households as it contributed a third of their savings. Only twenty five percent of retiring workers were cited as having saved more than \$30,000 by the time of their retirement in their accounts, something that was termed as the greatest ever retirement crisis in the history of the United States.

In summary, the United States Court of Appeals in the Seventh Circuit determined that the United States Social Security System under the enforcing Act has a moral duty towards the beneficiaries. It has to be interpreted to benefit the retired employees, workers, and survivors while considering the claimants or deciding on the beneficiaries covered by remitted premiums from wages. The same is pursued to meet the quartering of benefit coverage while analyzing the workers that are eligible for the retirement benefits. Moreover, the Seventh Circuit Court of the US Court of Appeals stated that ‘all Social Security regulations have to be interpreted and literally applied in favor of beneficiaries.’ Moreover, the determination by the US Social Security System has to be construed to favor the seekers of retirement benefits especially the disabled and survivors thus saving men and women from the rigors of poverty especially where their end has come to a close as well as for the support of their surviving families.

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