Summary of Provisions That Would Change the Social Security Program

		Change from present law			Result with this provision	
		Long-range actuarial balance	Annual balance in 75th year		Long-range actuarial balance	Annual balance in 75th year
Present Law, Alternative II.					-1.70	-4.20
Category: Cost of Living Adjustment						
A1	Beginning December 2009, reduce cost-of-living adjustment for OASDI benefits by 1 percentage point.	1.43	2.04		-0.27	-2.16
A2	Beginning December 2009, reduce cost-of-living adjustment for OASDI benefits by 0.5 percentage point.	0.75	1.07		-0.95	-3.13
A3	Beginning December 2009, use the "superlative" (or "chained") CPI for COLAs, estimated to reduce the COLA by 0.3 percentage point.	0.45	0.65		-1.24	-3.55
Category: Provisions Affecting Level of Monthly Benefits (PIA)						
B1	Increase the number of years used to calculate benefits for retirees and survivors (but not for disabled workers) from 35 to 38, phased in 2009-2013.	0.31	0.44		-1.39	-3.76
B2	Increase the number of years used to calculate benefits for retirees and survivors (but not for disabled workers) from 35 to 40, phased in 2009-2017.	0.49	0.75		-1.20	-3.45
B3	For each year from 2009-2039, multiply the 32 and 15 percent formula factors by 0.987, reducing the factors to 21 percent and 10 percent respectively, for new eligibles in 2039 and later.	1.55	2.98		-0.15	-1.22
B4	Reduce benefits by 3 percent for those newly eligible for benefits in 2009 and later.	0.36	0.50		-1.34	-3.70
B5	Reduce benefits by 5 percent for those newly eligible for benefits in 2009 and later.	0.60	0.83		-1.09	-3.37
B6	Beginning with those newly eligible for OASDI benefits in 2015 and later, reduce PIA formula factors so that benefits grow by inflation rather than by increases in real wages.	2.30	7.18		0.60	2.97
B7	Progressive price indexing of PIA formula factors beginning with individuals newly eligible for OASDI benefits in 2015. Create new bend point at the 30th percentile of earners. Maintain current-law benefits for earners at the 30th percentile and below and reduce upper 2 formula factors (32% and 15%) such that maximum worker benefit grows by inflation rather than the growth in average wages.	1.36	4.13		-0.34	-0.08
B8	Progressive price indexing of PIA formula factors beginning with individuals newly eligible for OASDI benefits in 2015. Create new bend point at the 40th percentile of earners. Maintain current-law benefits for earners at the 40th percentile and below and reduce upper 2 formula factors (32% and 15%) such that maximum worker benefit grows by inflation rather than the growth in average wages.	1.15	3.47		-0.55	-0.73
B9	Progressive price indexing of PIA formula factors beginning with individuals newly eligible for OASDI benefits in 2015. Create new bend point at the 50th percentile of earners. Maintain current-law benefits for earners at the 50th percentile and below and reduce upper 2 formula factors (32% and 15%) such that maximum worker benefit grows by inflation rather than the growth in average wages.	0.93	2.65		-0.77	-1.55
B10	Progressive price indexing of PIA formula factors beginning with individuals newly eligible for OASDI benefits in 2015. Create new bend point at the 60th percentile of earners. Maintain current-law benefits for earners at the 60th percentile and below and reduce upper 2 formula factors (32% and 15%) such that maximum worker benefit grows by inflation rather than the growth in average wages.	0.68	1.69		-1.02	-2.51

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		Change from present law			Result with this provision	
		Long-range actuarial balance	Annual balance in 75th year		Long-range actuarial balance	Annual balance in 75th year
Present Law, Alternative II.					-1.70	-4.20
B11	Beginning with those newly eligible in 2016, multiply the 90 and 32 PIA factors each year by 0.9925 and 0.982, respectively. Stop reductions in 2053. Beginning with those newly eligible in 2011, multiply the 15 factor by 0.982. Stop reduction of the 15 factor in 2048. DI will have present law scheduled benefit and proportional reduction at conversion to retired worker benefits at normal retirement age, based on years of disability.	2.06	5.33		0.36	1.13
B12	Progressive price indexing of PIA formula factors beginning with individuals newly eligible for OASI benefits in 2015. Create new bend point at the 30th percentile of earners. Maintain current-law benefits for earners at the 30th percentile and below and reduce upper 2 formula factors (32% and 15%) such that maximum worker benefit grows by inflation rather than the growth in average wages. Disability benefits are not affected by the proposal. Disabled worker beneficiaries, upon attaining normal retirement age, would be subject to a proportional reduction in benefits based on the worker's years of disability.	1.18	3.61		-0.52	-0.59
B12.1	Progressive price indexing of PIA formula factors beginning with individuals newly eligible for OASI benefits in 2012. Create new bend point at the 30th percentile of earners. Maintain current-law benefits for earners at the 30th percentile and below and reduce upper 2 formula factors (32% and 15%) such that maximum worker benefit grows by inflation rather than the growth in average wages. Disability benefits are not effected by the proposal. Disabled worker beneficiaries, upon attaining normal retirement age, would be subject to a proportional reduction in benefits based on the worker's years of disability. In addition the reduction of the upper 2 formula factors is suspended for any year in which sustainable solvency over the next 75 years is expected. With this provision taken alone, suspension is not expected within the next 75 years.	1.31	3.71		-0.39	-0.49
B13	For OASI beneficiaries becoming eligible for benefits in 2021 and later, multiply the PIA factors by the ratio of life expectancy at 67 for 2016 to the life expectancy at age 67 for the 4th year prior to the year of benefit eligibility. Unisex life expectancies, based on period life tables, would be used as projected by SSA's Office of the Chief Actuary. Disability benefits are not affected by the proposal. Disabled worker beneficiaries, upon attaining normal retirement age, would be subject to a proportional reduction in benefits based on the worker's years of disability.	0.47	1.71		-1.23	-2.49
B13.1	For OASI beneficiaries becoming eligible for benefits in 2018 and later, multiply the PIA factors by the ratio of life expectancy at 67 for 2013 to the life expectancy at age 67 for the 4th year prior to the year of benefit eligibility. Unisex life expectancies, based on period life tables, would be used as projected by SSA's Office of the Chief Actuary. Disability benefits are not affected by the proposal. Disabled worker beneficiaries, upon attaining normal retirement age, would be subject to a proportional reduction in benefits based on the worker's years of disability.	0.52	1.80		-1.17	-2.40

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		Change from present law			Result with this provision	
		Long-range actuarial balance	Annual balance in 75th year		Long-range actuarial balance	Annual balance in 75th year
Present Law, Alternative II.					-1.70	-4.20
B14	Progressive price indexing of PIA formula factors beginning with individuals newly eligible for OASI benefits in 2016. Create new bend point at the 30th percentile of earners. Maintain current-law benefits for earners at the 30th percentile and below and reduce upper 2 formula factors (32% and 15%) such that maximum worker benefit grows by inflation rather than the growth in average wages. Disability benefits are not affected by the proposal. Disabled worker beneficiaries, upon attaining normal retirement age, would be subject to a proportional reduction in benefits based on the worker's years of disability.	1.13	3.55		-0.57	-0.65
B15	Increase the PIA to a level such that a worker with 30 years of earnings at the minimum wage level would receive an adjusted PIA equal to 120 percent of the Federal poverty level for an aged individual. This provision would take full effect for all newly eligible OASDI workers in 2025, and would be phased in for new eligible in 2016 through 2024. The percentage increase in PIA would be lowered proportionately for those with fewer than 30 years of earnings, down to no enhancement for workers with 20 or fewer years of earnings. (Year-of-work requirements are "scaled" for disabled workers based on their years of potential work from age 22 to benefit eligibility). The benefit enhancement percentage would be reduced proportionately for workers with higher average indexed monthly earnings (AIME), down to no enhancement for those with AIME at least twice that of a 35-year steady minimum wage earner.	-0.04	0.00		-1.74	-4.21
B16	For all individuals becoming eligible for OASDI benefits in 2009 and later use a new, modified primary insurance amount (PIA) formula. The new formula would use an additional bend point placed between the current 2 bend points. The additional bend point would be equal to the current lower bend point plus 75 percent of the difference between the current bend points. (The new bend point would be at about the 58th percentile of average career earnings levels for new retired worker beneficiaries.) The PIA factor for dollars of average monthly indexed earnings (AIME) between the new bend point and the upper bend point would be lowered from 32 to 20 percent. The PIA factor applied for dollars of AIME above the upper bend point would be lowered from 15 to 10 percent.	0.28	0.34		-1.41	-3.86
B17	Eliminate dropout years for OASI and DI computation of primary insurance amount (PIA) for individuals newly eligible for benefits from 2010 to 2018. Specifically, for OASDI benefit computation, reduce the maximum number of drop-out years from 5 to benefit eligibility in 2009, with a decrease of 1 computation year in 2010, 2012, 2014, 2016, and 2018.	0.65	1.03		-1.05	-3.17
B18	Multiply all PIA formula factors successively by 0.991 for new benefit eligibility in each year 2012 through 2040. Disabled workers and young survivors (surviving spouses with a child-in-care and survivor children) would not be affected by this provision.. Upon conversion from disabled worker to retired worker benefits, benefit levels would be proportionally reduced based on the fraction of years the individual was not disabled between ages 22 and 62.	1.46	3.11		-0.24	-1.09

Summary of Provisions That Would Change the Social Security Program

		Change from present law			Result with this provision	
		Long-range actuarial balance	Annual balance in 75th year		Long-range actuarial balance	Annual balance in 75th year
Present Law, Alternative II.					-1.70	-4.20
Category: Provisions Affecting Retirement Age						
C1	Shorten the hiatus in the normal retirement age (start increasing to age 67 for those age 62 in 2009, rather than those age 62 in 2017).	0.10	0.00		-1.60	-4.20
C2	Shorten the hiatus in the normal retirement age (start increasing to age 67 for those age 62 in 2009, rather than those age 62 in 2017) and then index the normal retirement age (by 1 month every 2 years) until the NRA reaches age 68.	0.46	0.73		-1.24	-3.47
C3	Shorten the hiatus in the normal retirement age (start increasing to age 67 for those age 62 in 2009, rather than those age 62 in 2017) and then index the normal retirement age (by 1 month every 2 years) until the NRA reaches age 70.	0.62	1.43		-1.08	-2.78
C4	Shorten the hiatus in the normal retirement age (start increasing to age 67 for those age 62 in 2009, rather than those age 62 in 2017) and then increase the NRA 2 months per year until the NRA reaches age 68.	0.58	0.73		-1.12	-3.47
C5	Shorten the hiatus in the normal retirement age (speed up the increase to age 67). That is, increase the NRA by 2 months per year for those attaining age 62 in 2012 through 2017, five years earlier than in current law, which would increase the NRA 2 months per year for those reaching age 62 in 2017 through 2022.	0.05	0.00		-1.65	-4.20
C6	Increase the normal retirement age (NRA) from 66 to 67 one year earlier than current law, starting for those reaching age 62 in 2016 and ending for those reaching age 62 in 2021. Then, after 2021, index the NRA to maintain a constant ratio of expected retirement years (life expectancy at NRA) to potential work years (NRA minus 20).	0.38	1.11		-1.32	-3.09
C7	Index benefits to longevity after the normal retirement age (NRA) reaches age 67 under current law. Under current law, the NRA reaches 67 for individuals who attain age 62 in 2022 and later. Under this provision, the NRA would be further increased by one month for those attaining age 62 in every other year after 2022.	0.37	1.09		-1.32	-3.12
C8	Gradually raise the earliest eligibility age (EEA) for Social Security retirement benefits from 62 to 65. The EEA would be increased by 2 months for individuals reaching age 62 in every year, starting in 2010. The EEA of 65 would apply for those reaching age 62 in 2027 and later (those reaching age 65 in 2030 and later). As under current law, the PIA formula applicable for any individual would depend on the year in which eligibility age is attained. It should be noted that the elimination of retirement eligibility between ages 62 and 65 would increase the number of individuals who would apply for disabled worker benefits at those ages.	-0.01	-0.28		-1.70	-4.48
C9	Shorten the hiatus in the NRA by 5 years, that is, start increasing the NRA from 66 to 67 for individuals age 62 in 2012, rather than in 2017. Beginning for those age 62 in 2012, increase the EEA and NRA for retired worker benefits by 2 months per year until the EEA reaches age 63 and the NRA reached age 67 for those attaining age 62 in 2017. Thereafter, increase both EEA and NRA by 1 month every 2 years. Finally, increase the earliest eligibility age for disabled widow(er) and aged widow(er) at the same rate as the increase in the EEA for retired worker benefits.	0.56	1.18		-1.14	-3.02

Summary of Provisions That Would Change the Social Security Program

		Change from present law			Result with this provision	
		Long-range actuarial balance	Annual balance in 75th year		Long-range actuarial balance	Annual balance in 75th year
Present Law, Alternative II.					-1.70	-4.20
C10	Starting in 2012, convert all disabled worker beneficiaries to retired worker status upon attainment of their EEA (rather than their NRA). After conversion, apply the early retirement reduction for retirement at EEA (currently 25%) times the ratio of years after 2011 (or years after attaining age 21, if later) and before attaining age 62, to 40. Medicare eligibility would be extended to age 65 on the basis of disability. After 2011, disability applications would not be accepted for benefit entitlement that would start at an ages over EEA.	0.37	0.77		-1.33	-3.43
Category: Provisions Affecting Payroll Tax Rates						
D1	Raise payroll tax rates (for employees and employers combined) by 1.8 percentage points in 2009 and later.	1.77	1.81		0.07	-2.40
D2	Raise payroll tax rates (for employees and employers combined) by 1.6 percentage points in 2021 (to 14.0% combined) and by an additional 1.6 percentage points in 2051 (to 15.6% combined).	1.70	3.21		0.01	-0.99
D3	Beginning in 2009, reduce the combined OASDI payroll tax rate from 12.4 percent.	-0.98	-1.00		-2.68	-5.20
Category: Provisions Affecting OASDI Contribution and Benefit						
E1	Beginning in 2009, make all earnings subject to the payroll tax (but retain the current-law taxable maximum for benefit calculations).	2.19	2.67		0.50	-1.53
E2	Beginning in 2009, make all earnings subject to the payroll tax and credit them for benefit purposes.	1.84	1.96		0.14	-2.24
E3	Determine the level of the contribution and benefit base such that 90 percent of the earnings would be subject to the payroll tax (phased in 2009-2018). All earnings subject to the payroll tax would be used in determining benefits.	0.83	0.93		-0.87	-3.27
E4	Make 90 percent of the earnings subject to the payroll tax (phased in 2009-2018), but retain the current-law taxable maximum for benefit purposes. This estimate considers all self-employed earnings in computing the percentage of earnings subject to the payroll tax.	1.01	1.36		-0.69	-2.84
E5	Raise the taxable maximum amount (the contribution and benefit base) to include 90 percent of total OASDI covered earnings. Phase in this increase gradually between 2010 and 2015. Benefit computations would reflect all earnings up to the new taxable maximum.	0.84	0.93		-0.86	-3.27
E6	Impose a 3 percent payroll tax on OASDI covered earnings above the current taxable maximum starting in 2009. Benefit computations would not reflect any earnings above the taxable maximum amount.	0.64	0.78		-1.06	-3.42
E7	In 2009 through 2011, raise the OASDI contribution and benefit base from $102,000 to $110,000 (in 2008 AWI indexed dollars). For years after 2011, the contribution and benefit base would be increased based on changes in SSA's average wage index. Additional earnings subject to the OASDI payroll tax would be credited for benefit calculation purposes.	0.15	0.13		-1.55	-4.07

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		Long-range actuarial balance	Annual balance in 75th year		Long-range actuarial balance	Annual balance in 75th year
Present Law, Alternative II.					-1.70	-4.20
Category: Provisions Affecting Coverage of Employment						
F1	Cover newly hired State and local government employees beginning in 2009.	0.22	0.00		-1.48	-4.20
F2	Provide for OASDI payroll tax coverage of employer provided group health insurance cost, starting in 2010. Specifically, any cost toward such group health insurance borne by employees would cease to be deductible, and the cost borne by employers would now be allocated to employees as if it had been wages, for the purpose of payroll tax (and later, benefit) calculations. Both employee and employer OASDI payroll taxes would be affected by this proposal.	1.20	1.62		-0.49	-2.58
F3	Beginning in 2009, exempt individuals with more than 180 quarters of coverage from the OASDI payroll tax.	-0.28	-0.49		-1.98	-4.69
Category: Provisions Affecting Trust Fund Investment in Equities						
G1	Invest 40 percent of the Trust Funds in equities (phased in 2009-2023), assuming an ultimate 6.4 percent real rate of return on equities.	0.71	0.00		-0.99	-4.20
G2	Invest 40 percent of the Trust Funds in equities (phased in 2009-2023), assuming an ultimate 5.4 percent real rate of return on equities.	0.51	0.00		-1.19	-4.20
G3	Invest 40 percent of the Trust Funds in equities (phased in 2009-2023), assuming an ultimate 2.9 percent real rate of return on equities, the same as the assumed ultimate yield on the special-issue Social Security trust fund bonds.	0.00	0.00		-1.70	-4.20
G4	Gradually invest 15 percent of OASDI trust fund assets in a broad index of equity market securities (such as the Wilshire 5000). Increase the portion in equities by 1.5 percent each year 2009 through 2018. Maintain the percentage at 15 percent thereafter.	0.29	0.00		-1.41	-4.20
G5	Invest 15 percent of the Trust Funds in equities (phased in 2009-2023), assuming an ultimate 2.9 percent annual real rate of return on equities, the same as the assumed ultimate yield on the special-issue Social Security trust fund bonds.	0.00	0.00		-1.70	-4.20
Category: Provisions Affecting Taxation of Benefits						
H1	Tax Social Security benefits in a manner similar to private pension income beginning in 2009. Phase out the lower-income thresholds during 2009-2018.	0.27	0.16		-1.43	-4.04
H2	Tax Social Security benefits in a manner similar to private pension income beginning in 2009. Phase out the lower-income thresholds during 2009-2028.	0.24	0.16		-1.46	-4.04