# SUMMARY OF PROVISIONS THAT WOULD CHANGE THE SOCIAL SECURITY PROGRAM

JANUARY 20, 2016

Office of the Chief Actuary
Social Security Administration
Based on the 2015 Trustees Report Intermediate Assumptions

# Summary of Provisions that Would Change the Social Security Program



# Category of Change to the Social Security Program:



# Appendix:



All estimates are based on the intermediate assumptions used in the 2015 Trustees Report.

Additional details may be found at: http://www.ssa.gov/OACT/solvency/provisions/index.html

# Introduction

We are pleased to provide this booklet, which contains summaries of provisions that would change the Social Security Program, along with the resulting financial effects. Annual Trustees Reports provide estimates of the financial status of Social Security's Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds under current law. Recent reports have called for informed discussion, creative thinking, and timely legislation to address the expected long-range solvency problem.

Many policymakers have developed proposals and options to address this long-range shortfall. This booklet provides a broad range of policy options that address Trust Fund solvency and other issues related to Social Security benefits and financing. Many of these individual provisions were a part of comprehensive proposals intended to restore Trust Fund solvency.

Following a brief description of each provision, we provide two key indicators of the financial effect on the combined OASI and DI Trust Funds. The first, the change in the *75-year long-range actuarial balance* , indicates the financial effect of the provision over the entire long-range (75-year) period. The second, the change in the *annual balance as of the 75th year* , gives an indication of the year-by-year expected gain or shortfall after the provision has been in place for a long period of time.

Provisions from each category may be combined to form a comprehensive proposal to restore Trust Fund solvency. However, it is important to note that individual provisions may interact with each other. Therefore, the sum of the shortfalls restored under the individual provisions may be different than the shortfall restored when the provisions are taken together as a whole proposal. We provide specific explanations and examples of how individual policy options might interact in Appendix I of this booklet.

Office of the Chief Actuary
Social Security Administration
September, 2015

# A Provisions Affecting Cost-of-Living Adjustment

An annual cost-of-living adjustment (COLA) applies to benefits after initial eligibility. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimates on the intermediate assumptions described in the 2015 Trustees Report.

## Category A: Cost-of-Living Adjustment (2015 Trustees Report intermediate assumptions)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| A1 | Starting December 2016, reduce the annual COLA by 1 percentage point. | 1.73 | 2.35 | 65% | 51% |
| A2 | Starting December 2016, reduce the annual COLA by 0.5 percentage point. | 0.90 | 1.23 | 34% | 27% |
| A3 | Starting December 2016, compute the COLA using a chained version of the consumer price index for wage and salary workers (CPI-W). We estimate this new computation will reduce the annual COLA by about 0.3 percentage point, on average. | 0.55 | 0.76 | 21% | 16% |
| A4 | Starting December 2018, compute the COLA using a chained version of the consumer price index for wage and salary workers (CPI-W). We estimate this new computation will reduce the annual COLA by about 0.3 percentage point, on average. The new COLA will not apply to DI benefits. It will apply to OASI benefits, except for those of formerly disabled-workers who converted to retired-worker status. | 0.41 | 0.56 | 15% | 12% |
| A5 | Starting December 2016, add 1 percentage point to the annual COLA for beneficiaries who have lived past a specified age. The specified age is the sum of: (1) 65 and (2) the unisex cohort life expectancy at age 65. | -0.09 | -0.11 | -3% | -2% |
| A6 | Starting December 2017, compute the COLA using the Consumer Price Index for the Elderly (CPI-E). We estimate this new computation will increase the annual COLA by about 0.2 percentage point, on average. | -0.38 | -0.53 | -14% | -11% |
| A7 | Starting December 2016, reduce the annual COLA by 1 percentage point, but not to less than zero. In cases where the unreduced COLA is less than 1 percentage point, do not carry over the unused reduction into future years. | 1.63 | 2.22 | 61% | 48% |

# B Provisions Affecting Level of Monthly Benefits

These provisions modify the formula used for calculating the basic Social Security monthly benefit called the Primary Insurance Amount (PIA). For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimates on the intermediate assumptions described in the 2015 Trustees Report.

We group these provisions as follows:

- **B1: PIA bend point and factor changes, adjusting for inflation.**
  These provisions reduce benefits for some future beneficiaries. Future PIA bend points and formula factors change so that the growth in benefits from one cohort to the next reflect some degree of inflation, rather than growth in average wages as specified in current law.
- **B2: PIA bend point and factor changes, adjusting for longevity.**
  These provisions reduce benefits for some future beneficiaries. Future PIA formula factors decrease as a result of increased longevity (people living longer).
- **B3: PIA bend point and factor changes, other adjustments.**
  These provisions specify other changes in future PIA bend points and formula factors.
- **B4: Computation year changes.**
  These provisions specify changes to the number of years used in determining benefits.
- **B5: Minimum benefits.**
  These provisions provide an increase in benefits to targeted individuals, generally those with low earnings and full work careers.
- **B6: Benefit increases for older beneficiaries.**
  These provisions provide an increase in benefits for beneficiaries who have been on the rolls for at least 20 years.
- **B7: Other benefit adjustments.**

## Category B: Level of Monthly Benefits (2015 Trustees Report intermediate assumptions)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B1.1 | Price indexing of PIA factors beginning with those newly eligible for OASDI benefits in 2022: Reduce factors so that initial benefits grow by inflation rather than by the SSA average wage index. | 2.64 | 7.77 | 98% | 167% |
| B1.2 | Progressive price indexing (30th percentile) of PIA factors beginning with individuals newly eligible for OASDI benefits in 2022: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. | 1.45 | 4.29 | 54% | 92% |
| B1.3 | Progressive price indexing (40th percentile) of PIA factors beginning with individuals newly eligible for OASDI benefits in 2022: Create a new bend point at the 40th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 40th percentile and below. Reduce the 32 and 15 percent factors above the 40th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. | 1.22 | 3.59 | 45% | 77% |
| B1.4 | Progressive price indexing (50th percentile) of PIA factors beginning with individuals newly eligible for OASDI benefits in 2022: Create a new bend point at the 50th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 50th percentile and below. Reduce the 32 and 15 percent factors above the 50th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. | 0.97 | 2.70 | 36% | 58% |
| B1.5 | Progressive price indexing (60th percentile) of PIA factors beginning with individuals newly eligible for OASDI benefits in 2022: Create a new bend point at the 60th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 60th percentile and below. Reduce the 32 and 15 percent factors above the 60th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. | 0.69 | 1.71 | 26% | 37% |
| B1.6 (2019) | Progressive price indexing (30th percentile) of PIA factors beginning with individuals newly eligible for OASI benefits in 2019: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. Young survivors (children of deceased workers and surviving spouses with a child in care) are not affected. | 1.49 | 4.01 | 55% | 86% |

## Category B: Level of Monthly Benefits (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B1.6 (2024) | Progressive price indexing (30th percentile) of PIA factors beginning with individuals newly eligible for OASI benefits in 2024: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. | 1.13 | 3.63 | 42% | 78% |
| B1.7 | Progressive price indexing (40th percentile) of PIA factors for individuals newly eligible for OASI benefits in 2023 through 2060: Create a new bend point at the 40th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 40th percentile and below. Reduce the 32 and 15 percent factors above the 40th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. Young survivors (children of deceased workers and surviving spouses with a child in care) are not affected. | 0.95 | 2.55 | 35% | 55% |
| B1.8 | Progressive price indexing (50th percentile) of PIA factors for individuals newly eligible for OASI benefits in 2020 through 2059: Create a new bend point at the 50th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 50th percentile and below. Reduce the 32 and 15 percent factors above the 50th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by inflation rather than the growth in the SSA average wage index. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. | 0.95 | 2.30 | 35% | 49% |
| B2.1 | Beginning with those newly eligible for OASI benefits in 2025, multiply the PIA factors by the ratio of life expectancy at 67 for 2020 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 as computed by SSA's Office of the Chief Actuary, are used to determine the ratio. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. | 0.51 | 1.69 | 19% | 36% |
| B3.1 | Beginning with those newly eligible for OASDI benefits in 2016, multiply the 32 and 15 percent PIA factors each year by 0.987. Stop reductions after 2046, when the factors reach 21 percent and 10 percent, respectively. | 1.51 | 2.99 | 56% | 64% |

## Category B: Level of Monthly Benefits (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B3.2 | Beginning with those newly eligible for OASI benefits in 2023, multiply the 90 and 32 percent PIA factors each year by 0.9925 and 0.982, respectively. Stop reductions after 2060. Beginning with those newly eligible for OASI benefits in 2018, multiply the 15 factor by 0.982. Stop reduction of the 15 factor after 2055. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. Child beneficiaries and spouses with a child in care under the OASI program are not affected by this proposal. | 1.98 | 5.31 | 74% | 114% |
| B3.3 | Beginning with those newly eligible for OASDI benefits in 2016, use a modified primary insurance amount (PIA) formula. The modified formula: (1) increases the first bend point to the equivalent of $800 in 2009; (2) places a new bend point 75 percent of the way between the reset first bend point and the current-law second bend point; (3) lowers the PIA factor between the new bend point and the upper bend point from 32 percent to 20 percent; and (4) lowers the factor above the upper bend point from 15 percent to 10 percent. | 0.21 | 0.29 | 8% | 6% |
| B3.4 | Beginning with those newly eligible for OASDI benefits in 2019, multiply all PIA factors each year by 0.991. Stop reductions after 2047. Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. Young survivors (children of deceased workers and surviving spouses with a child in care) are not affected. | 1.47 | 3.17 | 55% | 68% |
| B3.5 | Progressive indexing (30th percentile) of PIA factors beginning with individuals newly eligible for OASI benefits in 2018, continuing through 2055, and resuming in 2076: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum is reduced by 1.17 percent per year as compared to current law (for the years that progressive indexing applies). Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. | 1.26 | 3.06 | 47% | 66% |
| B3.6 | Progressive indexing (30th percentile) of PIA factors beginning with individuals newly eligible for OASI benefits in 2018, continuing through 2067: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum is reduced by 1.17 percent per year as compared to current law (for the years that progressive indexing applies). Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. | 1.34 | 3.52 | 50% | 76% |

## Category B: Level of Monthly Benefits (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B3.7 | Progressive indexing (30th percentile) of PIA factors beginning with individuals newly eligible for OASI benefits in 2018, continuing through 2027, and resuming in 2066: Create a new bend point at the 30th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 30th percentile and below. Reduce the 32 and 15 percent factors above the 30th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum is reduced by 1.17 percent per year as compared to current law (for the years that progressive indexing applies). Disabled workers are: (a) not affected prior to normal retirement age; and (b) subject to a proportional reduction in benefits, based on the worker's years of disability, upon conversion to retired-worker beneficiary status. | 0.59 | 1.58 | 22% | 34% |
| B3.8 | Beginning with those newly eligible for OASDI benefits in 2022, create a new bend point at the 50th percentile of the AIME distribution of newly retired workers and gradually reduce all PIA factors except for the 90 percent factor. By 2055: a) the 32 percent PIA factor below the new bend point reduces to 30 percent; b) the 32 percent PIA factor above the new bend point reduces to 10 percent; and c) the 15 percent PIA factor reduces to 5 percent. | 0.89 | 2.29 | 33% | 49% |
| B3.9 | Beginning with those newly eligible for OASDI benefits in 2028, gradually reduce the 15 percent PIA factor in each year so that it reaches 10 percent for those newly eligible in 2057 and later. | 0.07 | 0.22 | 3% | 5% |
| B3.10 | Beginning with those newly eligible for OASDI benefits in 2022, gradually increase the first PIA bend point in each year so that it is 15 percent higher for those newly eligible in 2036 and later. | -0.36 | -0.71 | -14% | -15% |
| B3.11 | Increase the first PIA factor from 90 percent to 93 percent for all beneficiaries eligible as of January 2017 and for those newly eligible for benefits after 2017. | -0.24 | -0.27 | -9% | -6% |
| B4.1 | Increase the number of years used to calculate benefits for retirees and survivors (but not for disabled workers) from 35 to 38, phased in over the years 2016-2020. | 0.28 | 0.40 | 11% | 9% |
| B4.2 | Increase the number of years used to calculate benefits for retirees and survivors (but not for disabled workers) from 35 to 40, phased in over the years 2016-2024. | 0.45 | 0.68 | 17% | 15% |
| B4.3 | For the OASI and DI computation of the PIA, gradually reduce the maximum number of drop-out years from 5 to 0, phased in over the years 2017-2025. | 0.61 | 0.96 | 23% | 21% |

## Category B: Level of Monthly Benefits (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B5.1 | Increase the PIA to a level such that a worker with 30 years of earnings at the minimum wage level receives an adjusted PIA equal to 120 percent of the Federal poverty level for an aged individual. This provision takes full effect for all newly eligible OASDI workers in 2033, and is phased in for new eligibles in 2024 through 2032. The percentage increase in PIA is 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 is 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. | -0.02 | 0.00 | -1% | 0% |
| B5.2 | Beginning for those newly eligible in 2016, reconfigure the special minimum benefit: (a) A year of coverage is defined as a year in which 4 quarters of coverage are earned. (b) At implementation, set the PIA for 30 years of coverage equal to 125 percent of the monthly poverty level (about $1,216 in 2014). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,216/20 = $60.80. (c) Index the initial PIA per year of coverage by wage growth for successive cohorts. | -0.18 | -0.27 | -7% | -6% |
| B5.3 | Beginning for those newly eligible in 2016, reconfigure the special minimum benefit: (a) A year of coverage is defined to be either a year in which 4 quarters of coverage are earned or a child is in care. Childcare years are granted to parents who have a child under 5, with a limit of 8 such years. (b) At implementation, set the PIA for 30 years of coverage equal to 125 percent of the monthly poverty level (about $1,216 in 2014). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,216/20 = $60.80. (c) Index the initial PIA per year of coverage by wage growth for successive cohorts. | -0.25 | -0.37 | -10% | -8% |
| B5.4 | Beginning for those newly eligible in 2022, reconfigure the special minimum benefit: (a) A year of coverage is defined as a year in which 4 quarters of coverage are earned. (b) At implementation, set the PIA for 30 years of coverage equal to 125 percent of the monthly poverty level (about $1,216 in 2014). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,216/20 = $60.80. (c) From 2014 to the year of implementation, 2022, index the PIA per year of coverage using the chain-CPI index. Then, for later years, index the PIA per year of coverage by wage growth for successive cohorts. (d) Scale work requirements for disabled workers, based on the number of years of non-disabled potential work. | -0.13 | -0.23 | -5% | -5% |

## Category B: Level of Monthly Benefits (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B5.5 | Beginning for those newly eligible in 2017, reconfigure the special minimum benefit: (a) A year of coverage is defined as a year in which either 20 percent of the old law maximum is earned or a child is in care. Childcare years are granted to parents who have a child under 6, with a limit of 8 such years. (b) At implementation, set the PIA for 30 years of coverage equal to 133 percent of the Census monthly poverty level (about $1,258 in 2014). For those with under 30 years of coverage, the PIA per year of coverage over 19 years is $1,258/11 = $114.40. (c) Index the initial PIA per year of coverage by wage growth for successive cohorts. (d) Scale work requirements for disabled workers, based on the number of years of non-disabled potential work. | -0.08 | -0.13 | -3% | -3% |
| B5.6 | Beginning for those newly eligible in 2016, reconfigure the special minimum benefit: (a) A year of coverage is defined to be either a year in which 4 quarters of coverage are earned or a child is in care. Childcare years are granted to parents who have a child under 6, with a limit of 5 such years. (b) At implementation, set the PIA for 30 years of coverage equal to 100 percent of the monthly poverty level (about $980.80 in 2015). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $980.80/20 = $49.04. (c) From 2015 to the year of implementation, 2016, index the PIA per year of coverage using the CPI index. Then, for later years, index the PIA per year of coverage by wage growth for successive cohorts. (d) Scale work requirements for disabled workers, based on the number of years of non-disabled potential work. | -0.11 | -0.17 | -4% | -4% |
| B5.7 | Beginning for those newly eligible in 2018, increase the special minimum benefit to 100 of poverty by: (a) The number of years of work (YOWs) is determined as total quarters of coverage divided by 4, ignoring any fraction. Up to 5 additional years with a child under 6. (b) Set the PIA for 30+ YOWs equal to 100 percent of the monthly HHS poverty level for the year prior to eligibility. For workers between 11 and 29 YOWs, reduce the special minimum by 3 1/3 percentage points per YOW so that at 29 YOWs the minimum would be 96 2/3% of poverty, ..., down to 11 YOWs at 36 2/3% of poverty. No minimum for 10 or fewer YOWs. | -0.02 | 0.00 | -1% | 0% |
| B6.1 | Provide a 5 percent increase to the monthly benefit amount (MBA) of any beneficiary who is 85 or older at the beginning of 2016 or who reaches their 85th birthday after the beginning of 2016. | -0.11 | -0.16 | -4% | -3% |
| B6.2 | Provide the same dollar amount increase to the monthly benefit amount (MBA) of any beneficiary who is 85 or older at the beginning of 2016 or who reaches their 85th birthday after the beginning of 2016. The dollar amount of increase equals 5 percent of the average retired-worker MBA in the prior year. | -0.11 | -0.16 | -4% | -3% |

## Category B: Level of Monthly Benefits (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B6.3 | Provide an increase in the benefit level of any beneficiary who is 85 or older at the beginning of 2017 or who reaches their 85th birthday after the beginning of 2017. Increase the beneficiary's PIA based on an amount equal to the average retired-worker PIA at the end of 2016, or at the end of the year age 80 if later. Increase the beneficiary's PIA by 5 percent of this amount for those older than 85 at the beginning of 2017 and by 5 percent of this amount at age 85 for others, phased in at 1 percent per year for ages 81-85. | -0.13 | -0.19 | -5% | -4% |
| B6.4 | Starting in 2016, provide a 5 percent uniform benefit increase 24 years after initial benefit eligibility. Phase in the benefit increase at 1 percent per year from the 20th through 24th years after eligibility. For disabled workers, the eligibility age is the initial entitlement year to the benefit. The benefit increase is equal to 5 percent of the PIA of a worker assumed to have career-average earnings equal to SSA's average wage index. | -0.15 | -0.21 | -6% | -5% |
| B6.5 | Starting in 2018, provide a 5 percent uniform PIA increase 20 years after benefit eligibility. Phase in the PIA increase at 1 percent per year from the 16th through 20th years after eligibility. The full PIA increase is equal to 5 percent of the PIA of a worker assumed to have career-average earnings equal to the SSA average wage index. | -0.23 | -0.31 | -9% | -7% |
| B6.6 | Starting in 2022, provide a uniform PIA increase 23 years after benefit eligibility. Phase in the PIA increase at 0.5 percent per year from the 14th through the 23rd years after eligibility. The full PIA increase is equal to 5 percent of the average retired worker PIA in December of the 12th year after benefit eligibility. A similar additional PIA increase applies 42 years after benefit eligibility (phased in from the 33rd through the 42nd years after eligibility). Auxiliary beneficiaries receive benefit enhancement based on PIA of governing worker. | -0.21 | -0.31 | -8% | -7% |
| B7.1 | Reduce benefits by 3 percent for those newly eligible for benefits in 2016 and later. | 0.37 | 0.51 | 14% | 11% |
| B7.2 | Reduce benefits by 5 percent for those newly eligible for benefits in 2016 and later. | 0.61 | 0.85 | 23% | 18% |
| B7.3 | Give credit to parents with a child under 6 for earnings for up to five years. The earnings credited for a childcare year equal one half of the SSA average wage index (about $23,145 in 2014). The credits are available for all past years to newly eligible retired-worker and disabled-worker beneficiaries starting in 2016. The 5 years are chosen to yield the largest increase in AIME. | -0.23 | -0.32 | -8% | -7% |
| B7.4 | Increase benefits by 2 percent for all beneficiaries as of the beginning of 2016 and for those newly eligible for benefits after the beginning of 2016. | -0.31 | -0.34 | -12% | -7% |
| B7.5 | Increase benefits by 5 percent for all beneficiaries as of the beginning of 2016 and for those newly eligible for benefits after the beginning of 2016. | -0.77 | -0.85 | -29% | -18% |
| B7.6 | Increase benefits by 20 percent for all beneficiaries as of the beginning of 2016 and for those newly eligible for benefits after the beginning of 2016. | -3.08 | -3.40 | -115% | -73% |

## Category B: Level of Monthly Benefits (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B7.7 | Reduce individual Social Security benefits if modified adjusted gross income, or MAGI (AGI less taxable Social Security benefits plus nontaxable interest income) is above $60,000 for single taxpayers or $120,000 for taxpayers filing jointly. This provision is effective for individuals newly eligible for benefits in 2020 or later. The percentage reduction increases linearly up to 50 percent for single/joint filers with MAGI of $180,000/$360,000 or above. Index the MAGI thresholds for years after 2020, based on changes in the SSA average wage index. | 0.27 | 0.38 | 10% | 8% |

# C Provisions Affecting Retirement Age

These provisions modify:

- the normal retirement age (NRA), the age at which individuals can retire and receive their full Primary Insurance Amount (PIA); or
- the earliest eligibility age (EEA), the age at which individuals can first begin receiving retirement benefits, currently age 62; or
- both of the above.

For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimates on the intermediate assumptions described in the 2015 Trustees Report.

We group these provisions as follows:

- C1: NRA changes only;
- C2: EEA changes, with or without NRA changes.

## Category C: Retirement Age (2015 Trustees Report intermediate assumptions)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| C1.1 | After the normal retirement age (NRA) reaches 67 for those age 62 in 2022, increase the NRA 1 month every 2 years until the NRA reaches 68. | 0.34 | 0.71 | 13% | 15% |
| C1.2 | After the normal retirement age (NRA) reaches 67 for those age 62 in 2022, increase the NRA 2 months per year until the NRA reaches 68. | 0.43 | 0.71 | 16% | 15% |
| C1.3 | After the normal retirement age (NRA) reaches 67 for those age 62 in 2022, index the NRA to maintain a constant ratio of expected retirement years (life expectancy at NRA) to potential work years (NRA minus 20). We assume the NRA will increase 1 month every 2 years. | 0.48 | 1.55 | 18% | 33% |
| C1.4 | After the normal retirement age (NRA) reaches 67 for those age 62 in 2022, increase the NRA 2 months per year until it reaches 69 for individuals attaining age 62 in 2034. Thereafter, increase the NRA 1 month every 2 years. | 1.01 | 2.21 | 38% | 48% |
| C1.5 | Starting in 2016, allow workers to choose whether to have their payroll tax rate reduced by 2 percentage points. For each calendar year that a worker chooses to have their payroll tax reduced, their normal retirement age (NRA) increases 1 month. We assume 2/3 of workers each year will choose this payroll reduction. The General Fund of the Treasury reimburses the OASI and DI Trust Funds for the reduction in payroll tax revenue. | 0.66 | 1.27 | 25% | 27% |
| C2.1 | Increase the earliest eligibility age (EEA) by two months per year for those age 62 starting in 2017 and ending in 2034 (EEA reaches 65 for those age 62 in 2034). | -0.06 | -0.43 | -2% | -9% |
| C2.2 | After the normal retirement age (NRA) reaches 67 for those age 62 in 2022, index the NRA to maintain a constant ratio of expected retirement years (life expectancy at NRA) to potential work years (NRA minus 20). We assume the NRA will increase 1 month every 2 years. Also, raise the earliest eligibility age (EEA) for retired-workers, aged widow(er)s, and disabled widow(er)s by the same amount as the NRA starting for those attaining EEA in 2017. | 0.48 | 1.45 | 18% | 31% |
| C2.3 | After the normal retirement age (NRA) reaches 67 for those age 62 in 2022, index the NRA to maintain a constant ratio of expected retirement years (life expectancy at NRA) to potential work years (NRA minus 20). We assume the NRA will increase 1 month every 2 years. Also, increase the earliest eligibility age (EEA) by the same amount as the NRA starting for those age 62 in 2022 so as to maintain a 5 year difference between the two ages. Include a hardship exemption with no EEA/NRA change for a worker with 25 years of earnings (with 4 quarters of coverage each), and average indexed monthly earnings (AIME) less than 250 percent of the poverty level (wage-indexed from 2014). The hardship exemption is phased out for those with AIME above 400 percent of the poverty level. | 0.39 | 1.22 | 15% | 26% |
| C2.4 | After the normal retirement age (NRA) reaches 67 for those age 62 in 2022, increase both the NRA and the earliest eligibility age (EEA) by 36/47 of a month per year until the NRA and EEA reach 70 and 65 respectively. For each year, the computed NRA and EEA round down to the next lower full month. | 0.69 | 1.79 | 26% | 39% |

## Category C: Retirement Age (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| C2.5 | Increase the normal retirement age (NRA) 3 months per year starting for those age 62 in 2017 until the NRA reaches 70 in 2032. Thereafter, index the NRA to maintain a constant ratio of expected retirement years (life expectancy at NRA) to potential work years (NRA minus 20). We assume the NRA will increase 1 month every 2 years. Also, increase the earliest eligibility age (EEA) from 62 to 64 at the same time the NRA increases from 67 to 69; that is, for those attaining age 62 in 2021 through 2028. Keep EEA at 64 thereafter. | 1.39 | 2.78 | 52% | 60% |
| C2.6 | Increase the normal retirement age (NRA) and the earliest eligibility age (EEA) for those age 62 in 2020-21 to 68 and 63, respectively, and then by 3 months per year in 2022-25 to 69 and 64, respectively. | 0.88 | 1.18 | 33% | 25% |
| C2.7 | Increase the normal retirement age (NRA) and the earliest eligibility age (EEA) for those age 62 starting in 2016 by 3 months per year until EEA reaches 64 in 2023 and NRA reaches 69 in 2027. | 0.84 | 1.18 | 32% | 25% |
| C2.8 | Starting in 2018, convert all disabled-worker beneficiaries to retired-worker status upon attainment of their earliest eligibility age (EEA) rather than their normal retirement age (NRA). After conversion, apply the early retirement reduction for retirement at EEA (currently about 26.67 percent for those age 62 in 2018) phased in over 40 years. | 0.44 | 0.85 | 16% | 18% |

# D Provisions Affecting Family Member Benefits

These provisions modify the specific benefit amounts received by widow(er)s, spouses, and/or children based on a worker's Social Security account. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimates on the intermediate assumptions described in the 2015 Trustees Report.

## Category D: Family Members (2015 Trustees Report intermediate assumptions)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| D1 | Beginning in 2016, continue benefits for children of disabled or deceased workers until age 22 if the child is in high school, college or vocational school. | -0.06 | -0.06 | -2% | -1% |
| D2 | The current spouse benefit is based on 50 percent of the PIA of the other spouse. Reduce this percent each year by 1 percentage point beginning with newly eligible spouses in 2016, until the percent reaches 33 in 2032. | 0.12 | 0.19 | 5% | 4% |
| D3 | Allow divorced aged spouses and divorced surviving spouses married 5 to 9 years to get benefits based on the former spouse's account. Divorced aged and surviving spouses would receive 50% of the applicable current-law PIA percentage if married 5 years, 60% of the applicable PIA percentage if married 6 years, ..., 90% of the applicable PIA percentage if married 9 years. This benefit would be available to divorced spouses on the rolls at the beginning of 2017 and those becoming eligible after 2017. | -0.02 | -0.01 | -1% | 0% |
| D4 | Establish an alternative benefit for a surviving spouse. For the surviving spouse, the alternative benefit would equal 75 percent of the sum of the survivor's own worker benefit and the deceased worker's PIA (including any actuarial reductions or delayed retirement credits). If the deceased worker died before becoming entitled, use the age 62 actuarial reduction if deceased before age 62, or the applicable actuarial reduction/DRC for entitlement at the age of death if deceased after 62. The alternative benefit would not exceed the PIA of a hypothetical earner who earns the SSA average wage index (AWI) every year, and who becomes eligible for retired-worker benefits in the same year in which the deceased worker became entitled to worker benefits or died (if before entitlement). The alternative benefit would be paid only if more than the current-law benefit. This benefit would be available to surviving spouses on the rolls at the beginning of 2017 and those becoming eligible after 2017. | -0.11 | -0.11 | -4% | -2% |

# E Provisions Affecting Payroll Taxes

These provisions modify: (1) the current-law OASDI payroll tax rate of 12.4 percent (6.2 percent each for employees and employers); or (2) the contribution and benefit base (taxable maximum), which limits the amount of earnings subject to payroll tax and credited for benefit computation. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimates on the intermediate assumptions described in the 2015 Trustees Report.

We group these provisions as follows:

- E1: Increase payroll tax rate, with no changes in the taxable maximum.
- E2: Tax all earnings above the current-law taxable maximum.
- E3: Tax a portion of earnings above the current-law taxable maximum.

## Category E: Payroll Taxes (including maximum taxable) (2015 Trustees Report intermediate assumptions)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| E1.1 | Increase the payroll tax rate (currently 12.4 percent) to 15.3 percent in 2016 and later. | 2.76 | 2.87 | 103% | 62% |
| E1.2 | Increase the payroll tax rate (currently 12.4 percent) to 15.2 percent in 2028-2057, and to 18.0 percent in years 2058 and later. | 2.95 | 5.43 | 110% | 117% |
| E1.3 | Reduce the payroll tax rate (currently 12.4 percent) to 11.4 percent in 2016 and later. | -0.97 | -1.01 | -36% | -22% |
| E1.4 | Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2021-2040, until the rate reaches 14.4 percent in 2040 and later. | 1.43 | 1.99 | 53% | 43% |
| E1.5 | Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2018, 12.9 percent in 2026, 13.1 in percent in 2036, 13.9 percent in 2046, 13.5 percent in 2056, and 13.3 percent in 2066 and later. | 0.75 | 0.91 | 28% | 20% |
| E1.6 | Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2018, 12.9 percent in 2026, 13.3 in percent in 2036, 13.8 percent in 2046, 14.4 percent in 2066, and 14.5 percent in 2081 and later. | 1.05 | 2.07 | 39% | 44% |
| E1.7 | Increase the payroll tax rate (currently 12.4 percent) to 12.7 percent in 2018, 13.0 percent in 2031, 13.3 in percent in 2046, 14.0 percent in 2066, 14.5 percent in 2076, and 14.7 percent in 2086 and later. | 0.85 | 2.25 | 32% | 48% |
| E1.8 | Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2018-2023, until the rate reaches 13.0 percent for 2023 and later. | 0.54 | 0.60 | 20% | 13% |
| E1.9 | Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2019-2042, until the rate reaches 14.8 percent in 2042. Then increase the payroll tax rate an additional 0.1 percentage point in each year from 2081-2085, until the rate reaches 15.3 percent for 2085 and later. | 1.74 | 2.85 | 65% | 61% |
| E2.1 | Eliminate the taxable maximum in years 2016 and later, and apply full 12.4 percent payroll tax rate to all earnings. Do not provide benefit credit for earnings above the current-law taxable maximum. | 2.36 | 2.47 | 88% | 53% |
| E2.2 | Eliminate the taxable maximum in years 2016 and later, and apply full 12.4 percent payroll tax rate to all earnings. Provide benefit credit for earnings above the current-law taxable maximum. | 1.91 | 1.60 | 71% | 34% |
| E2.3 | Eliminate the taxable maximum in years 2016 and later, and apply full 12.4 percent payroll tax rate to all earnings. Provide benefit credit for earnings above the current-law taxable maximum, adding a bend point at the current-law taxable maximum and applying a formula factor of 3 percent for AIME above this new bend point. | 2.16 | 2.15 | 81% | 46% |
| E2.4 | Eliminate the taxable maximum for years 2022 and later (phased in 2016-2021), and apply full 12.4 percent payroll tax rate to all earnings. Provide benefit credit for earnings above the current-law taxable maximum that are subject to the payroll tax, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from annual earnings from each year after 2015 that were in excess of that year's current-law taxable maximum; (2) a new bend point equal to 134 percent of the monthly current-law taxable maximum; and (3) formula factors of 3 percent and 0.25 percent below and above the new bend point, respectively. | 2.18 | 2.34 | 81% | 50% |

## Category E: Payroll Taxes (including maximum taxable) (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| E2.5 | Apply 12.4 percent payroll tax rate on earnings above $250,000 starting in 2016, and tax all earnings once the current-law taxable maximum exceeds $250,000. Do not provide benefit credit for additional earnings taxed. | 2.18 | 2.46 | 81% | 53% |
| E2.6 | Apply a 3 percent payroll tax on earnings above the current-law taxable maximum starting in 2016. Do not provide benefit credit for earnings above the current-law taxable maximum. | 0.61 | 0.64 | 23% | 14% |
| E2.7 | Apply a 6 percent payroll tax on earnings above the current-law taxable maximum starting in 2016. Do not provide benefit credit for earnings above the current-law taxable maximum. | 1.19 | 1.25 | 44% | 27% |
| E2.8 | Apply a 2 percent payroll tax on earnings above the current-law taxable maximum for years 2018-2065, and a 3 percent rate for years 2066 and later. Do not provide benefit credit for earnings above the current-law taxable maximum. | 0.44 | 0.63 | 16% | 14% |
| E2.9 | Apply the following payroll tax rates above the current-law taxable maximum: 2.0 percent in 2018, 3.0 percent in 2031, 3.5 percent in 2046, 4.5 percent in 2056, and 5.5 percent in 2066 and later. Do not provide benefit credit for earnings above the current-law taxable maximum. | 0.70 | 1.14 | 26% | 24% |
| E2.10 | Eliminate the taxable maximum in years 2026 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2017, 2.48 percent in 2018, and so on, up to 11.16 percent in 2025. Provide benefit credit for earnings above the current-law taxable maximum, adding a bend point at the current-law taxable maximum and applying a formula factor of 5 percent for AIME above this new bend point. | 1.92 | 2.05 | 72% | 44% |
| E2.11 | Eliminate the taxable maximum in years 2021 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 2.48 percent in 2017, 4.96 percent in 2018, and so on, up to 12.40 percent in 2021. Provide benefit credit for earnings above the current-law taxable maximum that are subject to the payroll tax, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from annual earnings from each year after 2016 that were in excess of that year's current-law taxable maximum; and (2) a formula factor of 5 percent on this newly computed AIME+. | 2.09 | 2.16 | 78% | 46% |
| E2.12 | Eliminate the taxable maximum in years 2027 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2018, 2.48 percent in 2019, and so on, up to 11.16 percent in 2026. Provide benefit credit for earnings above the current-law taxable maximum. Create a new bend point at the current-law taxable maximum with a 3 percent formula factor applying above the new bend point. | 1.92 | 2.15 | 72% | 46% |
| E2.13 | Apply OASDI payroll tax rate on earnings above $400,000 starting in 2017, and tax all earnings once the current-law taxable maximum exceeds $400,000. Provide benefit credit for earnings above the current-law taxable maximum that are subject to the payroll tax, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from annual earnings from each year after 2016 that were in excess of that year's current-law taxable maximum; and (2) a formula factor of 2 percent on this newly computed AIME+. | 1.86 | 2.34 | 69% | 50% |

## Category E: Payroll Taxes (including maximum taxable) (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| E3.1 | Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2016-2025). Provide benefit credit for earnings up to the revised taxable maximum. | 0.77 | 0.63 | 29% | 14% |
| E3.2 | Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2016-2025). Do not provide benefit credit for additional earnings taxed. | 0.98 | 1.10 | 37% | 24% |
| E3.3 | Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2017-2022). Provide benefit credit for earnings up to the revised taxable maximum. | 0.79 | 0.63 | 29% | 14% |
| E3.4 | Increase the taxable maximum from $106,800 to $115,200 (in 2009 AWI-indexed dollars), phased in 2016-2018. Provide benefit credit for earnings up to the revised taxable maximum. | 0.12 | 0.08 | 4% | 2% |
| E3.5 | Increase the taxable maximum each year by an additional 2 percent beginning in 2016 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum. | 0.62 | 0.66 | 23% | 14% |
| E3.6 | Increase the taxable maximum each year by an additional 2 percent beginning in 2018 until taxable earnings equal 90 percent of covered earnings. Do not provide benefit credit for additional earnings taxed. | 0.73 | 1.10 | 27% | 24% |
| E3.7 | Increase the taxable maximum by an additional 2 percent per year beginning in 2017 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum. Create a new bend point equal to the current-law taxable maximum with a 5 percent formula factor applying above the new bend point. | 0.63 | 0.77 | 24% | 16% |
| E3.8 | Beginning in 2023, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $200,000 in 2017, with the threshold wage-indexed after 2023. Provide proportional benefit credit for additional earnings taxed, based on the payroll tax rate applied to the additional earnings divided by the full 12.4 percent payroll tax rate. | 0.19 | 0.16 | 7% | 3% |
| E3.9 | Beginning in 2023, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $200,000 in 2017, with the threshold wage-indexed after 2023. Do not provide benefit credit for additional earnings taxed. | 0.25 | 0.30 | 9% | 6% |
| E3.10 | Beginning in 2023, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $300,000 in 2017, with the threshold wage-indexed after 2023. Provide proportional benefit credit for additional earnings taxed, based on the payroll tax rate applied to the additional earnings divided by the full 12.4 percent payroll tax rate. | 0.14 | 0.12 | 5% | 2% |
| E3.11 | Beginning in 2023, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $300,000 in 2017, with the threshold wage-indexed after 2023. Do not provide benefit credit for additional earnings taxed. | 0.19 | 0.22 | 7% | 5% |
| E3.12 | Beginning in 2023, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $400,000 in 2017, with the threshold wage-indexed after 2023. Provide proportional benefit credit for additional earnings taxed, based on the payroll tax rate applied to the additional earnings divided by the full 12.4 percent payroll tax rate. | 0.12 | 0.09 | 4% | 2% |

## Category E: Payroll Taxes (including maximum taxable) (continued)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| E3.13 | Beginning in 2023, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $400,000 in 2017, with the threshold wage-indexed after 2023. Do not provide benefit credit for additional earnings taxed. | 0.15 | 0.18 | 6% | 4% |
| E3.14 | Eliminate the taxable maximum for the employer payroll tax (6.2 percent) beginning in 2016. For the employee payroll tax (6.2 percent) and for benefit credit purposes, beginning in 2016, increase the taxable maximum by an additional 2 percent per year until taxable earnings equal 90 percent of covered earnings. | 1.44 | 1.38 | 54% | 30% |
| E3.15 | Increase the taxable maximum such that 90 percent of earnings are subject to the payroll tax (phased in 2016-2025). In addition, apply a tax rate of 6.2 percent for earnings above the revised taxable maximum (phased in from 2016-2025). Provide benefit credit for earnings taxed up to the revised taxable maximum. | 1.40 | 1.34 | 52% | 29% |
| E3.16 | Beginning in 2017, apply 4 percent payroll tax rate on earnings above the wage-indexed equivalent of $400,000 in 2015, with the threshold wage-indexed after 2017. Provide benefit credit for additional earnings taxed, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from annual earnings taxed only between 2015 wage-indexed equivalents of $400,000 and $500,000 (with thresholds wage-indexed after 2017); and (2) a formula factor of 2 percent on this newly computed AIME+. | 0.32 | 0.34 | 12% | 7% |

# F Provisions Affecting Coverage of Employment or Earnings

These provisions extend or reduce the categories of workers or the amount of earnings covered under the Social Security system. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and the 75th year. We base all estimates on the intermediate assumptions described in the 2015 Trustees Report.

## Category F: Coverage of Employment (2015 Trustees Report intermediate assumptions)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| F1 | Starting in 2016, cover newly hired State and local government employees. | 0.15 | -0.16 | 6% | -4% |
| F2 | Starting in 2016, exempt individuals with more than 180 quarters of coverage from the OASDI payroll tax. Earnings exempted from OASDI payroll tax would not be used in computing benefits. | -0.38 | -0.61 | -14% | -13% |
| F3 | Expand covered earnings to include employer and employee premiums for employer-sponsored group health insurance (ESI). Starting in 2018, phase out the OASDI payroll tax exclusion for ESI premiums. Set an exclusion level at the 75th percentile of premium distribution in 2018, with amounts above that subject to the payroll tax. Reduce the exclusion level each year by 10 percent of the 2018 exclusion level until fully eliminated in 2028. Eliminate the excise tax on ESI premiums scheduled to begin in 2018. | 0.98 | 0.69 | 37% | 15% |
| F4 | Expand covered earnings to include contributions to voluntary salary reduction plans (such as Cafeteria 125 plans and Flexible Spending Accounts). Starting in 2016, subject these contributions to the OASDI payroll tax, making the payroll tax treatment of these contributions like 401(k) contributions. | 0.27 | 0.18 | 10% | 4% |
| F5 | Tax Reform for Business: Establish a value added tax of 3.0 percent for 2017 and 6.5 percent for 2018 and later. Starting in 2017, reduce the corporate income tax rate from 35 to 27 percent. | -0.02 | 0.18 | -1% | 4% |
| F6 | Apply a 6.2 percent tax on investment income as defined in the Affordable Care Act (ACA), with unindexed thresholds as in the ACA ($200,000 for single filer, $250,000 for married filing jointly), starting in 2017. Proceeds go to the OASDI Trust Fund. | 0.93 | 1.16 | 34% | 25% |

# G Provisions Affecting Trust Fund Investment in

These provisions invest a portion of the Social Security Trust funds in marketable securities (e.g., equities, corporate bonds), rather than in special-issue government bonds as under current law. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimates on the intermediate assumptions described in the 2015 Trustees Report.

The selections G3, G5, and G7 provide a low-yield or risk-adjusted perspective where equity yields equal the average real yield on long-term Treasury bonds. Thus, these selections have no effect on the actuarial balance of the OASDI program. Some analysts believe the higher expected return for equities should not be included in valuations because the tendency for higher average returns is compensation for the higher volatility in equities. The low-yield or risk-adjusted assumption reflects this perspective.

## Category G: Trust Fund Investment in Equities (2015 Trustees Report intermediate assumptions)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| G1 | Invest 40 percent of the OASDI Trust Fund in equities (phased in 2016-2030), assuming an ultimate 6.4 percent annual real rate of return on equities. | 0.57* | 0.00 | * | 0% |
| G2 | Invest 40 percent of the OASDI Trust Fund in equities (phased in 2016-2030), assuming an ultimate 5.4 percent annual real rate of return on equities. | 0.42* | 0.00 | * | 0% |
| G3 | Invest 40 percent of the OASDI Trust Fund in equities (phased in 2016-2030), assuming an ultimate 2.9 percent annual real rate of return on equities. Thus, the ultimate rate of return on equities is the same as that assumed for Trust Fund bonds. | 0.00* | 0.00 | * | 0% |
| G4 | Invest 15 percent of the OASDI Trust Fund in equities (phased in 2016-2025), assuming an ultimate 6.4 percent annual real rate of return on equities. | 0.23* | 0.00 | * | 0% |
| G5 | Invest 15 percent of the OASDI Trust Fund in equities (phased in 2016-2025), assuming an ultimate 2.9 percent annual real rate of return on equities. Thus, the ultimate rate of return on equities is the same as that assumed for Trust Fund bonds. | 0.00* | 0.00 | * | 0% |
| G6 | Invest 25 percent of the OASDI Trust Fund in equities (phased in 2018-2027), assuming an ultimate 6.4 percent annual real rate of return on equities. | 0.36* | 0.00 | * | 0% |
| G7 | Invest 25 percent of the OASDI Trust Fund in equities (phased in 2018-2027), assuming an ultimate 2.9 percent annual real rate of return on equities. Thus, the ultimate rate of return on equities is the same as that assumed for Trust Fund bonds. | 0.00* | 0.00 | * | 0% |

* A change in the investment of trust fund reserves to include some equities affects the size of all summarized measures because increased "present-value" discounting reduces the weight on values for more distant future years. As a result, the magnitude of the present-law actuarial balance and the summarized effects of most proposals is reduced. Therefore, the size of the change in the long-range actuarial balance indicated here cannot be interpreted directly as a reduction in the shortfall. The actual reduction in the shortfall from equity investment depends on the amount of reserves that are available for investment throughout the period. For example, if provisions to change revenue or scheduled benefits resulted in a purely pay-as-you-go system (reserves just above zero throughout the period), then investment in equities would have no effect on the actuarial balance.

# H Provisions Affecting Taxation of Benefits

These provisions revise the current rules for subjecting Social Security benefits to personal income tax. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimates on the intermediate assumptions described in the 2015 Trustees Report.

## Category H: Taxation of Benefits (2015 Trustees Report intermediate assumptions)

***Present law shortfall*** *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*

| | Description of proposed provisions | Change from present law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| H1 | Starting in 2016, tax Social Security benefits in a manner similar to private pension income. Phase out the lower-income thresholds during 2016-2025. | 0.21 | 0.15 | 8% | 3% |
| H2 | Starting in 2016, tax Social Security benefits in a manner similar to private pension income. Phase out the lower-income thresholds during 2016-2035. | 0.19 | 0.15 | 7% | 3% |
| H3 | Tax Reform for Individuals: Starting in 2017, modify personal income tax by: (a) establishing two-brackets with marginal rates of 15 and 27 percent separated at $51,000 (CPI indexed); (b) creating a non-refundable credit for low-income tax filers age 65 and older; and (c) treating capital gains as regular income. Tax all Social Security benefits at the applicable marginal rate (15 or 27 percent) less 7.5 percent, with 60 percent of this revenue going to OASDI and 40 percent going to HI. | 0.01 | -0.03 | 0% | -1% |
| H4 | Increase the threshold for taxation of OASDI benefits to $50,000 for single filers and $100,000 for joint filers starting in 2017. Taxation of benefits revenues transferred to the Hospital Insurance (HI) Trust Fund would be the same as if the current-law computation applied. | -0.12 | -0.01 | -4% | 0% |

# I Understanding Interaction among Individual Provisions that Would Change the Social Security Program

One summary measure that is frequently used as an indicator of whether or not a proposal achieves solvency is the 75-year actuarial balance. When the actuarial balance is zero or positive, financing for the program is considered to be adequate for the 75-year period as a whole. Therefore, the first goal is to have the improvement in the actuarial balance under the proposal equal or exceed the actuarial deficit under current law. One might attempt to meet this goal by adding together the changes in actuarial balance indicated for each provision included in a proposal. However, due to the interaction among various provisions, the sum of the changes in the actuarial balance often exceeds the change in the actuarial balance for the proposal as a whole because the change in the actuarial balance for each provision is measured individually against present law. When several provisions that improve the actuarial balance are combined, the measured incremental effect of any single provision is often smaller than the effect on that provision measured individually against present law.

For example, consider the following two provisions. We will assume that each increase described in the two provisions applies to those newly eligible for retired worker benefits with the same effective date.

- Provision 1: Increase the early retirement age (EEA) an additional three years; the EEA would increase to age 65. Specifically, all program parameters that are linked to the EEA would also increase. This would include expanding the benefit computation period (the number of years used to calculate benefits) as the EEA increases.
- Provision 2: Increase the number of years used to calculate benefits for retirees from 35 to 38.

If each of these proposals were measured against current law, the sum of the individual financial effects would be different than the overall effect when the provisions are combined together. Under provision 1, the number of years used to calculate benefits increases from 35 to 38 because the number of calculation years increases by one year when the EEA increases one year. But under provision 2, the number of years would also increase to 38. Thus, in this case, inclusion of provision 2 adds no additional savings to the amount estimated for provision 1 alone.

It should be noted that further analysis is required in order to determine whether a proposal is expected to achieve solvency throughout the 75-year period or to achieve sustainable solvency. In order to achieve 75-year solvency, the projected assets in the trust funds must be positive throughout the 75-year period. In order to achieve sustainable solvency, the proposal must achieve solvency throughout the 75-year period, and the projected trust fund assets must be stable or rising as a percentage of annual program cost at the end of the period.