



**SOCIAL SECURITY**  
Office of the Chief Actuary

July 2, 2009

The Honorable Robert Wexler  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Wexler:

As you requested in your letter of April 28, 2009, our team of actuaries and economists in the Office of the Chief Actuary has produced an estimate of the effect on the financial status of the Social Security program of the *Social Security Forever Act of 2009*, H.R. 1863, which was introduced in the 111<sup>th</sup> Congress on April 1, 2009. The bill would apply a 6-percent tax on all Social Security (OASDI) covered earnings over the current-law taxable maximum amount. We estimate that enactment of this bill would reduce the long-range OASDI actuarial deficit by 1.12 percent of taxable payroll, from the estimated deficit of 2.00 percent of payroll under present law to a deficit of 0.88 with enactment of the bill. Thus, this bill would eliminate over one half of the projected deficit for the OASDI program over the next 75 years under the intermediate assumptions of the 2009 Trustees Report.

### **Description of Proposal**

This bill would maintain the current-law contribution and benefit base (taxable maximum amount), up to which OASDI covered earnings are currently taxed at a total rate of 12.4 percent. The bill would subject covered earnings above the contribution and benefit base to a total 6-percent payroll tax rate. This rate would be 3 percent each for employees and employers, and 6 percent for self-employment earnings. These earnings above the current-law base would not be used for the purpose of computing OASDI monthly benefit amounts. The effective date for this bill is 3 months after the date of enactment. For the purposes of this analysis, we assume this bill would be effective for calendar years 2010 and later.

### **Long-Range Financial Effect of Bill**

Enactment of this bill would substantially improve the long-range actuarial status of the OASDI program, reducing the actuarial deficit by an estimated 1.12 percent of the current-law taxable payroll. The projected year that the combined OASDI Trust Fund would become exhausted would be extended 16 years, from 2037 to 2053. These estimates are based on the intermediate assumptions of the 2009 Trustees Report. These estimates reflect an expected behavioral response to the additional payroll tax that would reduce, slightly, the amount of earnings reported by employers, employees, and self employed.

Table 1 (enclosed) provides detailed estimates of the effects of the bill on the financial status of the Social Security OASDI program. The table includes individual-year estimates of:

- The annual income rates, annual cost rates, and annual balance for the OASDI program under the Bill, expressed as a percent of current-law taxable payroll;
- The combined OASI and DI Trust Fund ratio under the proposal;
- The annual balance under current law; and
- The change in the annual balance that is estimated to result from enactment of the bill.

If we may be of any further assistance regarding this bill or any other matter, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Stephen C. Goss". The signature is written in a cursive style with a large, stylized 'S' and 'G'.

Stephen C. Goss  
Chief Actuary

Enclosures

**Table 1. Rep. Wexler: Social Security Forever Act of 2009 (H.R. 1863)**  
**Apply 6.0% payroll tax rate above current-law taxable maximum, no benefit effect, effective 2010**

<u>Year</u>	<u>Cost Rate</u>	<u>Income Rate</u>	<u>Annual Balance</u>	<u>Trust Fund Ratio 1-1-year</u>	<u>Current-Law Annual Balance</u>	<u>Change in Annual Balance</u>
2009	12.35	12.83	0.48	354	0.48	0.00
2010	12.50	13.85	1.35	360	0.37	0.99
2011	12.37	13.93	1.56	374	0.50	1.06
2012	12.24	13.91	1.68	385	0.63	1.04
2013	12.38	13.97	1.59	391	0.52	1.07
2014	12.62	14.00	1.38	395	0.30	1.09
2015	12.87	14.04	1.16	399	0.06	1.10
2016	13.18	14.06	0.89	401	-0.22	1.10
2017	13.49	14.09	0.60	400	-0.51	1.11
2018	13.83	14.12	0.29	398	-0.83	1.12
2019	14.16	14.14	-0.02	395	-1.15	1.12
2020	14.49	14.16	-0.33	390	-1.46	1.12
2021	14.80	14.18	-0.62	384	-1.75	1.13
2022	15.09	14.20	-0.89	377	-2.01	1.13
2023	15.36	14.22	-1.14	369	-2.27	1.13
2024	15.62	14.24	-1.38	361	-2.51	1.13
2025	15.85	14.25	-1.60	352	-2.73	1.13
2026	16.07	14.27	-1.80	342	-2.93	1.13
2027	16.27	14.29	-1.99	332	-3.12	1.13
2028	16.46	14.30	-2.16	321	-3.29	1.14
2029	16.61	14.31	-2.30	309	-3.43	1.14
2030	16.75	14.33	-2.42	298	-3.56	1.14
2031	16.86	14.34	-2.52	285	-3.66	1.14
2032	16.95	14.35	-2.60	273	-3.74	1.14
2033	17.02	14.36	-2.66	260	-3.80	1.14
2034	17.06	14.36	-2.70	248	-3.84	1.14
2035	17.08	14.37	-2.72	235	-3.86	1.15
2036	17.09	14.37	-2.72	222	-3.87	1.15
2037	17.09	14.38	-2.71	209	-3.86	1.15
2038	17.06	14.38	-2.68	197	-3.83	1.15
2039	17.02	14.38	-2.64	184	-3.79	1.15
2040	16.97	14.38	-2.59	172	-3.74	1.15
2041	16.92	14.38	-2.53	159	-3.69	1.15
2042	16.86	14.38	-2.48	147	-3.64	1.16
2043	16.81	14.38	-2.43	135	-3.58	1.16
2044	16.76	14.38	-2.38	122	-3.54	1.16
2045	16.72	14.38	-2.34	110	-3.50	1.16
2046	16.69	14.38	-2.31	98	-3.47	1.16
2047	16.66	14.39	-2.28	86	-3.44	1.16
2048	16.63	14.39	-2.24	74	-3.41	1.16
2049	16.60	14.39	-2.21	61	-3.38	1.17
2050	16.58	14.39	-2.19	49	-3.36	1.17
2051	16.56	14.39	-2.17	37	-3.34	1.17
2052	16.56	14.39	-2.17	24	-3.34	1.17
2053	16.56	14.39	-2.17	12	-3.34	1.17
2054	16.57	14.40	-2.17	----	-3.34	1.17
2055	16.58	14.40	-2.18	----	-3.36	1.17
2056	16.60	14.40	-2.20	----	-3.38	1.18
2057	16.62	14.41	-2.22	----	-3.40	1.18
2058	16.65	14.41	-2.24	----	-3.42	1.18
2059	16.67	14.41	-2.26	----	-3.44	1.18
2060	16.69	14.42	-2.27	----	-3.45	1.18
2061	16.71	14.42	-2.29	----	-3.48	1.18
2062	16.74	14.42	-2.31	----	-3.50	1.18
2063	16.76	14.43	-2.34	----	-3.52	1.18
2064	16.79	14.43	-2.36	----	-3.55	1.19
2065	16.82	14.43	-2.39	----	-3.57	1.19
2066	16.85	14.44	-2.42	----	-3.61	1.19
2067	16.89	14.44	-2.45	----	-3.64	1.19
2068	16.93	14.44	-2.48	----	-3.67	1.19
2069	16.97	14.45	-2.52	----	-3.71	1.19
2070	17.01	14.45	-2.56	----	-3.75	1.19
2071	17.05	14.46	-2.60	----	-3.79	1.19
2072	17.10	14.46	-2.64	----	-3.83	1.19
2073	17.14	14.46	-2.68	----	-3.87	1.19
2074	17.19	14.47	-2.72	----	-3.92	1.20
2075	17.23	14.47	-2.76	----	-3.96	1.20
2076	17.28	14.48	-2.81	----	-4.00	1.20
2077	17.33	14.48	-2.85	----	-4.05	1.20
2078	17.38	14.48	-2.90	----	-4.10	1.20
2079	17.43	14.49	-2.94	----	-4.14	1.20
2080	17.48	14.49	-2.99	----	-4.19	1.20
2081	17.54	14.50	-3.04	----	-4.24	1.20
2082	17.59	14.50	-3.09	----	-4.29	1.20
2083	17.64	14.51	-3.14	----	-4.34	1.20
2084	17.69	14.51	-3.18	----	-4.39	1.21

<b>Summarized Rates: OASDI</b>				
	<u>Cost Rate</u>	<u>Income Rate</u>	<u>Actuarial Balance</u>	<u>Change in Actuarial Balance</u>
2009-2083	16.00	15.12	-0.88	1.12

All values are expressed as percents of current-law taxable payroll, except Trust Fund Ratio  
Based on Intermediate Assumptions of the 2009 Trustees Report

Office of the Chief Actuary  
Social Security Administration  
July 2, 2009



ROBERT WEXLER  
CONGRESS OF THE UNITED STATES

April 28, 2009

Mr. Stephen Gross  
Office of Chief Actuary  
Social Security Administration  
6401 Security Boulevard  
Baltimore, MD 21235-0001

Dear Mr. Gross:

I am respectfully requesting that the Office of Actuary score my recently filed bill, the *Social Security Forever Act of 2009* (HR 1863). While in previous years the Congressional Budget Office provided me with preliminary projections, the bill has never been officially scored. Your Office's assessment and official scoring will be extremely important in determining whether my proposal is an effective solution the 75-year funding gap. If you have any questions regarding this request, please feel free to contact my senior policy advisor, Eva Dominguez, at 6-8597. Attached please find a copy of my bill.

Thank you for your prompt attention to this matter.

With warm regards,

Robert Wexler

RW:ec

Enclosure

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