# Summary of Provisions that Would Change the Social Security Program

March 27, 2019

Office of the Chief Actuary
Social Security Administration
Based on the 2018 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 2018 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, 2018

# A Provisions Affecting Cost-of-Living Adjustments

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 2018 Trustees Report.

## Category A: Cost-of-Living Adjustment (2018 Trustees Report intermediate assumptions)

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current 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 2019, reduce the annual COLA by 1 percentage point. | 1.81 | 2.39 | 64% | 55% |
| A2 | Starting December 2019, reduce the annual COLA by 0.5 percentage point. | 0.94 | 1.25 | 33% | 29% |
| A3 | Starting December 2019, 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. | 0.58 | 0.77 | 20% | 18% |
| A4 | Starting December 2021, 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. | 0.43 | 0.58 | 15% | 13% |
| A5 | Starting December 2019, 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. | -0.10 | -0.11 | -3% | -3% |
| A6 | Starting December 2020, 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. | -0.39 | -0.54 | -14% | -12% |
| A7 | Starting December 2019, 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. | 1.71 | 2.25 | 60% | 52% |
| A8 | Starting December 2019, for OASI beneficiaries only (DI beneficiaries would only be affected when their benefit converts to OASI at NRA), the annual COLA would be based on the chain-weighted version of the CPI-U. | 0.49 | 0.64 | 17% | 15% |
| A9 | For single/head-of-household/married-filing-separate taxpayers with modified adjusted gross income (MAGI) below $89,000 and for joint filers with MAGI below $178,000 for December 2020 ($85,000 and $170,000 multiplied by estimated CPI-U for 2019-2020), use the chain-weighted version of the Consumer Price Index for All Urban Consumers (C-CPI-U) to calculate the cost-of-living adjustment (COLA), beginning with the December 2020 COLA. For those beneficiaries whose MAGI is above these thresholds, provide no COLA. Use prior tax year income data for this determination. Index the eligibility income threshold amounts to the CPI-U after December 2020. | 1.35 | 2.47 | 47% | 57% |

# 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 2018 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 (2018 Trustees Report intermediate assumptions)

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current 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 2025:** Reduce factors so that initial benefits grow by inflation rather than by the SSA average wage index. | 2.78 | 7.75 | 98% | 180% |
| B1.2 | **Progressive price indexing (30th percentile) of PIA factors beginning with individuals newly eligible for OASDI benefits in 2025:** 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. | 1.53 | 4.31 | 54% | 100% |
| B1.3 | **Progressive price indexing (40th percentile) of PIA factors beginning with individuals newly eligible for OASDI benefits in 2025:** 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. | 1.30 | 3.63 | 46% | 84% |
| B1.4 | **Progressive price indexing (50th percentile) of PIA factors beginning with individuals newly eligible for OASDI benefits in 2025:** 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. | 1.06 | 2.77 | 37% | 64% |
| B1.5 | **Progressive price indexing (60th percentile) of PIA factors beginning with individuals newly eligible for OASDI benefits in 2025:** 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. | 0.78 | 1.84 | 28% | 43% |
| B1.6 (2022) | **Progressive price indexing (30th percentile) of PIA factors beginning with individuals newly eligible for OASI 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. 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. | 1.53 | 4.00 | 54% | 93% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current 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 (2027) | **Progressive price indexing (30th percentile) of PIA factors beginning with individuals newly eligible for OASI benefits in 2027:** 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. | 1.21 | 3.66 | 43% | 85% |
| B1.7 | **Progressive price indexing (40th percentile) of PIA factors for individuals newly eligible for OASI benefits in 2026 through 2063:** 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. | 1.02 | 2.62 | 36% | 61% |
| B1.8 | **Progressive price indexing (50th percentile) of PIA factors for individuals newly eligible for OASI benefits in 2023 through 2062:** 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. | 1.02 | 2.39 | 36% | 55% |
| B2.1 | Beginning with those newly eligible for OASI benefits in 2028, multiply the PIA factors by the ratio of life expectancy at 67 for 2023 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. | 0.52 | 1.66 | 18% | 39% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B3.8 | Beginning with those newly eligible for OASDI benefits in 2025, 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 2058: 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. | 0.94 | 2.32 | 33% | 54% |
| B3.9 | Beginning with those newly eligible for OASDI benefits in 2031, gradually reduce the 15 percent PIA factor in each year so that it reaches 10 percent for those newly eligible in 2060 and later. | 0.09 | 0.25 | 3% | 6% |
| B3.10 | Beginning with those newly eligible for OASDI benefits in 2025, gradually increase the first PIA bend point in each year so that it is 15 percent higher for those newly eligible in 2039 and later. | -0.37 | -0.70 | -13% | -16% |
| B3.11 | Increase the first PIA factor from 90 percent to 93 percent for all beneficiaries eligible as of January 2020 and for those newly eligible for benefits after 2019. | -0.24 | -0.26 | -8% | -6% |
| B3.12 | Use an annualized mini-PIA formula beginning with retired workers newly eligible in 2025. For each indexed earnings year, compute an individual AIME and an individual PIA. Sum these individual PIAs for the 40 highest years of indexed earnings and divide that total amount by 37 to get the PIA for this provision. Phase-in over five years, meaning that in 2025, 80 percent of the benefit would be based on the old 35-year average PIA formula and 20 percent on the new mini-PIA formula, shifting by 20 percentage points each year until 100 percent is based on the new mini-PIA formula for those attaining age 62 in 2029. Disabled worker benefits are unchanged under this provision. | 0.25 | 0.40 | 9% | 9% |
| B3.13 | For retired worker beneficiaries newly eligible in 2025 (excluding disabled workers), add a new bend point at the wage-indexed equivalent of the 50th percentile of the AIME distribution minus $100 (for 2015 eligibility) and change the PIA factors to 95/32/15/5. Also move the current-law first bend point from the wage-indexed equivalent of $895 in 2018 to $1,138 in 2018. Phase this provision in over 10 years (2025-2034). The phase-in would work on a weighted-average basis: 90% of CL formula + 10% of proposal formula for 2025, 80% of CL formula + 20% of proposal formula for 2026, and so on. | 0.09 | 0.18 | 3% | 4% |
| B3.14 | Beginning with those newly eligible for OASDI benefits in 2020, reduce the 15 percent PIA factor by 2 percentage points per year so that it reaches 5 percent for those newly eligible in 2024 and later. | 0.33 | 0.49 | 12% | 11% |
| B3.15 | Increase the 90 percent PIA formula factor to 91 percent for beneficiaries newly eligible in 2023, 92 percent for those newly eligible in 2024, ..., reaching 95 percent for those newly eligible in 2027 and later. | -0.27 | -0.44 | -10% | -10% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B3.16 | For retired worker and disabled worker beneficiaries becoming initially eligible in January 2025 or later, phase in a new benefit formula (from 2025 to 2034). Replace the existing two primary insurance amount (PIA) bend points with three new bend points as follows: (1) 25% AWI/12 from 2 years prior to initial eligibility; (2) 100% AWI/12 from 2 years prior to initial eligibility; and (3) 125% AWI/12 from 2 years prior to initial eligibility. The new PIA factors are 95%, 27.5%, 5% and 2%. During the phase in, those becoming newly eligible for benefits will receive an increasing portion of their benefits based on the new formula, reaching 100% of the new formula in 2034. | 0.89 | 1.62 | 31% | 37% |
| 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 2019-2023. | 0.27 | 0.38 | 9% | 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 2019-2027. | 0.43 | 0.64 | 15% | 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 2020-2028. | 0.59 | 0.91 | 21% | 21% |
| B4.4 | Reduce the number of computation years (increase dropout years) for parents having a child in care under the age of 6. The parent must have no earnings (covered or non-covered) for the year to be eligible for the credit. Only one parent can claim the childcare added dropout year for a given earnings year. Each parent can earn at most 2 dropout years per child, and a maximum of 5 dropout years in total. The years designated as childcare years do not have to be the years that could otherwise be included in the computation of the average indexed monthly earnings (AIME). The provision would be effective for all benefits payable for entitlement in January 2020 and later (without regard for when the beneficiary became initially eligible). | -0.05 | -0.05 | -2% | -1% |
| B4.5 | For retired and disabled workers, reduce the maximum number of dropout years to 4 for workers newly eligible in 2020, to 3 for workers newly eligible in 2021, and to 2 for workers newly eligible in 2022 and later. | 0.36 | 0.51 | 13% | 12% |
| 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 2036, and is phased in for new eligibles in 2027 through 2035. 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. | -0.01 | -0.00 | -0% | -0% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B5.2 | Beginning for those newly eligible in 2019, 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 $1,256 in 2017). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,256/20 = $62.80. (c) Index the initial PIA per year of coverage by wage growth for successive cohorts. | -0.17 | -0.25 | -6% | -6% |
| B5.3 | Beginning for those newly eligible in 2019, 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 $1,256 in 2017). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,256/20 = $62.80. (c) Index the initial PIA per year of coverage by wage growth for successive cohorts. | -0.25 | -0.36 | -9% | -8% |
| B5.4 | Beginning for those newly eligible in 2025, 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 $1,256 in 2017). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,256/20 = $62.80. (c) From 2017 to the year of implementation, 2025, 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 | -0.22 | -5% | -5% |
| B5.5 | Beginning for those newly eligible in 2020, 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 $1,303 in 2017). For those with under 30 years of coverage, the PIA per year of coverage over 19 years is $1,303/11 = $118.50. (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. | -0.06 | -0.08 | -2% | -2% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B5.6 | Beginning for those newly eligible in 2019, 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 $1,012 in 2018). For those with under 30 years of coverage, the PIA per year of coverage over 10 years is $1,012/20 = $50.60. (c) From 2018 to the year of implementation, 2019, 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. | -0.10 | -0.15 | -4% | -4% |
| B5.7 | Beginning for those newly eligible in 2021, reconfigure the special minimum benefit: (a) The number of years of work (YOWs) is determined as total quarters of coverage divided by 4, ignoring any fraction. 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+ 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% |
| B5.8 | Beginning in 2023, create a Basic Minimum Benefit (BMB) within Social Security (i.e., the cost of the BMB would be charged as a cost to the OASI Trust Fund), with the following specifications: (1) Eligibility for the BMB would be limited to OASI beneficiaries who have attained normal retirement age (NRA) or above. OASI beneficiaries under NRA would not be eligible for the BMB. (2) The BMB would be calculated on a household basis and split equally between members of the household. In the case of a married couple, both spouses would need to claim any Social Security benefits for which they are eligible before they could receive the BMB. If both spouses have claimed and one is NRA or above and the other has not yet attained NRA, only the half of the BMB for the spouse over NRA would be payable. (3) The BMB amount for single beneficiaries would be equal to either: 1) the BMB base ($604 in 2015) - 0.70 * current monthly OASI benefit (not including any BMB), if positive; or 2) zero. (4) The BMB amount for married beneficiaries would be equal to either: 1) the BMB base ($906 in 2015) - 0.70 * total household monthly OASI benefits (not including any BMB), if positive; or 2) zero. (5) The BMB bases for singles and couples would be updated annually for changes in the average wage index (AWI). (6) Single filers with Adjusted Gross Income (AGI) over $30,000 and joint filers with AGI (including taxable SS benefits) over $45,000 would be subject to clawback of the BMB through the income tax system. Any BMB would be reduced by one dollar for every dollar of income above the thresholds. (Thresholds, in 2015 dollars, would be indexed to chained CPI-U.) Clawbacks would be credited back to the OASI Trust Fund. | -0.20 | -0.24 | -7% | -5% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B5.9 | Beginning for those newly eligible in 2020, 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 40 years of coverage equal to 125 percent of the monthly Aged Federal poverty level (about $1,225 in 2017). For those with 20 or fewer years of coverage, phase up linearly from 0 percent of the poverty level for 10 years of coverage to 100 percent of the poverty level. For those having between 20 and 40 years of coverage, phase up linearly from 100 percent of the poverty level at 20 years of coverage to 125% of the poverty level for 40 or more years of coverage. (c) For newly eligible workers in 2020 and 2021, index the applicable poverty level using the CPI index, to the year prior to eligibility. Then, for newly eligible workers in 2022 and later, index the PIA per year of coverage by wage growth for successive cohorts. (d) Disabled workers have a somewhat similar minimum benefit, with work requirements scaled based on the number of years of non-disabled potential work. | -0.17 | -0.28 | -6% | -7% |
| B5.10 | Reconfigure the special minimum benefit, phased in for retired and disabled workers newly eligible from 2025 through 2034: (a) A year of work (YOW) coverage is equal to earnings at or above $10,875 in 2018 (reflecting a full-time worker earning the federal minimum wage), adjusted thereafter for wage growth. (b) At implementation, set the minimum PIA at zero percent of AWI for those with 10 or fewer YOWs to 15 percent of AWI for those with 15 YOWs, increasing linearly so that it reaches 19 percent for 19 YOWs. Then the minimum PIA would jump up to 25 percent of AWI for those with 20 YOWs, increasing linearly so that it equals 35 percent of AWI for those with 35 or more YOWs. (c) Use the AWI for two years prior to the year of initial eligibility in the minimum PIA calculation with COLA increase after the year of initial eligibility. (d) Scale the YOW requirements for disabled workers, based on the number of years of non-disabled potential work. | -0.23 | -0.41 | -8% | -10% |
| 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 2019 or who reaches their 85th birthday after the beginning of 2019. | -0.11 | -0.16 | -4% | -4% |
| 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 2019 or who reaches their 85th birthday after the beginning of 2019. The dollar amount of increase equals 5 percent of the average retired-worker MBA in the prior year. | -0.11 | -0.16 | -4% | -4% |
| B6.3 | Provide an increase in the benefit level of any beneficiary who is 85 or older at the beginning of 2020 or who reaches their 85th birthday after the beginning of 2020. Increase the beneficiary's PIA based on an amount equal to the average retired-worker PIA at the end of 2019, 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 2020 and by 5 percent of this amount at age 85 for others, phased in at 1 percent per year for ages 81-85. | -0.14 | -0.19 | -5% | -4% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B6.4 | Starting in 2019, 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. | -0.16 | -0.22 | -6% | -5% |
| B6.5 | Starting in 2021, 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. | -0.24 | -0.32 | -9% | -7% |
| B6.6 | Starting in 2025, 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 (age 104), phased in from the 33rd through the 42nd years after eligibility. For those past the 14th year of eligibility in 2025 (over age 76 for retirees), phase in the PIA enhancement over 10 years starting in 2025. Auxiliary beneficiaries receive benefit enhancement based on the PIA of the governing worker. | -0.21 | -0.30 | -7% | -7% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B6.7 | Starting in January 2025, provide an addition to monthly benefits for all beneficiaries who have been eligible for at least 20 years, with the following specifications: (1) Augment benefits (not the PIA) for those of qualifying age and eligibility duration with a MAGI below about $26,150 if single and $52,300 if married. MAGI is set to equal the IRMAA definition (AGI plus tax-exempt interest income). Index these thresholds after 2025 by the increase in the C-CPI-U; (2) The full additional amount is applicable for those born 1959 and later, once 24 years elapse from initial eligibility. The basic additional amount is calculated as 5 percent of the PIA for a hypothetical worker with earnings equal to the AWI each year; (3) For those born prior to 1959, the full additional amount is multiplied by the number of years they have been affected by the C-CPI-U, divided by 24; (4) Beneficiaries will receive 20 percent of their additional amount in their 20th year after initial eligibility, 40 percent in their 21st year after initial eligibility,..., and 100 percent of their additional amount in their 24th and later years after benefit eligibility; (5) Retired and disabled worker beneficiaries, dually entitled spouse beneficiaries, and all survivor beneficiaries received their addition as described above. Spousal beneficiaries (aged or with child in care) and child beneficiaries of a living retired or disabled worker receive 50 percent of the additional amount described above. Other beneficiary types (such as parents of deceased workers) will receive the percentage of the flat benefit that equals the percentage of the insured worker's PIA that they receive; (6) The AWI used is for the second year prior to the beneficiary's initial eligibility year, with applicable COLAs applied up to the age when the addition is received; and (7) The additional amount is added to the monthly benefit after reductions for early claiming or increases for delayed claiming have been applied. | -0.06 | -0.08 | -2% | -2% |
| B7.2 | Reduce benefits by 5 percent for those newly eligible for benefits in 2019 and later. | 0.61 | 0.83 | 21% | 19% |
| 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 $25,947 in 2018). The credits are available for all past years to newly eligible retired-worker and disabled-worker beneficiaries starting in 2019. The 5 years are chosen to yield the largest increase in AIME. | -0.23 | -0.32 | -8% | -7% |
| B7.5 | Increase benefits by 5 percent for all beneficiaries as of the beginning of 2019 and for those newly eligible for benefits after the beginning of 2019. | -0.78 | -0.83 | -27% | -19% |
| 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 2023 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 2023, based on changes in the SSA average wage index. | 0.36 | 0.50 | 13% | 12% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| B7.8 | Replace the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) with a revised reduction for most OASI benefits based on all earnings, beginning with beneficiaries newly eligible in 2025. | 0.09 | 0.13 | 3% | 3% |
| B7.9 | Beginning for newly eligible retired workers and spouses in 2025, all claimants who are married would receive a specified joint-and-survivor annuity benefit (i.e., surviving spouses would receive 75 percent of the decedents' benefits, in addition to their own) that would be payable if both were still alive. Initial benefits would be actuarially adjusted to keep the expected value of benefits equivalent to what would otherwise be current law. | 0.00 | -0.24 | 0% | -6% |
| B7.10 | Replace the current-law WEP with a new calculation for most OASI and DI benefits based on covered and non-covered earnings, phased in for beneficiaries becoming newly eligible in 2025 through 2034. For this new approach, compute a PIA based on all past earnings (covered and non-covered), and multiply by the non-covered earnings ratio. This ratio is equal to the current-law concept of the average indexed monthly earnings computed without non-covered earnings divided by a modified average indexed monthly earnings that includes both covered and non-covered earnings in our records. | 0.05 | 0.09 | 2% | 2% |
| B7.11 | Beginning in January 2021, eliminate the retirement earnings test for all beneficiaries under normal retirement age, including retired workers, aged spouses, aged widow(er)s, young spouses with a child in care, young surviving spouses with a child in care, and children. | 0.02 | 0.13 | 1% | 3% |
| B7.12 | Provide an option to split the 8-percent delayed retirement credit (DRC) to offer a lump sum benefit at initial entitlement equal to 2 percent of the 8 percent DRC earned, and a 6 percent DRC on subsequent monthly benefits, effective for workers newly entitled to retired worker benefits in 2021 and later. Widows are held harmless from the lump-sum decision. | -0.00 | 0.00 | -0% | 0% |

# 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 65; 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 2018 Trustees Report.

We group these provisions as follows:

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

## Category C: Retirement Age (2018 Trustees Report intermediate assumptions)

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| Description of proposed provisions | | Change from current 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. | 0.37 | 0.69 | 13% | 16% |
| 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. | 0.46 | 0.69 | 16% | 16% |
| 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. | 0.55 | 1.55 | 19% | 36% |
| 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. | 1.11 | 2.17 | 39% | 50% |
| C1.5 | Starting in 2019, 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 | 1.23 | 23% | 28% |
| C1.6 | After the normal retirement age (NRA) reaches 67 for those age 62 in 2022, increase the NRA by 1 month every 2 years until the NRA reaches 69. Also increase the age up to which the delayed retirement credit may be earned at the same rate (from 70 to 72). No change to earliest eligibility age. | 0.53 | 1.32 | 19% | 31% |
| C1.7 | After the normal retirement age (NRA) reaches 67 for those attaining age 62 in 2022, increase the NRA by 3 months per year starting for attaining age 62 in 2023 until it reaches 69 for those attaining age 62 in 2030. Increase the age up to which delayed retirement credits may be earned from 70 to 72 on the same schedule. Increase the widow(er) NRA in the same manner. The earliest eligibility age (EEA) for worker's and widow(er)'s benefit is unchanged. | 0.88 | 1.32 | 31% | 31% |
| C2.1 | Increase the earliest eligibility age (EEA) by two months per year for those age 62 starting in 2020 and ending in 2037 (EEA reaches 65 for those age 62 in 2037). | -0.07 | -0.42 | -2% | -10% |
| 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 2019. | 0.51 | 1.25 | 18% | 29% |

## Category C: Retirement Age (continued)

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| C2.3 | 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 2013). The hardship exemption is phased out for those with AIME above 400 percent of the poverty level. | 0.42 | 1.06 | 15% | 25% |
| 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. | 0.75 | 1.78 | 27% | 41% |
| C2.5 | Increase the normal retirement age (NRA) 3 months per year starting for those age 62 in 2019 until the NRA reaches 70 in 2033. 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. | 1.37 | 2.65 | 48% | 61% |
| C2.6 | Increase the normal retirement age (NRA) and the earliest eligibility age (EEA) for those age 62 in 2020-2021 to 68 and 63, respectively, and then by 3 months per year in 2022-2025 to 69 and 64, respectively. | 0.89 | 1.11 | 31% | 26% |
| C2.7 | Increase the normal retirement age (NRA) and the earliest eligibility age (EEA) for those age 62 starting in 2019 by 3 months per year until EEA reaches 64 in 2026 and NRA reaches 69 in 2029. | 0.81 | 1.11 | 28% | 26% |
| C2.8 | Starting in 2021, 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 29.2 percent for those age 62 in 2021) phased in over 40 years. | 0.43 | 0.80 | 15% | 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 2018 Trustees Report.

## Category D: Family Members (2018 Trustees Report intermediate assumptions)

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current 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 2019, 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 2019, until the percent reaches 33 in 2035. | 0.10 | 0.15 | 4% | 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 2020 and those becoming eligible after 2020. | -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 2020 and those becoming eligible after 2020. | -0.12 | -0.12 | -4% | -3% |
| D5 | Limit the spousal benefit to that received by the spouse of the 75th percentile career-average worker, beginning with retired workers newly eligible in 2025. For future cohorts, this limit would be indexed for inflation annually using chain weighted CPI-U. The provision affects divorced spouses and young spouses (retired workers) but not spouses of disabled workers. | 0.09 | 0.19 | 3% | 4% |
| D6 | For spouses and children of retired and disabled workers becoming newly eligible beginning in 2025 and phased in for 2025 through 2034, limit their auxiliary benefit to one-half of the PIA for a hypothetical worker with earnings equal to the national average wage index (AWI) each year. | 0.07 | 0.10 | 2% | 2% |
| D7 | Beginning in January 2021, require full time school enrollment as a condition of eligibility for child benefits at age 15 up to 18. | 0.00 | 0.00 | 0% | 0% |

# 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 2018 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) (2018 Trustees Report intermediate assumptions)

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current 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 15.4 percent in 2019 and later. | 2.85 | 2.97 | 100% | 69% |
| E1.2 | Increase the payroll tax rate (currently 12.4 percent) to 15.5 percent in 2031-2060, and to 18.6 percent in years 2061 and later. | 3.33 | 5.99 | 117% | 139% |
| E1.4 | Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2024-2043, until the rate reaches 14.4 percent in 2043 and later. | 1.45 | 1.98 | 51% | 46% |
| E1.8 | Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2021-2026, until the rate reaches 13.0 percent for 2026 and later. | 0.54 | 0.60 | 19% | 14% |
| E1.9 | Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2022-2045, until the rate reaches 14.8 percent in 2045. Then increase the payroll tax rate an additional 0.1 percentage point in each year from 2084-2088, until the rate reaches 15.3 percent for 2088 and later. | 1.77 | 2.85 | 62% | 66% |
| E1.10 | Increase the payroll tax rate by 0.1 percentage point per year for 2020 through 2029 so that it equals 13.4 percent for 2029 and later. The increase would be split evenly between the employer and employee share, and would be split between OASI and DI in proportion to currently scheduled payroll tax rates. | 0.88 | 1.00 | 31% | 23% |
| E2.1 | Eliminate the taxable maximum in years 2019 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. | 2.35 | 2.46 | 83% | 57% |
| E2.2 | Eliminate the taxable maximum in years 2019 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. | 1.93 | 1.68 | 68% | 39% |
| E2.3 | Eliminate the taxable maximum in years 2019 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. Create a new bend point at the current-law taxable maximum with a 3 percent formula factor applying above the new bend point. | 2.16 | 2.17 | 76% | 50% |
| E2.4 | Eliminate the taxable maximum for years 2025 and later (phased in 2019-2025), 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 2018 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 | 2.35 | 77% | 54% |
| E2.5 | Apply 12.4 percent payroll tax rate on earnings above $250,000 starting in 2019, and tax all earnings once the current-law taxable maximum exceeds $250,000. Do not provide benefit credit for additional earnings taxed. | 2.20 | 2.46 | 77% | 57% |
| E2.6 | Apply a 3 percent payroll tax on earnings above the current-law taxable maximum starting in 2019. Do not provide benefit credit for earnings above the current-law taxable maximum. | 0.61 | 0.63 | 21% | 15% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| Description of proposed provisions | | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| E2.8 | Apply a 2 percent payroll tax on earnings above the current-law taxable maximum for years 2021-2068, and a 3 percent rate for years 2069 and later. Do not provide benefit credit for earnings above the current-law taxable maximum. | 0.44 | 0.63 | 16% | 15% |
| E2.11 | Eliminate the taxable maximum in years 2024 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 2.48 percent in 2020, 4.96 percent in 2021, and so on, up to 12.40 percent in 2024. 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 2019 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+. | 2.11 | 2.20 | 74% | 51% |
| E2.12 | Eliminate the taxable maximum in years 2030 and later. Phase in elimination by taxing all earnings above the current-law taxable maximum at: 1.24 percent in 2021, 2.48 percent in 2022, and so on, up to 12.40 percent in 2030. 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. | 1.93 | 2.17 | 68% | 50% |
| E2.13 | Apply OASDI 12.4 percent payroll tax rate on earnings above $400,000 starting in 2020, 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 2019 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+. | 1.90 | 2.35 | 67% | 54% |
| E2.14 | Apply OASDI 12.4 percent payroll tax rate on earnings above $250,000 starting in 2020, and tax all earnings once the current-law taxable maximum exceeds $250,000. 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 2019 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+. | 2.13 | 2.35 | 75% | 54% |
| E2.15 | Apply OASDI 12.4 percent payroll tax rate on earnings above $300,000 starting in 2020, and tax all earnings once the current-law taxable maximum exceeds $300,000. 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 2019 that were in excess of that year's current-law taxable maximum; and (2) a formula factor of 3 percent on this newly computed AIME+. | 2.03 | 2.30 | 71% | 53% |
| E3.1 | Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2019-2028). Provide benefit credit for earnings up to the revised taxable maximum. | 0.79 | 0.68 | 28% | 16% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| Description of proposed provisions | | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| E3.2 | Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2019-2028). Do not provide benefit credit for additional earnings taxed. | 0.98 | 1.11 | 35% | 26% |
| E3.5 | Increase the taxable maximum each year by an additional 2 percent beginning in 2019 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum. | 0.65 | 0.70 | 23% | 16% |
| E3.6 | Increase the taxable maximum each year by an additional 2 percent beginning in 2021 until taxable earnings equal 90 percent of covered earnings. Do not provide benefit credit for additional earnings taxed. | 0.75 | 1.10 | 26% | 26% |
| E3.7 | Increase the taxable maximum by an additional 2 percent per year beginning in 2020 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. | 0.66 | 0.80 | 23% | 19% |
| E3.8 | Beginning in 2026, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $200,000 in 2017 (about $279,300 in 2026), with the threshold wage-indexed after 2026. 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. | 0.20 | 0.17 | 7% | 4% |
| E3.9 | Beginning in 2026, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $200,000 in 2017 (about $279,300 in 2026), with the threshold wage-indexed after 2026. Do not provide benefit credit for additional earnings taxed. | 0.25 | 0.29 | 9% | 7% |
| E3.10 | Beginning in 2026, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $300,000 in 2017 (about $419,100 in 2026), with the threshold wage-indexed after 2026. 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% | 3% |
| E3.11 | Beginning in 2026, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $300,000 in 2017 (about $419,100 in 2026), with the threshold wage-indexed after 2026. Do not provide benefit credit for additional earnings taxed. | 0.18 | 0.22 | 6% | 5% |
| E3.12 | Beginning in 2026, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $400,000 in 2017 (about $558,900 in 2026), with the threshold wage-indexed after 2026. 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 | 0.10 | 4% | 2% |
| E3.13 | Beginning in 2026, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of $400,000 in 2017 (about $558,900 in 2026), with the threshold wage-indexed after 2026. Do not provide benefit credit for additional earnings taxed. | 0.15 | 0.18 | 5% | 4% |

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

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| E3.14 | Eliminate the taxable maximum for the employer payroll tax (6.2 percent) beginning in 2019. For the employee payroll tax (6.2 percent) and for benefit credit purposes, beginning in 2019, increase the taxable maximum by an additional 2 percent per year until taxable earnings equal 90 percent of covered earnings. | 1.45 | 1.41 | 51% | 33% |
| E3.15 | Increase the taxable maximum such that 90 percent of earnings are subject to the payroll tax (phased in 2019-2028). In addition, apply a tax rate of 6.2 percent for earnings above the revised taxable maximum (phased in from 2019-2028). Provide benefit credit for earnings taxed up to the revised taxable maximum. | 1.41 | 1.39 | 50% | 32% |
| E3.16 | Beginning in 2020, apply 4 percent payroll tax rate on earnings above the wage-indexed equivalent of $400,000 in 2015 (about $462,300 in 2020), with the threshold wage-indexed after 2020. 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, or about $462,300 and $578,100 in 2020 (with thresholds wage-indexed after 2020); and (2) a formula factor of 2 percent on this newly computed AIME+. | 0.31 | 0.33 | 11% | 8% |
| E3.17 | Beginning in 2020, increase the taxable maximum by twice the rate of increase in the national Average Wage Index, but never by less than 3 percent. Provide benefit credit for earnings up to the revised taxable maximum levels. | 1.08 | 1.51 | 38% | 35% |
| E3.18 | Increase the taxable maximum linearly over 4 years to $222,600 for 2023. After 2023, index the taxable maximum to AWI plus 0.5 percentage point. Apply benefit credit on additional earnings taxed. | 0.63 | 0.70 | 22% | 16% |
| E3.19 | Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in linearly from 2020-2025). Provide benefit credit for additional earnings taxed, using a secondary PIA formula. This secondary PIA formula involves: (1) an AIME+ derived from additional annual earnings taxed over the current-law taxable maximum; and (2) a formula factor of 2.5 percent on this newly computed AIME+. | 0.96 | 1.04 | 34% | 24% |

# 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 2018 Trustees Report.

## Category F: Coverage of Employment (2018 Trustees Report intermediate assumptions)

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current 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 2019, cover newly hired State and local government employees. | 0.16 | -0.16 | 6% | -4% |
| F2 | Starting in 2019, 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. | -0.52 | -0.71 | -18% | -16% |
| F3 | Expand covered earnings to include employer and employee premiums for employer-sponsored group health insurance (ESI). Starting in 2022, phase out the OASDI payroll tax exclusion for ESI premiums. Set an exclusion level at the 75th percentile of premium distribution in 2022, with amounts above that subject to the payroll tax. Reduce the exclusion level each year by 10 percent of the 2022 exclusion level until fully eliminated in 2031. Eliminate the excise tax on ESI premiums starting in 2022. | 0.92 | 0.66 | 32% | 15% |
| F4 | Expand covered earnings to include contributions to voluntary salary reduction plans (such as Cafeteria 125 plans and Flexible Spending Accounts). Starting in 2019, subject these contributions to the OASDI payroll tax, making the payroll tax treatment of these contributions like 401(k) contributions. | 0.28 | 0.18 | 10% | 4% |
| F5 | **Tax Reform for Business:** Establish a value added tax (VAT) of 3.0 percent for 2020 and 6.5 percent for 2021 and later. Assume about 75% of personal consumption expenditures is subject to the VAT. | -0.03 | 0.16 | -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 2020. Proceeds go to the OASI and DI Trust Funds. | 0.94 | 1.16 | 33% | 27% |

# G Provisions Affecting Trust Fund Investment in Marketable Securities

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 2018 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 (2018 Trustees Report intermediate assumptions)

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current 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 OASI and DI Trust Fund reserves in equities (phased in 2019-2033), assuming an ultimate 6.2 percent annual real rate of return on equities. | 0.51* | 0.00 | * | 0% |
| G2 | Invest 40 percent of the OASI and DI Trust Fund reserves in equities (phased in 2019-2033), assuming an ultimate 5.2 percent annual real rate of return on equities. | 0.38* | 0.00 | * | 0% |
| G3 | Invest 40 percent of the OASI and DI Trust Fund reserves in equities (phased in 2019-2033), assuming an ultimate 2.7 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 OASI and DI Trust Fund reserves in equities (phased in 2019-2028), assuming an ultimate 6.2 percent annual real rate of return on equities. | 0.21* | 0.00 | * | 0% |
| G5 | Invest 15 percent of the OASI and DI Trust Fund reserves in equities (phased in 2019-2028), assuming an ultimate 2.7 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 OASI and DI Trust Fund reserves in equities (phased in 2021-2030), assuming an ultimate 6.2 percent annual real rate of return on equities. | 0.33* | 0.00 | * | 0% |
| G7 | Invest 25 percent of the OASI and DI Trust Fund reserves in equities (phased in 2021-2030), assuming an ultimate 2.7 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 current-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 2018 Trustees Report.

## Category H: Taxation of Benefits (2018 Trustees Report intermediate assumptions)

***Current law shortfall*** *in long-range actuarial balance is* ***2.84*** *percent of payroll and in annual balance for the 75th year is* ***4.32*** *percent of payroll.*

| | Description of proposed provisions | Change from current law (percent of payroll) | | Shortfall eliminated | |
|---|---|---|---|---|---|
| | | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| H2 | Starting in 2019, tax Social Security benefits in a manner similar to private pension income. Phase out the lower-income thresholds during 2019-2038. | 0.19 | 0.15 | 7% | 4% |
| H3 | Starting in 2020, 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. | -0.05 | -0.10 | -2% | -2% |
| H4 | Increase the threshold for taxation of OASDI benefits to $50,000 for single filers and $100,000 for joint filers starting in 2020. Taxation of benefits revenues transferred to the Hospital Insurance (HI) Trust Fund would be the same as if the current-law computation applied. | -0.10 | -0.01 | -4% | -0% |
| H5 | Beginning in 2025, for single/head-of-household/married-filing-separate taxpayers with MAGI of $250,000 or more and joint filers with MAGI of $500,000 or more, include up to the remaining 15 percent of Social Security benefits in taxable income (increased from up to 85 percent of benefits taxable under current law). In subsequent years, update these thresholds for growth in wages (AWI). Revenue from this provision would be credited to the Social Security trust funds. Current law taxation of up to 85 percent of Social Security benefits would remain unchanged. | 0.01 | 0.01 | 0% | 0% |
| H6 | Eliminate federal income taxation of OASDI benefits that is credited to the OASI and DI Trust Funds for 2054 and later. Phase out OASDI taxation of benefits by increasing relevant income thresholds from 2045 through 2053 as follows, for single/joint tax filers: (a) 2045 = $32,500/$65,000; (b) 2046 = $40,000/$80,000; (c) 2047 = $47,500/$95,000; (d) 2048 = $55,000/$110,000; (e) 2049 = $62,500/$125,000; (f) 2050 = $70,000/$140,000; (g) 2051 = $77,500/$155,000; (h) 2052 = $85,000/$170,000; and (i) 2053 = $92,500/$185,000. Taxation of benefits revenues for the Hospital Insurance (HI) Trust Fund would be maintained at the same level as if the current-law computation applied. | -0.45 | -0.99 | -16% | -23% |
| H7 | Replace the current-law thresholds for federal income taxation of OASDI benefits with a single set of thresholds at $50,000 for single filers and $100,000 for joint filers for taxation of up to 85 percent of OASDI benefits, effective for tax year 2020. These thresholds would be fixed and not indexed to price inflation or average wage increase. Reallocate a portion of revenue from taxation of OASDI benefits to the HI Trust Fund such that the HI Trust Fund would be in the same position as if the current-law computation (in the absence of this provision) applied. The net amount of revenue from taxing OASDI benefits, after the allocation to HI, would be allocated to the combined Social Security Trust Fund. | -0.16 | -0.01 | -6% | -0% |

# 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 current 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 current 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.