

**Category E: Payroll Taxes (including maximum taxable) (2011 Trustees Report intermediate assumptions)**

| Description of proposed provisions |   | Change from present law      |                             | Results with this provision  |                             |
|------------------------------------|---|------------------------------|-----------------------------|------------------------------|-----------------------------|
|                                    |   | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
|                                    | Present Law, Alternative II.  |                              |                             | -2.22                        | -4.24                       |
| E1.1                               | Increase the payroll tax rate (currently 12.4 percent) to 14.8 percent in 2012 and later.   | 2.28                         | 2.38                        | 0.06                         | -1.86                       |
| E1.2                               | Increase the payroll tax rate (currently 12.4 percent) to 14.6 percent in 2024-2053, and to 16.8 percent in years 2054 and later.   | 2.30                         | 4.30                        | 0.08                         | 0.06                        |
| E1.3                               | Reduce the payroll tax rate (currently 12.4 percent) to 11.4 percent in 2012 and later.   | -0.96                        | -1.01                       | -3.19                        | -5.25                       |
| E1.4                               | Increase the payroll tax rate (currently 12.4 percent) by 0.1 percentage point each year from 2017-2036, until the rate reaches 14.4 percent in 2036 and later.   | 1.41                         | 1.98                        | -0.82                        | -2.26                       |
| E1.5                               | Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2014, 12.9 percent in 2022, 13.1 in percent in 2032, 13.9 percent in 2042, 13.5 percent in 2052, and 13.3 percent in 2062.  | 0.74                         | 0.90                        | -1.49                        | -3.34                       |
| E1.6                               | Increase the payroll tax rate (currently 12.4 percent) to 12.6 percent in 2014, 12.9 percent in 2022, 13.3 in percent in 2032, 13.8 percent in 2042, 14.4 percent in 2062, and 14.5 percent in 2077.  | 1.03                         | 2.06                        | -1.19                        | -2.18                       |
| E1.7                               | Increase the payroll tax rate (currently 12.4 percent) to 12.7 percent in 2014, 13.0 percent in 2027, 13.3 in percent in 2042, 14.0 percent in 2062, 14.5 percent in 2072, and 14.7 percent in 2082.  | 0.84                         | 2.24                        | -1.38                        | -2.00                       |
| E2.1                               | Eliminate the taxable maximum in years 2012 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.  | 2.34                         | 2.48                        | 0.11                         | -1.77                       |
| E2.2                               | Eliminate the taxable maximum in years 2012 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                         | 1.64                        | -0.32                        | -2.60                       |
| E2.3                               | Eliminate the taxable maximum in years 2012 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.   | 2.18                         | 2.17                        | -0.04                        | -2.07                       |
| E2.4                               | Eliminate the taxable maximum for years 2018 and later (phased in 2012-2017), and apply full 12.4 percent payroll tax rate to all earnings. Provide benefit credit for earnings above the current-law taxable maximum that were taxed after 2011, using a secondary PIA formula. This secondary PIA formula uses: (1) an "AIME+" derived from annual earnings from each year after 2011 that were in excess of that year's current-law taxable maximum; (2) a bend point equal to 134 percent higher of the monthly current-law taxable maximum; and (3) formula factors of 3 percent and 0.25 percent, respectively. | 2.16                         | 2.37                        | -0.06                        | -1.88                       |
| E2.5                               | Apply 12.4 percent payroll tax rate on earnings above \$250,000 starting in 2012, and tax all earnings once the current-law taxable maximum exceeds \$250,000. Do not provide benefit credit for additional earnings taxed.   | 2.09                         | 2.47                        | -0.13                        | -1.77                       |
| E2.6                               | Apply a 3 percent payroll tax on earnings above the current-law taxable maximum starting in 2012. Do not provide benefit credit for earnings above the current-law taxable maximum.   | 0.57                         | 0.61                        | -1.65                        | -3.64                       |
| E2.7                               | Apply a 6 percent payroll tax on earnings above the current-law taxable maximum starting in 2012. Do not provide benefit credit for earnings above the current-law taxable maximum.   | 1.14                         | 1.21                        | -1.09                        | -3.04                       |
| E2.8                               | Apply a 2 percent payroll tax on earnings above the current-law taxable maximum for years 2014-2061, and a 3 percent rate for years 2062 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.   | 0.41                         | 0.60                        | -1.81                        | -3.65                       |

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

| Description of proposed provisions |  | Change from present law      |                             | Results with this provision  |                             |
|------------------------------------|--|------------------------------|-----------------------------|------------------------------|-----------------------------|
|                                    |  | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| E2.9                               | Apply the following payroll tax rates above the current-law taxable maximum: 2.0 percent in 2014, 3.0 percent in 2027, 3.5 percent in 2042, 4.5 percent in 2052, and 5.5 percent in 2062 and later. Do not provide benefit credit for earnings above the current-law taxable maximum.  | 0.66                         | 1.10                        | -1.56                        | -3.15                       |
| E2.10                              | Eliminate the taxable maximum in years 2022 and later (phase in by applying a portion of the payroll tax rate to earnings above the current-law taxable maximum: 1.24 percent in 2013; 2.48 percent in 2014; ...; 11.16 percent in 2021). Provide benefit credit for earnings above the current-law taxable maximum (phased in at the same proportion as the payroll tax rate during 2013-2021). Revise the benefit formula by 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. | 1.90                         | 2.10                        | -0.32                        | -2.14                       |
| E3.1                               | Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2012-2021). Provide benefit credit for earnings up to the revised taxable maximum levels.   | 0.80                         | 0.71                        | -1.42                        | -3.53                       |
| E3.2                               | Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2012-2021). Do not provide benefit credit for additional earnings taxed.  | 1.01                         | 1.18                        | -1.21                        | -3.06                       |
| E3.3                               | Increase the taxable maximum such that 90 percent of earnings would be subject to the payroll tax (phased in 2013-2018). Provide benefit credit for earnings up to the revised taxable maximum levels.   | 0.81                         | 0.71                        | -1.41                        | -3.53                       |
| E3.4                               | Increase the taxable maximum from \$106,800 to \$115,200 (in 2009 AWI-indexed dollars), phased in 2012-2014. Provide benefit credit for earnings up to the revised taxable maximum levels.   | 0.12                         | 0.09                        | -2.11                        | -4.16                       |
| E3.5                               | Increase the taxable maximum each year by an additional 2 percent beginning in 2012 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum levels.   | 0.65                         | 0.74                        | -1.58                        | -3.50                       |
| E3.6                               | Increase the taxable maximum each year by an additional 2 percent beginning in 2014 until taxable earnings equal 90 percent of covered earnings. Do not provide benefit credit for additional earnings taxed.  | 0.75                         | 1.18                        | -1.47                        | -3.07                       |
| E3.7                               | Increase the taxable maximum by an additional 2 percent per year beginning in 2013 until taxable earnings equal 90 percent of covered earnings. Provide benefit credit for earnings up to the revised taxable maximum levels. Create a new bend point equal to the current-law taxable maximum with a 5 percent formula factor applying above the new bend point.  | 0.71                         | 0.98                        | -1.51                        | -3.26                       |
| E3.8                               | Beginning in 2019, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$200,000 in 2017, with the threshold wage-indexed after 2019. Provide proportional benefit credit for additional earnings taxed.  | 0.19                         | 0.16                        | -2.04                        | -4.09                       |
| E3.9                               | Beginning in 2019, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$200,000 in 2017, with the threshold wage-indexed after 2019. Do not provide benefit credit for additional earnings taxed.  | 0.24                         | 0.29                        | -1.99                        | -3.96                       |
| E3.10                              | Beginning in 2019, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$300,000 in 2017, with the threshold wage-indexed after 2019. Provide proportional benefit credit for additional earnings taxed.  | 0.14                         | 0.11                        | -2.09                        | -4.13                       |

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

| Description of proposed provisions |   | Change from present law      |                             | Results with this provision  |                             |
|------------------------------------|---|------------------------------|-----------------------------|------------------------------|-----------------------------|
|                                    |   | Long-range actuarial balance | Annual balance in 75th year | Long-range actuarial balance | Annual balance in 75th year |
| E3.11                              | Beginning in 2019, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$300,000 in 2017, with the threshold wage-indexed after 2019. Do not provide benefit credit for additional earnings taxed.   | 0.17                         | 0.21                        | -2.05                        | -4.03                       |
| E3.12                              | Beginning in 2019, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$400,000 in 2017, with the threshold wage-indexed after 2019. Provide proportional benefit credit for additional earnings taxed.   | 0.11                         | 0.09                        | -2.11                        | -4.15                       |
| E3.13                              | Beginning in 2019, apply 2 percent payroll tax rate on earnings over the wage-indexed equivalent of \$400,000 in 2017, with the threshold wage-indexed after 2019. Do not provide benefit credit for additional earnings taxed.   | 0.14                         | 0.17                        | -2.08                        | -4.07                       |
| E3.14                              | Eliminate the taxable maximum for the employer payroll tax (6.2 percent) beginning in 2012. For the employee payroll tax (6.2 percent) and for benefit calculation purposes, beginning in 2012, increase the taxable maximum by an additional 2 percent per year until taxable earnings equal 90 percent of covered earnings. | 1.44                         | 1.43                        | -0.78                        | -2.82                       |
| E3.15                              | Increase the taxable maximum until taxable earnings equal 90 percent of covered earnings (phased in 2012-2021). In addition, apply a tax rate of 6.2 percent for earnings above the revised taxable maximum (phased in from 2012-2021). Provide benefit credit on earnings taxed up to the revised taxable maximum.           | 1.41                         | 1.39                        | -0.82                        | -2.86                       |