

## Social Security Reform Scoresheet

### Long-range Estimate of Financial Effects of Selected Provisions

The Social Security Administration has “scored” the effects of many Social Security reform proposals. These effects are shown below for each provision separately. Combining several provisions involves complex interactions among provisions which can make the combined effect different from simply summing the individual provisions. (In other words, you can’t simply add provisions and reach a logical sum.) The column, “Estimated Percentage Reduction in Long-Range Actuarial Shortfall” identifies the portion that provision resolves of the long-range shortfall of 1.89 percent of payroll between 2005 and 2080. The column, “Estimated Percentage Reduction in Annual Balance in 75<sup>th</sup> Year” identifies the portion resolved of the projected 5.91 percent of payroll shortfall in the program’s 75<sup>th</sup> year. This information is taken from a SSA memo accessible at [http://www.ssab.gov/financing/2004\\_update.pdf](http://www.ssab.gov/financing/2004_update.pdf).

Number	Provision	Estimated Percentage Reduction in Long-Range Actuarial Shortfall	Estimated Percentage Reduction in Annual Balance in 75th year
1	Reduce the COLA for OASDI benefits by 0.5 percentage points beginning December 2005	42%	21%
2	Reduce the COLA for OASDI benefits by 1 percentage point beginning December 2005	80%	40%
3	Increase the number of years used to calculate benefits for retirees and survivors (but not for disabled workers) from 35 to 38 (phased in 2005-2009); i.e., 36 for 2005-06, 37 for 2007-08, and 38 for 2009 and later	14%	7%
4	Increase the number of years used to calculate benefits for retirees and survivors (but not for disabled workers) from 35 to 40 (phased in 2005-2013); i.e., 36 for 2005-06, 37 for 2007-08, 38 for 2009-10, 39 for 2011-12, and 40 for 2013 and later	22%	11%
5	For each year from 2005-2035, multiply the 32 and 15 percent benefit formula factors by 0.987, reducing the factors to 21 and 10 percent respectively, for new eligibles in 2035 and later	85%	57%
6	Reduce benefits across the board by 3 percent for those newly eligible for benefits in 2005 and later	20%	9%
7	Reduce benefits across the board by 5 percent for those newly eligible for benefits in 2005 and later	32%	15%
8	Eliminate the hiatus in the normal retirement age (speed up the increase to age 67)	7%	0%
9	Eliminate the hiatus in the normal retirement age (speed up the increase to age 67) and then index the normal retirement age (by 1 month every 2 years) until the NRA reaches age 68	28%	13%

Number	Provision	Estimated Percentage Reduction in Long-Range Actuarial Shortfall	Estimated Percentage Reduction in Annual Balance in 75th year
10	Eliminate the hiatus in the normal retirement age (speed up the increase to age 67) and then index the normal retirement age (by 1 month every 2 years) until the NRA reaches age 70	36%	29%
11	Raise payroll tax rates (for employees and employers combined) by 2.0 percentage points in 2005 and later	104%	34%
12	Raise payroll tax rates (for employees and employers combined) by 2.1 percentage points in 2020-2049 and by an additional 2.1 percentage points in 2050	104%	71%
13	Tax Social Security benefits in a manner similar to private pension income beginning in 2005. Phase out the lower-income thresholds during 2005-2014.	17%	5%
14	Make all earnings subject to the payroll tax (but retain the cap for benefit calculations) beginning in 2005	116%	50%
15	Make all earnings subject to the payroll tax and credit them for benefit purposes beginning in 2005	93%	33%
16	Make 90% of the earnings subject to the payroll tax and credit them for benefit purposes (phased in 2005-2014)	40%	14%
17	Cover newly hired State and local government employees beginning in 2005	11%	0%
18a	Invest 40% of the Trust Funds in equities (phased in 2005-2019), assuming a 6.5-percent real rate of return on equities (standard assumption)	48%	0%
18b	Invest 40% of the Trust Funds in equities (phased in 2005-2019), assuming a 5.5-percent real rate of return on equities	35%	0%
18c	Invest 40% of the Trust Funds in equities (phased in 2005-2019), assuming an ultimate 3 percent real rate of return on equities, the same as the expected yield on Treasury bonds	0%	0%

The SSA also has scored the effects of Plan 2 of the President’s Commission to Strengthen Social Security. The SSA states the following with regard to Plan 2’s proposal to switch benefit growth from an index based on wages to one based on the CPI: “This provision would result in increasing benefit levels for individuals with equivalent lifetime earnings across generations (relative to the average wage level) at the rate of price growth (increase in the CPI), rather than at the rate of growth in the average wage level as in current law. This provision would increase the size of the long-range OASDI actuarial balance (reduce the actuarial deficit) by an estimated 2.07 percent of taxable payroll.” Stated differently, this change by itself would resolve the entire long-range actuarial shortfall. Details of this analysis are available here: [http://www.ssa.gov/OACT/solvency/PresComm\\_20020131.html](http://www.ssa.gov/OACT/solvency/PresComm_20020131.html).