

# SOCIAL SECURITY SOLVENCY AND ADEQUACY OPTIONS:

UPDATED SIMULATION RESULTS FOR SELECTED PROVISIONS FROM THE  
URBAN INSTITUTE'S DYNAMIC SIMULATION OF INCOME MODEL (DYNASIM)

May 2009

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Melissa Favreault and Karen Smith direct current DYNASIM development.

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Sheila Zedlewski directs the Institute's Income and Benefits Policy Center in which DYNASIM is housed.

We are grateful to many other Urban Institute staff have contributed to DYNASIM development over the years.

## OPTIONS SIMULATED

### *Options that Reduce Benefits*

- Reduce Cost-of-Living Adjustment (COLA) by One Percentage Point, Effective 2010
- Increase Computation Years from 35 to 38, Effective 2010
- Increase the Normal Retirement Age to 68 (by Eliminating the Hiatus for Raising the NRA to 67 and Continuing to Increase NRA by 2 Months per Birth Cohort), Starting in 2010
- Implement Progressive Price Indexing (with New Bend Point at the 30th Percentile of the Lifetime Earnings Distribution), Effective 2012

### *Options that Increase Payroll Taxes*

- Increase the Taxable Maximum such that Approximately 90 Percent of Earnings Would be Subject to the Payroll Tax, with Increased Taxes Creditable toward Benefits, Effective 2010

### *Options that Address Benefit Adequacy*

- Reduce Spouse Benefits (to 33 Percent of PIA) while Increasing Survivor Benefits (to 75 Percent of the Combined Benefit when Both Spouses are Alive), Effective 2010
- Reduce Spouse Benefits (to 33 Percent of PIA) while Increasing Survivor Benefits (to 75 Percent of the Combined Benefit when Both Spouses are Alive, Capped at the Survivor Benefit for an Average Worker), Effective 2010
- Add a Price-Indexed Minimum Benefit Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work, Effective 2010
- Add a Wage-Indexed Minimum Benefit Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work, Effective 2010
- Add a Price-Indexed Minimum Benefit Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for 40 Years of Work, Effective 2010
- Add a Wage-Indexed Minimum Benefit Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for 40 Years of Work, Effective 2010

All options are simulated using selected demographic and economic assumptions from the 2008 OASDI Trustees Report.

The 2009 Trustees report shows that benefits that could be “payable” assuming projected revenues would be less than those projected in 2008. The reader should take this into account when reviewing our charts comparing options to “payable” benefits.

## Section 1.

### Detailed Distributional Tables and Graphics by Provision

#### *Options that Reduce Benefits*

- Reduce Cost-of-Living Adjustment (COLA) by One Percentage Point, Effective 2010
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- Add a Wage-Indexed Minimum Benefit Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for 40 Years of Work, Effective 2010

## **Option: Reduce Annual Cost-of-Living Adjustment (COLA) by One Percentage Point, Effective 2010**

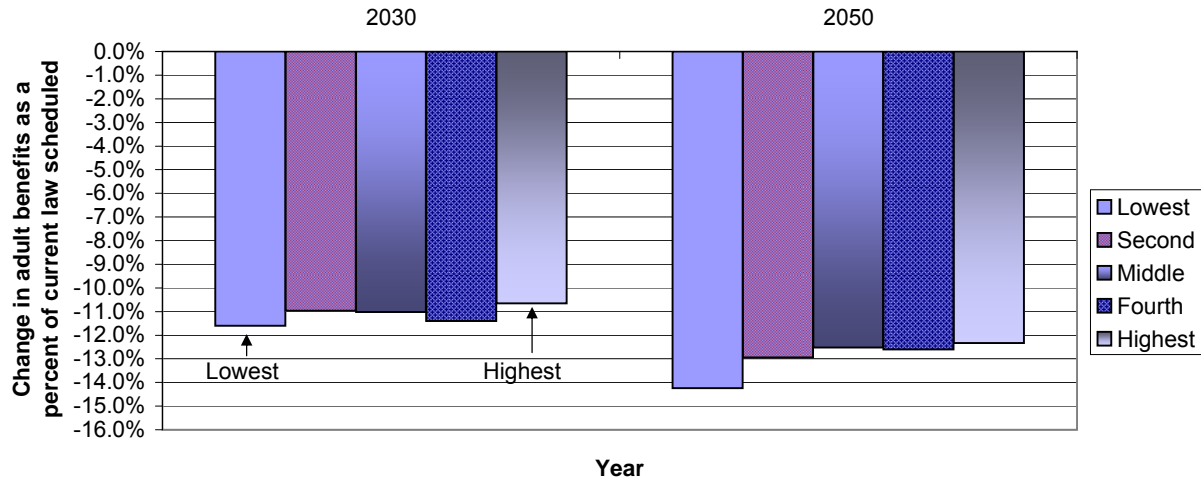
### *Summary comments on annual COLA reductions*

- As the tables and figures show, COLA reductions are a relatively regressive way to reduce benefits.
  - In relative terms, women would experience greater benefit reductions than men.
  - Older (and long-disabled) beneficiaries would experience greater relative benefit reductions than younger beneficiaries.
  - Lower lifetime earners would experience greater reductions than higher lifetime earners (in part reflecting the tendency for later cohorts to experience relatively higher family earnings growth).
- While not highlighted in the tables and figures, a key argument for reducing the COLA is that it could be implemented quickly, and could thus distribute the burden of putting OASDI into long-term fiscal balance across more cohorts (as opposed to several other benefit reduction proposals in which younger and future workers would bear the entire burden of bringing the system into balance).
- In the aggregate, benefit levels under the COLA reduction on average fall between scheduled and payable benefits in 2050.
    - Using 2008 Trustees Assumptions, OCACT projects that a 1 percentage point reduction in the COLA effective December of 2009 would reduce the imbalance in program's long-run actuarial balance by about 84 percent.
  - For the oldest old (ages 85+), 2050 benefits are actually lower than payable benefits with the COLA reduction.
  - Benefit changes tend to be very large (>10%) among those with reductions (see Table COLA-4) in both 2030 and 2050.
  - Note: Some government forecasters project that there will not be any COLA increases over the next year or two because of anticipated zero or negative measured price inflation. This may have some effects on the relative changes, for example by age, under this option.
    - This may also have an effect on projection's of this provision's long-run impact on solvency in future Trustees Reports.

## Reduce Annual COLA by One Percentage Point

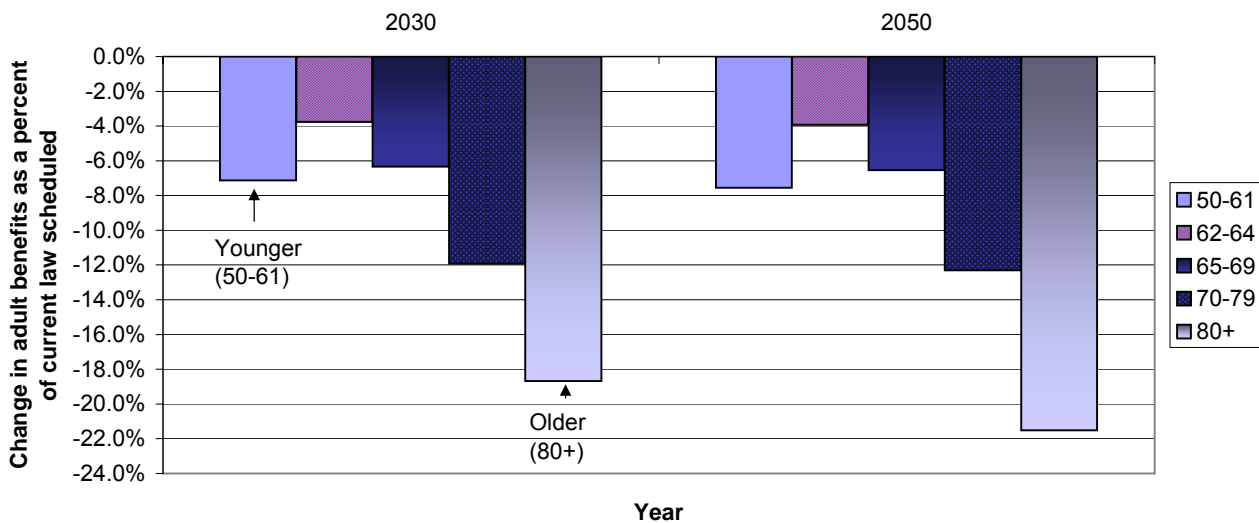
COLA FIGURES 1 & 2:  
Mean Percent Changes in Adult Social Security Benefits, by Lifetime Earnings and Age

### Shared Lifetime Earnings Quintile, 2030 and 2050



- Lower lifetime earners would experience greater reductions than higher lifetime earners (in part reflecting the tendency tendency for later cohorts to experience relatively higher family earnings growth).

### Age, 2030 and 2050



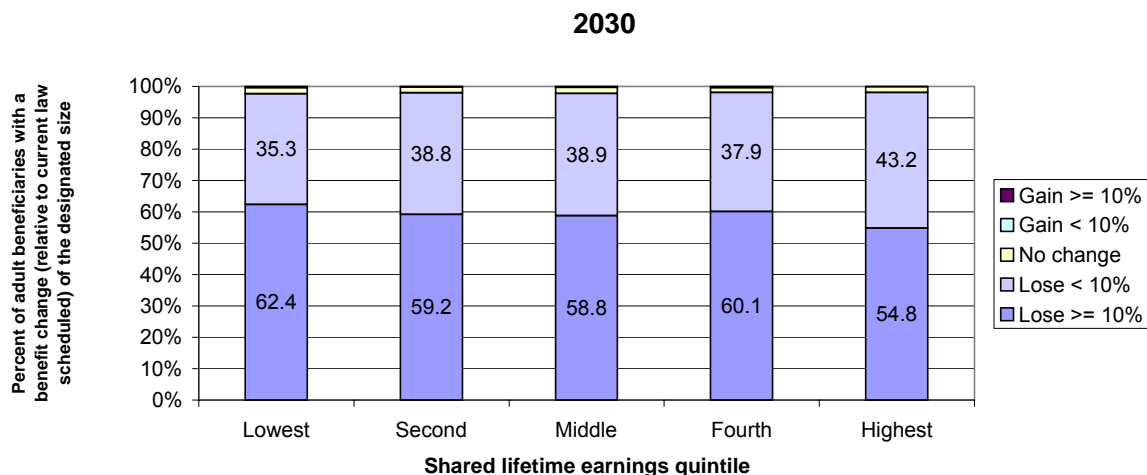
- COLA cuts accumulate over a lifetime, leading to very steep reductions in benefits at the oldest ages.

Source: DYNASIM (Run 614, April 2009).

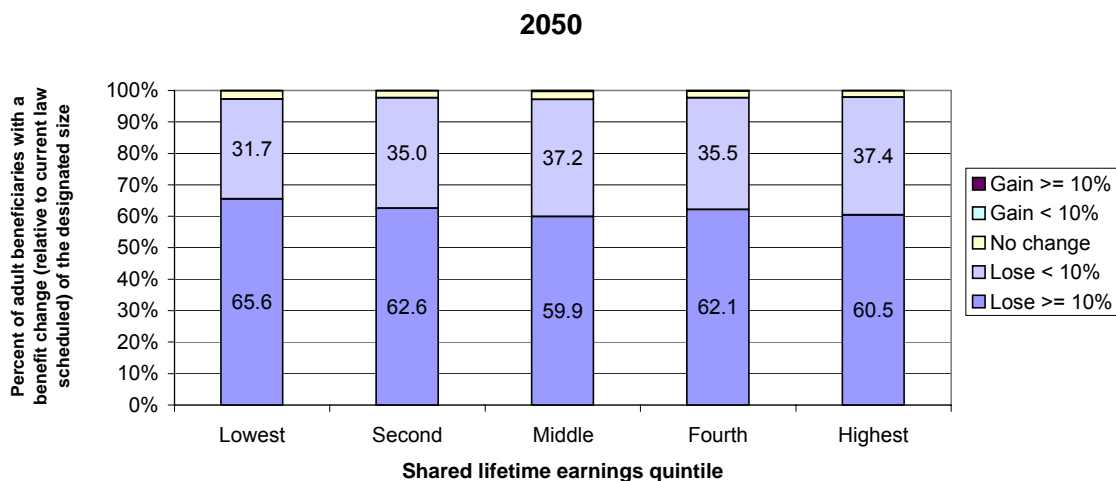
Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

## Reduce Annual COLA by One Percentage Point

COLA FIGURES 3 & 4:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings



- The majority of 2030 beneficiaries would have benefits that were at least ten percent lower than current law scheduled under this option.
- The lowest lifetime earners in 2030 are the most likely of the earnings quintiles to have a reduction of ten percent or more (in part reflecting the tendency for later cohorts to experience relatively higher family earnings growth).



- Three-fifths of 2050 beneficiaries would have benefits that were at least ten percent lower than current law scheduled under this option.
- The lowest lifetime earners remain most likely to have a benefit reduction of ten percent or more.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table COLA-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with an Annual COLA Reduction of One Percentage Point

	2030			2050		
	Current Law Scheduled	Current Law Payable	Reduce COLA by 1 Percentage Point	Current Law Scheduled	Current Law Payable	Reduce COLA by 1 Percentage Point
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	88.9	\$19,417	80.1	87.2
<b>Gender</b>						
Men	\$17,130	100.0	89.5	\$20,596	80.1	88.3
Women	14,834	100.0	88.3	18,358	80.1	86.2
<b>Age</b>						
Disabled < 35	\$12,819	100.0	96.6	\$16,997	80.1	96.7
Disabled 35-49	14,199	100.0	92.9	18,253	80.1	93.6
Disabled 50-59	15,521	100.0	92.9	19,256	80.1	92.5
60-61	15,828	100.0	92.7	18,989	80.1	92.2
62-64	12,861	100.0	96.2	15,818	80.1	96.1
65-69	15,598	100.0	93.7	19,351	80.1	93.5
70-74	16,498	100.0	89.8	20,531	80.1	89.6
75-79	16,813	100.0	85.8	20,228	80.1	85.4
80-84	16,947	100.0	82.5	20,065	80.1	81.4
85+	16,285	100.0	79.7	19,145	80.1	75.8
<b>Education</b>						
<High school	\$11,515	100.0	88.9	\$14,394	80.1	87.0
High school graduate	14,943	100.0	88.8	17,855	80.1	87.1
College or more	19,578	100.0	89.2	23,290	80.1	87.5
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	88.4	\$11,004	80.1	85.8
Second	13,175	100.0	89.0	15,700	80.1	87.1
Middle	16,014	100.0	89.0	19,506	80.1	87.5
Fourth	18,698	100.0	88.6	22,959	80.1	87.4
Highest	22,396	100.0	89.3	27,916	80.1	87.7

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault. Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table COLA-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62 to 69 under Current Law and with an Annual COLA Reduction of One Percentage Point

	2030			2050		
	Current Law Scheduled	Current Law Payable	Reduce COLA by 1 Percentage Point	Current Law Scheduled	Current Law Payable	Reduce COLA by 1 Percentage Point
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	94.3	\$18,263	80.1	94.2
<b>Gender</b>						
Men	\$15,772	100.0	94.7	\$19,582	80.1	94.7
Women	13,812	100.0	93.9	16,996	80.1	93.6
<b>Age</b>						
62-64	\$12,861	100.0	96.2	\$15,818	80.1	96.1
65-69	15,598	100.0	93.7	19,351	80.1	93.5
<b>Education</b>						
<High school	\$10,794	100.0	93.2	\$14,007	80.1	93.1
High school graduate	13,874	100.0	94.2	16,840	80.1	94.2
College or more	18,252	100.0	94.7	21,740	80.1	94.4
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	92.8	\$10,553	80.1	91.9
Second	12,481	100.0	94.1	15,056	80.1	93.8
Middle	15,014	100.0	94.5	18,411	80.1	94.4
Fourth	17,150	100.0	94.6	21,499	80.1	94.5
Highest	20,737	100.0	94.8	26,019	80.1	94.8

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault. Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population. Policy change takes effect in 2010.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

**Table COLA-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and an Annual COLA Reduction of One Percentage Point**

	<b>Current Law Scheduled</b>		<b>Current Law Payable</b>		<b>Reduce COLA by 1 Percentage Point</b>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.483	1.012
<b>Gender</b>						
Men	1.420	1.003	1.304	0.897	1.267	0.904
Women	1.966	1.296	1.794	1.145	1.713	1.144
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.105	1.253
High school graduate	1.730	1.176	1.588	1.052	1.522	1.054
College or more	1.353	1.044	1.217	0.919	1.183	0.924
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	2.648	1.542
Second	1.767	1.336	1.626	1.201	1.569	1.197
Middle	1.378	1.164	1.248	1.041	1.210	1.045
Fourth	1.098	1.033	0.980	0.914	0.965	0.920
Highest	0.912	0.899	0.802	0.783	0.799	0.792

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614). For more information, contact Melissa Favreault.

Notes: Benefits and taxes are shared when an individual is married. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of death or disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the 2050 beneficiary population.

Policy change takes effect in 2010.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table COLA-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with an Annual COLA Reduction of One Percentage Point

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	18.6	16.4	15.4	13.7	6.7	34.0	26.9	24.2	23.1	20.4
lose 15-19.99%	21.9	19.4	19.5	22.6	22.2	14.5	16.8	16.8	18.0	19.1
lose 10-14.99%	21.9	23.4	24.0	23.8	25.9	17.1	18.9	18.9	21.0	21.0
lose 5-9.99%	20.1	21.2	22.6	24.0	28.1	16.0	18.5	20.1	20.2	21.9
lose < 5 %	15.3	17.5	16.3	13.9	15.2	15.7	16.5	17.1	15.3	15.5
no change	2.0	1.8	1.9	1.6	1.9	2.6	2.2	2.6	2.1	2.1
gain < 5%	0.3	0.1	0.3	0.3	0.1	0.1	0.1	0.3	0.2	0.1
gain 5-9.99%	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
gain 10-14.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain 15-19.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain >=20%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010.

In displays of full distributions of benefit changes at a single point in time, small numbers of anomalous cases (for example, apparent benefit increases in cases in which only reductions should occur or reductions when only increases should occur) typically arise. These are often the result of complex interactions with the retirement earnings test or cases of individuals switching benefit types (for example, from worker to survivor). In many cases, the beneficiary experiences a roughly offsetting change in a subsequent year. These projections allow such anomalies to occur (rather than overwriting the projected benefits to conform with an expected benefit).

## Option: Increase Computation Years from 35 to 38, Effective 2010

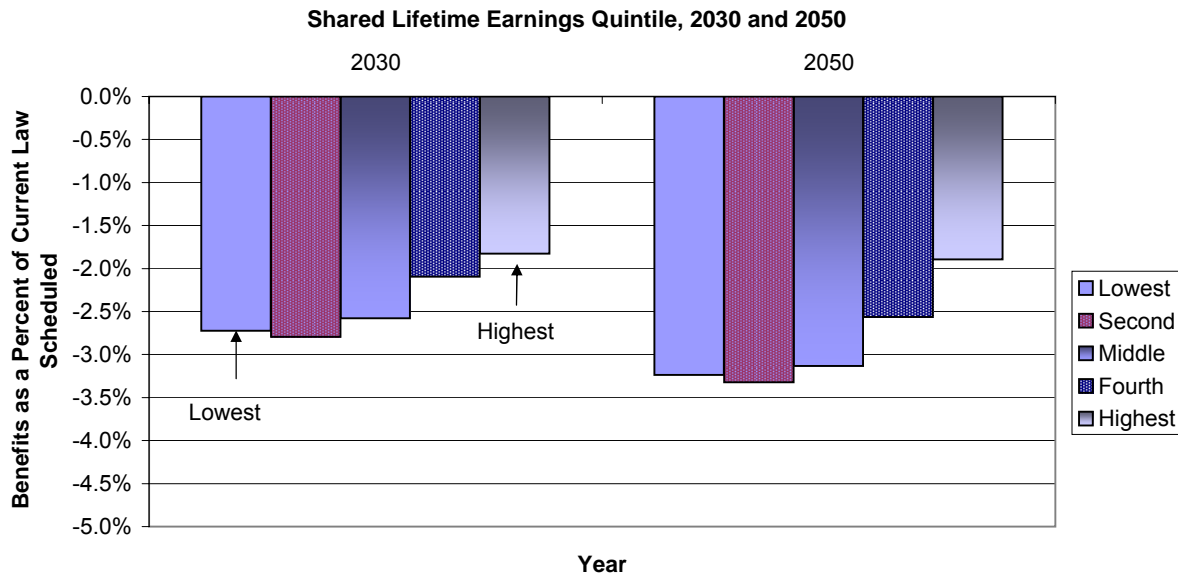
### *Summary comments on computation years increases*

- As the tables and figures show, computation years increases are a relatively regressive way to reduce benefits.
- In relative terms, those with the highest lifetime earnings experience lower reductions than those in higher earnings quintiles.
- More educated beneficiaries (those with more than a high school diploma) have lower relative reductions than less educated beneficiaries.
- The age and year patterns in the table to some extent reflect the phase-in of the proposal (the proposal does not affect individuals in earlier cohorts and/or who were entitled prior to 2010).

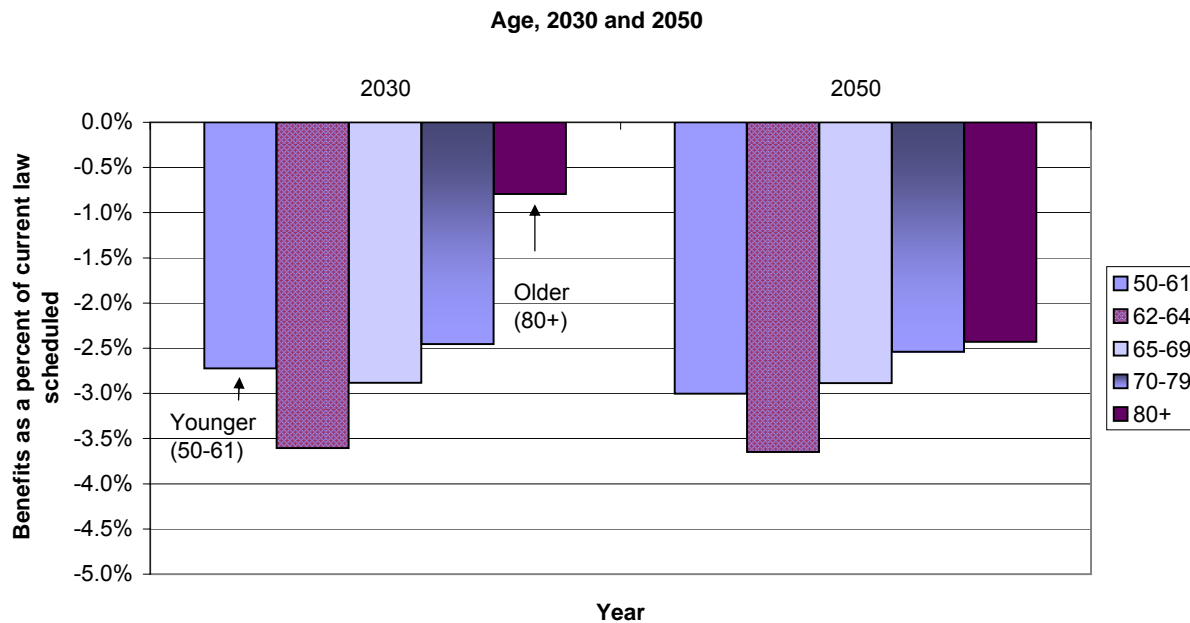
- The relative similarity in men's and women's changes under this option may be surprising given that men are more likely than women to work more than 35 years. The relative similarity reflects several facts: 1.) sizable fractions of women receive OASDI on a husband's or former husband's record, 2.) women are older, and therefore more likely to not have experienced the reform (in the 2030 results), and 3.) women increasingly work long careers.
- This proposal's relative regressivity needs to be weighed against its improved work incentives and equity for workers with careers longer than 35 years (relative to those with similar earnings spread over exactly 35 years).
- Annual benefit changes rarely exceed 10% (Table COMP-4).
- The effects of this option on long-term fiscal OASDI actuarial balance are significantly less than those for the one percentage point COLA reduction.
  - Using 2008 Trustees Assumptions, OCACT projects that a gradual increase in computation years to 38 phased in 2009-2013 would reduce the imbalance in program's long-run actuarial balance by about 18.2 percent.

## Increase Computation Years to 38

COMP FIGURES 1 & 2:  
Mean Percent Changes in Adult Social Security Benefits, by Lifetime Earnings and Age



- Benefit reductions decline with lifetime earnings in both 2030 and 2050.



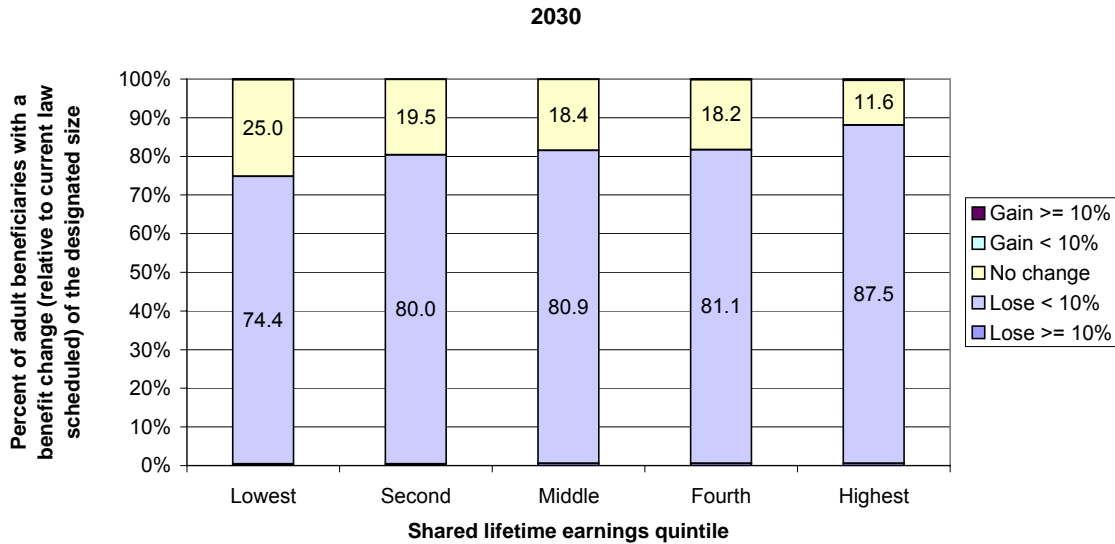
- In 2030, the benefit reductions decline more markedly with age as a result of a phase-in effect. When the option is almost fully phased in (2050), the pattern persists but with a gentler decline.
- Such options could be specified to prorate the computation years increase for the disabled.

Source: DYNASIM (Run 614, April 2009).

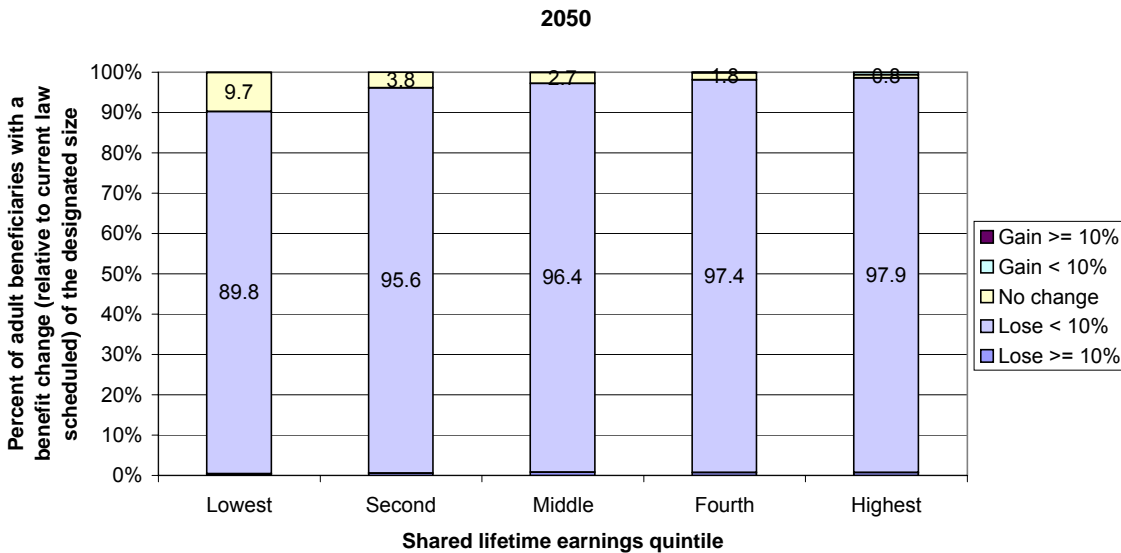
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## Increase Computation Years to 38

COMP FIGURES 3 & 4:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings



- The majority of 2030 beneficiaries would have benefits that were less than ten percent lower under this option.
- Most of those experience little or no change had their benefits determined before the proposal took effect. This partially accounts for the fraction of those with losses of at least 10 percent increasing with income.



- Most 2050 beneficiaries would have benefits that were by less than ten percent lower under this option.
- The lowest lifetime earners remain least likely to have a reduction of ten percent or more.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table COMP-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with an Increase in Computation Years to 38

	2030			2050		
	Current Law Scheduled	Current Law Payable	Computation Years Increase to 38	Current Law Scheduled	Current Law Payable	Computation Years Increase to 38
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	97.7	\$19,417	80.1	97.3
<b>Gender</b>						
Men	\$17,130	100.0	97.7	\$20,596	80.1	97.5
Women	14,834	100.0	97.7	18,358	80.1	97.2
<b>Age</b>						
Disabled < 35	\$12,819	100.0	98.4	\$16,997	80.1	98.1
Disabled 35-49	14,199	100.0	97.2	18,253	80.1	97.2
Disabled 50-59	15,521	100.0	97.3	19,256	80.1	97.0
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65-69	15,598	100.0	97.1	19,351	80.1	97.1
70-74	16,498	100.0	97.4	20,531	80.1	97.4
75-79	16,813	100.0	97.7	20,228	80.1	97.5
80-84	16,947	100.0	98.7	20,065	80.1	97.6
85+	16,285	100.0	99.9	19,145	80.1	97.6
<b>Education</b>						
<High school	\$11,515	100.0	97.3	\$14,394	80.1	96.7
High school graduate	14,943	100.0	97.7	17,855	80.1	97.2
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<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	97.3	\$11,004	80.1	96.8
Second	13,175	100.0	97.2	15,700	80.1	96.7
Middle	16,014	100.0	97.4	19,506	80.1	96.9
Fourth	18,698	100.0	97.9	22,959	80.1	97.4
Highest	22,396	100.0	98.2	27,916	80.1	98.1

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault. Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population. Policy change takes effect in 2010.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table COMP-2. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries Ages 62 to 69 under Current Law and with an Increase in Computation Years to 38

	2030			2050		
	Current Law Scheduled	Current Law Payable	Computation Years Increase to 38	Current Law Scheduled	Current Law Payable	Computation Years Increase to 38
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	96.9	\$18,263	80.1	96.9
<b>Gender</b>						
Men	\$15,772	100.0	97.0	\$19,582	80.1	97.1
Women	13,812	100.0	96.8	16,996	80.1	96.7
<b>Age</b>						
62-64	\$12,861	100.0	96.4	\$15,818	80.1	96.4
65-69	15,598	100.0	97.1	19,351	80.1	97.1
<b>Education</b>						
<High school	\$10,794	100.0	96.5	\$14,007	80.1	96.4
High school graduate	13,874	100.0	96.8	16,840	80.1	96.9
College or more	18,252	100.0	97.2	21,740	80.1	97.1
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	96.6	\$10,553	80.1	96.5
Second	12,481	100.0	96.5	15,056	80.1	96.4
Middle	15,014	100.0	96.6	18,411	80.1	96.5
Fourth	17,150	100.0	97.0	21,499	80.1	97.0
Highest	20,737	100.0	97.6	26,019	80.1	97.7

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

**Table COMP-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with an Increase in Computation Years to 38**

	<b>Current Law Scheduled</b>		<b>Current Law Payable</b>		<b>Computation Years Increase to 38</b>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.643	1.102
<b>Gender</b>						
Men	1.42	1.003	1.304	0.897	1.385	0.975
Women	1.966	1.296	1.794	1.145	1.918	1.260
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.303	1.348
High school graduate	1.730	1.176	1.588	1.052	1.688	1.142
College or more	1.353	1.044	1.217	0.919	1.319	1.017
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	2.943	1.646
Second	1.767	1.336	1.626	1.201	1.721	1.284
Middle	1.378	1.164	1.248	1.041	1.338	1.130
Fourth	1.098	1.033	0.980	0.914	1.070	1.006
Highest	0.912	0.899	0.802	0.783	0.894	0.884

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614). For more information, contact Melissa Favreault.

Notes: Benefits and taxes are shared when an individual is married. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of death or disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the 2050 beneficiary population.

Policy change takes effect in 2010.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table COMP-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with a COLA Reduction of One Percentage Point

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.3	0.4
lose 15-19.99%	0.0	0.1	0.1	0.1	0.2	0.0	0.1	0.2	0.2	0.1
lose 10-14.99%	0.3	0.1	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.2
lose 5-9.99%	16.3	13.2	11.7	7.1	2.8	17.4	16.1	16.6	10.0	5.5
lose < 5 %	58.2	66.8	69.2	74.1	84.7	72.4	79.6	79.8	87.4	92.4
no change	25.0	19.5	18.4	18.2	11.6	9.7	3.8	2.7	1.8	0.8
gain < 5%	0.1	0.1	0.1	0.1	0.3	0.1	0.0	0.1	0.1	0.6
gain 5-9.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain 10-14.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain 15-19.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain >=20%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population. Policy change takes effect in 2010.

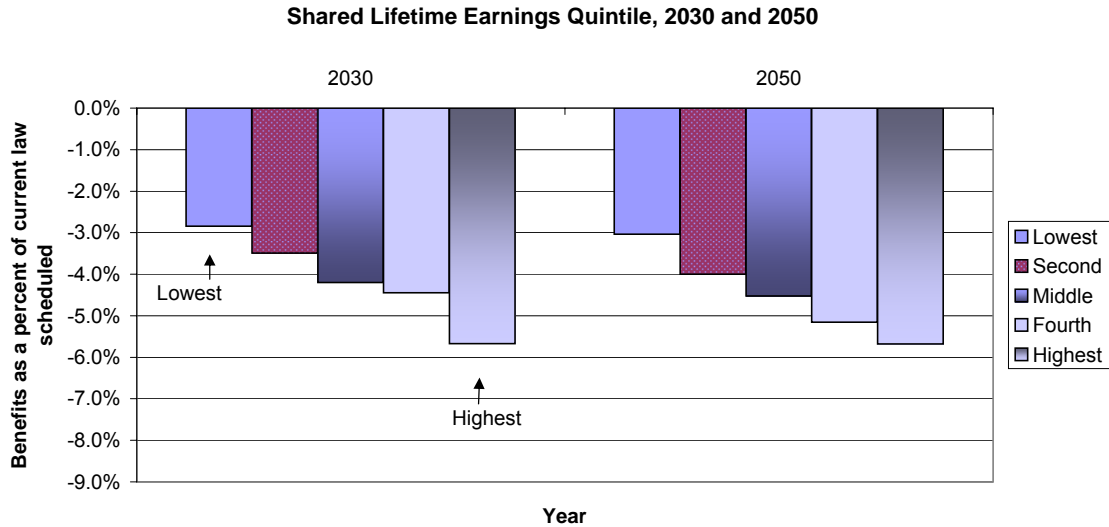
## **Option: Increase the Normal (Full) Retirement Age to 68, Starting in 2010 (by Eliminating the Hiatus for Raising the Normal Retirement Age and Continuing to Increase NRA by Two Months per Birth Cohort)**

### *Summary comments on normal (full) retirement age increases*

- As the tables and figures show, an important feature of normal retirement age increases is the way that they typically exempt disabled worker beneficiaries from changes to their benefits.
- Because disabled workers tend to be less educated and more likely to be lower and moderate earners than non-disabled workers, such proposals often have effects that appear progressive (i.e., benefit reductions increase with lifetime earnings and higher education).
- Beneficiaries ages 65 to 69 appear to have relatively large benefit reductions (specifically, the mean changes notably) under this option. This is the result of the Retirement Earnings Test (RET). When the normal retirement age goes up to 68, some beneficiaries with earnings who had not previously been affected by the RET now see part of their benefits withheld at age 67.
  - In these cross-sectional tables, this can result in apparently large losses. However, it is important to bear in mind that beneficiaries are typically later compensated for benefits withheld due to the RET through an adjustment to the actuarial reduction factor for early retirement.
  - These RET reductions contribute to the apparently progressive patterns, as many of those who are still working at age 67 are relatively higher earners.
  - This recomputation of the actuarial reduction later in retirement can lead to the appearance that a beneficiary has gained from the option.
  - On net, the adjustment to the actuarial reduction factor is designed to be roughly actuarially neutral. So these apparent gains and losses on average will offset over the course of a lifetime, though any individual's treatment will vary based on his/her longevity.
- Not shown in the tables, benefit reductions that are partially geared to life expectancy increases could encourage workers to work longer, thus leading to more resources for the OASDI system.
- Also not shown in the first few tables and graphs are individuals who die before receiving retirement benefits. Because of differential mortality, treatment of such workers may be a source of concern. The Table NRA-3 projections incorporate these individuals' experiences.
- The distribution of benefit changes (Table NRA-4) is fairly skewed, but again the larger changes mostly reflect effects of the RET. Among those with a change who are not affected by the RET, changes are basically the same in percentage terms.
- In the aggregate, projected benefits under the retirement age increase fall between scheduled and payable benefits in 2050. The proposal does not fully bring the system into long-term balance (though it makes inroads).
  - While OCACT does not project the long-term impact of this precise parameterization, based on 2008 Trustees assumptions a slightly slower increase to 68 in the normal retirement age would reduce the long-run (75-year) imbalance by about 27 percent.

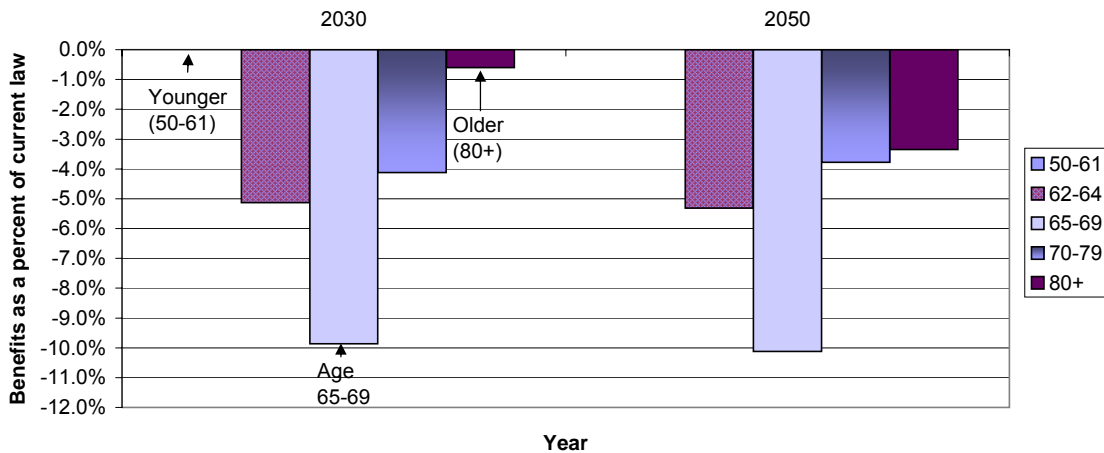
## Increase Normal Retirement Age to 68

NRA FIGURES 1 & 2:  
Mean Percent Changes in Adult Social Security Benefits, by Lifetime Earnings and Age



- Benefit reductions increase with lifetime earnings in both 2050 and 2030.
- This in part reflects the fact that the benefits of disabled workers, who have lower lifetime earnings on average, are not affected by the proposal.

**FIGURE NRA-2. Percent Change in Adult Social Security Benefits (Relative to Current Law Scheduled) with an NRA Increase, by Age, 2030 and 2050**



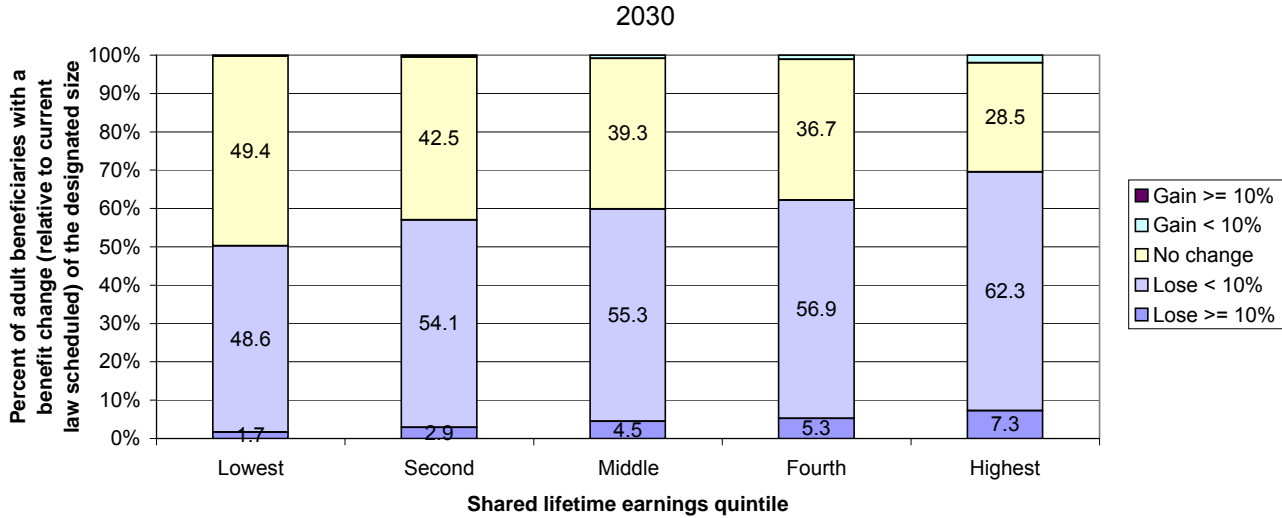
- The prominent spike in benefit reductions at ages 65 to 69 is due to the retirement earnings test.
- In 2030, the benefit reductions decline more markedly with age as a result of a phase-in effect. When the option is almost fully phased in (2050), the pattern persists but with a gentler decline.
- The option could be specified to prorate the computation years increase for the disabled.

Source: DYNASIM (Run 614, April 2009).

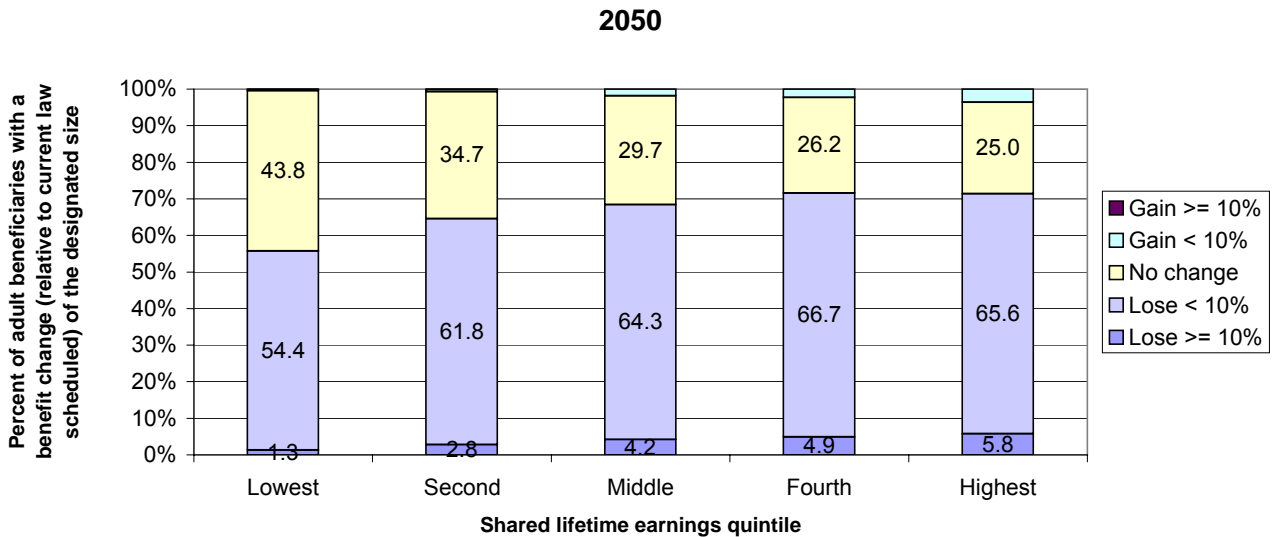
Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

## Increase Normal Retirement Age to 68

NRA FIGURES 3 & 4:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings



- The majority of 2030 beneficiaries would have benefits that were less than ten percent lower under this option.
- Most of those experience little or no change had their benefits determined before the proposal took effect. This partially accounts for the fraction of those with losses of at least 10 percent increasing with income.



- Most 2050 beneficiaries would have benefits that were by less than ten percent lower under this option.
- The lowest lifetime earners remain least likely to have a reduction of ten percent or more.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table NRA-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with an Increase in the Normal (Full) Retirement Age to 68

	2030			2050		
	Current Law Scheduled	Current Law Payable	Normal Retirement Age Increase	Current Law Scheduled	Current Law Payable	Normal Retirement Age Increase
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	95.6	\$19,417	80.1	95.2
<b>Gender</b>						
Men	\$17,130	100.0	95.1	\$20,596	80.1	94.8
Women	14,834	100.0	96.1	18,358	80.1	95.7
<b>Age</b>						
Disabled < 35	\$12,819	100.0	100.0	\$16,997	80.1	100.0
Disabled 35-49	14,199	100.0	100.0	18,253	80.1	100.0
Disabled 50-59	15,521	100.0	100.0	19,256	80.1	100.0
60-61	15,828	100.0	100.0	18,989	80.1	100.0
62-64	12,861	100.0	94.9	15,818	80.1	94.7
65-69	15,598	100.0	90.1	19,351	80.1	89.9
70-74	16,498	100.0	95.8	20,531	80.1	96.1
75-79	16,813	100.0	96.0	20,228	80.1	96.3
80-84	16,947	100.0	99.0	20,065	80.1	96.5
85+	16,285	100.0	100.0	19,145	80.1	96.8
<b>Education</b>						
<High school	\$11,515	100.0	97.1	\$14,394	80.1	96.8
High school graduate	14,943	100.0	95.9	17,855	80.1	95.5
College or more	19,578	100.0	94.8	23,290	80.1	94.7
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	97.2	\$11,004	80.1	97.0
Second	13,175	100.0	96.5	15,700	80.1	96.0
Middle	16,014	100.0	95.8	19,506	80.1	95.5
Fourth	18,698	100.0	95.6	22,959	80.1	94.8
Highest	22,396	100.0	94.3	27,916	80.1	94.3

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault. Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010, eliminating the hiatus for raising the retirement age for those born between 1948 and 1954 and increasing the retirement age by two months per year until reaching age 68 for those born 1960 and later.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table NRA-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62 to 69 under Current Law and with an Increase in the Normal (Full) Retirement Age to 68

	2030			2050		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Normal Retirement Age Increase</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Normal Retirement Age Increase</u>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	91.4	\$18,263	80.1	91.2
<b>Gender</b>						
Men	\$15,772	100.0	90.6	\$19,582	80.1	90.3
Women	13,812	100.0	92.2	18,358	80.1	92.2
<b>Age</b>						
62-64	\$12,861	100.0	94.9	\$15,818	80.1	94.7
65-69	15,598	100.0	90.1	19,351	80.1	89.9
<b>Education</b>						
<High school	\$10,794	100.0	94.7	\$14,394	80.1	94.9
High school graduate	13,874	100.0	92.4	17,855	80.1	91.9
College or more	18,252	100.0	89.0	23,290	80.1	89.6
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	95.2	\$11,004	80.1	95.6
Second	12,481	100.0	94.1	15,700	80.1	93.5
Middle	15,014	100.0	91.9	19,506	80.1	92.5
Fourth	17,150	100.0	90.8	22,959	80.1	90.1
Highest	20,737	100.0	88.1	27,916	80.1	87.7

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010, eliminating the hiatus for raising the retirement age for those born between 1948 and 1954 and increasing the retirement age by two months per year until reaching age 68 for those born 1960 and later.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

**Table NRA-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with an Increase in the Normal (Full) Retirement Age to 68**

	<b>Current Law Scheduled</b>		<b>Current Law Payable</b>		<b>Normal Retirement Age Increase</b>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.629	1.069
<b>Gender</b>						
Men	1.42	1.003	1.304	0.897	1.368	0.942
Women	1.966	1.296	1.794	1.145	1.908	1.227
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.313	1.336
High school graduate	1.730	1.176	1.588	1.052	1.675	1.110
College or more	1.353	1.044	1.217	0.919	1.296	0.983
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	2.951	1.621
Second	1.767	1.336	1.626	1.201	1.713	1.261
Middle	1.378	1.164	1.248	1.041	1.324	1.100
Fourth	1.098	1.033	0.980	0.914	1.045	0.969
Highest	0.912	0.899	0.802	0.783	0.862	0.845

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614). For more information, contact Melissa Favreault.

Notes: Benefits and taxes are shared when an individual is married. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of death or disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the 2050 beneficiary population.

Policy change takes effect in 2010, eliminating the hiatus for raising the retirement age for those born between 1948 and 1954 and increasing the retirement age by two months per year until reaching age 68 for those born 1960 and later.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table NRA-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with an Increase in the Normal (Full) Retirement Age to 68

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	0.6	1.2	2.2	2.8	4.3	0.5	1.2	1.9	2.7	3.7
lose 15-19.99%	0.3	0.4	0.7	0.9	1.3	0.2	0.5	0.7	0.9	1.0
lose 10-14.99%	0.8	1.3	1.6	1.6	1.7	0.6	1.1	1.6	1.4	1.2
lose 5-9.99%	36.2	39.2	37.9	37.5	38.3	44.7	48.8	49.2	49.3	45.9
lose < 5 %	12.5	15.0	17.5	19.4	23.9	9.7	13.0	15.1	17.4	19.7
no change	49.4	42.5	39.3	36.7	28.5	43.8	34.7	29.7	26.2	25.0
gain < 5%	0.2	0.4	0.8	0.8	1.7	0.4	0.6	1.8	2.2	3.5
gain 5-9.99%	0.1	0.1	0.1	0.3	0.3	0.0	0.0	0.0	0.1	0.1
gain 10-14.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain 15-19.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain >=20%	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010, eliminating the hiatus for raising the retirement age for those born between 1948 and 1954 and increasing the retirement age by two months per year until reaching age 68 for those born 1960 and later.

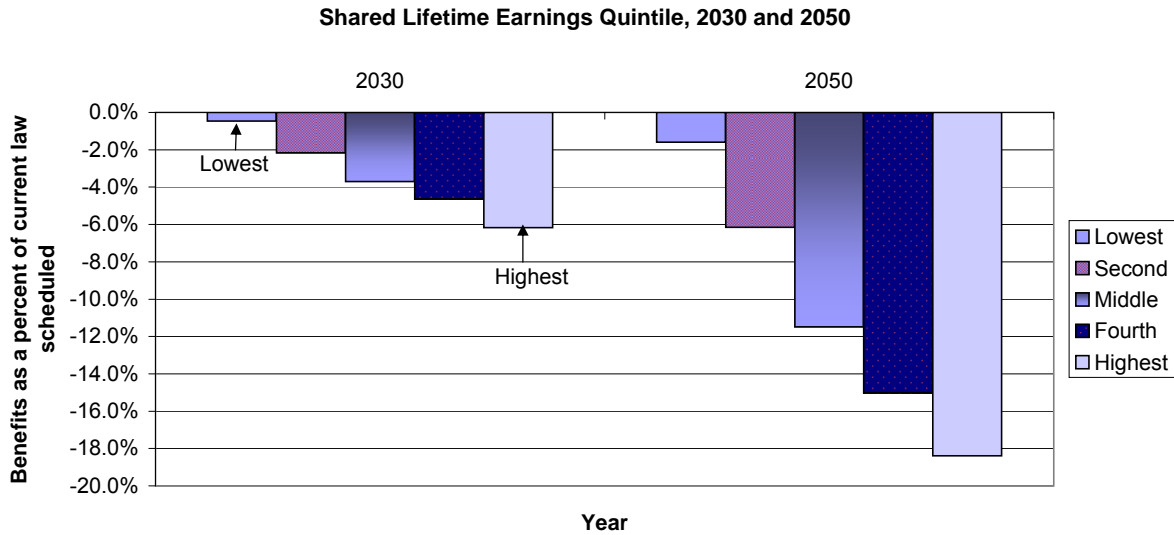
## **Option: Implement Progressive Price Indexing (with New Bend Point at the 30th Percentile of the Lifetime Earnings Distribution), Effective 2012**

*Summary comments on on progressive price indexing (with a new bend point set at approximately the 30th percentile of earners)*

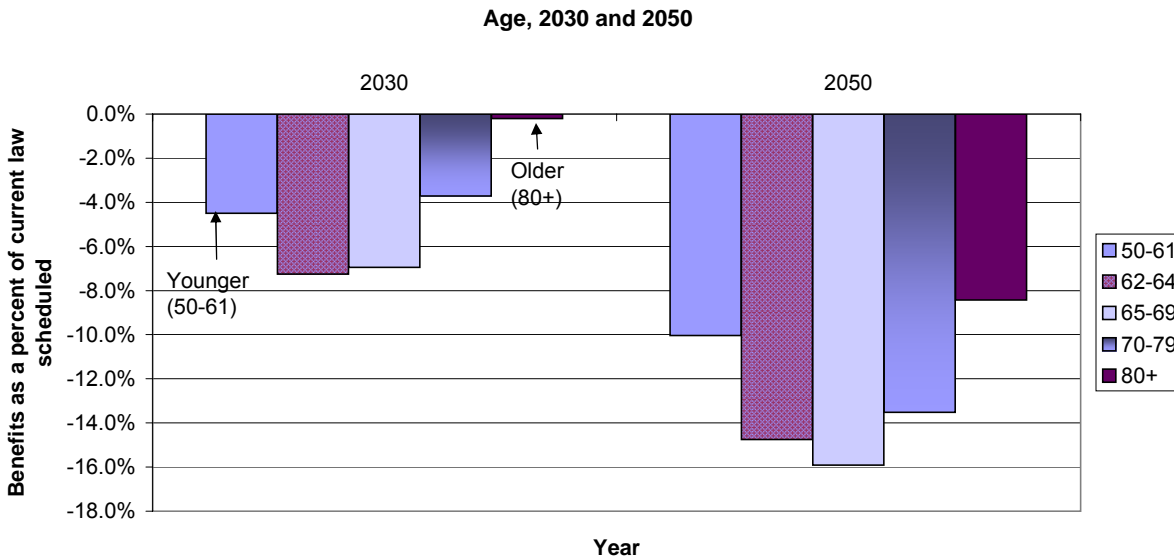
- As the tables and figures show, an important feature of progressive price indexing is the way that it shields lowest quintiles of the earnings distribution from large benefit reductions.  
  
A second important feature is the way that, under the current parameterization, benefit reductions increase markedly across cohorts (and over time), leading to very large reductions for higher earners in future years (with those in the second through fourth quintiles also seeing increasing reductions). This would to some degree shift the system away from its current focus on replacement of wages prior to retirement/disability/death.
- In the aggregate, the fact that the progressive price indexing falls between scheduled and payable benefits in 2050 indicates that it does not fully bring the system into long-term balance at that point (though it makes quite significant inroads).
- OCACT projects (using 2008 Trustees assumptions) that progressive price indexing implemented effective in 2015 with a bend point at the 30th percentile would reduce Social Security's long-term (75-year) imbalance by about 80 percent.
- The distribution of losses from progressive price indexing is highly skewed (Table PPI-4). By 2050, three-quarters of those in the highets quintile will lose at least ten percent (relative to current law scheduled). Thirty percent will lose at least twenty percent (again, relative to current law scheduled).

## Progressive Price Indexing (30th Percentile)

PPI FIGURES 1 & 2:  
Mean Percent Changes in Adult Social Security Benefits, by Lifetime Earnings and Age



- Benefit reductions decrease markedly with lifetime earnings, especially over time.



- The benefit reduction declines with age in part reflect phase-in effects.
- The option could be specified to treated disabled workers and survivors in various ways.

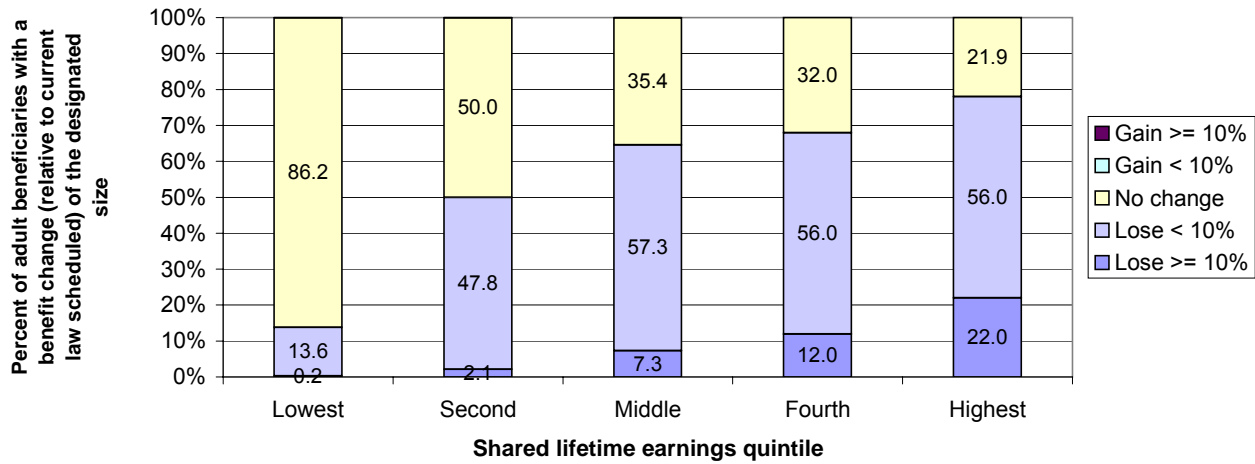
Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

## Progressive Price Indexing (30th Percentile)

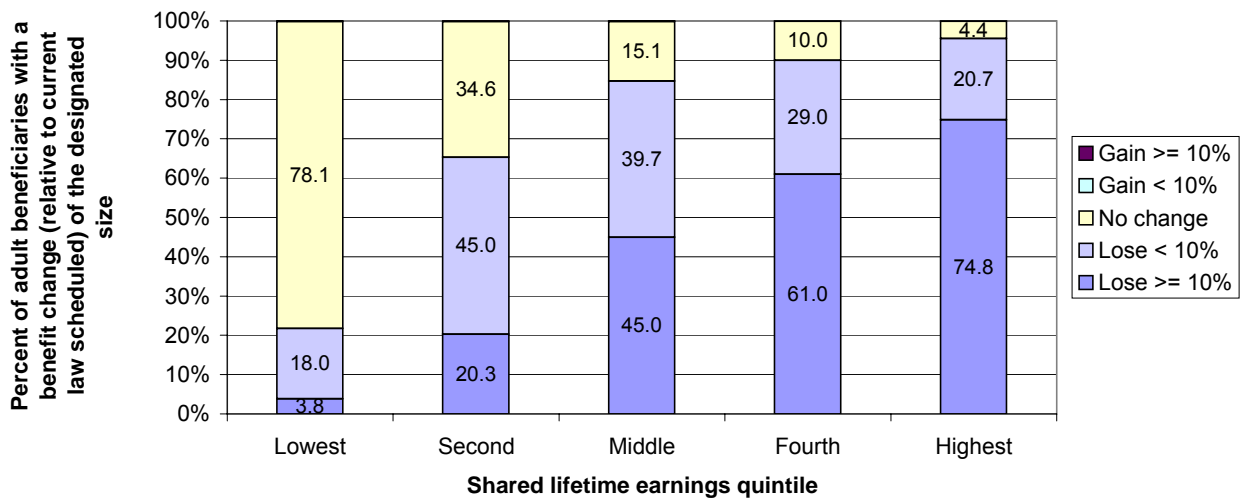
PPI FIGURES 3 & 4:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings

2030



- The distribution of benefit changes varies markedly by lifetime earnings, with greater reductions at higher levels.
- Most of those in the lowest quintile experience no change in their benefits.

2050



- By 2050, we see escalation in the reductions at middle to higher earnings levels.
- Benefits for most of those in the upper 2 quintiles decline by more than 10 percent.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table PPI-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with Progressive Price Indexing (with a New Bendpoint Set at the 30th Percentile of Earners)

	2030			2050		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Progressive Price Indexing (Bend Point at 30th Percentile)</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Progressive Price Indexing (Bend Point at 30th Percentile)</u>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	96.0	\$19,417	80.1	87.7
<b>Gender</b>						
Men	\$17,130	100.0	95.4	\$20,596	80.1	86.4
Women	14,834	100.0	96.6	18,358	80.1	89.0
<b>Age</b>						
Disabled < 35	\$12,819	100.0	97.6	\$16,997	80.1	93.9
Disabled 35-49	14,199	100.0	96.7	18,253	80.1	91.6
Disabled 50-59	15,521	100.0	95.6	19,256	80.1	90.0
60-61	15,828	100.0	95.1	18,989	80.1	89.7
62-64	12,861	100.0	92.7	15,818	80.1	85.3
65-69	15,598	100.0	93.1	19,351	80.1	84.1
70-74	16,498	100.0	95.3	20,531	80.1	85.7
75-79	16,813	100.0	97.6	20,228	80.1	87.5
80-84	16,947	100.0	99.7	20,065	80.1	89.5
85+	16,285	100.0	99.9	19,145	80.1	93.4
<b>Education</b>						
<High school	\$11,515	100.0	97.8	\$14,394	80.1	92.8
High school graduate	14,943	100.0	96.6	17,855	80.1	89.4
College or more	19,578	100.0	94.7	23,290	80.1	84.8
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	99.5	\$11,004	80.1	98.4
Second	13,175	100.0	97.8	15,700	80.1	93.9
Middle	16,014	100.0	96.3	19,506	80.1	88.5
Fourth	18,698	100.0	95.4	22,959	80.1	85.0
Highest	22,396	100.0	93.8	27,916	80.1	81.6

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault. Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2012, and the 30th percentile is defined based on non-disabled workers in the 1948 birth cohort with at least 40 covered quarters.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table PPI-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62-69 under Current Law and with Progressive Price Indexing (with a New Bendpoint Set at the 30th Percentile of Earners)

	2030			2050		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Progressive Price Indexing (Bend Point at 30th Percentile)</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Progressive Price Indexing (Bend Point at 30th Percentile)</u>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	93.0	\$18,263	80.1	84.4
<b>Gender</b>						
Men	\$15,772	100.0	92.2	\$19,582	80.1	82.8
Women	13,812	100.0	93.8	16,996	80.1	86.1
<b>Age</b>						
62-64	\$12,861	100.0	92.7	\$15,818	80.1	85.3
65-69	15,598	100.0	93.1	19,351	80.1	84.1
<b>Education</b>						
<High school	\$10,794	100.0	96.9	\$14,007	80.1	91.4
High school graduate	13,874	100.0	94.1	16,840	80.1	86.6
College or more	18,252	100.0	90.3	21,740	80.1	80.5
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	99.4	\$10,553	80.1	98.2
Second	12,481	100.0	96.5	15,056	80.1	92.6
Middle	15,014	100.0	93.6	18,411	80.1	85.6
Fourth	17,150	100.0	91.4	21,499	80.1	80.5
Highest	20,737	100.0	89.0	26,019	80.1	76.1

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2012, and the 30th percentile is defined based on non-disabled workers in the 1948 birth cohort with at least 40 covered quarters.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table PPI-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with Progressive Price Indexing (with a New Bendpoint Set at the 30th Percentile of Earners)

	<b>Current Law Scheduled</b>		<b>Current Law Payable</b>		<b>Progressive Price Indexing (Bend Point at 30th Percentile)</b>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.601	1.024
<b>Gender</b>						
Men	1.42	1.003	1.304	0.897	1.345	0.899
Women	1.966	1.296	1.794	1.145	1.873	1.173
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.317	1.325
High school graduate	1.730	1.176	1.588	1.052	1.653	1.073
College or more	1.353	1.044	1.217	0.919	1.244	0.911
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	2.988	1.702
Second	1.767	1.336	1.626	1.201	1.708	1.268
Middle	1.378	1.164	1.248	1.041	1.276	1.062
Fourth	1.098	1.033	0.980	0.914	0.979	0.908
Highest	0.912	0.899	0.802	0.783	0.784	0.764

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614). For more information, contact Melissa Favreault.

Notes: Benefits and taxes are shared when an individual is married. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of death or disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the 2050 beneficiary population.

Policy change takes effect in 2012, and the 30th percentile is defined based on non-disabled workers in the 1948 birth cohort with at least 40 covered quarters.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table PPI-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with Progressive Price Indexing (with a New Bendpoint Set at the 30th Percentile of Earners)

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	0.0	0.5	1.1	1.9	3.1	0.7	2.3	10.1	17.3	29.6
lose 15-19.99%	0.0	0.2	0.5	0.9	1.9	0.8	5.4	15.2	20.5	24.0
lose 10-14.99%	0.2	1.4	5.7	9.2	17.0	2.3	12.6	19.6	23.3	21.1
lose 5-9.99%	1.1	12.4	22.0	27.6	31.8	5.2	21.5	23.8	18.8	14.4
lose < 5 %	12.4	35.5	35.3	28.4	24.2	12.8	23.6	15.9	10.2	6.3
no change	86.2	50.0	35.4	32.0	21.9	78.1	34.6	15.1	10.0	4.4
gain < 5%	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.0
gain 5-9.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain 10-14.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain 15-19.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
gain >=20%	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2012, and the 30th percentile is defined based on non-disabled workers in the 1948 birth cohort with at least 40 covered quarters.

**Option: Increase the Contribution and Benefit Base ("Taxable Maximum") such that Approximately 90 Percent of Earnings Would be Subject to the Payroll Tax, with Increased Taxes Creditable toward Benefits, Effective 2010**

*Summary comments on increasing the taxable maximum (to the point where 90 percent of earnings are taxable)*

- Because all of the improvement to Social Security's financing comes from increased payroll tax contributions, this proposal shows very different patterns than the others simulated in this group of options that address solvency.
- Benefits increase relative to current law scheduled under the proposal, with those in the highest lifetime earnings quintile experiencing most of the increase. (Beneficiaries in lower quintiles do show some gains, as the result of, for example, relatively short-term marriages to high earners or one or two years of unusually high earnings in the career.)
- Men have higher benefit increases than women, though many women also receive higher benefits as a result of their own earnings above the taxable maximum or the added earnings of a spouse or former spouse.
- The lifetime estimates (in Table TM-3) reveal that the tax-benefit ratios do decline for the higher earners, so the increased benefits to higher earners and their spouses/survivors come at a cost of lower lifetime returns to their contributions.
- Using 2008 Trustees Assumptions, OCACT projects that increasing the contribution and benefit base to the point at which it would cover 90 percent of earnings and allowing the additional contributions to count toward benefits effective in 2009 would reduce Social Security's long-run (75-year) imbalance by almost half (about 49 percent).

Table TM-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with an Increase in the Taxable Maximum to Approximately 90 Percent of Total Payroll, Allowing Additional Benefit Payments on the Basis of the Increased Contributions

	2030			2050		
	Current Law Scheduled	Current Law Payable	Taxable Maximum to 90% of Payroll	Current Law Scheduled	Current Law Payable	Taxable Maximum to 90% of Payroll
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	101.0	\$19,417	80.1	103.4
<b>Gender</b>						
Men	\$17,130	100.0	101.1	\$20,596	80.1	103.9
Women	14,834	100.0	100.9	18,358	80.1	103.0
<b>Age</b>						
Disabled < 35	\$12,819	100.0	101.2	\$16,997	80.1	100.4
Disabled 35-49	14,199	100.0	100.9	18,253	80.1	101.2
Disabled 50-59	15,521	100.0	101.0	19,256	80.1	102.0
60-61	15,828	100.0	101.4	18,989	80.1	101.9
62-64	12,861	100.0	101.3	15,818	80.1	103.2
65-69	15,598	100.0	101.5	19,351	80.1	104.2
70-74	16,498	100.0	101.2	20,531	80.1	104.2
75-79	16,813	100.0	100.9	20,228	80.1	104.0
80-84	16,947	100.0	100.3	20,065	80.1	103.5
85+	16,285	100.0	100.2	19,145	80.1	101.9
<b>Education</b>						
<High school	\$11,515	100.0	100.4	\$14,394	80.1	101.4
High school graduate	14,943	100.0	100.4	17,855	80.1	102.2
College or more	19,578	100.0	102.0	23,290	80.1	105.2
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	100.1	\$11,004	80.1	100.3
Second	13,175	100.0	100.2	15,700	80.1	100.6
Middle	16,014	100.0	100.3	19,506	80.1	101.1
Fourth	18,698	100.0	100.8	22,959	80.1	102.8
Highest	22,396	100.0	102.5	27,916	80.1	108.5

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault. Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010, when the taxable maximum is set at \$213,000.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table TM-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62-69 under Current Law and with an Increase in the Taxable Maximum to Approximately 90 Percent of Total Payroll, Allowing Additional Benefit Payments on the Basis of the Increased Contributions

	2030			2050		
	<b>Current Law Scheduled</b>	<b>Current Law Payable</b>	<b>Taxable Maximum to 90% of Payroll</b>	<b>Current Law Scheduled</b>	<b>Current Law Payable</b>	<b>Taxable Maximum to 90% of Payroll</b>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	101.5	\$18,263	80.1	103.9
<b>Gender</b>						
Men	\$15,772	100.0	101.6	\$19,582	80.1	104.3
Women	13,812	100.0	101.2	16,996	80.1	103.5
<b>Age</b>						
62-64	\$12,861	100.0	101.3	\$15,818	80.1	103.2
65-69	15,598	100.0	101.5	19,351	80.1	104.2
<b>Education</b>						
<High school	\$10,794	100.0	100.5	\$14,007	80.1	101.2
High school graduate	13,874	100.0	100.6	16,840	80.1	102.6
College or more	18,252	100.0	103.0	21,740	80.1	105.9
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	100.1	\$10,553	80.1	100.4
Second	12,481	100.0	100.3	15,056	80.1	100.6
Middle	15,014	100.0	100.5	18,411	80.1	101.2
Fourth	17,150	100.0	101.3	21,499	80.1	103.4
Highest	20,737	100.0	103.5	26,019	80.1	109.8

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run552, July 2008). For more information, contact Melissa Favreault. Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010, when the taxable maximum is set at \$213,000.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

**Table TM-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with an Increase in the Taxable Maximum to Approximately 90 Percent of Total Payroll, Allowing Additional Benefit Payments on the Basis of the Increased Contributions**

	<b>Current Law Scheduled</b>		<b>Current Law Payable</b>		<b>Restore the Taxable Maximum to 90% of Payroll</b>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.673	1.120
<b>Gender</b>						
Men	1.42	1.003	1.304	0.897	1.410	0.990
Women	1.966	1.296	1.794	1.145	1.953	1.278
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.362	1.385
High school graduate	1.730	1.176	1.588	1.052	1.723	1.169
College or more	1.353	1.044	1.217	0.919	1.332	1.017
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	3.011	1.714
Second	1.767	1.336	1.626	1.201	1.765	1.329
Middle	1.378	1.164	1.248	1.041	1.370	1.157
Fourth	1.098	1.033	0.980	0.914	1.080	1.019
Highest	0.912	0.899	0.802	0.783	0.881	0.870

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614). For more information, contact Melissa Favreault.

Notes: Benefits and taxes are shared when an individual is married. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of death or disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the 2050 beneficiary population.

Policy change takes effect in 2010, when the taxable maximum is set at \$213,000.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table TM-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with an Increase in the Taxable Maximum to Approximately 90 Percent of Total Payroll, Allowing Additional Benefit Payments on the Basis of the Increased Contributions

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 15-19.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 10-14.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 5-9.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose < 5 %	0.0	0.0	0.0	0.2	0.1	0.0	0.0	0.2	0.2	0.2
no change	98.3	92.7	81.0	61.0	29.8	95.8	83.8	60.5	38.2	15.8
gain < 5%	1.4	6.2	17.9	35.2	55.4	3.6	13.2	34.3	47.8	43.0
gain 5-9.99%	0.2	0.7	0.8	2.7	9.6	0.4	1.8	3.5	8.8	17.2
gain 10-14.99%	0.0	0.2	0.1	0.6	2.7	0.1	0.8	0.9	2.7	8.9
gain 15-19.99%	0.0	0.1	0.1	0.2	1.0	0.0	0.1	0.3	1.0	4.8
gain >=20%	0.1	0.1	0.2	0.2	1.3	0.2	0.3	0.3	1.3	10.16

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2012, and the 30th percentile is defined based on non-disabled workers in the 1948 birth cohort with at least 40 covered quarters.

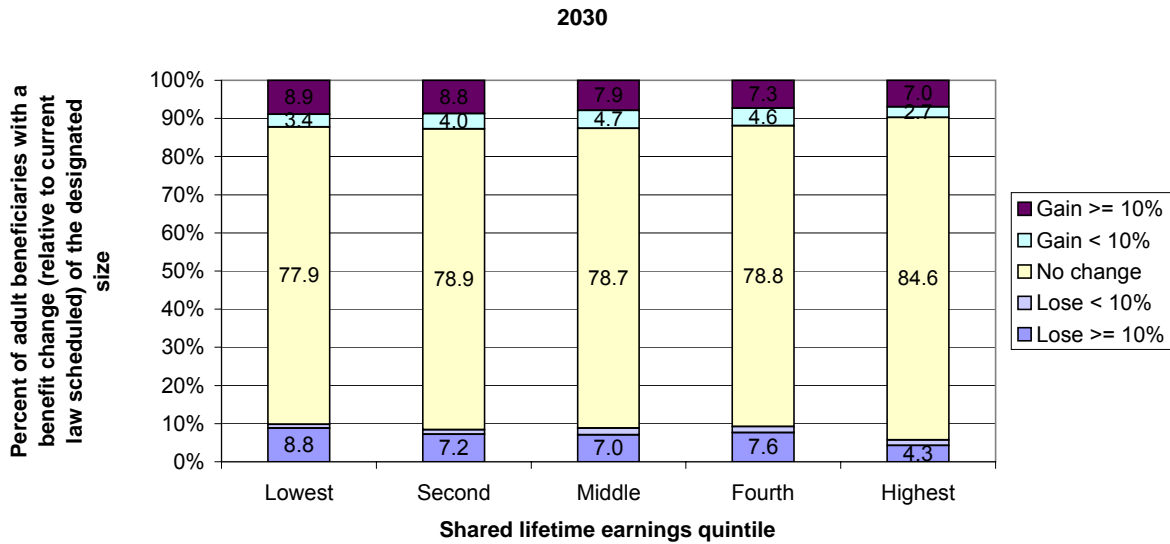
**Option: Increase the survivor benefit to 75 percent of the combined benefit when both spouses are alive (with no maximum) while reducing the spouse benefit to 33 percent of PIA, effective 2010**

*Summary comments on increasing the survivor benefit to 75 percent of the combined benefit when both spouses are alive (with no maximum) while reducing the spouse benefit to 33 percent of PIA*

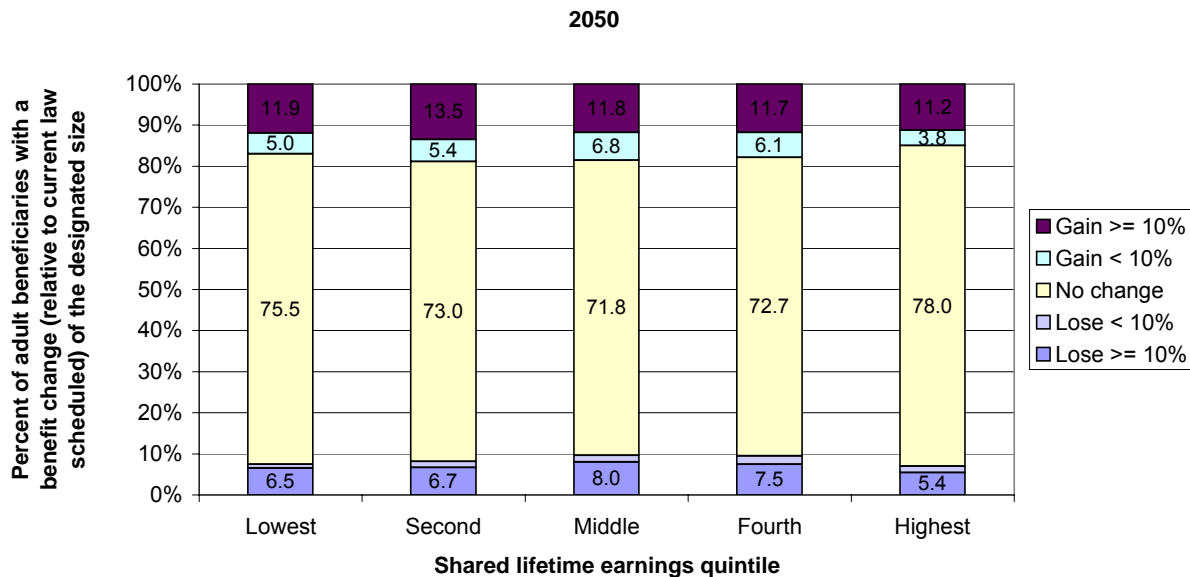
- This option has the intended effect of directing benefits from earlier in retirement to later in life, especially in 2050 when the reform is fully phased in. (The lack of effect at older ages in the 2030 projections reflects the phase in.)
- The option does not pay for itself at these two points in time--benefits exceed 100 percent of scheduled benefits.
  - The 1994-1996 Advisory Council on Social Security considered similar options. Actuarial estimates at that point also suggested that this type of option, without additional cost offsets of some type, would reduce Social Security's long-term (75-year) fiscal balance.
- Effects are greater for women than for men, because they are more likely to live longer.
- Using beneficiaries' completed education as a metric of relative status, increased benefits under this option may be regressive (those with a college education or more experience the highest benefit increase on average in 2050).
- Using shared actual lifetime earnings as a metric, the pattern is less clear. Those in the second and highest quintiles receive relatively large benefit increases in 2030; in 2050, the lowest two quintiles experience the largest gains, followed by the highest quintile.

## Shift of Spouse Benefits to Survivor Benefits (without a Cap)

SPSU(UNCAP) FIGURES 1 & 2:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings



- Most beneficiaries do not experience a change under this option in 2030.
- Of those who do experience a change, it is typically greater than 10 percent, with more beneficiaries gaining than losing. Gains are more likely than losses to be relatively small (less than 10 percent of current law).



- In 2050, we see a broadly similar pattern, with an increase in the percent with higher benefits under the option.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table SPS (UNCAP)-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with a Reduction in the Spouse Benefit to 33 Percent plus an Increase in Survivor Benefits to 75 Percent of the Combined Benefit when Both Spouses are Alive

	2030			2050		
	<b>Current Law Scheduled</b>	<b>Current Law Payable</b>	<b>Reduce Spouse, Increase Survivor, Uncapped</b>	<b>Current Law Scheduled</b>	<b>Current Law Payable</b>	<b>Reduce Spouse, Increase Survivor, Uncapped</b>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	101.5	\$19,417	80.1	102.7
<b>Gender</b>						
Men	\$17,130	100.0	100.7	\$20,596	80.1	101.5
Women	14,834	100.0	102.2	18,358	80.1	103.8
<b>Age</b>						
Disabled < 35	\$12,819	100.0	100.0	\$16,997	80.1	100.0
Disabled 35-49	14,199	100.0	100.0	18,253	80.1	100.0
Disabled 50-59	15,521	100.0	100.0	19,256	80.1	100.0
60-61	15,828	100.0	100.0	18,989	80.1	100.0
62-64	12,861	100.0	100.5	15,818	80.1	100.1
65-69	15,598	100.0	100.9	19,351	80.1	100.7
70-74	16,498	100.0	101.5	20,531	80.1	101.1
75-79	16,813	100.0	103.2	20,228	80.1	102.5
80-84	16,947	100.0	102.8	20,065	80.1	104.6
85+	16,285	100.0	100.0	19,145	80.1	108.4
<b>Education</b>						
<High school	\$11,515	100.0	100.2	\$14,394	80.1	100.5
High school graduate	14,943	100.0	101.7	17,855	80.1	102.5
College or more	19,578	100.0	101.5	23,290	80.1	103.2
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	101.6	\$11,004	80.1	103.1
Second	13,175	100.0	101.7	15,700	80.1	103.0
Middle	16,014	100.0	101.4	19,506	80.1	102.3
Fourth	18,698	100.0	101.1	22,959	80.1	102.3
Highest	22,396	100.0	101.7	27,916	80.1	102.8

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table SPS (UNCAP)-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62-69 under Current Law and with a Reduction in the Spouse Benefit to 33 Percent plus an Increase in Survivor Benefits to 75 Percent of the Combined Benefit when Both Spouses are Alive

	2030			2050		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Reduce Spouse, Increase Survivor, Uncapped</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Reduce Spouse, Increase Survivor, Uncapped</u>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	100.8	\$18,263	80.1	100.5
<b>Gender</b>						
Men	\$15,772	100.0	100.4	\$19,582	80.1	100.2
Women	13,812	100.0	101.2	16,996	80.1	100.9
<b>Age</b>						
62-64	\$12,861	100.0	100.5	\$15,818	80.1	100.1
65-69	15,598	100.0	100.9	19,351	80.1	100.7
<b>Education</b>						
<High school	\$10,794	100.0	99.5	\$14,007	80.1	98.8
High school graduate	13,874	100.0	101.0	16,840	80.1	100.5
College or more	18,252	100.0	100.7	21,740	80.1	101.0
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	101.9	\$10,553	80.1	102.6
Second	12,481	100.0	101.3	15,056	80.1	101.3
Middle	15,014	100.0	100.6	18,411	80.1	100.1
Fourth	17,150	100.0	100.4	21,499	80.1	100.2
Highest	20,737	100.0	100.4	26,019	80.1	99.9

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault. Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population. Policy change takes effect in 2009.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table SPS (UNCAP)-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with a Reduction in the Spouse Benefit to 33 Percent plus an Increase in Survivor Benefits to 75 Percent of the Combined Benefit when Both Spouses are Alive

	<u>Current Law Scheduled</u>		<u>Current Law Payable</u>		<u>Reduce Spouse, Increase Survivor, Uncapped</u>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.718	1.145
<b>Gender</b>						
Men	1.420	1.003	1.304	0.897	1.431	1.002
Women	1.966	1.296	1.794	1.145	2.024	1.333
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.396	1.384
High school graduate	1.730	1.176	1.588	1.052	1.765	1.183
College or more	1.353	1.044	1.217	0.919	1.384	1.055
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	3.068	1.701
Second	1.767	1.336	1.626	1.201	1.804	1.340
Middle	1.378	1.164	1.248	1.041	1.402	1.176
Fourth	1.098	1.033	0.980	0.914	1.120	1.039
Highest	0.912	0.899	0.802	0.783	0.938	0.917

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table SPS (UNCAP)-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with a Reduction in the Spouse Benefit to 33 Percent plus an Increase in Survivor Benefits to 75 Percent of the Combined Benefit when Both Spouses are Alive

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	8.1	6.2	5.6	6.1	3.2	6.0	5.8	6.5	6.0	4.2
lose 15-19.99%	0.3	0.5	0.6	0.8	0.6	0.2	0.5	0.7	0.8	0.6
lose 10-14.99%	0.4	0.5	0.8	0.8	0.6	0.3	0.5	0.8	0.7	0.6
lose 5-9.99%	0.5	0.5	1.0	0.8	0.5	0.3	0.6	0.9	0.9	0.7
lose < 5 %	0.5	0.6	0.8	0.8	0.8	0.6	0.9	0.8	1.1	0.9
no change	77.9	78.9	78.7	78.8	84.6	75.5	73.0	71.8	72.7	78.0
gain < 5%	2.1	2.6	3.3	3.4	1.8	2.5	3.3	4.6	4.4	2.5
gain 5-9.99%	1.3	1.4	1.4	1.3	0.9	2.5	2.1	2.2	1.7	1.3
gain 10-14.99%	1.4	1.3	1.1	1.2	0.8	1.7	1.9	1.9	1.7	1.2
gain 15-19.99%	1.4	0.9	1.2	1.0	0.9	1.7	2.2	1.9	1.8	1.5
gain >=20%	6.1	6.5	5.5	5.1	5.4	8.5	9.4	8.0	8.3	8.5

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population. Policy change takes effect in 2010.

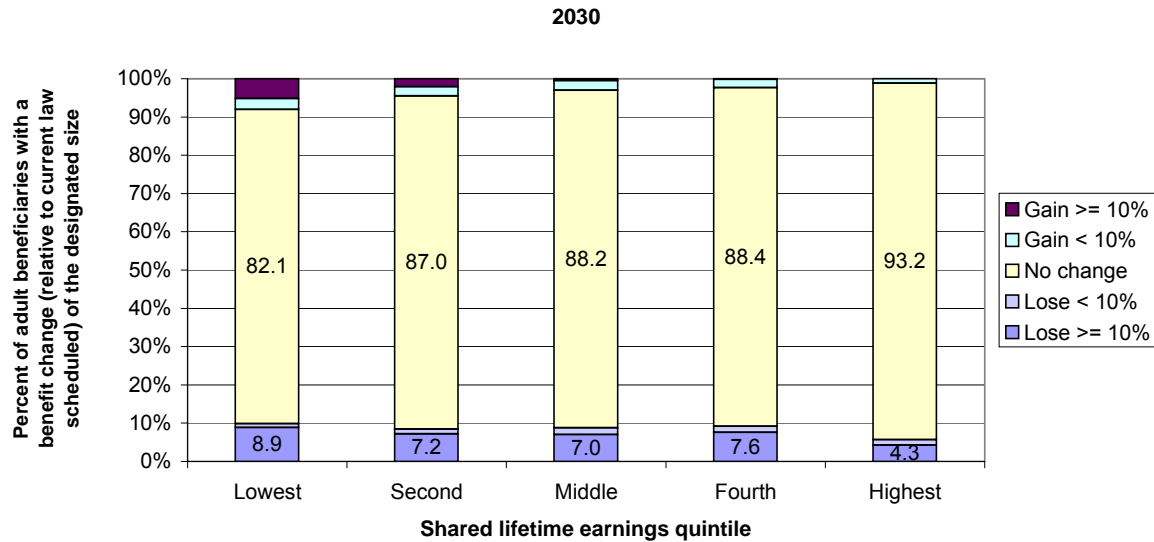
**Option: Increase the survivor benefit to 75 percent of the combined benefit when both spouses are alive (with a maximum at an average wage survivor benefit) while reducing the spouse benefit to 33 percent of PIA, effective 2010**

*Summary comments on increasing the survivor benefit to 75 percent of the combined benefit when both spouses are alive (with a maximum at the survivor benefit generated by an average wage history) while reducing the spouse benefit to 33 percent of PIA*

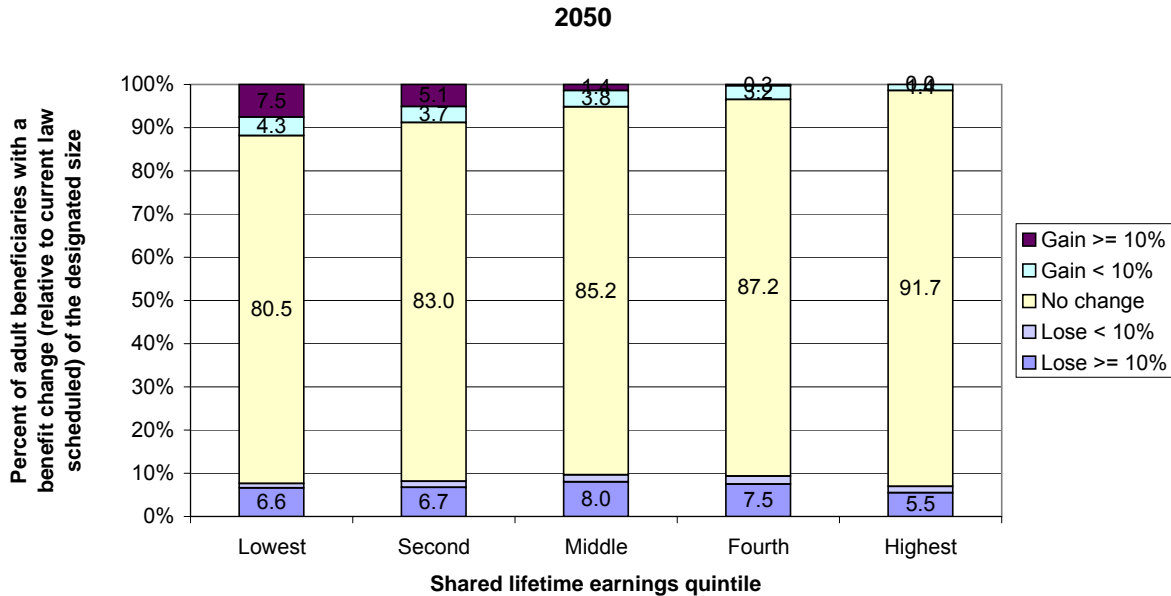
- When survivor benefits are capped, benefit changes under this option are somewhat less regressive. In both 2030 and 2050, the lowest lifetime earnings quintile has the least negative outcomes on average (the lowest loss in 2030 and the only increase in 2050).
- Using beneficiaries completed education as the key metric of the proposal's redistributive properties, it remains regressive, with those with the most education experiencing the smallest benefit losses.
- With a cap on the survivor benefit, the option does appear to pay for itself at these two points in time; benefits are below 100 percent of current law scheduled benefits.
  - Men's benefits appear to be little affected under the option, while women experience net losses on average at both points in time, suggesting that the spouse benefit reduction dominates the survivor benefit increase at these points in time.
- At younger ages, reductions in spouse benefits are more likely to predominate, while at older ages, the survivor benefit increases are more prevalent.
- As projections in the tables on winners and losers indicate (Table SPS (CAP)-4), fewer beneficiaries do experience benefit changes under this option than the option with an uncapped survivor benefit.

## Shift of Spouse Benefits to Survivor Benefits (with a Cap)

SPSU(CAP) FIGURES 1 & 2:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings



- Most beneficiaries do not experience a change under this option in 2030. Those in the highest shared lifetime earnings quintile are least likely to experience a change.
- Of those who do experience a change, it is typically greater than 10 percent.



- In 2050, we see a similar pattern, with those in the earnings highest quintile least likely to experience a change.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table SPS (CAP)-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with a Reduction in the Spouse Benefit to 33 Percent plus an Increase in Survivor Benefits to 75 Percent of the Combined Benefit, Capped at the Average Worker PIA, when Both Spouses are Alive

	2030			2050		
	Current Law Scheduled	Current Law Payable	Reduce Spouse, Increase Survivor, Capped	Current Law Scheduled	Current Law Payable	Reduce Spouse, Increase Survivor, Capped
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	99.1	\$19,417	80.1	99.3
<b>Gender</b>						
Men	\$17,130	100.0	99.7	\$20,596	80.1	99.9
Women	14,834	100.0	98.5	18,358	80.1	98.8
<b>Age</b>						
Disabled < 35	\$12,819	100.0	100.0	\$16,997	80.1	100.0
Disabled 35-49	14,199	100.0	100.0	18,253	80.1	100.0
Disabled 50-59	15,521	100.0	100.0	19,256	80.1	100.0
60-61	15,828	100.0	100.0	18,989	80.1	100.0
62-64	12,861	100.0	98.8	15,818	80.1	98.5
65-69	15,598	100.0	98.9	19,351	80.1	98.7
70-74	16,498	100.0	98.9	20,531	80.1	98.8
75-79	16,813	100.0	99.0	20,228	80.1	99.2
80-84	16,947	100.0	99.4	20,065	80.1	99.8
85+	16,285	100.0	99.9	19,145	80.1	100.7
<b>Education</b>						
<High school	\$11,515	100.0	98.8	\$14,394	80.1	98.7
High school graduate	14,943	100.0	99.1	17,855	80.1	99.2
College or more	19,578	100.0	99.2	23,290	80.1	99.6
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	99.9	\$11,004	80.1	100.9
Second	13,175	100.0	99.1	15,700	80.1	99.9
Middle	16,014	100.0	98.9	19,506	80.1	98.8
Fourth	18,698	100.0	98.7	22,959	80.1	98.8
Highest	22,396	100.0	99.4	27,916	80.1	99.2

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table SPS (CAP)-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62-69 under Current Law and with a Reduction in the Spouse Benefit to 33 Percent plus an Increase in Survivor Benefits to 75 Percent of the Combined Benefit, Capped at the Average Worker PIA, when Both Spouses are Alive

	2030			2050		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Reduce Spouse, Increase Survivor, Capped</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Reduce Spouse, Increase Survivor, Capped</u>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	98.9	\$18,263	80.1	98.7
<b>Gender</b>						
Men	\$15,772	100.0	99.7	\$19,582	80.1	99.6
Women	13,812	100.0	98.0	16,996	80.1	97.6
<b>Age</b>						
62-64	\$12,861	100.0	98.8	\$15,818	80.1	98.5
65-69	15,598	100.0	98.9	19,351	80.1	98.7
<b>Education</b>						
<High school	\$10,794	100.0	98.0	\$14,007	80.1	97.4
High school graduate	13,874	100.0	98.9	16,840	80.1	98.4
College or more	18,252	100.0	99.0	21,740	80.1	99.3
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	99.8	\$10,553	80.1	99.6
Second	12,481	100.0	98.8	15,056	80.1	98.5
Middle	15,014	100.0	98.4	18,411	80.1	98.1
Fourth	17,150	100.0	98.5	21,499	80.1	98.5
Highest	20,737	100.0	99.2	26,019	80.1	98.9

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table SPS (CAP)-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with a Reduction in the Spouse Benefit to 33 Percent plus an Increase in Survivor Benefits to 75 Percent of the Combined Benefit, Capped at the Average Worker PIA, when Both Spouses are Alive

	<u>Current Law Scheduled</u>		<u>Current Law Payable</u>		<u>Reduce Spouse, Increase Survivor, Capped</u>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.681	1.119
<b>Gender</b>						
Men	1.420	1.003	1.304	0.897	1.413	0.990
Women	1.966	1.296	1.794	1.145	1.966	1.285
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.368	1.378
High school graduate	1.730	1.176	1.588	1.052	1.728	1.159
College or more	1.353	1.044	1.217	0.919	1.344	1.029
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	3.029	1.685
Second	1.767	1.336	1.626	1.201	1.769	1.323
Middle	1.378	1.164	1.248	1.041	1.361	1.147
Fourth	1.098	1.033	0.980	0.914	1.084	1.020
Highest	0.912	0.899	0.802	0.783	0.904	0.895

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table SPS (CAP)-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with a Reduction in the Spouse Benefit to 33 Percent plus an Increase in Survivor Benefits to 75 Percent of the Combined Benefit when Both Spouses are Alive (Capped at the Average Wage Survivor Benefit)

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	8.1	6.2	5.6	6.1	3.2	6.1	5.8	6.5	6.0	4.2
lose 15-19.99%	0.4	0.5	0.6	0.8	0.6	0.3	0.5	0.7	0.8	0.6
lose 10-14.99%	0.4	0.5	0.8	0.8	0.6	0.3	0.5	0.8	0.7	0.6
lose 5-9.99%	0.5	0.6	1.0	0.9	0.6	0.4	0.6	0.9	0.9	0.7
lose < 5 %	0.5	0.7	0.8	0.8	0.8	0.7	0.8	0.8	0.9	0.8
no change	82.1	87.0	88.2	88.4	93.2	80.5	83.0	85.2	87.2	91.7
gain < 5%	2.0	1.9	2.2	2.1	1.1	2.3	2.6	3.2	3.0	1.3
gain 5-9.99%	0.9	0.6	0.3	0.1	0.0	2.0	1.1	0.6	0.2	0.0
gain 10-14.99%	0.9	0.5	0.2	0.1	0.0	1.4	1.2	0.5	0.1	0.0
gain 15-19.99%	0.9	0.4	0.1	0.0	0.0	1.2	0.9	0.4	0.1	0.0
gain >=20%	3.4	1.2	0.2	0.1	0.0	5.0	3.0	0.6	0.1	0.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population. Policy change takes effect in 2010.

**Option: Implement minimum benefits. Four options are presented that generosity based on work years (defined as a year with at least 4 quarters of coverage) and with different indexing (price versus wage indexing), effective 2010**

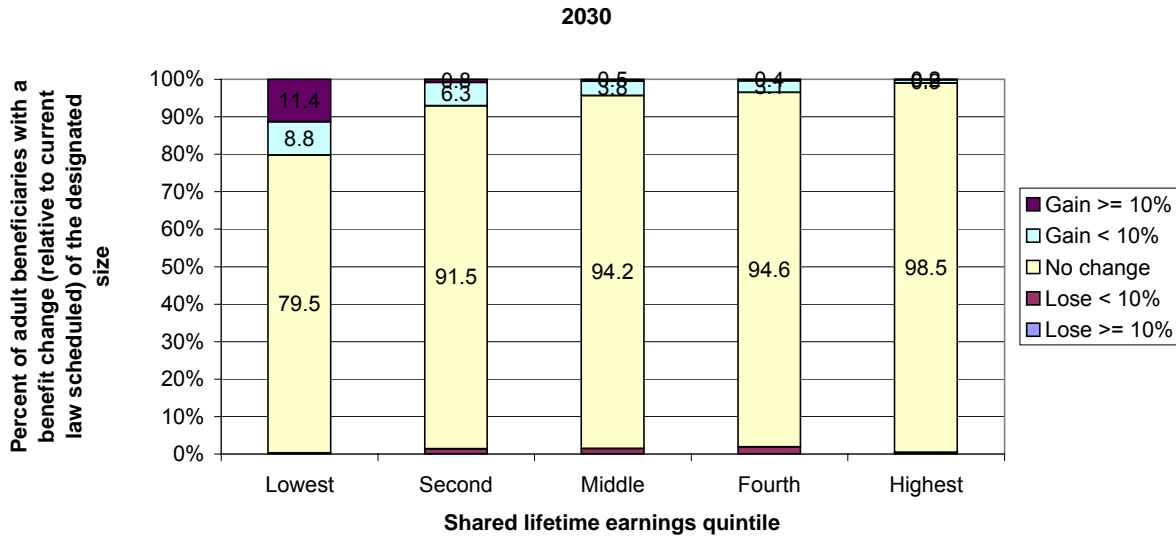
*Summary comments on work-related minimum benefits*

- Minimum benefits tend to be very highly targeted toward those in the lowest lifetime earnings quintile and those with less education (less than a high school diploma).
- Indexing choices are important in determining a minimum benefit's reach. Minimums that are price indexed decline in importance in later years of the simulation, while those that are wage indexed have more persistent effects over time.
- Because of targeting, benefit changes tend to be skewed, with most beneficiaries seeing no benefit change as a result of the minimum benefit's implementation.
- Introducing minimum benefits tends to increase benefits more (in relative terms) at younger ages (for example, 60-61 and 62-64) than at other points in retirement. This is likely due in part to the benefit boost that some older beneficiaries receive when their worker or spouse benefits convert to survivors benefits. Also, differential mortality plays a role, as many of the most vulnerable who would be eligible for the minimum have below-average life expectancy.
- The effects of the minimum tend to be fairly similar for men and women (with some modest differences based on parameterization). This is because the strong relationship of these minimum benefits to work history tends to benefit those with long careers, disproportionately men, while the targeting toward lower-earning workers benefits those with lower-wage or part-time/part-year work, disproportionately women.

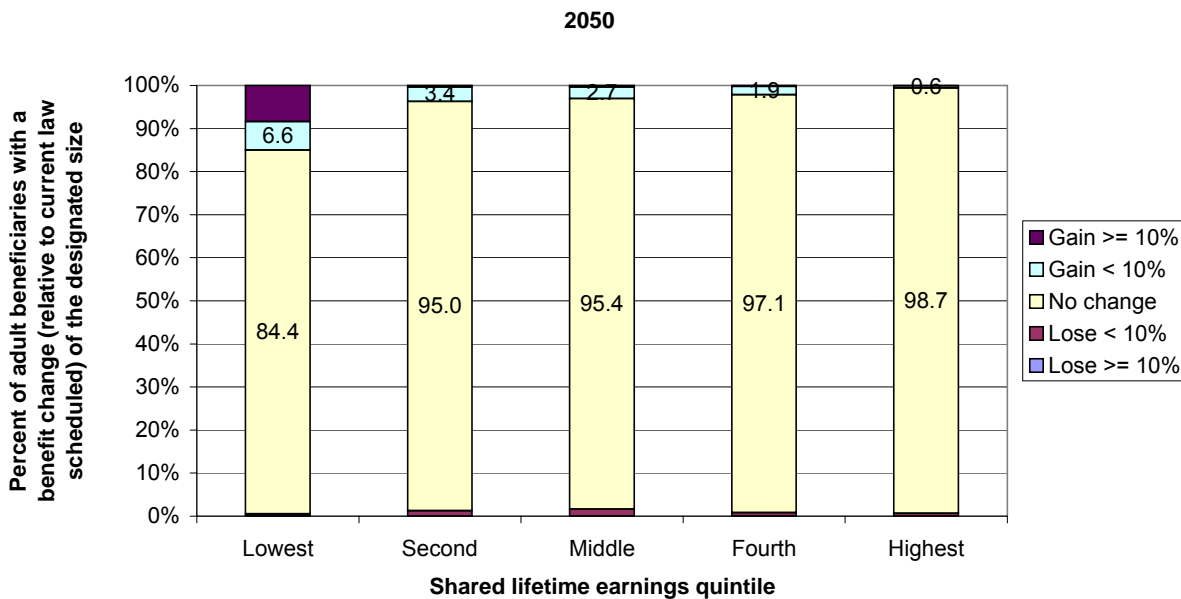
Note: Minimums simulated for these options are not tied to current law's special minimum PIA.

## Standard, Price-Indexed Minimum Benefit

MIN(STD-P) FIGURES 1 & 2:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings



- Most beneficiaries do not experience a change under this option in 2030.
- Those who do experience a change are concentrated in the lowest lifetime earnings quintile.



- In 2050, we see a similar pattern, though with fewer beneficiaries in the lowest quintile receiving a benefit increase as a result of the minimum.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table MIN (STD-P)-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with a Standard Price-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work)

	2030			2050		
	Current Law Scheduled	Current Law Payable	Price-Indexed Standard Minimum Benefit	Current Law Scheduled	Current Law Payable	Price-Indexed Standard Minimum Benefit
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	100.3	\$19,417	80.1	100.2
<b>Gender</b>						
Men	\$17,130	100.0	100.3	\$20,596	80.1	100.2
Women	14,834	100.0	100.4	18,358	80.1	100.2
<b>Age</b>						
Disabled < 35	\$12,819	100.0	100.0	\$16,997	80.1	100.0
Disabled 35-49	14,199	100.0	100.3	18,253	80.1	100.0
Disabled 50-59	15,521	100.0	100.6	19,256	80.1	100.2
60-61	15,828	100.0	100.9	18,989	80.1	100.4
62-64	12,861	100.0	100.6	15,818	80.1	100.4
65-69	15,598	100.0	100.4	19,351	80.1	100.2
70-74	16,498	100.0	100.3	20,531	80.1	100.2
75-79	16,813	100.0	100.4	20,228	80.1	100.2
80-84	16,947	100.0	100.2	20,065	80.1	100.2
85+	16,285	100.0	100.0	19,145	80.1	100.2
<b>Education</b>						
<High school	\$11,515	100.0	101.3	\$14,394	80.1	100.6
High school graduate	14,943	100.0	100.4	17,855	80.1	100.2
College or more	19,578	100.0	100.1	23,290	80.1	100.1
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	102.5	\$11,004	80.1	101.6
Second	13,175	100.0	100.2	15,700	80.1	100.1
Middle	16,014	100.0	100.1	19,506	80.1	100.0
Fourth	18,698	100.0	100.0	22,959	80.1	100.0
Highest	22,396	100.0	100.0	27,916	80.1	100.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (STD-P)-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62-69 under Current Law and with a Standard Price-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work)

	2030			2050		
	Current Law Scheduled	Current Law Payable	Price-Indexed Standard Minimum Benefit	Current Law Scheduled	Current Law Payable	Price-Indexed Standard Minimum Benefit
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	100.5	\$18,263	80.1	100.3
<b>Gender</b>						
Men	\$15,772	100.0	100.4	\$19,582	80.1	100.3
Women	13,812	100.0	100.5	16,996	80.1	100.2
<b>Age</b>						
62-64	\$12,861	100.0	100.6	\$15,818	80.1	100.4
65-69	15,598	100.0	100.4	19,351	80.1	100.2
<b>Education</b>						
<High school	\$10,794	100.0	101.3	\$14,007	80.1	100.7
High school graduate	13,874	100.0	100.5	16,840	80.1	100.3
College or more	18,252	100.0	100.2	21,740	80.1	100.1
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	103.1	\$10,553	80.1	101.8
Second	12,481	100.0	100.3	15,056	80.1	100.1
Middle	15,014	100.0	100.1	18,411	80.1	100.1
Fourth	17,150	100.0	100.1	21,499	80.1	100.1
Highest	20,737	100.0	100.0	26,019	80.1	100.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (STD-P)-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with a Standard Price-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work)

	<u>Current Law Scheduled</u>		<u>Current Law Payable</u>		<u>Price-Indexed Standard Minimum Benefit</u>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.709	1.138
<b>Gender</b>						
Men	1.420	1.003	1.304	0.897	1.440	1.007
Women	1.966	1.296	1.794	1.145	1.995	1.299
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.421	1.413
High school graduate	1.730	1.176	1.588	1.052	1.758	1.182
College or more	1.353	1.044	1.217	0.919	1.359	1.044
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	3.117	1.765
Second	1.767	1.336	1.626	1.201	1.770	1.337
Middle	1.378	1.164	1.248	1.041	1.378	1.164
Fourth	1.098	1.033	0.980	0.914	1.099	1.034
Highest	0.912	0.899	0.802	0.783	0.912	0.899

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (STD-P)-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with a Standard Price-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work)

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 15-19.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 10-14.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 5-9.99%	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.0	0.0
lose < 5 %	0.2	1.3	1.5	1.8	0.4	0.4	1.2	1.6	0.8	0.6
no change	79.5	91.5	94.2	94.6	98.5	84.4	95.0	95.4	97.1	98.7
gain < 5%	5.1	5.6	3.6	3.1	0.8	4.3	3.2	2.6	1.9	0.6
gain 5-9.99%	3.8	0.7	0.2	0.0	0.0	2.4	0.2	0.1	0.0	0.0
gain 10-14.99%	2.3	0.1	0.1	0.1	0.0	1.3	0.0	0.1	0.0	0.0
gain 15-19.99%	1.8	0.1	0.0	0.0	0.0	0.9	0.1	0.0	0.0	0.0
gain >=20%	7.3	0.6	0.4	0.3	0.2	6.3	0.3	0.3	0.2	0.1

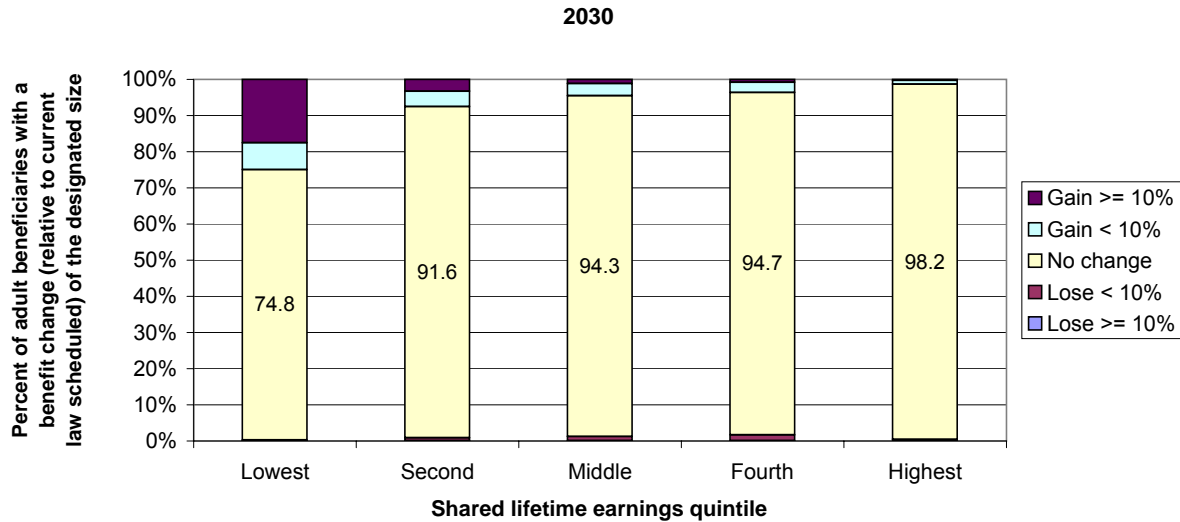
Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

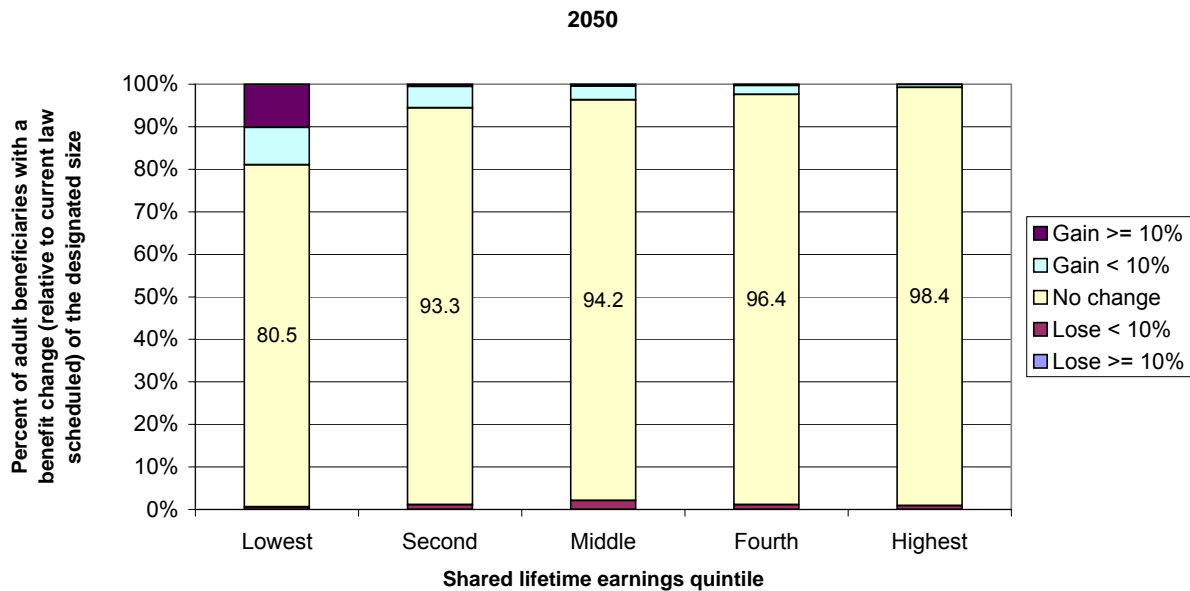
Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

## Standard, Wage-Indexed Minimum Benefit

MIN(STD-W) FIGURES 1 & 2:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings



- Most beneficiaries do not experience a change under this option in 2030.
- Those who do experience a change are concentrated in the lowest lifetime earnings quintile.



- In 2050, we see a similar pattern, though with fewer beneficiaries in the lowest quintile receiving a benefit boost as a result of the minimum benefit.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table MIN (STD-W)-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with a Standard Wage-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work)

	2030			2050		
	<b>Current Law Scheduled</b>	<b>Current Law Payable</b>	<b>Wage-Indexed Standard Minimum Benefit</b>	<b>Current Law Scheduled</b>	<b>Current Law Payable</b>	<b>Wage-Indexed Standard Minimum Benefit</b>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	100.7	\$19,417	80.1	100.8
<b>Gender</b>						
Men	\$17,130	100.0	100.6	\$20,596	80.1	100.9
Women	14,834	100.0	100.7	18,358	80.1	100.8
<b>Age</b>						
Disabled < 35	\$12,819	100.0	100.0	\$16,997	80.1	100.0
Disabled 35-49	14,199	100.0	100.6	18,253	80.1	100.3
Disabled 50-59	15,521	100.0	101.3	19,256	80.1	101.2
60-61	15,828	100.0	101.9	18,989	80.1	101.9
62-64	12,861	100.0	101.5	15,818	80.1	102.0
65-69	15,598	100.0	100.9	19,351	80.1	101.1
70-74	16,498	100.0	100.6	20,531	80.1	100.8
75-79	16,813	100.0	100.5	20,228	80.1	100.7
80-84	16,947	100.0	100.2	20,065	80.1	100.5
85+	16,285	100.0	100.0	19,145	80.1	100.3
<b>Education</b>						
<High school	\$11,515	100.0	102.2	\$14,394	80.1	102.1
High school graduate	14,943	100.0	100.7	17,855	80.1	101.1
College or more	19,578	100.0	100.2	23,290	80.1	100.3
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	104.4	\$11,004	80.1	105.9
Second	13,175	100.0	100.5	15,700	80.1	100.6
Middle	16,014	100.0	100.2	19,506	80.1	100.2
Fourth	18,698	100.0	100.1	22,959	80.1	100.1
Highest	22,396	100.0	100.0	27,916	80.1	100.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (STD-W)-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62-69 under Current Law and with a Standard Wage-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work)

	2030			2050		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Wage-Indexed Standard Minimum Benefit</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Wage-Indexed Standard Minimum Benefit</u>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	101.1	\$18,263	80.1	101.3
<b>Gender</b>						
Men	\$15,772	100.0	100.9	\$19,582	80.1	101.4
Women	13,812	100.0	101.2	16,996	80.1	101.3
<b>Age</b>						
62-64	\$12,861	100.0	101.5	\$15,818	80.1	102.0
65-69	15,598	100.0	100.9	19,351	80.1	101.1
<b>Education</b>						
<High school	\$10,794	100.0	102.9	\$14,007	80.1	103.1
High school graduate	13,874	100.0	101.2	16,840	80.1	101.7
College or more	18,252	100.0	100.4	21,740	80.1	100.6
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	106.9	\$10,553	80.1	108.7
Second	12,481	100.0	100.8	15,056	80.1	101.0
Middle	15,014	100.0	100.3	18,411	80.1	100.4
Fourth	17,150	100.0	100.2	21,499	80.1	100.3
Highest	20,737	100.0	100.1	26,019	80.1	100.1

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (STD-W)-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with a Standard Wage-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work)

	<u>Current Law Scheduled</u>		<u>Current Law Payable</u>		<u>Wage-Indexed Standard Minimum Benefit</u>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.733	1.143
<b>Gender</b>						
Men	1.420	1.003	1.304	0.897	1.463	1.013
Women	1.966	1.296	1.794	1.145	2.020	1.306
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.471	1.429
High school graduate	1.730	1.176	1.588	1.052	1.785	1.191
College or more	1.353	1.044	1.217	0.919	1.369	1.046
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	3.219	1.830
Second	1.767	1.336	1.626	1.201	1.776	1.345
Middle	1.378	1.164	1.248	1.041	1.380	1.164
Fourth	1.098	1.033	0.980	0.914	1.099	1.035
Highest	0.912	0.899	0.802	0.783	0.912	0.899

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (STD-W)-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with a Standard Wage-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work)

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 15-19.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 10-14.99%	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.0
lose 5-9.99%	0.0	0.3	0.2	0.2	0.1	0.1	0.2	0.4	0.3	0.2
lose < 5 %	0.2	0.6	1.0	1.4	0.4	0.4	0.5	1.2	0.9	0.8
no change	74.8	91.6	94.3	94.7	98.2	68.9	91.1	92.7	95.2	97.6
gain < 5%	4.3	3.0	2.9	2.6	1.0	4.8	3.1	3.3	2.4	1.1
gain 5-9.99%	3.1	1.2	0.5	0.3	0.1	4.0	1.4	0.6	0.3	0.0
gain 10-14.99%	2.9	1.1	0.2	0.1	0.1	3.4	1.1	0.5	0.2	0.1
gain 15-19.99%	2.3	0.5	0.2	0.1	0.0	2.7	0.8	0.1	0.2	0.1
gain >=20%	12.4	1.7	0.7	0.5	0.2	15.7	1.8	0.8	0.5	0.2

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

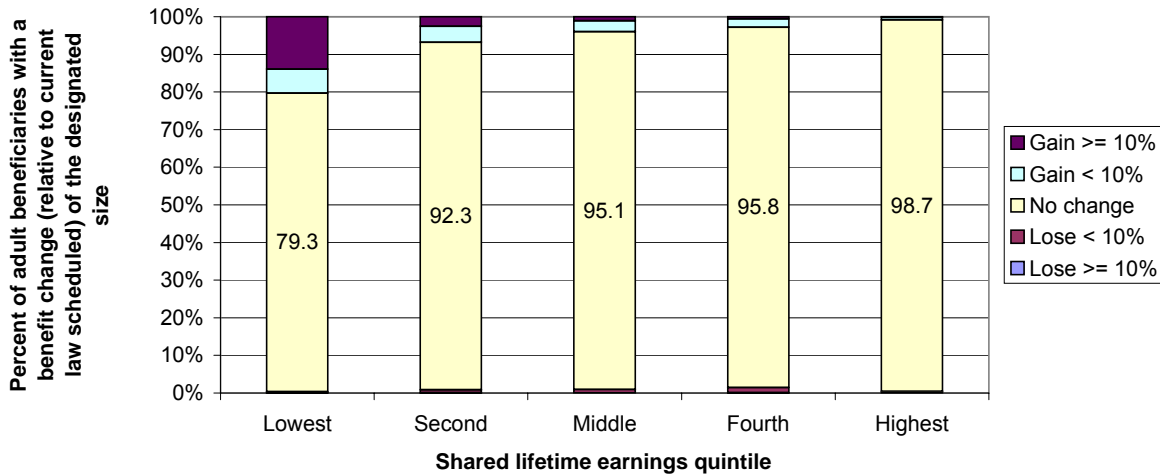
Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

## More Generous, Price-Indexed Minimum Benefit

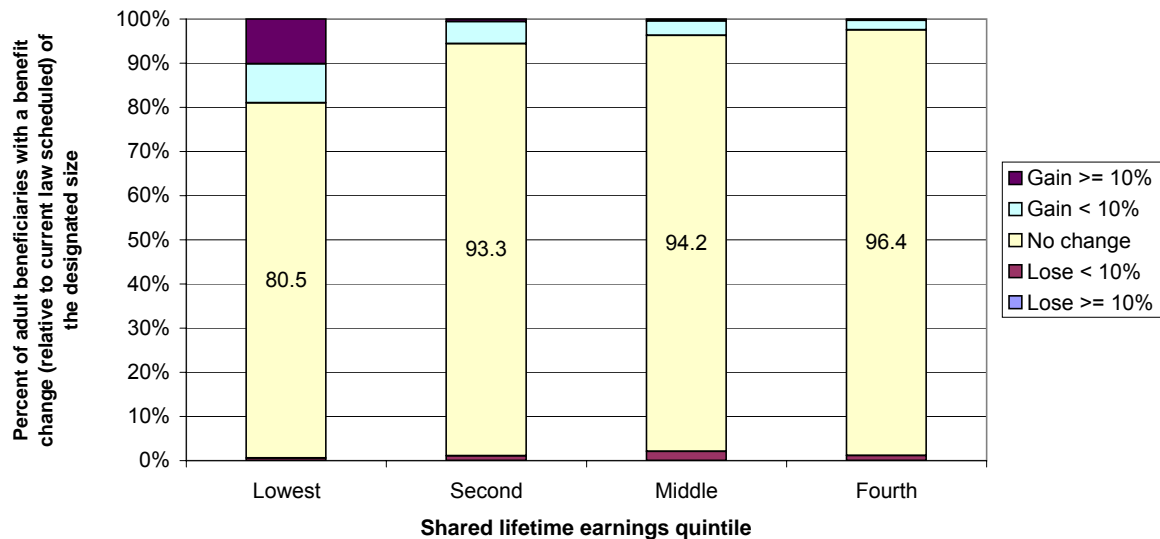
MIN(GEN-P) FIGURES 1 & 2:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings

2030



- Most beneficiaries do not experience a change under this option in 2030.
- Those who do experience a change are concentrated in the lowest lifetime earnings quintile.

2050



- In 2050, we see a similar pattern, with about the same fraction of beneficiaries in the lowest earnings quintile as in 2030 receiving benefit increases because of the minimum.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table MIN (GEN-P)-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with a More Generous Price-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for those with 40 Work Years)

	2030			2050		
	Current Law Scheduled	Current Law Payable	Price-Indexed Generous Minimum Benefit	Current Law Scheduled	Current Law Payable	Price-Indexed Generous Minimum Benefit
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	100.5	\$19,417	80.1	100.3
<b>Gender</b>						
Men	\$17,130	100.0	100.4	\$20,596	80.1	100.3
Women	14,834	100.0	100.5	18,358	80.1	100.2
<b>Age</b>						
Disabled < 35	\$12,819	100.0	100.0	\$16,997	80.1	100.0
Disabled 35-49	14,199	100.0	100.3	18,253	80.1	100.0
Disabled 50-59	15,521	100.0	100.6	19,256	80.1	100.2
60-61	15,828	100.0	100.9	18,989	80.1	100.4
62-64	12,861	100.0	100.7	15,818	80.1	100.4
65-69	15,598	100.0	100.5	19,351	80.1	100.3
70-74	16,498	100.0	100.5	20,531	80.1	100.2
75-79	16,813	100.0	100.5	20,228	80.1	100.3
80-84	16,947	100.0	100.3	20,065	80.1	100.2
85+	16,285	100.0	100.0	19,145	80.1	100.2
<b>Education</b>						
<High school	\$11,515	100.0	101.5	\$14,394	80.1	100.7
High school graduate	14,943	100.0	100.5	17,855	80.1	100.3
College or more	19,578	100.0	100.1	23,290	80.1	100.1
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	103.1	\$11,004	80.1	102.0
Second	13,175	100.0	100.4	15,700	80.1	100.1
Middle	16,014	100.0	100.1	19,506	80.1	100.0
Fourth	18,698	100.0	100.1	22,959	80.1	100.0
Highest	22,396	100.0	100.0	27,916	80.1	100.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (GEN-P)-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62-69 under Current Law and with a More Generous Price-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for those with 40 Work Years)

	2030			2050		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Price-Indexed Generous Minimum Benefit</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Price-Indexed Generous Minimum Benefit</u>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	100.6	\$18,263	80.1	100.3
<b>Gender</b>						
Men	\$15,772	100.0	100.5	\$19,582	80.1	100.3
Women	13,812	100.0	100.6	16,996	80.1	100.3
<b>Age</b>						
62-64	\$12,861	100.0	100.7	\$15,818	80.1	100.4
65-69	15,598	100.0	100.5	19,351	80.1	100.3
<b>Education</b>						
<High school	\$10,794	100.0	101.5	\$14,007	80.1	100.8
High school graduate	13,874	100.0	100.7	16,840	80.1	100.4
College or more	18,252	100.0	100.2	21,740	80.1	100.1
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	103.9	\$10,553	80.1	102.1
Second	12,481	100.0	100.4	15,056	80.1	100.1
Middle	15,014	100.0	100.2	18,411	80.1	100.1
Fourth	17,150	100.0	100.1	21,499	80.1	100.1
Highest	20,737	100.0	100.0	26,019	80.1	100.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (GEN-P)-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with a More Generous Price-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for those with 40 Work Years)

	<u>Current Law Scheduled</u>		<u>Current Law Payable</u>		<u>Price-Indexed Generous Minimum Benefit</u>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.743	1.146
<b>Gender</b>						
Men	1.420	1.003	1.304	0.897	1.475	1.017
Women	1.966	1.296	1.794	1.145	2.030	1.312
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.482	1.448
High school graduate	1.730	1.176	1.588	1.052	1.798	1.197
College or more	1.353	1.044	1.217	0.919	1.375	1.051
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	3.254	1.884
Second	1.767	1.336	1.626	1.201	1.786	1.356
Middle	1.378	1.164	1.248	1.041	1.382	1.169
Fourth	1.098	1.033	0.980	0.914	1.100	1.038
Highest	0.912	0.899	0.802	0.783	0.912	0.899

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (GEN-P)-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with a More Generous Wage-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for those with 40 Work Years)

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 15-19.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 10-14.99%	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 5-9.99%	0.1	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0
lose < 5 %	0.3	0.6	0.8	1.2	0.4	0.5	1.1	2.0	1.1	0.9
no change	79.3	92.3	95.1	95.8	98.7	80.5	93.3	94.2	96.4	98.4
gain < 5%	3.9	3.2	2.5	2.0	0.6	5.7	4.6	3.1	2.2	0.7
gain 5-9.99%	2.5	1.2	0.4	0.2	0.1	3.1	0.4	0.1	0.0	0.0
gain 10-14.99%	2.1	0.8	0.4	0.1	0.0	1.7	0.1	0.1	0.0	0.0
gain 15-19.99%	2.0	0.6	0.1	0.1	0.0	1.4	0.1	0.1	0.0	0.0
gain >=20%	9.9	1.2	0.5	0.4	0.2	7.1	0.3	0.3	0.2	0.1

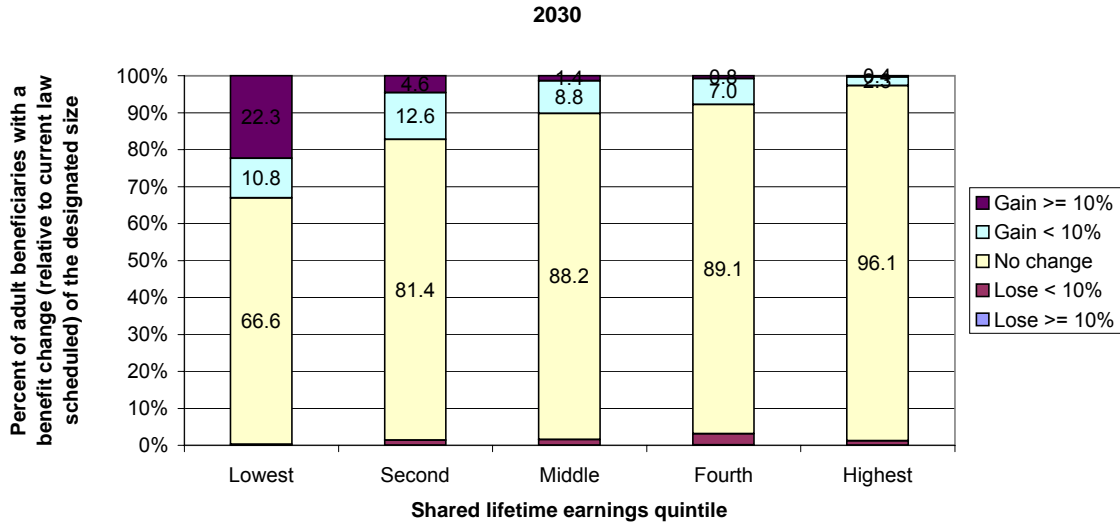
Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

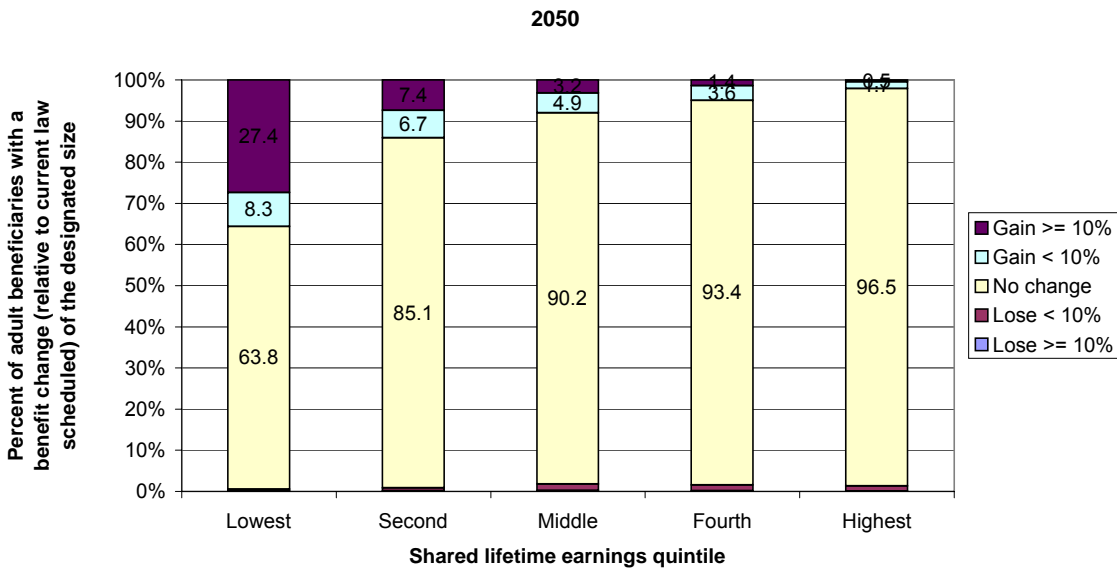
Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

## More Generous, Wage-Indexed Minimum Benefit

MIN(GEN-W) FIGURES 1 & 2:  
Distribution of Changes in Adult Social Security Benefits, by Lifetime Earnings



- Most beneficiaries do not experience a change under this option in 2030.
- Those who do experience a change are concentrated in the lowest lifetime earnings quintile.



- In 2050, we see a similar pattern, though with somewhat more beneficiaries in the lowest two earnings quintiles receiving a boost from the minimum.
- Well over a quarter of those in the lowest quintile receive an increase of over 10 percent, as do about 7 percent in the second quintile.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

Table MIN(GEN-W)-1. OASDI Benefits in 2030 and 2050 for Adult Beneficiaries under Current Law and with a More Generous Wage-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for those with 40 Work Years)

	2030			2050		
	Current Law Scheduled	Current Law Payable	Wage-Indexed Generous Minimum Benefit	Current Law Scheduled	Current Law Payable	Wage-Indexed Generous Minimum Benefit
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$15,899	100.0	100.9	\$19,417	80.1	101.3
<b>Gender</b>						
Men	\$17,130	100.0	100.9	\$20,596	80.1	101.4
Women	14,834	100.0	101.0	18,358	80.1	101.1
<b>Age</b>						
Disabled < 35	\$12,819	100.0	100.0	\$16,997	80.1	100.0
Disabled 35-49	14,199	100.0	100.6	18,253	80.1	100.3
Disabled 50-59	15,521	100.0	101.3	19,256	80.1	101.2
60-61	15,828	100.0	101.9	18,989	80.1	102.0
62-64	12,861	100.0	102.1	15,818	80.1	102.8
65-69	15,598	100.0	101.3	19,351	80.1	101.7
70-74	16,498	100.0	100.9	20,531	80.1	101.3
75-79	16,813	100.0	100.7	20,228	80.1	101.1
80-84	16,947	100.0	100.3	20,065	80.1	100.9
85+	16,285	100.0	100.0	19,145	80.1	100.6
<b>Education</b>						
<High school	\$11,515	100.0	102.5	\$14,394	80.1	102.6
High school graduate	14,943	100.0	101.1	17,855	80.1	101.7
College or more	19,578	100.0	100.3	23,290	80.1	100.6
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$9,208	100.0	105.6	\$11,004	80.1	108.0
Second	13,175	100.0	101.0	15,700	80.1	101.3
Middle	16,014	100.0	100.3	19,506	80.1	100.4
Fourth	18,698	100.0	100.2	22,959	80.1	100.2
Highest	22,396	100.0	100.0	27,916	80.1	100.0

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (GEN-W)-2. OASDI Benefits in 2030 and 2050 for Beneficiaries Ages 62-69 under Current Law and with a More Generous Wage-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for those with 40 Work Years)

	2030			2050		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Wage-Indexed Generous Minimum Benefit</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Wage-Indexed Generous Minimum Benefit</u>
	Average, \$2009	as % of current law scheduled		Average, \$2009	as % of current law scheduled	
<b>All</b>	\$14,775	100.0	101.5	\$18,263	80.1	102.0
<b>Gender</b>						
Men	\$15,772	100.0	101.4	\$19,582	80.1	102.2
Women	13,812	100.0	101.5	16,996	80.1	101.8
<b>Age</b>						
62-64	\$12,861	100.0	102.1	\$15,818	80.1	102.8
65-69	15,598	100.0	101.3	19,351	80.1	101.7
<b>Education</b>						
<High school	\$10,794	100.0	103.4	\$14,007	80.1	103.8
High school graduate	13,874	100.0	101.7	16,840	80.1	102.6
College or more	18,252	100.0	100.6	21,740	80.1	100.9
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	\$8,578	100.0	108.7	\$10,553	80.1	111.5
Second	12,481	100.0	101.5	15,056	80.1	102.1
Middle	15,014	100.0	100.6	18,411	80.1	100.9
Fourth	17,150	100.0	100.3	21,499	80.1	100.4
Highest	20,737	100.0	100.1	26,019	80.1	100.1

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (GEN-W)-3. Average and Median Ratio of Real Lifetime Shared OASDI Benefits to Real Shared OASDI Contributions for Members of the 1965-1972 Birth Cohorts (Ages 37 to 44 in 2009) Under Current Law and with a More Generous Wage-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for those with 40 Work Years)

	<u>Current Law Scheduled</u>		<u>Current Law Payable</u>		<u>Wage-Indexed Generous Minimum Benefit</u>	
	average	median	average	median	average	median
<b>All</b>	1.684	1.136	1.541	1.008	1.712	1.139
<b>Gender</b>						
Men	1.420	1.003	1.304	0.897	1.444	1.010
Women	1.966	1.296	1.794	1.145	1.998	1.300
<b>Education</b>						
<High school	2.363	1.396	2.200	1.270	2.426	1.415
High school graduate	1.730	1.176	1.588	1.052	1.762	1.184
College or more	1.353	1.044	1.217	0.919	1.360	1.044
<b>Shared Lifetime Earnings Quintile</b>						
Lowest	3.013	1.715	2.808	1.531	3.131	1.782
Second	1.767	1.336	1.626	1.201	1.771	1.338
Middle	1.378	1.164	1.248	1.041	1.378	1.164
Fourth	1.098	1.033	0.980	0.914	1.099	1.035
Highest	0.912	0.899	0.802	0.783	0.912	0.899

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

Discount rate for accumulating both contributions and benefits is 2 percent real. Individuals who die prior to receiving OASDI benefits are included in the tabulations if they make payroll tax contributions and survive to at least age 30. To reduce the influence of extreme outliers, we cap the tax-benefit ratios at 99.

Payable projections assume that reductions occur when the combined OASI and DI Trust Funds fall below zero (under 2008 OCACT projections). Reductions are applied identically to OASI and DI beneficiaries based on combined income and cost rates (rather than the income and cost rates for the particular Trust Fund from which benefits are paid). Payable projections are projected to be lower under 2009 Trustees assumptions, so readers should interpret payable percentages conservatively.

Table MIN (GEN-W)-4. Distributions of Changes in OASDI Benefits (Relative to Current Law Scheduled) in 2030 and 2050 for Adult Beneficiaries with a More Generous Wage-Indexed Minimum Benefit (Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for those with 40 Work Years)

	2030					2050				
	Shared Lifetime Earnings Quintile					Shared Lifetime Earnings Quintile				
	Lowest	Second	Middle	Fourth	Highest	Lowest	Second	Middle	Fourth	Highest
lose >=20%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
lose 15-19.99%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
lose 10-14.99%	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.2	0.1	0.1
lose 5-9.99%	0.0	0.1	0.0	0.0	0.0	0.1	0.2	0.4	0.5	0.3
lose < 5 %	0.3	1.3	1.6	3.0	1.2	0.4	0.5	1.1	1.0	1.0
no change	66.6	81.4	88.2	89.1	96.1	63.8	85.1	90.2	93.4	96.5
gain < 5%	5.8	9.0	7.4	6.7	2.2	4.6	4.2	3.7	3.0	1.5
gain 5-9.99%	5.0	3.7	1.4	0.3	0.1	3.7	2.5	1.2	0.6	0.2
gain 10-14.99%	4.0	2.1	0.4	0.1	0.1	3.3	1.8	0.9	0.4	0.1
gain 15-19.99%	3.7	0.9	0.3	0.1	0.0	2.9	1.6	0.5	0.1	0.1
gain >=20%	14.7	1.6	0.8	0.6	0.3	21.1	4.0	1.8	0.9	0.3

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run614, April 2009). For more information, contact Melissa Favreault.

Notes: Uses individual rather than family benefit for individuals in married couple households. Excludes dependent benefits for non-aged spouses. Shared lifetime earnings are defined as the average of indexed earnings from ages 22 through 62 (or year of disability, whichever is first). (The index used is Social Security's Average Wage Index.) Quintiles are defined for the OASDI beneficiary population in the selected year, not the overall population.

Policy change takes effect in 2010. Work year is defined as 4 covered quarters. Partial work years can be counted toward the minimum.

## Section 2.

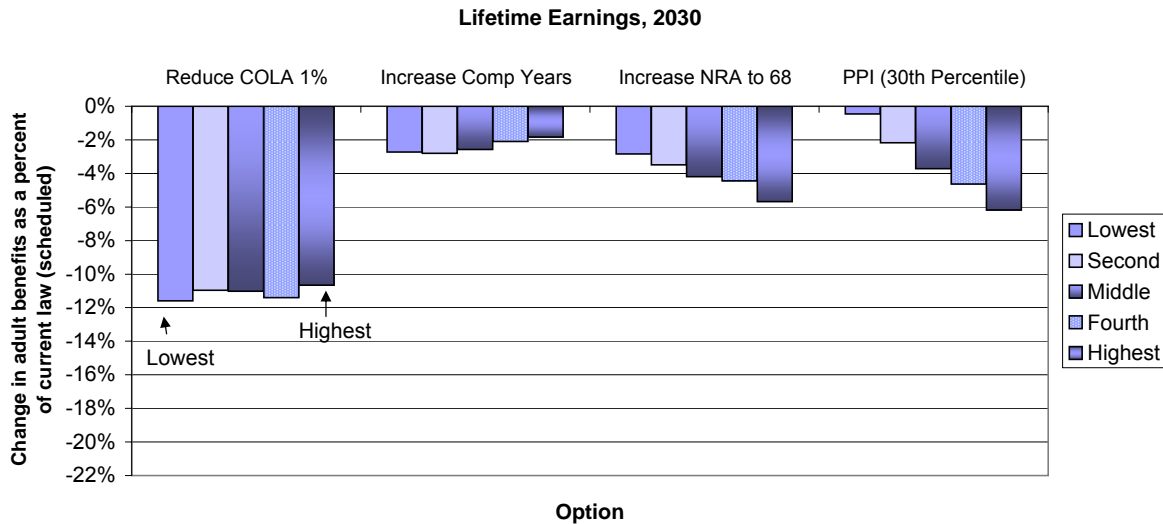
### Side-by-Side Graphical Comparisons of Distributional Features of Options that Reduce Benefits

- Reduce Cost-of-Living Adjustment (COLA) by One Percentage Point, Effective 2010
- Increase Computation Years from 35 to 38, Effective 2010
- Increase the Normal Retirement Age to 68 (by Eliminating the Hiatus for Raising the NRA to 67 and Continuing to Increase NRA by 2 Months per Birth Cohort), Starting in 2010
- Implement Progressive Price Indexing (with New Bend Point at the 30th Percentile of the Lifetime Earnings Distribution), Effective 2012

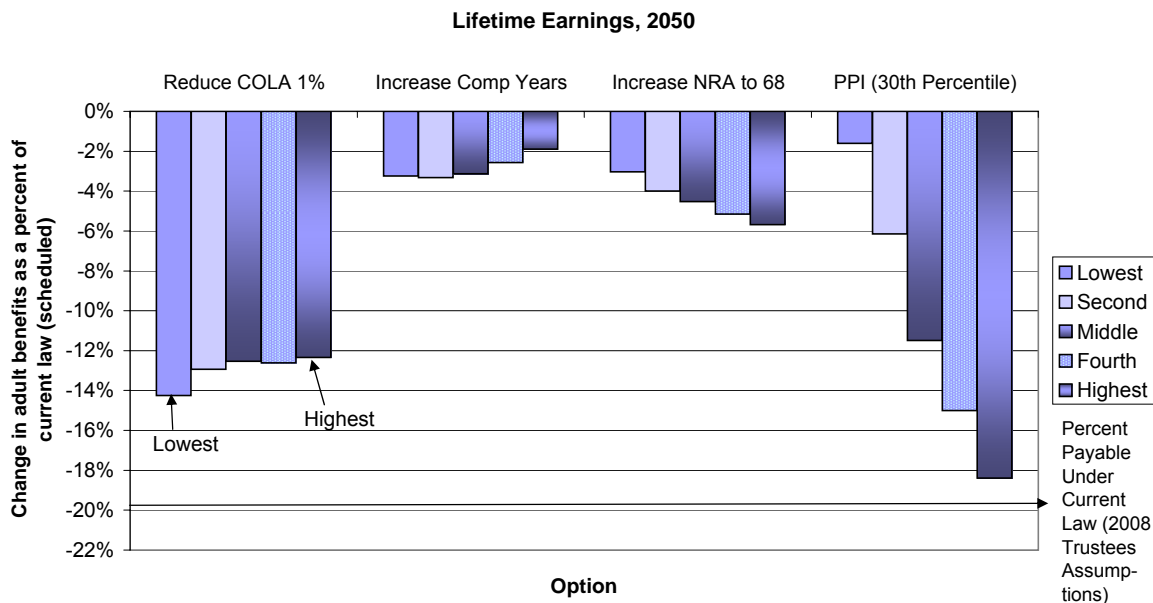
Note: Options have very different cost implications, so readers should make comparisons taking into account these differences.

## Compare Four Benefit Reduction Options

REDUCTION COMPARISON FIGURES 1 & 2:  
Mean Percent Changes in Adult Social Security Benefits, by Lifetime Earnings



- Effects of the COLA and computation years options appear more uniform, mildly regressive with respect to lifetime earnings, compared to the progressive price indexing and retirement age options, which appear to generate progressive benefit reductions at this point in time



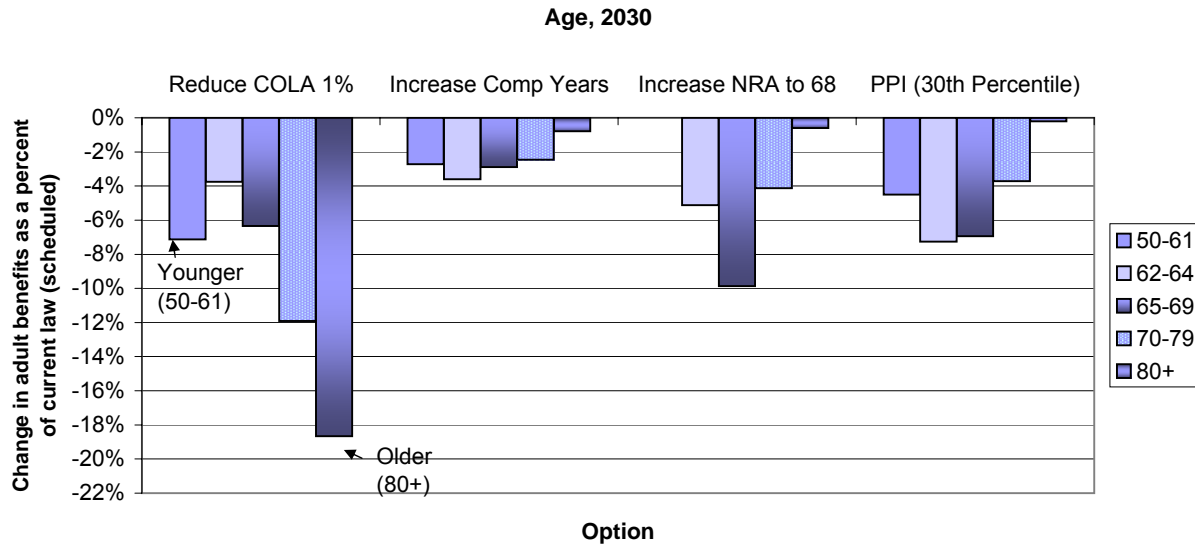
- Patterns are similar in 2050.
- The steepness in the benefit changes by lifetime earnings for the progressive price indexing option increases markedly in the 2050 projections.

Source: DYNASIM (Run 614, April 2009).

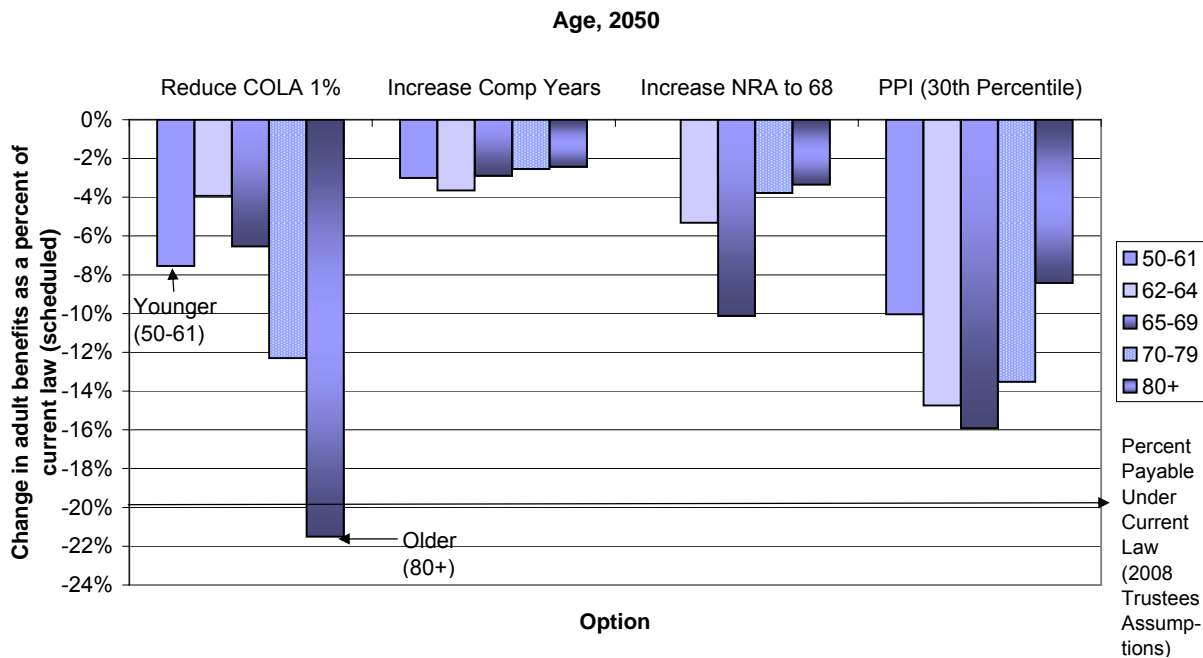
Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

## Compare Four Benefit Reduction Options

REDUCTION COMPARISON FIGURES 3 & 4:  
Mean Percent Changes in Adult Social Security Benefits, by Age



- The steep benefit reductions for the oldest old under the COLA option is perhaps the most marked result in 2030.



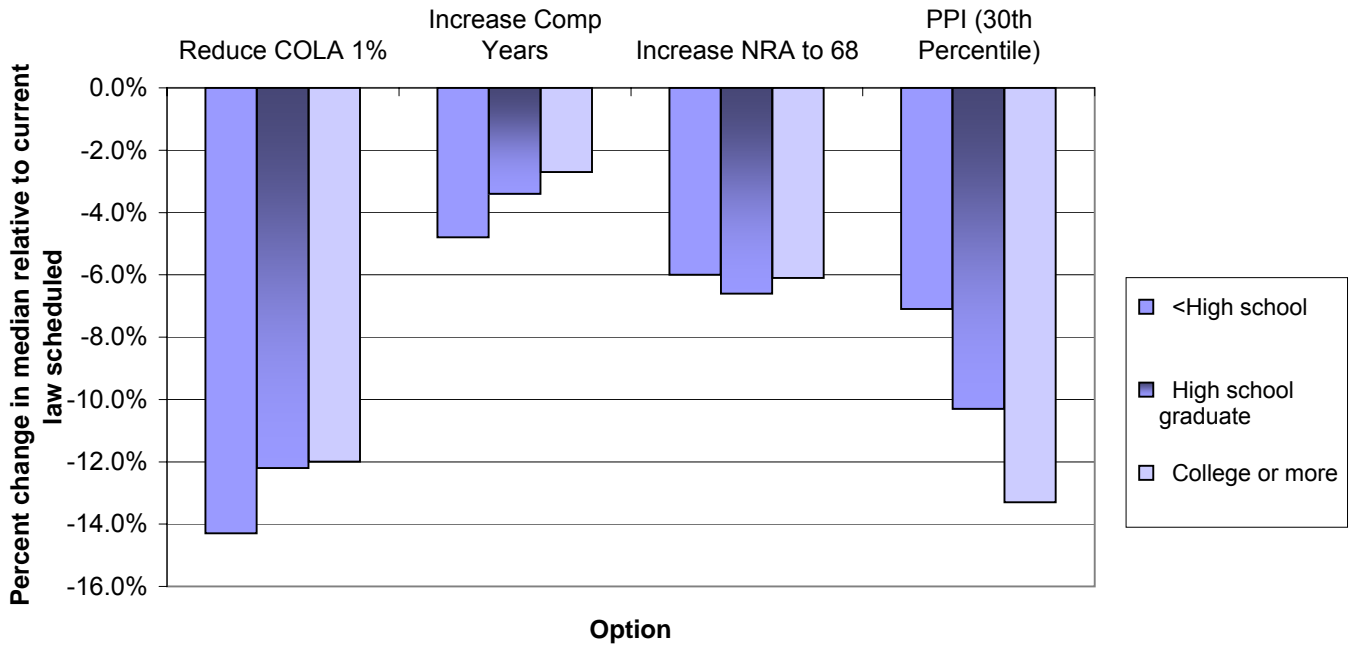
- Steep benefit reductions for the oldest old remain a prominent feature of the COLA reduction. Also prominent is the increase in the effect of progressive price indexing relative to 2030.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

## Compare Four Benefit Reduction Options: Lifetime Estimates

REDUCTION COMPARISON FIGURE 5:  
 Mean Percent Change Median Ratio of Lifetime Adult Social Security Benefits to Lifetime Payroll Taxes  
 for Members of the 1965-1972 Birth Cohorts by Education



- Lifetime estimates broadly mirror the cross-sectional estimates.
- Using beneficiaries' completed education as an indicator of targeting, we see greater reductions in median ratio of lifetime benefits to payroll tax contributions for the least educated in the 1965-1972 birth cohorts under the COLA and computation years options. Effects of the normal retirement age change are relatively flat. Progressive price indexing ratio reductions decline with education.

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

### Section 3.

#### Side-by-side Graphical Comparisons of Distributional Features of Options that Address Benefit Adequacy

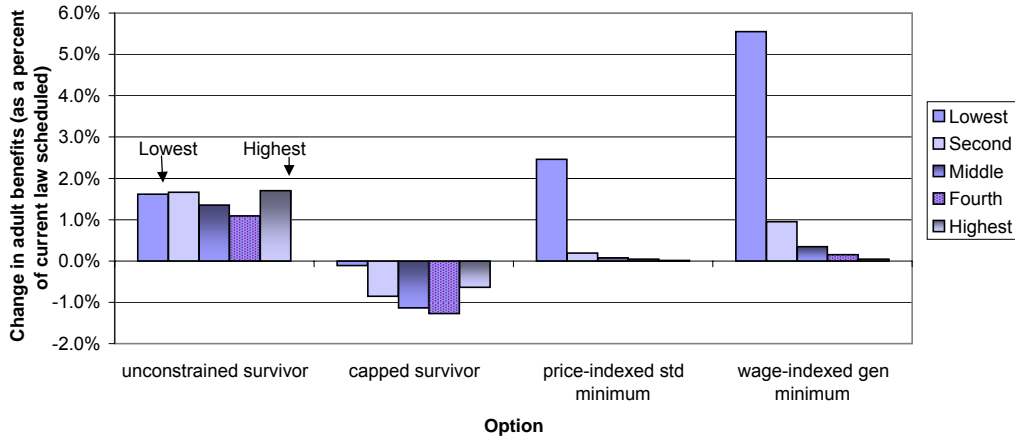
- Reduce Spouse Benefits (to 33 Percent of PIA) while Increasing Survivor Benefits (to 75 Percent of the Combined Benefit when Both Spouses are Alive), Effective 2010
- Reduce Spouse Benefits (to 33 Percent of PIA) while Increasing Survivor Benefits (to 75 Percent of the Combined Benefit when Both Spouses are Alive, Capped at the Survivor Benefit for an Average Worker), Effective 2010
- Add a Price-Indexed Minimum Benefit Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work, Effective 2010
- Add a Wage-Indexed Minimum Benefit Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 2 Percent per Year to 100 Percent of Poverty for 40 Years of Work, Effective 2010
- Add a Price-Indexed Minimum Benefit Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for 40 Years of Work, Effective 2010
- Add a Wage-Indexed Minimum Benefit Which Grants a Benefit Equal to 60 Percent of Poverty for 20 Years of Work, Increasing by 3 Percent per Year to 120 Percent of Poverty for 40 Years of Work, Effective 2010

Note: Options often have very different cost implications, so readers should make comparisons taking into account these differences.

## Compare Four Benefit Adequacy Options

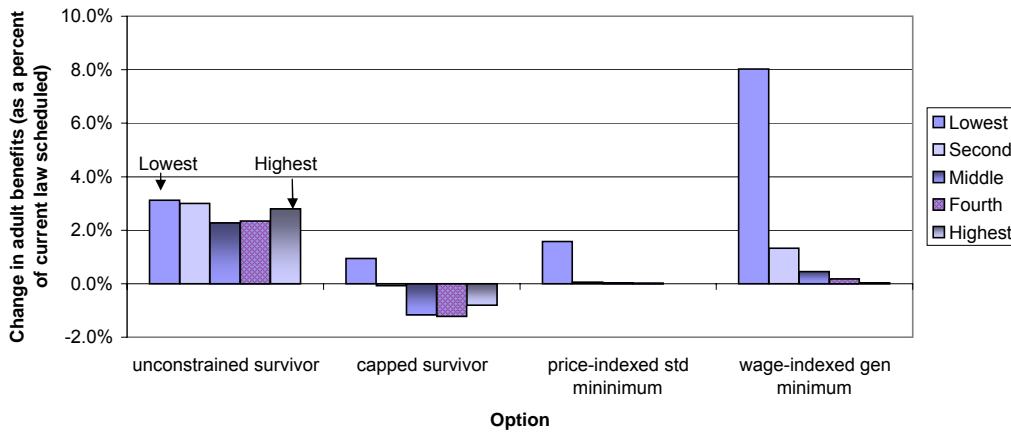
ADEQUACY COMPARISON FIGURES 1 & 2:  
Mean Percent Changes in Adult Social Security Benefits, by Shared Lifetime Earnings

### Shifting Benefits from Spouses to Survivors Compared to Minimum Benefits, 2030



- Benefit increases under the minimum benefit options are highly progressively, with gains highly concentrated in the lowest lifetime earnings quintile. Under the unconstrained spouse/survivor trade-off, the largest percentage changes go to those in the highest lifetime earnings quintile.

### Shifting Benefits from Spouses to Survivors Compared to Minimum Benefits, 2050



- Patterns are broadly similar in 2050, though with the price-indexed minimum benefit having a reduced effect.

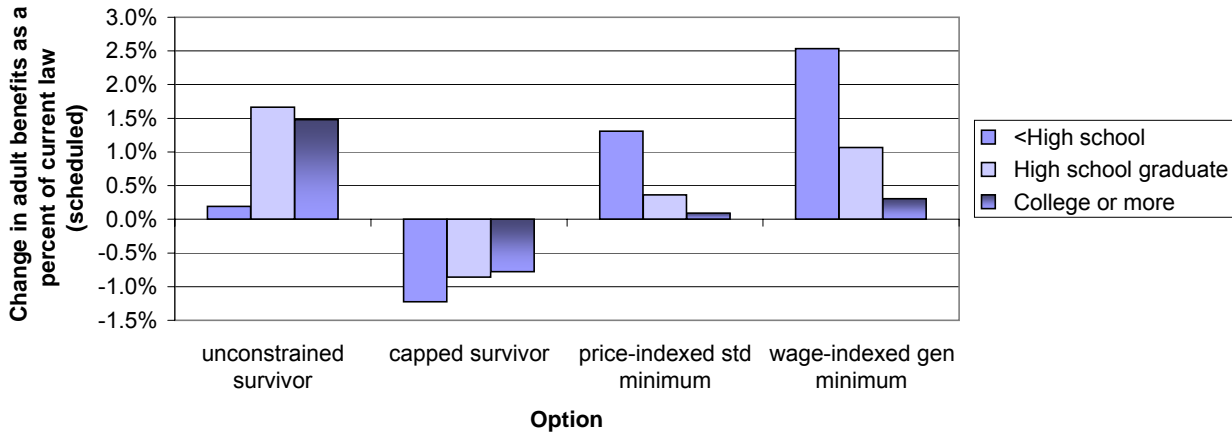
Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

## Compare Four Benefit Adequacy Options

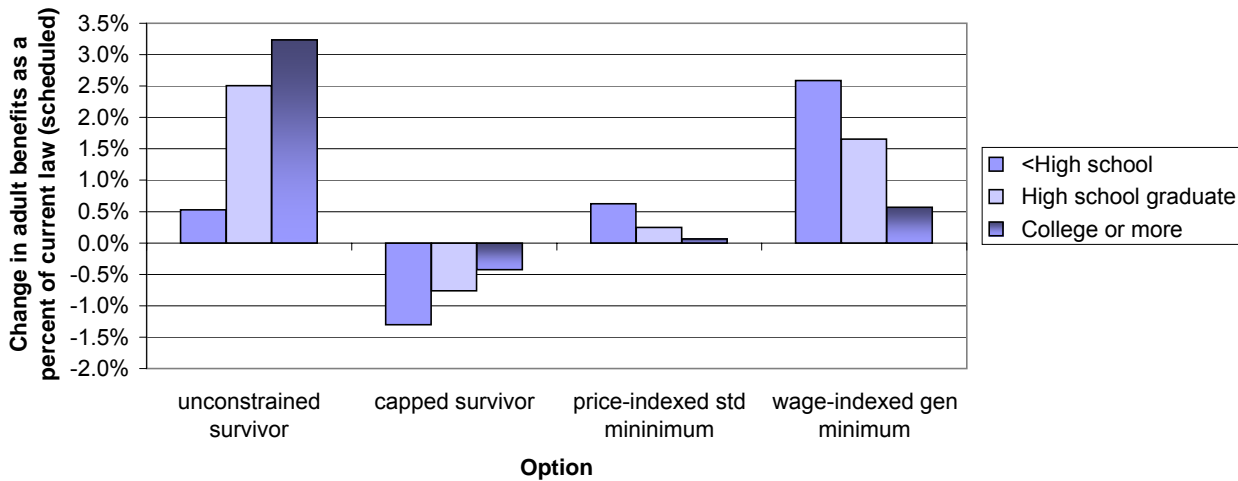
ADEQUACY COMPARISON FIGURES 3 & 4:  
Mean Percent Changes in Adult Social Security Benefits, by Education

### Shifting Benefits from Spouses to Survivors Compared to Minimum Benefits, 2030



- The minimum benefit options increase the benefits of the least educated the most. The survivor options, in contrast, lead to higher average increases (or smaller reductions) for high school and college graduates.

### Shifting Benefits from Spouses to Survivors Compared to Minimum Benefits, 2050



- In 2050, patterns of changes in benefits remain strikingly different across education groups, with the minimum options shifting benefits to the less educated and the survivor options either targeting the more highly educated (or reducing their benefits less).

Source: DYNASIM (Run 614, April 2009).

Notes: Uses individual benefit for married people. Excludes non-aged spouse dependent benefits. Shared lifetime earnings is defined as average indexed earnings ages 22-62 (or disability year if earlier), shared by spouses. Index used is Social Security's average wage index (AWI). Quintiles are defined using the beneficiary population (rather than the overall population).

## References

Favreault, Melissa M., and Karen E. Smith. 2004. "A Primer on the Dynamic Simulation of Income Model (DYNASIM3)." Discussion Paper, the Retirement Project, The Urban Institute. Available at: [www.urban.org/UploadedPDF/410961\\_Dynasim3Primer.pdf](http://www.urban.org/UploadedPDF/410961_Dynasim3Primer.pdf).

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