

Summary comments on COLA reductions: As the table shows, COLA reductions are a relatively regressive way to reduce benefits. In relative terms, women would experience greater reductions than men, older (and long-disabled) beneficiaries would experience greater reductions than younger beneficiaries, and lower lifetime earners would experience greater reductions than higher lifetime earners (in part reflecting the tendency for later cohorts to experience relative family earnings growth). While not highlighted in the tables, 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 proposals in which younger workers would bear the entire burden of bringing the system into balance). In the aggregate, the fact that the COLA reduction on average falls between scheduled and payable benefits in 2050 indicates that it does not bring the system into long-term balance (though it makes significant inroads). For the oldest old (ages 85+), 2050 benefits are actually lower than payable benefits with the change.

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

	2030			2050		
	Current Law Scheduled Average, \$2008	Current Law Payable as % of current law scheduled	Reduce COLA by 1 Percentage Point	Current Law Scheduled Average, \$2008	Current Law Payable as % of current law scheduled	Reduce COLA by 1 Percentage Point
All	\$15,455	100.0	89.3	\$18,854	80.1	87.3
Gender						
Men	\$16,783	100.0	89.9	\$20,149	80.1	88.4
Women	14,335	100.0	88.8	17,681	80.1	86.1
Age						
Disabled < 35	\$14,327	100.0	96.9	\$17,408	80.1	96.5
Disabled 35-49	14,364	100.0	93.0	17,787	80.1	92.9
Disabled 50-59	15,119	100.0	93.2	18,687	80.1	92.6
60-61	16,247	100.0	93.8	19,022	80.1	92.5
62-64	12,577	100.0	96.4	15,165	80.1	96.0
65-69	14,892	100.0	93.7	18,720	80.1	93.5
70-74	16,105	100.0	90.0	20,138	80.1	89.6
75-79	16,545	100.0	86.0	19,698	80.1	85.4
80-84	16,273	100.0	83.0	19,255	80.1	81.5
85+	15,610	100.0	82.3	18,661	80.1	75.6
Education						
<High school	\$11,298	100.0	89.5	\$14,110	80.1	87.2
High school graduate	14,478	100.0	89.2	17,373	80.1	87.2
College or more	19,150	100.0	89.4	22,539	80.1	87.4
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	89.1	\$10,675	80.1	85.9
Second	12,632	100.0	89.4	15,340	80.1	86.9
Middle	15,501	100.0	89.4	18,844	80.1	87.3
Fourth	18,105	100.0	89.1	22,293	80.1	87.6
Highest	22,032	100.0	89.5	27,118	80.1	87.7

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.

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).

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

	2030			2050		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Reduce COLA by 1 Percentage Point</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Reduce COLA by 1 Percentage Point</u>
	Average, \$2008	as % of current law scheduled		Average, \$2008	as % of current law scheduled	
All	\$15,455	100.0	94.4	\$18,854	80.1	94.2
Gender						
Men	\$16,783	100.0	94.8	\$20,149	80.1	94.6
Women	14,335	100.0	93.9	17,681	80.1	93.6
Age						
62-64	\$12,577	100.0	96.4	\$15,165	80.1	96.0
65-69	14,892	100.0	93.7	18,720	80.1	93.5
Education						
<High school	\$11,298	100.0	93.9	\$14,110	80.1	92.9
High school graduate	14,478	100.0	94.2	17,373	80.1	94.1
College or more	19,150	100.0	94.8	22,539	80.1	94.4
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	93.3	\$10,675	80.1	92.2
Second	12,632	100.0	94.1	15,340	80.1	93.8
Middle	15,501	100.0	94.5	18,844	80.1	94.3
Fourth	18,105	100.0	94.5	22,293	80.1	94.6
Highest	22,032	100.0	94.8	27,118	80.1	94.7

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.

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).

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 36 to 43 in 2008) Under Current Law and a COLA Reduction of One Percentage Point

	Current Law Scheduled		Current Law Payable		Reduce COLA by 1 Percentage Point	
	average	median	average	median	average	median
All	1.641	1.149	1.498	1.020	1.451	1.022
Gender						
Men	1.413	1.015	1.293	0.905	1.267	0.911
Women	1.879	1.309	1.712	1.162	1.642	1.158
Education						
<High school	1.958	1.309	1.798	1.200	1.717	1.190
High school graduate	1.720	1.195	1.576	1.068	1.525	1.071
College or more	1.385	1.060	1.249	0.934	1.221	0.939
Shared Lifetime Earnings Quintile						
Lowest	2.710	1.616	2.522	1.471	2.405	1.465
Second	1.688	1.367	1.543	1.225	1.491	1.230
Middle	1.508	1.181	1.370	1.051	1.338	1.061
Fourth	1.135	1.054	1.011	0.933	0.996	0.938
Highest	0.921	0.893	0.811	0.779	0.806	0.787

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run552). 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).

Summary comments on computation years increases: As the table shows, 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, and more educated beneficiaries have lower 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). The similarity in men's and women's changes may be surprising given that men are more likely than women to work more than 35 years. The relative similarity reflects several facts: 1.) that sizable fractions of women receive OASDI on a husband's or former husband's record, 2.) that women are older, and therefore more likely to not have experienced the reform (in the 2030 results), and 3) that 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).

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, \$2008	as % of current law scheduled		Average, \$2008	as % of current law scheduled	
All	\$15,455	100.0	97.7	\$18,854	80.1	97.3
Gender						
Men	\$16,783	100.0	97.7	\$20,149	80.1	97.4
Women	14,335	100.0	97.7	17,681	80.1	97.2
Age						
Disabled < 35	\$14,327	100.0	98.4	\$17,408	80.1	98.5
Disabled 35-49	14,364	100.0	97.3	17,787	80.1	97.4
Disabled 50-59	15,119	100.0	97.3	18,687	80.1	97.1
60-61	16,247	100.0	97.1	19,022	80.1	96.9
62-64	12,577	100.0	96.5	15,165	80.1	96.4
65-69	14,892	100.0	97.1	18,720	80.1	97.1
70-74	16,105	100.0	97.5	20,138	80.1	97.4
75-79	16,545	100.0	97.8	19,698	80.1	97.5
80-84	16,273	100.0	98.7	19,255	80.1	97.5
85+	15,610	100.0	99.9	18,661	80.1	97.7
Education						
<High school	\$11,298	100.0	97.3	\$14,110	80.1	96.8
High school graduate	14,478	100.0	97.7	17,373	80.1	97.2
College or more	19,150	100.0	97.9	22,539	80.1	97.6
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	97.2	\$10,675	80.1	96.8
Second	12,632	100.0	97.3	15,340	80.1	96.7
Middle	15,501	100.0	97.5	18,844	80.1	96.9
Fourth	18,105	100.0	97.9	22,293	80.1	97.4
Highest	22,032	100.0	98.2	27,118	80.1	98.1

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.

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).

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		
	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Computation Years Increase to 38</u>	<u>Current Law Scheduled</u>	<u>Current Law Payable</u>	<u>Computation Years Increase to 38</u>
	Average, \$2008	as % of current law scheduled		Average, \$2008	as % of current law scheduled	
All	\$15,455	100.0	96.9	\$18,854	80.1	96.9
Gender						
Men	\$16,783	100.0	97.0	\$20,149	80.1	97.1
Women	14,335	100.0	96.9	17,681	80.1	96.8
Age						
62-64	\$12,577	100.0	96.5	\$15,165	80.1	96.4
65-69	14,892	100.0	97.1	18,720	80.1	97.1
Education						
<High school	\$11,298	100.0	96.3	\$14,110	80.1	96.5
High school graduate	14,478	100.0	96.9	17,373	80.1	96.8
College or more	19,150	100.0	97.2	22,539	80.1	97.2
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	96.5	\$10,675	80.1	96.4
Second	12,632	100.0	96.5	15,340	80.1	96.4
Middle	15,501	100.0	96.6	18,844	80.1	96.5
Fourth	18,105	100.0	97.0	22,293	80.1	97.0
Highest	22,032	100.0	97.6	27,118	80.1	97.7

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.

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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 36 to 43 in 2008) Under Current Law and with an Increase in Computation Years to 38

	Current Law Scheduled		Current Law Payable		Computation Years Increase to 38	
	average	median	average	median	average	median
All	1.641	1.149	1.498	1.020	1.599	1.116
Gender						
Men	1.413	1.015	1.293	0.905	1.377	0.985
Women	1.879	1.309	1.712	1.162	1.832	1.270
Education						
<High school	1.958	1.309	1.798	1.200	1.897	1.265
High school graduate	1.720	1.195	1.576	1.068	1.677	1.165
College or more	1.385	1.060	1.249	0.934	1.351	1.030
Shared Lifetime Earnings Quintile						
Lowest	2.710	1.616	2.522	1.471	2.641	1.558
Second	1.688	1.367	1.543	1.225	1.639	1.321
Middle	1.508	1.181	1.370	1.051	1.469	1.143
Fourth	1.135	1.054	1.011	0.933	1.107	1.028
Highest	0.921	0.893	0.811	0.779	0.904	0.877

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run552). 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).

Summary comments on normal (full) retirement age increases: As the table shows, 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 lower and moderate earners, such proposals often have effects that appear progressive (i.e., benefit reductions increase with lifetime earnings and higher education). In the aggregate, the fact that benefits under the retirement age increase are between scheduled and payable benefits in 2050 indicates that the proposal does not fully bring the system into long-term balance (though it makes inroads). Not shown in the tables, benefit reductions that are, in this fashion, 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 this table are individuals who die before receiving retirement benefits, a source of concern because of differential mortality. These individuals are reflected in the Table 3 projections.

Table RET-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 Average, \$2008	Current Law Payable as % of current law scheduled	Normal Retirement Age Increase	Current Law Scheduled Average, \$2008	Current Law Payable as % of current law scheduled	Normal Retirement Age Increase
All	\$15,455	100.0	94.9	\$18,854	80.1	95.2
Gender						
Men	\$16,783	100.0	94.4	\$20,149	80.1	94.9
Women	14,335	100.0	95.4	17,681	80.1	95.6
Age						
Disabled < 35	\$14,327	100.0	100.0	\$17,408	80.1	100.0
Disabled 35-49	14,364	100.0	100.0	17,787	80.1	100.0
Disabled 50-59	15,119	100.0	100.0	18,687	80.1	100.0
60-61	16,247	100.0	100.0	19,022	80.1	100.0
62-64	12,577	100.0	94.8	15,165	80.1	94.6
65-69	14,892	100.0	90.2	18,720	80.1	89.9
70-74	16,105	100.0	95.7	20,138	80.1	96.2
75-79	16,545	100.0	93.6	19,698	80.1	96.4
80-84	16,273	100.0	96.7	19,255	80.1	96.5
85+	15,610	100.0	99.6	18,661	80.1	96.6
Education						
<High school	\$11,298	100.0	96.6	\$14,110	80.1	96.6
High school graduate	14,478	100.0	95.2	17,373	80.1	95.5
College or more	19,150	100.0	94.1	22,539	80.1	94.7
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	96.4	\$10,675	80.1	96.9
Second	12,632	100.0	95.8	15,340	80.1	96.0
Middle	15,501	100.0	95.3	18,844	80.1	95.4
Fourth	18,105	100.0	94.5	22,293	80.1	95.0
Highest	22,032	100.0	93.8	27,118	80.1	94.3

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 2006, eliminating the hiatus for raising the retirement age for those born between 1944 and 1954 and increasing the retirement age by two months per year until reaching age 68 for those born 1955 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).

Table RET-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, \$2008	as % of current law scheduled		Average, \$2008	as % of current law scheduled	
All	\$15,455	100.0	91.4	\$18,854	80.1	91.1
Gender						
Men	\$16,783	100.0	90.7	\$20,149	80.1	90.8
Women	14,335	100.0	92.1	17,681	80.1	91.5
Age						
62-64	\$12,577	100.0	94.8	\$15,165	80.1	94.6
65-69	14,892	100.0	90.2	18,720	80.1	89.9
Education						
<High school	\$11,298	100.0	94.7	\$14,110	80.1	94.6
High school graduate	14,478	100.0	92.2	17,373	80.1	91.8
College or more	19,150	100.0	89.2	22,539	80.1	89.6
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	94.8	\$10,675	80.1	95.6
Second	12,632	100.0	93.7	15,340	80.1	93.1
Middle	15,501	100.0	92.7	18,844	80.1	92.0
Fourth	18,105	100.0	90.6	22,293	80.1	90.6
Highest	22,032	100.0	88.2	27,118	80.1	87.9

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 2006, eliminating the hiatus for raising the retirement age for those born between 1944 and 1954 and increasing the retirement age by two months per year until reaching age 68 for those born 1955 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).

Table RET-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 36 to 43 in 2008) Under Current Law and with an Increase in the Normal (Full) Retirement Age to 68

	Current Law Scheduled		Current Law Payable		Normal Retirement Age Increase	
	average	median	average	median	average	median
All	1.641	1.149	1.498	1.020	1.583	1.084
Gender						
Men	1.413	1.015	1.293	0.905	1.359	0.956
Women	1.879	1.309	1.712	1.162	1.817	1.235
Education						
<High school	1.958	1.309	1.798	1.200	1.898	1.251
High school graduate	1.720	1.195	1.576	1.068	1.663	1.131
College or more	1.385	1.060	1.249	0.934	1.325	0.992
Shared Lifetime Earnings Quintile						
Lowest	2.710	1.616	2.522	1.471	2.643	1.518
Second	1.688	1.367	1.543	1.225	1.629	1.289
Middle	1.508	1.181	1.370	1.051	1.449	1.110
Fourth	1.135	1.054	1.011	0.933	1.080	0.992
Highest	0.921	0.893	0.811	0.779	0.872	0.835

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run552). 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 2006, eliminating the hiatus for raising the retirement age for those born between 1944 and 1954 and increasing the retirement age by two months per year until reaching age 68 for those born 1955 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).

Summary comments on progressive price indexing (with a new bend point set at approximately the 30th percentile of earners): As the table shows, 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. 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).

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		
	Current Law Scheduled	Current Law Payable	Progressive Price Indexing (Bend Point at 30th Percentile)	Current Law Scheduled	Current Law Payable	Progressive Price Indexing (Bend Point at 30th Percentile)
	Average, \$2008	as % of current law scheduled		Average, \$2008	as % of current law scheduled	
All	\$15,455	100.0	95.3	\$18,854	80.1	85.7
Gender						
Men	\$16,783	100.0	94.6	\$20,149	80.1	84.1
Women	14,335	100.0	96.0	17,681	80.1	87.4
Age						
Disabled < 35	\$14,327	100.0	95.3	\$17,408	80.1	90.0
Disabled 35-49	14,364	100.0	95.5	17,787	80.1	89.5
Disabled 50-59	15,119	100.0	94.6	18,687	80.1	87.9
60-61	16,247	100.0	94.1	19,022	80.1	87.1
62-64	12,577	100.0	91.2	15,165	80.1	82.4
65-69	14,892	100.0	92.0	18,720	80.1	81.4
70-74	16,105	100.0	94.4	20,138	80.1	83.4
75-79	16,545	100.0	97.2	19,698	80.1	85.6
80-84	16,273	100.0	99.7	19,255	80.1	88.2
85+	15,610	100.0	99.9	18,661	80.1	92.7
Education						
<High school	\$11,298	100.0	97.1	\$14,110	80.1	90.6
High school graduate	14,478	100.0	95.9	17,373	80.1	87.3
College or more	19,150	100.0	94.0	22,539	80.1	82.9
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	99.1	\$10,675	80.1	97.4
Second	12,632	100.0	97.2	15,340	80.1	91.6
Middle	15,501	100.0	95.5	18,844	80.1	86.4
Fourth	18,105	100.0	94.5	22,293	80.1	82.7
Highest	22,032	100.0	93.2	27,118	80.1	79.7

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 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 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).

Table PPI-2. 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, \$2008	as % of current law scheduled		Average, \$2008	as % of current law scheduled	
All	\$15,455	100.0	91.8	\$18,854	80.1	81.7
Gender						
Men	\$16,783	100.0	90.7	\$20,149	80.1	79.9
Women	14,335	100.0	92.9	17,681	80.1	83.8
Age						
62-64	\$12,577	100.0	91.2	\$15,165	80.1	82.4
65-69	14,892	100.0	92.0	18,720	80.1	81.4
Education						
<High school	\$11,298	100.0	95.2	\$14,110	80.1	88.4
High school graduate	14,478	100.0	92.9	17,373	80.1	83.8
College or more	19,150	100.0	89.2	22,539	80.1	77.8
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	98.6	\$10,675	80.1	97.2
Second	12,632	100.0	95.3	15,340	80.1	89.6
Middle	15,501	100.0	92.2	18,844	80.1	82.6
Fourth	18,105	100.0	90.0	22,293	80.1	77.6
Highest	22,032	100.0	87.7	27,118	80.1	73.5

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 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).

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 36 to 43 in 2008) Under Current Law and with Progressive Price Indexing (with a New Bendpoint Set at the 30th Percentile of Earners)

	Current Law Scheduled		Current Law Payable		Progressive Price Indexing (Bend Point at 30th Percentile)	
	average	median	average	median	average	median
All	1.641	1.149	1.498	1.020	1.540	1.016
Gender						
Men	1.413	1.015	1.293	0.905	1.322	0.892
Women	1.879	1.309	1.712	1.162	1.768	1.177
Education						
<High school	1.958	1.309	1.798	1.200	1.893	1.233
High school graduate	1.720	1.195	1.576	1.068	1.625	1.076
College or more	1.385	1.060	1.249	0.934	1.259	0.912
Shared Lifetime Earnings Quintile						
Lowest	2.710	1.616	2.522	1.471	2.677	1.594
Second	1.688	1.367	1.543	1.225	1.605	1.283
Middle	1.508	1.181	1.370	1.051	1.382	1.057
Fourth	1.135	1.054	1.011	0.933	0.997	0.905
Highest	0.921	0.893	0.811	0.779	0.780	0.743

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run552). 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).

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

Because all of the improvement to Social Security's financing comes from increased contributions, this proposal shows very different patterns than the others simulated in this group. 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.

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	Current Law	Taxable	Current Law	Current Law	Taxable
	Scheduled	Payable	Maximum to	Scheduled	Payable	Maximum to
	Average,	as % of current law scheduled	90% of	Average,	as % of current law scheduled	90% of
	\$2008		Payroll	\$2008		Payroll
All	\$15,455	100.0	100.9	\$18,854	80.1	102.9
Gender						
Men	\$16,783	100.0	101.1	\$20,149	80.1	103.5
Women	14,335	100.0	100.8	17,681	80.1	102.4
Age						
Disabled < 35	\$14,327	100.0	100.5	\$17,408	80.1	102.0
Disabled 35-49	14,364	100.0	101.2	17,787	80.1	101.4
Disabled 50-59	15,119	100.0	101.0	18,687	80.1	101.6
60-61	16,247	100.0	100.8	19,022	80.1	101.7
62-64	12,577	100.0	101.2	15,165	80.1	102.6
65-69	14,892	100.0	101.3	18,720	80.1	103.5
70-74	16,105	100.0	101.2	20,138	80.1	103.6
75-79	16,545	100.0	100.8	19,698	80.1	103.4
80-84	16,273	100.0	100.3	19,255	80.1	102.9
85+	15,610	100.0	100.2	18,661	80.1	101.7
Education						
<High school	\$11,298	100.0	100.4	\$14,110	80.1	101.1
High school graduate	14,478	100.0	100.4	17,373	80.1	101.9
College or more	19,150	100.0	101.8	22,539	80.1	104.5
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	100.1	\$10,675	80.1	100.2
Second	12,632	100.0	100.3	15,340	80.1	100.6
Middle	15,501	100.0	100.3	18,844	80.1	100.9
Fourth	18,105	100.0	100.7	22,293	80.1	102.3
Highest	22,032	100.0	102.3	27,118	80.1	107.2

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 \$200,000.

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).

Table TM-2. 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, \$2008	as % of current law scheduled		Average, \$2008	as % of current law scheduled	
All	\$15,455	100.0	101.3	\$18,854	80.1	103.2
Gender						
Men	\$16,783	100.0	101.5	\$20,149	80.1	103.7
Women	14,335	100.0	101.1	17,681	80.1	102.7
Age						
62-64	\$12,577	100.0	101.2	\$15,165	80.1	102.6
65-69	14,892	100.0	101.3	18,720	80.1	103.5
Education						
<High school	\$11,298	100.0	100.7	\$14,110	80.1	101.3
High school graduate	14,478	100.0	100.6	17,373	80.1	102.3
College or more	19,150	100.0	102.6	22,539	80.1	104.8
Shared Lifetime Earnings Quintile						
Lowest	\$9,005	100.0	100.1	\$10,675	80.1	100.1
Second	12,632	100.0	100.4	15,340	80.1	100.6
Middle	15,501	100.0	100.4	18,844	80.1	101.0
Fourth	18,105	100.0	101.1	22,293	80.1	102.6
Highest	22,032	100.0	103.3	27,118	80.1	108.2

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 \$200,000.

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).

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 36 to 43 in 2008) 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

	Current Law Scheduled		Current Law Payable		Restore the Taxable Maximum to 90% of Payroll	
	average	median	average	median	average	median
All	1.641	1.149	1.498	1.020	1.631	1.132
Gender						
Men	1.413	1.015	1.293	0.905	1.404	1.000
Women	1.879	1.309	1.712	1.162	1.868	1.295
Education						
<High school	1.958	1.309	1.798	1.200	1.953	1.305
High school graduate	1.720	1.195	1.576	1.068	1.713	1.188
College or more	1.385	1.060	1.249	0.934	1.366	1.036
Shared Lifetime Earnings Quintile						
Lowest	2.710	1.616	2.522	1.471	2.709	1.615
Second	1.688	1.367	1.543	1.225	1.683	1.366
Middle	1.508	1.181	1.370	1.051	1.502	1.175
Fourth	1.135	1.054	1.011	0.933	1.120	1.042
Highest	0.921	0.893	0.811	0.779	0.894	0.865

Source: Urban Institute Retirement Policy Program, based on DYNASIM3 (run552). 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 \$200,000.

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).