



SOCIAL SECURITY
Office of the Chief Actuary

April 9, 2019

The Honorable Marco Rubio
United States Senate
Washington, D.C. 20510

The Honorable Ann Wagner
United States House of Representatives
Washington, D.C. 20515

Dear Senator Rubio and Representative Wagner:

This letter is in response to your request for our estimates of the financial effects on the Social Security (OASDI) program assuming enactment of S. 920 and H.R. 1940, the “New Parents Act of 2019”, which you introduced on March 27. We have enjoyed working with Caleb Orr and Zach Gates of your staffs in the development of the specifications for and intent of this Bill. The estimates provided here reflect the combined effort of many in the Office of the Chief Actuary, but particularly Karen Glenn, Chris Chaplain, Kyle Burkhalter, Daniel Nickerson, Anna Kirjusina, and Jacqueline Walsh.

This Bill would allow eligible parents to receive parental leave benefits based on births and adoptions in 2022 and in each year thereafter for which the OASDI trust fund ratio (the ratio of trust fund reserves at the beginning of the year to projected program cost during the year) is projected to be at least 20 percent for that year and for the following year. Based on the intermediate assumptions of the 2018 Trustees Report, the OASDI trust fund ratio is projected to be below 20 percent for 2034 and all years thereafter, in the absence of any other change in the law. Thus, applications for parental leave benefits would not be accepted in 2033 or thereafter under these assumptions.

Under the Bill, parents could apply for one, two, or three months of parental leave benefits for each birth or adoption. The basic monthly parental leave benefit would equal the primary insurance amount (PIA) as determined for the parent based on earnings prior to application for the parental leave payment, as if the parent had become disabled on that date (subject to the qualifying conditions listed below, which differ from the current-law insured requirements for a Social Security disabled worker benefit). Parental leave benefits would be repaid in the form of an increased Social Security normal retirement age (NRA) or 60 months of reduced Social Security benefits, as described in further detail below. The balance of this letter provides further description of our understanding of these provisions and our estimates of the effects on the financial status of the OASDI program and the effects on the federal budget.

Specifications of the Bill

To qualify for a parental leave benefit, the parent must have earned either (1) four quarters of coverage (QCs as defined for Social Security insured status) in the calendar year immediately preceding the year of the birth or adoption of the child, and eight QCs at any time prior to the application for parental leave benefit; or (2) 12 QCs at any time prior to application. The child must be residing with and under the care of the parent during the period of parental leave. In the case of an adopted child, the child must be under the age of 18 throughout the period of parental leave. Parents must attest that they intend to use the benefit to finance spending more time with the qualified child at home and away from employment during the benefit period. Qualifying parents would become eligible upon receipt of their application for parental leave benefit, but no sooner than the date at which they have met all requirements. Parents may receive parental leave benefits during the 1-year period beginning with the month after the month in which the child is born or adopted. Both parents can receive the parental leave benefit at the same time or for different periods within this 1-year window. Only one payment would be available in the event of multiple births (twins, for example). However, multiple parental leave benefits may be received if more than one child is born or adopted at different times during the period 2022 through the current expected sunset year of 2032.

Eligible parents who elect to receive a parental leave benefit would have a choice at the time of application between two methods of repayment. Under option 1, parents would have their normal retirement age (NRA) and their earliest eligibility age (EEA) increased by a specified number of months (to be determined by the Commissioner of Social Security) for each month of parental leave benefit received. Currently, we expect that the increase in the NRA/EEA would be twice the number of months of parental leave benefits taken. Under option 2, parents would have their monthly Social Security old-age worker, spouse, or survivor benefit reduced by a specified percentage to be determined by the Commissioner, for each of the first 60 months of such benefit receipt. Currently, we expect that this option would call for a 4.5-percentage-point reduction in the age-related factor for a benefit, reflecting any reduction for early retirement or increase for delayed retirement, for each month of parental leave benefit taken. For example, a parent who receives parental leave benefits for two months and later starts receipt of their retired worker benefit at age 64 (3 years before reaching their current-law NRA) could have their NRA increased by four months under option 1, or could have their monthly retired worker benefit reduced for each of the first 60 months of benefit receipt under option 2. The benefit under option 2 would be reduced to 71 percent of PIA for the first 60 months under the proposal, increasing to 80 percent of PIA after the first 60 months. This compares to the 80 percent of PIA for all months that would be received under current law, with the 80 percent factor based on the age of starting receipt alone.

The NRA/EEA increase in option 1 and the specified percentage reductions in option 2 are determined with the goal that the present value of reductions in future OASDI benefits over the remaining lifetime of all parent recipients in a year would fully offset the parental leave payments made in that year. For individuals choosing option 1, their EEA and age at which their maximum Social Security retired worker benefit is available would be increased by the same number of months as the NRA. However, the insured status requirements for OASDI benefits

and the method of computing the PIA would not be affected; that is, the PIA would be computed as if the EEA for the retired worker were still age 62.

Assumptions

For these estimates, we have assumed that approximately 40 percent of parents with a new birth or adoption would be qualified for and would choose to receive a parental leave benefit in the affected years. We assume that parental leave benefits would be received for 2.5 months on average for each participating parent, for each child. We further assume that half of all applicants would choose option 1 (NRA/EEA change) and half would choose option 2 (percentage benefit reduction over 60 months).

In addition, we have assumed that the administrative burden in determining eligibility for and paying parental leave benefits would be on the order of normal administrative costs, and that any administrative cost in excess of that level would be financed with transfers from the General Fund of the Treasury.

Results

We estimate that, if enacted, this Bill would have a negligible effect on the long-range OASDI actuarial balance (that is, less than 0.005 percent of taxable payroll). In early years (through 2032), when parental leave benefits would be paid but few eligible parents would have experienced the effects of a delayed NRA/EEA or reductions to their OASDI benefits, this provision would result in more cost to the OASI Trust Fund. In years after 2032, when we project that no parental leave benefits would be paid, the OASI and DI Trust Funds would see a reduction in benefit cost compared to current law, with the largest reductions coming in 2066, about 34 years after the last parental leave benefits would have been paid.

Table 1, enclosed, presents annual and 75-year-summarized cost rates, income rates, balances, and changes in annual cost and income rates and balances for the OASDI program under enactment of the Bill. Changes in annual balances are negative from 2022 through 2032 due to the parental leave benefit payments, and are then positive for 2033 through the end of the projection period because of future reductions in OASI and DI benefits.

Table 1b shows “off-budget,” “unified budget,” and “on-budget” effects of the Bill on a present value basis. Amounts are discounted to January 1, 2018 using the projected Trust Fund interest rates. Table 1b.n provides the estimated nominal dollar effect of the Bill on annual budget balances for years 2018 through 2028. All values in these tables represent the amount of change from the level projected under current law. In addition, changes reflect the budget scoring convention that presumes benefits, not payable under the law after depletion of trust fund reserves, would still be paid using revenue provided from the General Fund of the Treasury. The reader should be cautioned that this presumption of payment of benefits beyond the resources of the trust funds is prohibited under current law and is also inconsistent with all past experience under the Social Security program.

Column 1 shows the estimated annual amounts of specified General Fund transfers to and from the combined OASI and DI Trust Funds (zero under this Bill). Column 2 shows the annual cash flow off-budget effects for the combined OASI and DI Trust Funds. On a present value basis, the total net cost to OASDI over the 75-year period is slightly positive (about \$0.4 billion), because by 2092 the parental leave payments from 2022 through 2032 are not yet fully offset by the later repayments to the trust funds. Columns 3 through 5 present the unified budget effects from enactment of the Bill. Column 4 shows that we estimate an increase in publicly held debt of \$85.0 billion at the end of 2032 from the parental leave benefits. After 2032, because of the option 1 NRA/EEA increases and option 2 percentage reductions in OASDI benefit payments, annual reductions in debt held by the public occur through the end of the projection period, and by 2092 we estimate very little net change in publicly held debt. Columns 6 and 7 indicate that this Bill would have no expected direct effects on the on-budget cash flow, or on the total federal debt, in the future. It should again be noted that for Table 1b and Table 1.bn, we have not reflected the implications of reimbursements for administrative expenses in excess of normal operating costs and of the resulting changes in the federal budget to offset any net reduction in annual unified budget balances.

Table 1b.n shows the same information, but in nominal dollars. In this table, we show nominal dollar effects through 2028.

The estimates in Tables 1b and 1b.n are based on the baseline assumptions of the 2018 Trustees Report and thus differ from what would be estimated under the President's Budget or the CBO baseline assumptions.

We hope these estimates are helpful. Please let us know if we may provide further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Stephen C. Goss".

Stephen C. Goss, ASA, MAAA
Chief Actuary

Enclosures

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio
"New Parents Act of 2019," Introduced by Senator Rubio and Representative Wagner

Year	Proposal			Trust Fund Ratio	Change from Current Law		
	Expressed as a percentage of current-law taxable payroll				Expressed as a percentage of current-law taxable payroll		
	Cost Rate	Income Rate	Annual Balance	1-1-year	Cost Rate	Income Rate	Annual Balance
2018	13.81	12.64	-1.17	288	0.00	0.00	0.00
2019	13.95	12.87	-1.08	272	0.00	0.00	0.00
2020	14.12	12.89	-1.23	256	0.00	0.00	0.00
2021	14.27	12.92	-1.35	239	0.00	0.00	0.00
2022	14.53	12.95	-1.58	221	0.09	0.00	-0.09
2023	14.72	12.97	-1.75	204	0.10	0.00	-0.09
2024	14.90	13.00	-1.90	186	0.10	0.00	-0.09
2025	15.08	13.01	-2.07	168	0.10	0.00	-0.09
2026	15.26	13.14	-2.12	151	0.10	0.01	-0.09
2027	15.46	13.16	-2.30	134	0.10	0.01	-0.09
2028	15.68	13.18	-2.50	116	0.10	0.01	-0.09
2029	15.89	13.19	-2.70	99	0.10	0.01	-0.09
2030	16.08	13.21	-2.87	82	0.10	0.01	-0.09
2031	16.26	13.22	-3.04	64	0.10	0.01	-0.09
2032	16.42	13.23	-3.18	45	0.10	0.01	-0.09
2033	16.45	13.24	-3.21	27	-0.00	0.00	0.00
2034	16.57	13.25	-3.32	8	-0.00	0.00	0.00
2035	16.65	13.25	-3.40	---	-0.00	0.00	0.00
2036	16.72	13.26	-3.46	---	-0.00	0.00	0.00
2037	16.78	13.27	-3.52	---	-0.00	0.00	0.00
2038	16.82	13.27	-3.55	---	-0.00	-0.00	0.00
2039	16.83	13.27	-3.56	---	-0.00	-0.00	0.00
2040	16.83	13.27	-3.56	---	-0.00	-0.00	0.00
2041	16.81	13.27	-3.54	---	-0.00	-0.00	0.00
2042	16.78	13.27	-3.50	---	-0.00	-0.00	0.00
2043	16.73	13.27	-3.46	---	-0.00	-0.00	0.00
2044	16.69	13.27	-3.42	---	-0.00	-0.00	0.00
2045	16.66	13.27	-3.39	---	-0.00	-0.00	0.00
2046	16.63	13.27	-3.36	---	-0.00	-0.00	0.00
2047	16.60	13.27	-3.33	---	-0.00	-0.00	0.00
2048	16.57	13.27	-3.30	---	-0.01	-0.00	0.00
2049	16.55	13.27	-3.28	---	-0.01	-0.00	0.01
2050	16.53	13.27	-3.27	---	-0.01	-0.00	0.01
2051	16.52	13.27	-3.25	---	-0.01	-0.00	0.01
2052	16.52	13.27	-3.25	---	-0.02	-0.00	0.02
2053	16.52	13.27	-3.25	---	-0.02	-0.00	0.02
2054	16.54	13.27	-3.26	---	-0.02	-0.00	0.02
2055	16.56	13.27	-3.29	---	-0.03	-0.00	0.03
2056	16.59	13.28	-3.31	---	-0.03	-0.00	0.03
2057	16.63	13.28	-3.34	---	-0.04	-0.00	0.04
2058	16.67	13.28	-3.38	---	-0.04	-0.00	0.04
2059	16.71	13.29	-3.42	---	-0.05	-0.00	0.05
2060	16.75	13.29	-3.46	---	-0.05	-0.00	0.05
2061	16.80	13.30	-3.50	---	-0.06	-0.00	0.06
2062	16.85	13.30	-3.55	---	-0.06	-0.00	0.06
2063	16.90	13.30	-3.59	---	-0.07	-0.00	0.06
2064	16.95	13.31	-3.64	---	-0.07	-0.00	0.06
2065	17.00	13.31	-3.69	---	-0.07	-0.00	0.07
2066	17.06	13.31	-3.74	---	-0.07	-0.00	0.07
2067	17.11	13.32	-3.79	---	-0.07	-0.00	0.07
2068	17.17	13.32	-3.85	---	-0.07	-0.00	0.06
2069	17.24	13.33	-3.91	---	-0.07	-0.00	0.06
2070	17.30	13.33	-3.97	---	-0.07	-0.00	0.06
2071	17.36	13.34	-4.02	---	-0.06	-0.00	0.06
2072	17.41	13.34	-4.07	---	-0.06	-0.00	0.06
2073	17.45	13.34	-4.11	---	-0.06	-0.00	0.06
2074	17.50	13.35	-4.15	---	-0.06	-0.00	0.05
2075	17.54	13.35	-4.19	---	-0.05	-0.00	0.05
2076	17.57	13.35	-4.21	---	-0.04	-0.00	0.04
2077	17.59	13.35	-4.23	---	-0.04	-0.00	0.04
2078	17.59	13.35	-4.24	---	-0.03	-0.00	0.03
2079	17.59	13.35	-4.24	---	-0.03	-0.00	0.03
2080	17.58	13.35	-4.23	---	-0.02	-0.00	0.02
2081	17.57	13.35	-4.22	---	-0.02	-0.00	0.02
2082	17.56	13.35	-4.21	---	-0.01	-0.00	0.01
2083	17.55	13.35	-4.19	---	-0.01	-0.00	0.01
2084	17.54	13.35	-4.18	---	-0.00	-0.00	0.00
2085	17.53	13.35	-4.18	---	-0.00	-0.00	0.00
2086	17.53	13.35	-4.18	---	-0.00	-0.00	0.00
2087	17.53	13.35	-4.18	---	-0.00	-0.00	0.00
2088	17.55	13.35	-4.19	---	-0.00	-0.00	0.00
2089	17.57	13.35	-4.21	---	-0.00	-0.00	0.00
2090	17.60	13.35	-4.24	---	-0.00	-0.00	0.00
2091	17.64	13.36	-4.28	---	-0.00	-0.00	0.00
2092	17.68	13.36	-4.32	---	-0.00	-0.00	0.00
2093	17.72	13.36	-4.36	---	-0.00	-0.00	0.00

Summarized Rates: OASDI				
	Cost Rate	Income Rate	Actuarial Balance	Year of reserve depletion ¹
2018 - 2092	16.69%	13.84%	-2.84%	2034

Summarized Rates: OASDI			
	Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
	0.00%	-0.00%	-0.00%

Based on Intermediate Assumptions of the 2018 Trustees Report.

¹ Under current law the year of combined Trust Fund reserve depletion is 2034.

**Table 1b - OASDI Changes & Implications for Federal Budget and Debt of Specified Plan Provision Effects on OASDI (Present Value Dollars)
 "New Parents Act of 2019," Introduced by Senator Rubio and Representative Wagner**

Billions of Present Value Dollars as of 1-1-2018

Year	Specified General Fund Transfers	Basic Changes in OASDI Cash Flow	Change in Annual Unified Budget Cash Flow	Change in Debt Held by Public at End of Year	Change in Annual Unified Budget Balance	Change in Total Federal Debt End Of Year	Change in Annual On Budget Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2018	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2020	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2021	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2022	0.0	-7.0	-7.0	7.0	-7.0	0.0	0.0
2023	0.0	-7.3	-7.3	14.3	-7.5	0.0	0.0
2024	0.0	-7.5	-7.5	21.8	-7.9	0.0	0.0
2025	0.0	-7.7	-7.7	29.5	-8.4	0.0	0.0
2026	0.0	-7.8	-7.8	37.3	-8.7	0.0	0.0
2027	0.0	-7.9	-7.9	45.2	-9.2	0.0	0.0
2028	0.0	-8.0	-8.0	53.2	-9.6	0.0	0.0
2029	0.0	-8.0	-8.0	61.2	-10.1	0.0	0.0
2030	0.0	-8.0	-8.0	69.2	-10.7	0.0	0.0
2031	0.0	-7.9	-7.9	77.1	-11.2	0.0	0.0
2032	0.0	-7.9	-7.9	85.0	-11.8	0.0	0.0
2033	0.0	0.0	0.0	85.0	-4.3	0.0	0.0
2034	0.0	0.0	0.0	85.0	-4.3	0.0	0.0
2035	0.0	0.0	0.0	85.0	-4.3	0.0	0.0
2036	0.0	0.0	0.0	85.0	-4.3	0.0	0.0
2037	0.0	0.0	0.0	85.0	-4.3	0.0	0.0
2038	0.0	0.0	0.0	85.0	-4.3	0.0	0.0
2039	0.0	0.0	0.0	84.9	-4.3	0.0	0.0
2040	0.0	0.0	0.0	84.9	-4.3	0.0	0.0
2041	0.0	0.0	0.0	84.9	-4.3	0.0	0.0
2042	0.0	0.0	0.0	84.9	-4.3	0.0	0.0
2043	0.0	0.0	0.0	84.8	-4.3	0.0	0.0
2044	0.0	0.1	0.1	84.8	-4.2	0.0	0.0
2045	0.0	0.1	0.1	84.6	-4.2	0.0	0.0
2046	0.0	0.2	0.2	84.5	-4.1	0.0	0.0
2047	0.0	0.2	0.2	84.2	-4.1	0.0	0.0
2048	0.0	0.3	0.3	83.9	-3.9	0.0	0.0
2049	0.0	0.5	0.5	83.4	-3.8	0.0	0.0
2050	0.0	0.6	0.6	82.8	-3.6	0.0	0.0
2051	0.0	0.8	0.8	82.0	-3.4	0.0	0.0
2052	0.0	1.0	1.0	80.9	-3.2	0.0	0.0
2053	0.0	1.3	1.3	79.7	-2.8	0.0	0.0
2054	0.0	1.5	1.5	78.1	-2.5	0.0	0.0
2055	0.0	1.8	1.8	76.3	-2.1	0.0	0.0
2056	0.0	2.1	2.1	74.1	-1.7	0.0	0.0
2057	0.0	2.4	2.4	71.7	-1.3	0.0	0.0
2058	0.0	2.7	2.7	69.0	-0.9	0.0	0.0
2059	0.0	3.0	3.0	66.0	-0.5	0.0	0.0
2060	0.0	3.3	3.3	62.7	-0.1	0.0	0.0
2061	0.0	3.5	3.5	59.2	0.3	0.0	0.0
2062	0.0	3.6	3.6	55.6	0.6	0.0	0.0
2063	0.0	3.8	3.8	51.8	0.9	0.0	0.0
2064	0.0	3.9	3.9	48.0	1.2	0.0	0.0
2065	0.0	3.9	3.9	44.1	1.4	0.0	0.0
2066	0.0	3.9	3.9	40.2	1.6	0.0	0.0
2067	0.0	3.8	3.8	36.4	1.7	0.0	0.0
2068	0.0	3.7	3.7	32.7	1.8	0.0	0.0
2069	0.0	3.6	3.6	29.1	1.9	0.0	0.0
2070	0.0	3.4	3.4	25.7	2.0	0.0	0.0
2071	0.0	3.3	3.3	22.4	2.0	0.0	0.0
2072	0.0	3.1	3.1	19.2	2.0	0.0	0.0
2073	0.0	3.0	3.0	16.2	2.0	0.0	0.0
2074	0.0	2.8	2.8	13.4	2.0	0.0	0.0
2075	0.0	2.5	2.5	10.9	1.8	0.0	0.0
2076	0.0	2.2	2.2	8.7	1.6	0.0	0.0
2077	0.0	1.9	1.9	6.8	1.4	0.0	0.0
2078	0.0	1.6	1.6	5.2	1.3	0.0	0.0
2079	0.0	1.3	1.3	3.9	1.1	0.0	0.0
2080	0.0	1.1	1.1	2.8	0.9	0.0	0.0
2081	0.0	0.8	0.8	2.0	0.7	0.0	0.0
2082	0.0	0.6	0.6	1.4	0.5	0.0	0.0
2083	0.0	0.4	0.4	1.0	0.3	0.0	0.0
2084	0.0	0.2	0.2	0.8	0.1	0.0	0.0
2085	0.0	0.1	0.1	0.7	0.1	0.0	0.0
2086	0.0	0.1	0.1	0.6	0.1	0.0	0.0
2087	0.0	0.0	0.0	0.5	0.0	0.0	0.0
2088	0.0	0.0	0.0	0.5	0.0	0.0	0.0
2089	0.0	0.0	0.0	0.4	0.0	0.0	0.0
2090	0.0	0.0	0.0	0.4	0.0	0.0	0.0
2091	0.0	0.0	0.0	0.4	0.0	0.0	0.0
2092	0.0	0.0	0.0	0.4	0.0	0.0	0.0
Total 2018-2092	0.0	-0.4	-0.4				

Based on Intermediate Assumptions of the 2018 Trustees Report.
 Ultimate Real Trust Fund Yield of 2.7%.

- Notes:
- (1) Estimates do not reflect the implications of reimbursements for administrative expenses and of changes in the federal budget ("pay-fors") to offset any net reduction in annual unified budget balances.
 - (2) Changes reflect the budget scoring convention that presumes benefits not payable after reserve depletion would nonetheless be paid, based on transfers from the General Fund of the Treasury resulting in additional borrowing from the public.

¹ Effects of tax provisions on the On-Budget are not reflected in this table.

**Table 1b.n - OASDI Changes & Implications for Federal Budget and Debt of Specified Plan Provision Effects on OASDI¹ (Nominal Dollars)
 "New Parents Act of 2019," Introduced by Senator Rubio and Representative Wagner**

<i>Billions of Nominal Dollars</i>								
<u>Year</u>	Specified General Fund Transfers to OASDI ¹	Basic Changes in OASDI Cash Flow	Change in Annual Unified Budget Cash Flow ²	Change in Debt Held by Public at End of Year	Change in Annual Unified Budget Balance	Change in Annual On Budget Cash Flow	Change in Total Federal Debt End Of Year	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
2019	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2020	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2021	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2022	0.0	-7.9	-7.9	8.0	-8.0	0.0	0.0	
2023	0.0	-8.5	-8.5	16.9	-8.9	0.0	0.0	
2024	0.0	-9.1	-9.1	26.6	-9.7	0.0	0.0	
2025	0.0	-9.6	-9.6	37.2	-10.5	0.0	0.0	
2026	0.0	-10.0	-10.0	48.5	-11.4	0.0	0.0	
2027	0.0	-10.5	-10.5	60.8	-12.3	0.0	0.0	
2028	0.0	-10.9	-10.9	74.3	-13.5	0.0	0.0	

Based on Intermediate Assumptions of the 2018 Trustees Report.
 Ultimate Real Trust Fund Yield of 2.7%.

- Notes:
- (1) Estimates do not reflect the implications of reimbursements for administrative expenses and of changes in the federal budget ("pay-fors") to offset any net reduction in annual unified budget balances.
 - (2) Changes reflect the budget scoring convention that presumes benefits not payable after reserve depletion would nonetheless be paid, based on transfers from the General Fund of the Treasury resulting in additional borrowing from the public.

¹ Effects of tax provisions on the On-Budget are not reflected in this table.