SOCIAL SECURITY

MEMORANDUM

Date: February 11, 2004 Refer To: TCA

To: Representative Jim Kolbe
Representative Charles Stenholm

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Subject: Estimated OASDI Financial Effects of the "Bipartisan Retirement Security Act" -- **INFORMATION**

This memorandum provides long-range estimates of the financial effects on the Social Security (OASDI) program assuming enactment of the "Bipartisan Retirement Security Act", which you have indicated will be introduced in the near future. Specifications and intent for the provisions in the bill were provided by Ed Lorenzen and Trent Wright from your staffs. A description of these specifications, reflecting our understanding of the intent of this bill, is given below. All estimates are based on the intermediate assumptions of the 2003 Trustees Report, as well as additional assumptions described below. The comprehensive proposal described in this memorandum would:

- Modify the computation of OASDI benefit levels in several ways,
- Transfer specified amounts from the General Fund of the Treasury to the OASDI Trust Funds,
- Credit all revenue from taxation of OASDI benefits (including disbursements from individual accounts (IAs)) to the OASDI Trust Funds,
- Change the indexing of the benefit and contribution base, and
- Establish individual accounts for workers who are under age 55 at the beginning of 2006 by redirecting a portion of their payroll tax.

Enactment of the comprehensive proposal described in this memorandum would improve the long-range OASDI actuarial balance by an estimated 2.05 percent of taxable payroll, changing the present-law actuarial deficit of 1.92 percent to a positive actuarial balance of +0.14 percent of taxable payroll. The trust fund ratio for the combined OASDI program would increase to a peak of 425 percent in 2016, then decline to 192 percent in 2053. After 2053, the trust fund ratio would begin to rise, reaching 257 percent at the end of the long-range period, at which time the ratio would be rising by about 4 percentage points per year. OASDI Trust Fund levels under this proposal are thus projected to be (1) positive throughout the long-range (75-year) period and (2) stable or rising as a percentage of the annual cost of the program at the end of the period. Thus, the proposal meets the criteria for "sustainable solvency" for the foreseeable future.

It should be noted that the actual yield attained on individual accounts would have an effect on the financial status of the OASDI Trust Funds, because disbursements from the accounts would be taxed, with the proceeds transferred to the trust funds. The sensitivity of the financial status to variation in individual account yields would, however, be relatively small, as indicated later.

The remainder of this memorandum provides the following:

- Description of the provisions of this bill (with modifications to reflect intent) as they would affect the Social Security program;
- Assumptions used for estimates provided in this memorandum;
- Description of the expected financial effects of enactment of the bill, reflecting stated intent; and
- Tables providing detailed estimates of the financial effects of the bill.

1. Description of the provisions of this bill (modified to reflect stated intent) as they would affect the Social Security program

Provision 1a: Redirect 3 percent of the first $10,000 of taxable earnings and 2 percent of the remaining taxable earnings to individual accounts

Beginning in 2006, for each worker who is under age 55 at the beginning of 2006, redirect 3 percent of his/her first $10,000 of taxable earnings and 2 percent of taxable earnings in excess of $10,000 to individual accounts. This amount redirected to fund individual accounts is taken from the employee's share of the FICA payroll tax. A similar redirection would occur for taxable self-employment earnings, with 3 percentage points of the first $10,000 of taxable self-employment income and 2 percent of taxable self-employment income in excess of $10,000 redirected to individual accounts. The $10,000 threshold is increased after 2006 by the increase in the Average Wage Index. The Federal Government would collect all redirected amounts in the same manner that payroll taxes are collected currently. Accounts would be managed and invested, under the direction of the worker, in a federally administered individual security account, similar to the government employee Thrift Savings Plan. However, when the balance of an individual's federally administered individual security account is at least equal to the minimum deposit amount ($7,500 for 2006 and increased by COLA adjustments thereafter), the individual would be eligible to designate one of a range of several individual security accounts, still centrally managed. For both "tiers," the central authority would maintain individual account records and would combine account transactions in aggregate amounts when dealing with the private investment firms.

This provision taken alone, with the redirection of payroll tax only and without the effect of taxation of benefits considered in provision 1b below, would reduce the long-range OASDI actuarial balance by an estimated 2.16 percent of taxable payroll.

Provision 1b: Disbursements from individual accounts are considered OASDI benefits for income tax purposes

Disbursements to individuals after retirement or to their estates at death from the portion of the individual accounts arising from the redirection of the payroll taxes would be considered Social Security benefits when determining income taxes. Thus, the revenue from taxing these disbursements would be transferred to the OASI Trust Fund.

This provision would increase the long-range actuarial balance relative to present law because revenues from taxation of individual account proceeds would be an additional source of income to the Trust Funds, in addition to taxes on OASDI scheduled benefits. Taken alone, this provision would increase the long-range OASDI actuarial balance by an estimated 0.09 percent of taxable payroll.

Provision 2: Modification of PIA Formula during 2012-2060

Provision 2 would reduce the upper two factors of the PIA benefit formula (32 and 15) by 2.5 percent per year (multiply by 0.975) for 2012 through 2030. Then, for years 2031-2060, the 90, 32, and 15 percent factors would all be reduced by 1.5 percent per year (multiply by .985). The PIA benefit factors applicable for beneficiaries newly eligible in 2060 and later would be 57.2, 12.6, and 5.9 percent, respectively. This provision would not apply to disabled worker beneficiaries.

Adjustment to benefits for disabled workers or retired workers with disability periods

The intent of this provision is to limit in two ways the amount of benefit reductions that would apply to workers who have had periods of disability. First, because the annuity derived from a disabled worker's individual account is first payable at disability conversion age, no reduction due to this provision would apply to benefits received as a disabled worker. Second, once the disabled worker reaches disability conversion age, the reduction due to this provision would be limited, reflecting only the portion of potential working years (years from age 22 through age 61) that the individual was not entitled to a disabled-worker benefit.

For example, a worker who becomes disabled at age 32 and is thereafter continuously receiving disability benefits would receive no reduction in his/her benefit level due to this provision until disability conversion age (age 67). At conversion, monthly benefits would be paid from the individual account, and a portion of the reduction due to the formula factor adjustment would begin to apply to the PIA. Of the 40 potential working years, 10 years (ages 22 though 31) were years that the worker did not receive a disability-worker benefit. Thus, for this worker, one-fourth of the reduction due to the formula factor adjustment would apply to his/her PIA level.

This provision, taken alone, would increase the long-range OASDI actuarial balance by an estimated 2.24 percent of taxable payroll.

Provision 3: Reduce the COLA by 0.22 percentage point

This provision would base the present-law OASDI annual cost-of-living adjustment (COLA) for monthly OASDI benefits on a new CPI-W series that would reflect a superlative formula, of the type currently used for the new "chained" CCPI-U. This provision is assumed to reduce the annual COLA by an average 0.22 percentage point from the level currently anticipated under the assumptions of the 2003 Trustees Report. The reduction would start with the COLA scheduled for December 2004 and continue indefinitely thereafter.

This provision, taken alone, would increase the long-range OASDI actuarial balance by an estimated 0.35 percent of taxable payroll.

Provision 4: Transfer revenue from the General Fund to the OASI Trust Fund

This provision provides a transfer to the OASI Trust Fund from the General Fund of the Treasury. The amounts would be transferred beginning in 2005 and are specified as an increasing percentage of OASDI taxable payroll. These amounts are as follows:

Calendar Year	Percent of Taxable Payroll		Calendar Year	Percent of Taxable Payroll		Calendar Years	Percent of Taxable Payroll
2005	0.02		2009	0.13		2013-2018	0.33
2006	0.04		2010	0.20		2019-2042	0.39
2007	0.10		2011	0.24		2043-2062	0.47
2008	0.12		2012	0.29		2063+	0.57

Taken alone, this provision would increase the long-range OASDI actuarial balance by an estimated 0.38 percent of taxable payroll.

Provision 5: Eliminate the hiatus in the currently scheduled increase in normal retirement age (NRA)

Under current law, the NRA increases from age 65 by two months a year beginning with individuals attaining age 62 in the year 2000, until it reaches 66 for individuals attaining age 62 in the year 2005. While current law then leaves the NRA at 66 for several years, this provision would continue to phase the NRA upwards by two months a year until it reaches 67 for individuals reaching age 62 in 2011. The NRA would remain at age 67 for all individuals reaching age 62 after 2011. This provision, taken alone, would increase the long-range OASDI actuarial balance by an estimated 0.14 percent of taxable payroll.

Provision 6: Modify actuarial reduction and increment factors

Under this provision, the early retirement reduction factors and delayed retirement credits would be changed in an attempt to reflect the fact that the marginal increase in the full benefit level (i.e., the PIA) for earnings after reaching retirement eligibility age is, generally, relatively small. (Reduction and increment factors provided under current law are intended to provide actuarially equivalent lifetime benefits for a fixed earnings history regardless of the age at which retirement benefits start.) This relatively small marginal increase results from both the AIME formula, which uses 35 years of earnings, and the weighted PIA benefit formula. Together, these provide a larger marginal amount of benefit per dollar of additional earnings for low earners and for earnings earned early in a worker's career. This provision is intended to provide a greater marginal incentive to work past the retirement earliest eligibility age (EEA). Because the degree of this marginal effect depends upon the extent and level of earnings a worker has had in earlier years, no absolute adjustment can be provided that would be appropriate for all workers. Rough estimates of adjustments to the reduction and increment factors have thus been developed.

The chart below displays the proposed monthly early retirement reductions that would be applicable for retired worker beneficiaries for the first 36 months for which benefits are received prior to NRA under both current law and the provision. (Different factors apply to aged spouse beneficiaries and aged widow beneficiaries.)

Monthly Reduction in Benefits for Each of First 36 Months of Retirement Before NRA

Age 62 in:	2003	2004	2005	2006	2007	2008+
Present Law	20/36%	20/36%	20/36%	20/36%	20/36%	20/36%
Proposal	20/36%	21/36%	22/36%	23/36%	24/36%	25/36%

Similar increases for aged spouse beneficiaries would be applied, increasing the monthly reduction for the first 36 months of entitlement before NRA from 25/36 percent under present law to 30/36 percent under the provision.

The reductions that are proposed for the fourth and fifth year of benefit entitlement before NRA are 12/24% per month (current law reductions are 10/24% per month) for both retired worker and aged spouse beneficiaries. The reductions for the fourth and fifth year of entitlement before NRA are applicable to all new eligibles who reach age 62 after 2005 and are phased in for those newly eligible in 2002 through 2005.

The ultimate percentages of PIA payable for retired workers by age at initial benefit entitlement are shown in the table below.

Ultimate Percent of PIA Payable for Retired Worker Beneficiaries by Age at Initial Entitlement to Benefits

Age at Initial Entitlement:	NRA-5	NRA-4	NRA-3	NRA-2	NRA-1	NRA
Present Law	70%	75%	80%	86.7%	93.3%	100%
Proposal	63%	69%	75%	83.3%	91.7%	100%

The percentage of PIA payable for non-disabled aged widow beneficiaries newly eligible at age 60 would remain at 71.5 percent. The percentages payable for those newly eligible at ages between 60 and the NRA would scale linearly between 71.5 and 100 percent, as under present law.

The delayed retirement credit (DRC) under present law is scheduled to increase to 8% per year for workers attaining age 65 after 2007. Under this provision, the DRC would continue to increase at the rate of 0.5 percentage point every two years, with the first new increase applied to those attaining age 65 in 2010. An ultimate factor of 10 percentage points per year would be reached for workers reaching 65 after 2015. The delayed retirement credit applies for those months between NRA and age 70 in which no retired worker benefit is received.

Taken alone, this provision (increasing the early retirement factors and delayed retirement credits) would increase the long-range OASDI actuarial balance by an estimated 0.32 percent of taxable payroll.

Provision 7: Adjust the PIA levels to reflect changes in life expectancy for persons newly eligible after 2011

Adjust the PIA levels of retired worker beneficiaries newly eligible after 2011 to reflect changes in life expectancy at age 62, based on period life tables produced by the Office of the Chief Actuary in the Social Security Administration. This provision does not apply to disabled worker beneficiaries. In addition, only a portion of the amount of reduction due to this provision would apply to the benefits of retired worker beneficiaries who convert from disabled worker beneficiary status.

Adjustment to benefits of retired workers with no disability periods

The intent of this provision is to adjust benefit levels to reflect actual measured changes in longevity. The adjustment would be applied beginning with workers turning age 62 in 2012, the first year after the year in which the NRA under this proposal reaches its maximum of 67 years. The adjustment would be a ratio of:

- The life expectancy at age 62 from the period life table for the calendar year 2008 *to*
- The life expectancy at age 62 from the period life table for the calendar year that is three years prior to the year in which the retiree turns age 62.

For example, the benefit of a worker reaching retirement eligibility age, age 62, in 2012 would be reduced based on the increase in period life expectancy at age 62 between 2008 and 2009. The two years would generally be the two most recent years of complete data. If the life expectancy at age 62 increased from 20.20 to 20.27 between 2008 and 2009, then the benefit level of the worker would be multiplied by 0.997 (=20.20/20.27), for a reduction of 0.3 percent. For a worker retiring at age 62 in 2013, the reduction in benefit level would be based on the increase in life expectancy at age 62 between 2008 and 2010. The chart below provides the expected life-expectancy adjustment factors and the benefit reduction percentages that would apply to selected retired-worker beneficiaries using the intermediate assumptions of the 2003 Trustees Report.

Life-Expectancy Adjustment Factors Projected to Apply to PIA of Retired Workers with no Disability

(1)	(2)	(3)	(4)
Year retired worker turns age 62	**Life expectancy at age 62[1]**	**Life-expectancy adjustment factor[2]**	**Percent reduction in benefit**
2011	20.20	NA	NA
2012	20.27	0.9970	0.30%
2015	20.46	0.9785	2.15
2020	20.79	0.9630	3.70
2030	21.45	0.9333	6.67
2050	22.67	0.8831	11.69
2070	23.78	0.8419	15.81

[1]The life expectancies used for this table are based on projections and are for the year 3 years prior to the year the worker turns age 62. Reductions applied would be based on actual data.
[2] Calculations are based on life expectancy values expressed in more decimal places than are shown in the table.

This provision would not apply to disabled worker beneficiaries. In addition, only a proportion of the amount of reduction due to this provision would apply to the benefits of retired worker beneficiaries who convert from disabled worker beneficiary status. The application of this provision to the benefits of disabled worker beneficiaries and beneficiaries who convert from disabled worker beneficiary status is the same as described under *provision 2* in the section *adjustment to benefits of disabled workers or retired workers with disability periods.*

Provision 7, taken alone, would increase the long-range OASDI actuarial balance by an estimated 0.59 percent of taxable payroll.

Provision 8: Change in calculation of AIME

This provision would apply in determining benefits for retired workers and their dependents and for survivors of deceased workers. This provision does not apply in determining benefits for disabled workers and their dependents.

In calculating the AIME for a retired worker under present law, the highest 35 years of indexed earnings are used in determining the numerator of the AIME and a benefit computation period of 35 years is used in determining the denominator. Under this provision, the following changes would be made in the calculation of the AIME for someone newly eligible for retirement benefits after 2004.

- The number of years of earnings used in calculating the numerator of the AIME is gradually increased, reaching all years for individuals becoming newly eligible in 2013.
- The benefit computation period, used in determining the denominator of the AIME, is gradually increased, reaching 40 years (5 additional years), except for the "lower earner" of a married couple. Specifically, in the case of a two-earner couple, the benefit computation period used in the denominator for the earner with the lower PIA is retained at 35 years.

The chart below indicates the phase-in schedule of the above changes.

Change in Calculation of AIME for Retired Worker
(assumes the retired worker is not the *lower earner of a married couple)*

Newly Eligible in Years:	2005 – 2006	2007 - 2008	2009 – 2010	2011 – 2012	2013+
Present Law					
Years in Numerator[1]	35	35	35	35	35
Denominator (in years)[2]	35	35	35	35	35
Proposal					
Years in Numerator[1]	37	39	41	43	all
Denominator (in years)[2]	36	37	38	39	40

[1]Years in Numerator: Refers to the number of years of earnings used in calculating the numerator of the AIME.
[2] Denominator (in years): Refers to the benefit computation period (in years) used in calculating the denominator of the AIME.

Under this provision, the number of benefit computation years used for the denominator of the AIME for a retired worker turning age 62 after 2012 would be 40. Under current law, the number of benefit computation years is determined by subtracting 5 *dropout* years from the number of *elapsed* years (years age 22 through the year prior to reaching EEA). Under this proposed provision, the increase in the number of benefit computation years would be accomplished by reducing the number of *dropout* years, ultimately to zero.

This provision, taken alone, would increase the long-range OASDI actuarial balance by an estimated 0.21 percent of taxable payroll.

Provision 9: Credit all revenue from taxation of HI benefits to OASDI by 2019

This provision would redirect revenue collected by the IRS from Federal income taxes payable on OASDI benefits, in excess of the tax on 50 percent of such benefits, from the Medicare HI trust fund to the OASDI Trust Funds. The provision would redirect 10 percent of this revenue for 2010, 20 percent for 2011, ... , and 100 percent for 2019 and later. It should be noted that disbursements from individual accounts established under this bill would be included as OASDI benefits for the purpose of income taxation.

Taken alone, this provision would increase the long-range OASDI actuarial balance by an estimated 0.41 percent of taxable payroll.

Provision 10: Establish a minimum PIA level

For beneficiaries newly eligible in 2013 and later, establish a minimum PIA amount as described below:

For Retired Workers: The minimum PIA would apply to such retired workers who have at least 80 quarters of coverage (QCs) (reduced by 2 for each year of disabled-worker entitlement). It would equal 0% of the *Monthly Applicable Poverty Level* (see below for definition) for individuals with 40 QCs, 80% of the *Monthly Applicable Poverty Level* for workers with 80 QCs (reduced by 2 for each year of disabled-worker entitlement), and 120% of the *Monthly Applicable Poverty Level* for workers with at least 160 QCs (reduced by 4 for each year of disabled-worker entitlement). The percentage of the *Monthly Applicable Poverty Level* would be prorated between 0% and 80% for individuals with more than 40 QCs but less than 80 QCs. A similar proration would occur between 80% and 120% of the *Monthly Applicable Poverty Level*, for workers with more than 80 QCs but less than 160 QCs. These criteria would also apply in determining PIA levels used for auxiliary benefits for survivors of workers who died after reaching age 62.

For Disabled Workers and Survivors of Workers Who Die Before Age 62: A minimum PIA for disabled worker beneficiaries and for auxiliary benefits for survivors of workers who die before age 62 would be similar, except that the quarters-of-coverage requirement would be scaled to the number of elapsed years. Thus, the minimum PIA would equal 0% of the *Monthly Applicable Poverty Level* (see below for definition) for individuals with QCs less than or equal to the number of elapsed years, 80% of the *Monthly Applicable Poverty Level* for workers with QCs equal to twice the number of elapsed years, and 120% of the *Monthly Applicable Poverty Level* for workers with QCs equal to or greater than 4 times the number of elapsed years. The percentage of the *Monthly Applicable Poverty Level* would be prorated in a fashion similar to that of retired workers, for individuals with QCs between the 0% and 80% thresholds, and between the 80% and 120% thresholds. Elapsed years are defined as years between attaining age 22 and the earliest of disability benefit entitlement, death, or age 61.

The minimum PIA is phased in during the years 2009 through 2012. For new eligibles in 2009, the percentage of the *Monthly Applicable Poverty Level* is one-fifth of the fully phased in percentage in 2013. This fraction increases by an additional one-fifth for each year during the phase in period, reaching four-fifths for 2012.

The *Annual Applicable Poverty Level* for 2002 is $8,628 (*Monthly Applicable Poverty Level* would equal 1/12 of this amount). The *Annual Applicable Poverty Level* that applies to an individual in their year of initial eligibility is determined by increasing the 2002 level by:

1. the *COLA* for 2002 through the earlier of (1) the year prior to the year of initial benefit eligibility and (2) 2012; and
2. increases in the *average wage index* between 2011 and the second year prior to initial benefit eligibility.

Minimum PIA levels would increase by the COLA after benefit eligibility in all cases.

This provision, taken alone relative to present law, would reduce the long-range OASDI actuarial balance by an estimated 0.06 percent of taxable payroll. The incremental effect of this provision, after all other provisions in the package are taken into consideration, is a decrease in the long-range OASDI actuarial balance by an estimated 0.50 percent of taxable payroll.

Provision 11: Gradually increase the benefit and contribution base so that 87 percent of all covered earnings is taxable

Under current law the *contribution and benefit base* ($87,000 in 2003) is automatically increased each year based on increases in the SSA average wage index. The ratio of OASDI effective taxable payroll to covered earnings is estimated to be about 84.8 percent in 2003 and is projected to be about 83.5 percent in 2013.

This provision would gradually increase the *contribution and benefit base* over the period 2004-2008, so that by the end of this period 87 percent of all covered earnings would be taxable. After 2008, the *contribution and benefit base* would be determined so that this level of 87 percent is maintained. The actual levels of the base for a given year would be set by looking at actual earnings distribution data for two years prior (the most recent data that would be available), determining the *contribution and benefit base* for that year which yields the desired ratio of covered earnings that would be taxable, and bringing forward this level 2 years by changes in SSA's average wage index.

Taken alone, this provision would increase the long-range OASDI actuarial balance by an estimated 0.41 percent of taxable payroll.

Provision 12: Redesign the PIA formula

Establish a new bend point in the PIA formula equal to 183.8% of the present-law first bend point. PIA formula factors would be initially set at 90, 32, 32, and 15 percent (yielding the same benefit as current law). Beginning with new eligibles in 2006, the PIA formula factors would be adjusted until reaching factors of 90, 70, 20, and 15 for newly eligible beneficiaries in 2015 and later. The yearly adjustments to the formula factors over the 10-year period (2006 through 2015) are:

- The second formula factor would be increased each year by 3.8 percentage points; and
- The third formula factor would be decreased each year by 1.2 percentage points.

This provision alone has a negligible effect on the long-range OASDI actuarial balance (i.e., a change of less than 0.005 percent of taxable payroll).

Provision 13: Increased Benefits for Widow(er)s

Under this provision, starting in 2006, all aged surviving spouses (aged 62 or older) would receive 75 percent of the benefit that would be received by the couple if both were still alive (including all applicable actuarial reductions and delayed retirement credits), if this is higher than their current benefit. The benefit provided by this option would be limited to what the survivor would receive as a retired worker beneficiary with a PIA equal to the average PIA of all retired worker beneficiaries for December of the year prior to becoming eligible for this option. Actuarial reduction for this limitation would be computed as if the survivor had begun receiving a retired worker benefit on the earliest of the actual ages upon which benefits began as an aged spouse, an aged surviving spouse, or a retired worker beneficiary, but not before 62. The provision would only apply to those individuals who would qualify for a widow(er)'s benefit under Social Security; that is, individuals whose deceased spouses are not fully insured would not be eligible for potential increased benefits.

This provision alone would reduce the long-range OASDI actuarial balance by an estimated 0.08 percent of taxable payroll.

Provision 14: Limit Spousal Benefits Based on Maximum Worker Benefits

Under current law, aged spouses receive a base benefit of 50 percent of the retired worker's PIA, with reductions for age if the spouse becomes entitled to benefits before normal retirement age. Under this provision, beginning with all months of benefit eligibility after December 2004, aged spouse benefits are limited so that the combined benefit of a married couple does not exceed the PIA of a hypothetical single worker who earns the taxable maximum at ages 22 through 61, and who has the same eligibility year as the retired worker's PIA. For the purpose of this estimate, we assume that the hypothetical single worker has earnings at the taxable maximum at ages 22 through 61, and retires at age 62.

Taken alone, this provision would increase the long-range OASDI actuarial balance by an estimated 0.16 percent of taxable payroll.

2. Assumptions used for estimates provided in this memorandum

As indicated above, estimates provided in this memorandum are based on the intermediate assumptions of the 2003 Trustees Report. In addition, the long-term ultimate average annual real yield assumed for equities is assumed to be 6.5 percent. An assumed yield on equities is needed because income taxes on individual account disbursements are directed to the OASI Trust Fund.

A consensus is forming among economists that equity pricing as indicated by price-to-earnings ratios may average somewhat higher in the long-term future than in the long-term past. This is consistent with broader access to equity markets and the belief that equities may be viewed as somewhat less "risky" in the future than in the past. Equity pricing will vary in the future as in the past. Price-to-earnings ratios were very high through 1999, and are now lower. The ultimate average real equity yield assumed for estimates in this memorandum is consistent with an average ultimate level of equity pricing somewhat above the average level of the past.

The assumption for an ultimate real equity yield of 7 percent that was used until 2001 was developed in 1995 with the 1994-96 Advisory Council. At the time, the Trustees assumption for the ultimate average real yield on long-term Treasury bonds was 2.3 percent. Real yields on corporate bonds are believed to bear a close relationship to Treasury bond yields of similar duration. The 2003 Trustees Report includes the assumption that the ultimate real yield on long-term Treasury bonds will average 3 percent, or 0.7 percentage point higher than in 1995. This increase in the assumed bond yield is consistent with a reduction in the perceived risk associated with equity investments.

In order to estimate the income to the OASDI Trust Fund from taxing the disbursements from individual accounts, individual accounts are assumed to be managed by a central administrative authority, and, for the purpose of these estimates, used to purchase indexed life annuities at retirement through this authority. The following assumptions were made:

- During the accumulation period, individual accounts would be, on average, invested 50% in equities and 50% in long-term Treasury bonds.
- The charge for annual administrative expenses would average 30 basis points during the accumulation period.
- During the disbursement period (after retirement), the net real yield on annuities is assumed to be 3 percent annually, net of administrative expenses.

Therefore, during the accumulation period, the assumed annual real yield on individual accounts would be 4.45 percent (net of administrative expense), as follows:

(0.5*6.5% + 0.5*3.0% - 0.3%) = 4.45%.

3. Estimates of the Financial Effects of Enacting the Bill

Estimates by Provision

Table A provides a brief listing of the individual provisions of the proposal, including the effect of each provision, separately, on the long-range OASDI actuarial balance.

OASDI Trust Fund Operations: Annual and Summarized

Table 1 shows estimated annual and summarized income rates, cost rates, balances, and trust fund ratios under the proposal. In addition, the table shows the general revenue transfers under provision 4 of the proposal, expressed as a percentage of taxable payroll. The last two columns display the payroll tax rate deposited in the OASDI Trust Funds (net OASDI contribution rate) and the amount deposited in individual accounts (IA contribution rate). As shown in the table, sustainable solvency is indicated for the foreseeable future, because the Trust Fund ratio is steadily rising at the end of the projection period.

Additional Aggregate Values for Trust Funds and Personal Accounts

Table 1a shows estimated OASDI Trust Fund balances at the end of each year under current law and under the proposal. In addition, the "IA/Annuity Assets End Of Year" column shows the total individual accounts (personal accounts) at the end of each year. The next two columns show annual aggregate contributions to and disbursements from the individual accounts . All of the amounts in this table appear on a present value basis as of January 1, 2003.

The estimates of annual dollar flows and accumulations of the personal accounts are based on very specific assumptions that all personal account assets are converted to CPI-indexed life annuities at retirement (see assumption description in the section describing *provision 1b*). In practice, many individuals would likely annuitize only part of their personal account accumulation so estimated annuity assets are overstated to some degree. In addition, if death occurs prior to benefit entitlement, the accounts are assumed to be distributed to the estate. Total personal account and annuity assets (referred to as "IA/Annuity Assets EOY" in the tables) include both the assets of personal accounts held prior to retirement, and the assets held by the annuity provider after retirement. If the personal accounts are considered as a part of “Social Security”, it is reasonable to combine the amounts of trust fund assets and personal accounts for a representation of total system assets.

Effects on Annual Federal Unified Budget Balances

Table 1b provides a rough estimate of the effects of the proposal on the annual Federal unified budget balance for each calendar year through 2078. All amounts in this table appear in constant 2003 dollars (that is, dollar amounts that are indexed back to 2003 based on the consumer price index (CPI)). The first three columns in these tables include sources of changes to the unified budget balance, as follows:

- Annual aggregate OASDI payroll taxes that are redirected to individual accounts (IAs) -- these amounts result in a reduction to the unified budget balance because the monies leave the government and are deposited in personal accounts;
- Estimated annual amounts of OASDI benefit offset based on hypothetical accumulations of earlier deposits to personal accounts--an increase to the unified budget balance because these proceeds reduce Social Security benefit payments (not applicable for this proposal); and
- Other changes in OASDI cash flow (as compared to present law) from the other benefit provisions (but not from transfers between the General Fund and the Trust Fund, which have no unified budget effect).

The last three columns present the aggregate effects on the unified budget:

- Change in the annual unified budget cash flow, which is simply the sum of the sources of unified budget balance changes identified above;
- Change in debt held by the public, as of the end of each year, which represents the cumulative change in the unified budget cash flows, with interest (at the assumed rates earned by the Trust Funds); and
- Change in annual unified budget balance, which includes changes in both unified budget cash flow and in interest on the publicly held debt.

These unified-budget estimates are based on the intermediate assumptions of the 2003 Trustees Report, including the trust-fund interest assumption, and thus are not consistent with projections made by CBO and OMB (which use different assumptions). However, differences in payroll and benefit estimates are not large during the first 10 projection years so these values can be viewed as very rough approximations of the magnitude of effects on the unified budget balances through this period.

Annual Cash Flows from the OASDI Trust Funds to the General Fund of the Treasury

Table 1c provides estimates of the net cash flow from the OASDI Trust Funds to the General Fund of the Treasury. Values in Table 1c are shown as a percent of taxable payroll, in current dollars, in present value dollars as of 1/1/2003, and in constant 2003 dollars (discounted to 2003 with the projected growth in the CPI). For comparison purposes, net cash flow is also shown for a theoretical Social Security program where transfers from the General Fund of the Treasury to the OASDI Trust Funds are assumed to occur as needed to assure full payment of scheduled benefits in 2042 and later.

Taxable Payroll and General Fund Transfer Information

Table 1d provides taxable payroll in current (nominal) dollars both under the proposal and under present law. The table also provides the present value (as of January 1, 2003) of general fund transfers under provision 4, described above, on a year-by-year basis and for the 75-year period from 2003-2077.

<u>Sensitivity analysis</u>

It must be noted that the uncertainties associated with equity investments, bond yields, and mortality improvement, as well as with a number of additional variables means that actual experience could vary substantially from the estimates provided in this memorandum. In particular, there is a potential that long-range ultimate equity yields could average less than the 3 percent, although this is not very likely.

If actual real yields on equities held in individual accounts over the next 75 years were to average only 3 percent, the same level as assumed for long-term Treasury bonds, this comprehensive proposal would still provide for adequate financing for the OASDI program through the provisions described above. The long-range OASDI actuarial balance would improve by an estimated 2.01 percent of taxable payroll, changing the present-law actuarial deficit of 1.92 percent to an actuarial balance of +0.09 percent of taxable payroll.

Stephen C. Goss

Alice H. Wade

Chris Chaplain

Attachments: 6

Table A--Estimated Long-Range OASDI Financial Effect of the "Bipartisan Retirement Security Act", introduced by Representatives Kolbe and Stenholm

Number	Provision	Estimated Change in Long-Range OASDI Actuarial Balance (as a percent of payroll)
1a	Beginning in 2006, redirect 3% of first $10,000 in OASDI taxable earnings and 2% of earnings above $10,000 up to wage cap to individual accounts for workers under age 55 in 2006—wage index $10,000 threshold for years after 2006	-2.16
1b	Disbursements from individual accounts are considered OASDI benefits for income tax purposes	0.09
2	Reduce the 32 and 15 percent PIA formula factors by 2.5 percent (multiply by 0.975) for each year from 2012 to 2030. Reduce the 90, 32, and 15 percent formula factors by 1.5 percent (multiply by 0.985) from 2031-2060. This provision does not apply to disabled worker beneficiaries. In addition, only a proportion of the amount of reduction due to this provision would apply to the benefits of retired worker beneficiaries who convert from disabled worker beneficiary status	2.24
3	Reduce the COLA for OASDI benefits by 0.22 percentage point beginning December 2004	0.35
4	Transfer amounts (specified as percentages of taxable payroll) to the OASI Trust Funds from the General Fund of the Treasury for years after 2004	0.38
5	Eliminate the hiatus in the normal retirement age	0.14
6	Increase early retirement reduction factors such that, ultimately, the maximum reduction in the PIA for a retired worker increases from 30 percent to 37 percent. Increase the delayed retirement credits to an ultimate of 10 percent per year	0.32
7	Starting with new eligibles in 2012, adjust the PIA levels of retired worker beneficiaries to reflect changes in life expectancy based on period life expectancy at age 62. This provision does not apply to disabled worker beneficiaries. In addition, only a proportion of the amount of reduction due to this provision would apply to the benefits of retired worker beneficiaries who convert from disabled worker beneficiary	0.59
8	Increase the benefit computation period by up to 5 additional years for new eligibles by adding one year in each year 2005, 2007, 2009, 2011, and 2013. In conjunction with increasing the benefit period, phase in including earnings for all years in calculating the AIME by adding 2 years every other year. The lower earner of a married couple would have the benefit computation period (denominator of AIME computation) retained at 35 years	0.21
9	Credit all revenue from taxation of OASDI benefits to the OASDI Trust Funds by 2019 (phase revenue from HI to OASDI during the period 2010-2019)	0.41
10	Establish an ultimate minimum PIA level for newly eligible beneficiaries with quarters of coverage equal to twice their number of elapsed years (reduced for any years of disabled worker entitlement) at 80% of the *applicable poverty level*. This would phase down linearly to a minimum benefit of 0% of poverty level for those with QCs equal to the number of elapsed years (reduced for any years of disabled worker entitlement). This minimum PIA level would be fully phased in by 2013, and would increase by 2 percentage points of the *applicable poverty level* for each additional year of work up to 120% of the *applicable poverty level* for newly eligible beneficiaries with quarters of coverage equal to four times their number of elapsed years (reduced for any years of disabled worker entitlement). For eligibility years up to 2012, CPI-index the poverty level. For eligibility years after 2012, the *applicable poverty level* would be indexed by changes in SSA's average wage index. The minimum PIA is phased in over the period 2009 through 2012 and would be determined from the following formula: Ultimate percentage of poverty level * (year – 2008)/5. Disabled workers and survivors not yet age 62 would have the same minimum benefit, except that the years of work requirement would be scaled to their elapsed years. At conversion, the person would receive the same minimum benefit (adjusted for COLAs) with no subsequent recomputation of the minimum benefit at NRA	-0.06 1/

Table A--Estimated Long-Range OASDI Financial Effect of the "Bipartisan Retirement Security Act", introduced by Representatives Kolbe and Stenholm

Number	Provision	Estimated Change in Long-Range OASDI Actuarial Balance (as a percent of payroll)
11	Over the period 2004-2008, gradually increase the contribution and benefit base so that by the end of the period 87 percent of all covered earnings is taxable. After 2008, maintain this level of 87 percent	0.41
12	Establish a new bend point in the PIA formula equal to 183.8% of the present-law first bend point. PIA formula factors would be initially set at 90, 32, 32, and 15 percent (yielding the same benefit as current law). Beginning with new eligibles in 2006, the second formula factor would be increased each year by 3.8 percentage points, and the third formula factor would be decreased each year by 1.2 percentage points, until reaching factors of 90, 70, 20, and 15 percent for newly eligible beneficiaries in 2015 and later........	2/
13	Increase widow(er)'s benefit to 75% of the couple's benefit, effective for all benefit payments in 2006 or later. Does not affect cases where the decedent is not insured (survivor is in a widowed state but not eligible for widow(er)'s benefits........	-0.08
14	Beginning with 2005, limit *spousal* benefits so that the combined benefits of a married couple do not exceed the maximum PIA determined by eligibility year for a single worker retiring at age 62. For dually-entitled spouses, the provision can only reduce the excess spousal benefit over the worker benefit........	0.16
	Total for provisions 1 through 14 (including interaction among provisions)........	**2.05**

Notes: All estimates are based on the intermediate assumptions of the 2003 OASDI Trustees Report.
Totals for individual provisions exclude interaction.

1/ The incremental effect of this provision, after all other provisions in the package are taken into consideration, is a decrease in the long-range OASDI actuarial balance of 0.50 percent of taxable payroll.
2/ Decrease in actuarial balance that is negligible (less than 0.005 percent of taxable payroll).

Social Security Administration
Office of the Chief Actuary
February 11, 2004

Table 1--Financial Effects of the "Bipartisan Retirement Security Act" 1/

IA proceeds go to estate if worker dies before entitlement

Ultimate Real Trust Fund Interest Rate	3.00
Ultimate Real IA Yield Rate	4.45
Ultimate Real Annuity Yield Rate	3.00

Year	OASDI Cost Rate	OASDI Income Rate 2/	OASDI Annual Balance	TFR 1-1-yr	Specified General Fund Transfers under Provision 4 (billions of PV $ as of 1/1/03)	Net OASDI Payroll Tax Rate	IA Contribution Rate (All from Trust Funds)
2003	10.89	12.70	1.81	288	0.00	12.40	
2004	10.66	12.69	2.03	311	0.00	12.40	
2005	10.35	12.71	2.36	339	0.02	12.40	
2006	10.24	10.66	0.42	364	0.04	10.41	1.99
2007	10.11	10.78	0.67	373	0.10	10.38	2.02
2008	10.03	10.78	0.75	383	0.12	10.35	2.05
2009	10.07	10.76	0.69	392	0.13	10.32	2.08
2010	10.14	10.84	0.70	400	0.20	10.29	2.11
2011	10.23	10.92	0.69	407	0.24	10.27	2.13
2012	10.35	11.00	0.65	414	0.29	10.25	2.15
2013	10.52	11.07	0.55	419	0.33	10.23	2.17
2014	10.69	11.10	0.41	423	0.33	10.21	2.19
2015	10.88	11.13	0.25	425	0.33	10.20	2.20
2016	11.09	11.17	0.08	425	0.33	10.19	2.21
2017	11.32	11.21	-0.10	424	0.33	10.18	2.22
2018	11.55	11.27	-0.29	421	0.33	10.17	2.23
2019	11.79	11.38	-0.41	416	0.39	10.16	2.24
2020	12.03	11.40	-0.63	411	0.39	10.16	2.24
2021	12.27	11.42	-0.84	404	0.39	10.15	2.25
2022	12.50	11.45	-1.05	396	0.39	10.14	2.26
2023	12.69	11.47	-1.22	388	0.39	10.14	2.26
2024	12.88	11.49	-1.39	379	0.39	10.13	2.27
2025	13.06	11.52	-1.54	369	0.39	10.13	2.27
2026	13.21	11.54	-1.67	359	0.39	10.13	2.27
2027	13.35	11.56	-1.79	349	0.39	10.13	2.27
2028	13.47	11.59	-1.88	338	0.39	10.13	2.27
2029	13.56	11.61	-1.95	327	0.39	10.13	2.27
2030	13.63	11.63	-2.00	317	0.39	10.13	2.27
2031	13.66	11.64	-2.02	306	0.39	10.13	2.27
2032	13.68	11.66	-2.02	296	0.39	10.13	2.27
2033	13.67	11.67	-2.00	286	0.39	10.13	2.27
2034	13.65	11.68	-1.97	276	0.39	10.13	2.27
2035	13.61	11.69	-1.92	267	0.39	10.13	2.27
2036	13.56	11.70	-1.86	259	0.39	10.13	2.27
2037	13.49	11.71	-1.78	250	0.39	10.13	2.27
2038	13.42	11.72	-1.70	242	0.39	10.13	2.27
2039	13.34	11.72	-1.61	235	0.39	10.13	2.27
2040	13.25	11.73	-1.52	228	0.39	10.13	2.27
2041	13.16	11.73	-1.42	222	0.39	10.13	2.27
2042	13.07	11.74	-1.33	216	0.39	10.13	2.27
2043	12.98	11.83	-1.15	211	0.47	10.13	2.27
2044	12.89	11.83	-1.06	207	0.47	10.13	2.27
2045	12.81	11.84	-0.97	204	0.47	10.13	2.27
2046	12.73	11.85	-0.89	201	0.47	10.13	2.27
2047	12.66	11.85	-0.81	198	0.47	10.13	2.27
2048	12.59	11.86	-0.73	196	0.47	10.13	2.27
2049	12.53	11.88	-0.65	195	0.47	10.13	2.27
2050	12.47	11.89	-0.58	194	0.47	10.13	2.27
2051	12.42	11.90	-0.53	193	0.47	10.13	2.27
2052	12.39	11.91	-0.47	193	0.47	10.13	2.27
2053	12.36	11.93	-0.43	192	0.47	10.13	2.27
2054	12.33	11.94	-0.39	193	0.47	10.13	2.27
2055	12.31	11.95	-0.36	193	0.47	10.13	2.27
2056	12.29	11.96	-0.33	194	0.47	10.13	2.27
2057	12.27	11.97	-0.30	194	0.47	10.13	2.27
2058	12.25	11.98	-0.27	196	0.47	10.13	2.27
2059	12.23	11.99	-0.24	197	0.47	10.13	2.27
2060	12.21	12.00	-0.21	199	0.47	10.13	2.27
2061	12.19	12.00	-0.18	200	0.47	10.13	2.27
2062	12.17	12.01	-0.16	203	0.47	10.13	2.27
2063	12.16	12.12	-0.04	205	0.57	10.13	2.27
2064	12.15	12.13	-0.03	208	0.57	10.13	2.27
2065	12.15	12.13	-0.01	211	0.57	10.13	2.27
2066	12.15	12.14	-0.01	215	0.57	10.13	2.27
2067	12.15	12.15	0.00	218	0.57	10.13	2.27
2068	12.15	12.15	0.00	222	0.57	10.13	2.27
2069	12.16	12.16	0.00	225	0.57	10.13	2.27
2070	12.17	12.17	-0.01	229	0.57	10.13	2.27
2071	12.18	12.17	-0.01	232	0.57	10.13	2.27
2072	12.20	12.18	-0.02	236	0.57	10.13	2.27
2073	12.21	12.18	-0.03	239	0.57	10.13	2.27
2074	12.23	12.19	-0.04	243	0.57	10.13	2.27
2075	12.24	12.19	-0.05	246	0.57	10.13	2.27
2076	12.26	12.20	-0.06	250	0.57	10.13	2.27
2077	12.28	12.20	-0.08	253	0.57	10.13	2.27
2078	12.30	12.21	-0.09	257	0.57	10.13	2.27

	Summarized Cost Rate	Summarized Income Rate	Actuarial Balance	Change in Actuarial Balance
2003 -2077	12.16	12.29	0.14	2.05

Based on Intermediate Assumptions of the 2003 Trustees Report.

1/ All workers under 55 at the beginning of 2006 would invest 3% of taxable earnings up to $10,000 and 2% of earnings greater than $10,000 into individual accounts ($10,000 wage-indexed after 2006).

2/ Includes specified general fund transfers (provision 4).

Office of the Chief Actuary
Social Security Administration
February 11, 2004

Table 1a--Trust Fund Asset Comparison and IA Information of the "Bipartisan Retirement Security Act"

IA proceeds go to estate if worker dies before entitlement

Ultimate Real Trust Fund Interest Rate	3.00
Ultimate Real IA Yield Rate	4.45
Ultimate Real Annuity Yield Rate	3.00

	Trust Fund Asset Comparison		IA Information		
Year	Present Law Trust Fund Assets, End of Year	Proposal Trust Fund Assets, End of Year	IA/Annuity Assets, End of Year	IA Contributions in Year	IA Disbursements in Year 1/
	(In Billions of Present Value Dollars as of 1/1/2003)				
2003	1,453	1,453	0	0.0	0.0
2004	1,529	1,536	0	0.0	0.0
2005	1,611	1,636	0	0.0	0.0
2006	1,695	1,656	85	84.6	0.0
2007	1,779	1,683	173	86.1	0.0
2008	1,861	1,714	263	87.3	0.0
2009	1,937	1,743	354	87.7	0.0
2010	2,007	1,771	447	87.9	0.0
2011	2,071	1,799	541	87.9	0.0
2012	2,128	1,825	636	87.6	0.0
2013	2,174	1,847	731	87.2	0.8
2014	2,211	1,863	826	86.7	1.5
2015	2,237	1,872	920	86.0	2.4
2016	2,251	1,875	1,013	85.2	3.3
2017	2,254	1,871	1,106	84.3	4.3
2018	2,245	1,860	1,197	83.4	5.4
2019	2,224	1,844	1,287	82.5	6.6
2020	2,191	1,821	1,376	81.4	7.9
2021	2,147	1,791	1,463	80.4	9.2
2022	2,092	1,754	1,549	79.3	10.6
2023	2,027	1,712	1,633	78.3	12.1
2024	1,954	1,664	1,714	77.2	13.7
2025	1,873	1,613	1,794	76.1	15.3
2026	1,785	1,557	1,872	74.9	17.0
2027	1,690	1,499	1,946	73.7	18.8
2028	1,589	1,439	2,019	72.6	20.7
2029	1,483	1,377	2,089	71.5	22.6
2030	1,372	1,315	2,156	70.4	24.6
2031	1,259	1,254	2,221	69.3	26.6
2032	1,144	1,193	2,282	68.2	28.7
2033	1,026	1,133	2,341	67.2	30.8
2034	908	1,076	2,397	66.2	32.9
2035	789	1,021	2,450	65.2	35.1
2036	671	968	2,499	64.2	37.4
2037	552	919	2,546	63.2	39.7
2038	435	872	2,589	62.3	42.0
2039	319	828	2,629	61.3	44.3
2040	204	788	2,665	60.3	46.6
2041	91	750	2,698	59.4	49.0
2042	----	716	2,728	58.5	51.4
2043	----	687	2,753	57.6	53.8
2044	----	660	2,776	56.7	56.2
2045	----	636	2,794	55.7	58.6
2046	----	615	2,809	54.9	61.1
2047	----	595	2,820	54.0	63.4
2048	----	578	2,828	53.1	65.7
2049	----	563	2,831	52.2	68.3
2050	----	550	2,831	51.4	70.8
2051	----	538	2,826	50.5	73.2
2052	----	528	2,818	49.7	75.5
2053	----	518	2,807	48.9	77.6
2054	----	510	2,792	48.1	78.9
2055	----	502	2,776	47.3	80.1
2056	----	496	2,757	46.5	81.1
2057	----	490	2,736	45.8	82.1
2058	----	484	2,712	45.0	82.8
2059	----	480	2,687	44.3	83.5
2060	----	475	2,661	43.6	84.0
2061	----	472	2,633	42.9	84.4
2062	----	469	2,603	42.2	84.7
2063	----	468	2,572	41.5	84.9
2064	----	468	2,540	40.8	84.9
2065	----	467	2,509	40.1	84.9
2066	----	467	2,477	39.5	84.7
2067	----	467	2,444	38.8	84.4
2068	----	467	2,411	38.2	84.0
2069	----	467	2,377	37.6	83.6
2070	----	467	2,342	36.9	83.0
2071	----	467	2,308	36.3	82.4
2072	----	466	2,273	35.7	81.7
2073	----	466	2,238	35.1	80.9
2074	----	465	2,203	34.5	80.1
2075	----	464	2,168	34.0	79.2
2076	----	463	2,133	33.4	78.3
2077	----	462	2,098	32.8	77.3

Based on Intermediate Assumptions of the 2003 Trustees Report.
1/ Excludes proceeds to workers' estates in the case of death before benefit entitlement.

Office of the Chief Actuary
Social Security Administration
February 11, 2004

Table 1b--IA Contributions, Offsets to OASDI Trust Funds from IAs, and Budget Effects for the "Bipartisan Retirement Security Act"

IA proceeds go to estate if worker dies before entitlement

Ultimate Real Trust Fund Interest Rate	3.00
Ultimate Real IA Yield Rate	4.45
Ultimate Real Annuity Yield Rate	3.00

Year	Contributions to IA by Federal Government 1/	Offset to OASI Benefits from IAs 2/	Other Changes in OASDI Cash Flow	Change in Annual Unified Budget Cash Flow	Change in Debt Held by Public (end of year)	Change in Annual Unified Budget Balance
			(In Billions of Constant 2003 Dollars)			
2004	0.0	0.0	7.4	7.4	-7.6	7.6
2005	0.0	0.0	18.8	18.8	-27.3	19.9
2006	96.4	0.0	21.5	-74.8	48.9	-75.5
2007	101.1	0.0	29.9	-71.2	123.9	-76.4
2008	105.8	0.0	38.6	-67.2	197.0	-76.8
2009	109.6	0.0	43.0	-66.6	271.8	-80.5
2010	113.3	0.0	47.6	-65.7	348.0	-84.1
2011	116.7	0.0	52.8	-64.0	424.6	-86.8
2012	120.0	0.0	58.0	-62.0	501.5	-89.3
2013	123.1	0.0	63.1	-59.9	578.6	-91.7
2014	126.0	0.0	68.9	-57.2	655.1	-93.4
2015	128.8	0.0	74.8	-54.1	730.7	-94.6
2016	131.5	0.0	81.2	-50.3	804.5	-95.1
2017	134.1	0.0	88.2	-45.8	875.9	-94.8
2018	136.6	0.0	95.7	-40.8	944.2	-93.8
2019	139.1	0.0	103.3	-35.7	1,009.3	-92.6
2020	141.5	0.0	111.9	-29.5	1,070.0	-90.1
2021	143.9	0.0	121.2	-22.7	1,125.5	-86.6
2022	146.2	0.0	130.2	-16.0	1,175.7	-83.0
2023	148.6	0.0	139.4	-9.2	1,220.5	-79.0
2024	150.9	0.0	149.0	-1.9	1,259.1	-74.1
2025	153.2	0.0	158.9	5.7	1,291.0	-68.6
2026	155.3	0.0	169.1	13.8	1,315.5	-62.1
2027	157.5	0.0	180.1	22.6	1,331.7	-54.5
2028	159.7	0.0	191.6	32.0	1,338.7	-45.8
2029	162.0	0.0	203.6	41.6	1,336.0	-36.3
2030	164.3	0.0	215.8	51.5	1,323.0	-25.9
2031	166.6	0.0	228.5	61.9	1,298.9	-14.5
2032	169.0	0.0	241.5	72.5	1,263.2	-2.1
2033	171.4	0.0	254.7	83.3	1,215.3	11.1
2034	173.9	0.0	268.1	94.2	1,154.8	25.1
2035	176.4	0.0	281.5	105.1	1,081.1	40.0
2036	178.9	0.0	294.8	115.9	994.2	55.5
2037	181.5	0.0	308.2	126.7	893.5	71.7
2038	184.1	0.0	321.7	137.6	778.6	88.9
2039	186.7	0.0	335.4	148.6	648.8	107.1
2040	189.3	0.0	349.3	159.9	503.5	126.4
2041	192.0	0.0	363.8	171.8	341.7	147.2
2042	194.7	0.0	378.7	184.0	162.4	169.3
2043	197.3	0.0	394.1	196.7	-35.3	193.0
2044	200.0	0.0	409.9	209.9	-252.6	218.2
2045	202.8	0.0	426.2	223.4	-490.3	245.1
2046	205.5	0.0	443.1	237.6	-749.7	273.8
2047	208.2	0.0	460.4	252.2	-1,031.9	304.0
2048	211.0	0.0	477.9	266.9	-1,337.8	335.9
2049	213.8	0.0	495.8	282.0	-1,668.4	369.6
2050	216.6	0.0	513.9	297.3	-2,024.6	404.8
2051	219.5	0.0	532.0	312.5	-2,407.2	441.6
2052	222.3	0.0	550.1	327.8	-2,817.1	480.0
2053	225.3	0.0	568.1	342.9	-3,254.7	519.7
2054	228.2	0.0	585.8	357.6	-3,720.7	560.8
2055	231.2	0.0	603.4	372.2	-4,215.7	603.3
2056	234.3	0.0	620.8	386.6	-4,740.3	647.4
2057	237.4	0.0	638.2	400.8	-5,295.4	693.1
2058	240.5	0.0	655.2	414.7	-5,881.3	740.2
2059	243.7	0.0	672.0	428.3	-6,498.9	788.9
2060	246.9	0.0	688.7	441.8	-7,148.9	839.3
2061	250.2	0.0	705.5	455.3	-7,832.3	891.6
2062	253.5	0.0	722.3	468.8	-8,550.2	946.0
2063	256.8	0.0	739.3	482.5	-9,303.6	1,002.5
2064	260.2	0.0	756.1	495.9	-10,093.5	1,060.9
2065	263.6	0.0	773.0	509.4	-10,921.0	1,121.5
2066	267.1	0.0	790.0	522.9	-11,787.3	1,184.3
2067	270.6	0.0	807.0	536.5	-12,693.5	1,249.5
2068	274.1	0.0	824.3	550.2	-13,641.0	1,317.2
2069	277.6	0.0	841.3	563.7	-14,630.8	1,387.1
2070	281.2	0.0	858.7	577.5	-15,664.5	1,459.9
2071	284.9	0.0	876.2	591.3	-16,743.5	1,535.2
2072	288.5	0.0	893.6	605.1	-17,869.1	1,613.3
2073	292.2	0.0	911.1	618.9	-19,042.6	1,694.0
2074	296.0	0.0	928.7	632.7	-20,265.6	1,777.6
2075	299.8	0.0	946.3	646.5	-21,539.5	1,864.1
2076	303.6	0.0	963.9	660.4	-22,865.8	1,953.7
2077	307.5	0.0	981.6	674.2	-24,246.2	2,046.4
2078	311.4	0.0	999.5	688.1	-25,682.3	2,142.3

1/ Contributions are redirections from OASDI payroll taxes.
2/ Offsets to OASI benefits based on IA proceeds do not occur under this proposal.
Based on Intermediate Assumptions of the 2003 Trustees Report.

Office of the Chief Actuary
Social Security Administration
Revised February 25, 2004

Table 1c--Cash Flow from the OASDI Trust Funds to the General Fund of the Treasury--the "Bipartisan Retirement Security Act" vs Theoretical OASDI

IA proceeds go to estate if worker dies before entitlement

Ultimate Real Trust Fund Interest Rate	3.00
Ultimate Real IA Yield Rate	4.45
Ultimate Real Annuity Yield Rate	3.00

	Estimate for Proposal: Net Amount of Cash Flow from the OASDI Trust Funds to the General Fund of the Treasury During the Year				Estimate for Modified Present Law with Borrowing to Pay Scheduled Benefits: Net Amount of Cash Flow from the OASDI Trust Funds to the General Fund of the Treasury During the Year			
	% of	*(billions of dollars)*			% of	*(billions of dollars)*		
Year	payroll	Current $	PV as of 1/1/03	Constant 2003 $	payroll	Current $	PV as of 1/1/03	Constant 2003 $
2003	1.8	79	77	79	1.8	79	77	79
2004	2.0	94	86	92	1.9	87	79	85
2005	2.3	116	100	110	2.0	96	83	91
2006	0.4	20	16	19	2.1	105	86	97
2007	0.6	32	24	29	2.1	111	85	100
2008	0.6	37	27	32	2.0	114	82	99
2009	0.6	35	24	30	1.9	114	77	96
2010	0.5	31	20	26	1.8	112	71	92
2011	0.4	28	17	22	1.6	108	65	86
2012	0.3	20	11	15	1.4	100	57	78
2013	0.1	8	4	6	1.2	88	47	66
2014	-0.1	-5	-3	-4	1.0	74	37	54
2015	-0.3	-21	-10	-15	0.7	56	26	39
2016	-0.5	-41	-18	-28	0.4	33	15	23
2017	-0.7	-62	-26	-42	0.1	7	3	5
2018	-0.9	-86	-34	-56	-0.3	-23	-9	-15
2019	-1.1	-113	-42	-71	-0.6	-55	-21	-35
2020	-1.4	-141	-50	-86	-0.9	-92	-32	-56
2021	-1.6	-172	-57	-102	-1.3	-133	-44	-79
2022	-1.8	-204	-64	-118	-1.6	-176	-55	-101
2023	-2.0	-235	-69	-131	-1.9	-218	-64	-122
2024	-2.2	-267	-74	-145	-2.2	-263	-73	-143
2025	-2.3	-299	-78	-158	-2.5	-310	-81	-163
2026	-2.5	-331	-82	-170	-2.8	-358	-88	-183
2027	-2.6	-363	-85	-181	-3.1	-409	-95	-203
2028	-2.7	-395	-87	-190	-3.3	-461	-101	-222
2029	-2.8	-425	-88	-199	-3.5	-513	-106	-240
2030	-2.8	-452	-88	-206	-3.7	-565	-110	-257
2031	-2.9	-477	-88	-211	-3.9	-617	-113	-272
2032	-2.9	-499	-86	-214	-4.0	-668	-116	-286
2033	-2.9	-519	-85	-216	-4.1	-719	-117	-299
2034	-2.8	-537	-82	-217	-4.2	-769	-118	-311
2035	-2.8	-551	-80	-216	-4.3	-819	-119	-321
2036	-2.7	-564	-77	-215	-4.4	-868	-119	-330
2037	-2.7	-575	-74	-212	-4.4	-917	-118	-339
2038	-2.6	-583	-71	-209	-4.5	-965	-117	-346
2039	-2.5	-588	-67	-205	-4.5	-1,014	-116	-353
2040	-2.4	-592	-64	-200	-4.5	-1,064	-115	-360
2041	-2.3	-594	-60	-195	-4.5	-1,116	-113	-366
2042	-2.2	-595	-57	-190	-4.5	-1,171	-112	-373
2043	-2.1	-595	-54	-184	-4.6	-1,229	-111	-380
2044	-2.0	-594	-51	-179	-4.6	-1,292	-110	-388
2045	-1.9	-594	-48	-173	-4.6	-1,359	-109	-397
2046	-1.9	-594	-45	-168	-4.7	-1,432	-108	-406
2047	-1.8	-594	-42	-163	-4.7	-1,510	-108	-415
2048	-1.7	-594	-40	-159	-4.8	-1,592	-107	-425
2049	-1.6	-594	-38	-154	-4.8	-1,680	-106	-436
2050	-1.6	-595	-36	-150	-4.9	-1,775	-106	-447
2051	-1.5	-600	-34	-147	-5.0	-1,877	-106	-459
2052	-1.5	-608	-32	-144	-5.0	-1,988	-105	-472
2053	-1.4	-617	-31	-142	-5.1	-2,104	-105	-485
2054	-1.4	-629	-30	-141	-5.2	-2,226	-105	-498
2055	-1.4	-642	-29	-139	-5.2	-2,355	-105	-511
2056	-1.3	-657	-27	-138	-5.3	-2,489	-104	-525
2057	-1.3	-672	-27	-138	-5.4	-2,629	-104	-538
2058	-1.3	-688	-26	-137	-5.4	-2,773	-103	-551
2059	-1.3	-704	-25	-136	-5.5	-2,922	-102	-564
2060	-1.2	-721	-24	-135	-5.5	-3,077	-102	-576
2061	-1.2	-737	-23	-134	-5.6	-3,239	-101	-589
2062	-1.2	-756	-22	-133	-5.6	-3,409	-100	-602
2063	-1.2	-778	-22	-133	-5.7	-3,590	-99	-615
2064	-1.2	-803	-21	-134	-5.7	-3,781	-99	-629
2065	-1.2	-831	-20	-134	-5.8	-3,982	-98	-643
2066	-1.1	-863	-20	-135	-5.8	-4,194	-97	-658
2067	-1.1	-900	-20	-137	-5.9	-4,420	-97	-673
2068	-1.1	-939	-19	-139	-6.0	-4,658	-96	-689
2069	-1.2	-984	-19	-141	-6.0	-4,908	-95	-705
2070	-1.2	-1,032	-19	-144	-6.1	-5,173	-95	-721
2071	-1.2	-1,083	-19	-147	-6.1	-5,450	-94	-737
2072	-1.2	-1,139	-19	-150	-6.2	-5,743	-93	-754
2073	-1.2	-1,200	-18	-153	-6.3	-6,049	-93	-771
2074	-1.2	-1,265	-18	-157	-6.3	-6,371	-92	-789
2075	-1.2	-1,334	-18	-160	-6.4	-6,709	-91	-806
2076	-1.2	-1,408	-18	-164	-6.4	-7,063	-91	-824
2077	-1.2	-1,487	-18	-168	-6.5	-7,433	-90	-842
2078	-1.3	-1,569	-18	-173	-6.6	-7,822	-89	-860
Total 2003-2077			-2,407				-4,910	

Based on Intermediate Assumptions of the 2003 Trustees Report.

Office of the Chief Actuary
Social Security Administration
February 11, 2004

Table 1d--Taxable Payroll Information and Amounts of Specified General Fund Transfers for the "Bipartisan Retirement Security Act"

IA proceeds go to estate if worker dies before entitlement

Ultimate Real Trust Fund Interest Rate	3.00
Ultimate Real IA Yield Rate	4.45
Ultimate Real Annuity Yield Rate	3.00

Year	OASDI Taxable Payroll (in billions of current dollars) Proposal	Present Law	Specified General Fund Transfers under Provision 4 (billions of PV $ as of 1/1/03)
2003	4,387	4,387	0
2004	4,654	4,612	0
2005	4,941	4,866	1
2006	5,245	5,140	2
2007	5,579	5,418	4
2008	5,921	5,702	5
2009	6,230	5,994	6
2010	6,547	6,294	8
2011	6,875	6,601	10
2012	7,208	6,911	12
2013	7,551	7,239	13
2014	7,904	7,575	13
2015	8,268	7,923	13
2016	8,644	8,282	13
2017	9,036	8,656	13
2018	9,442	9,045	12
2019	9,868	9,453	14
2020	10,310	9,876	14
2021	10,771	10,318	14
2022	11,249	10,777	14
2023	11,748	11,255	13
2024	12,267	11,753	13
2025	12,809	12,272	13
2026	13,376	12,815	13
2027	13,969	13,383	13
2028	14,590	13,978	12
2029	15,241	14,601	12
2030	15,921	15,253	12
2031	16,634	15,935	12
2032	17,380	16,649	12
2033	18,159	17,395	12
2034	18,973	18,174	11
2035	19,822	18,987	11
2036	20,710	19,837	11
2037	21,638	20,725	11
2038	22,605	21,651	11
2039	23,615	22,617	11
2040	24,665	23,622	10
2041	25,761	24,670	10
2042	26,903	25,763	10
2043	28,092	26,900	12
2044	29,333	28,086	12
2045	30,623	29,320	11
2046	31,965	30,603	11
2047	33,365	31,940	11
2048	34,823	33,334	11
2049	36,343	34,786	11
2050	37,928	36,302	11
2051	39,578	37,878	10
2052	41,301	39,524	10
2053	43,098	41,241	10
2054	44,974	43,034	10
2055	46,933	44,906	10
2056	48,978	46,860	10
2057	51,116	48,903	9
2058	53,348	51,036	9
2059	55,676	53,261	9
2060	58,106	55,582	9
2061	60,640	58,004	9
2062	63,284	60,530	9
2063	66,045	63,167	10
2064	68,920	65,913	10
2065	71,918	68,778	10
2066	75,045	71,766	10
2067	78,306	74,879	10
2068	81,707	78,127	10
2069	85,251	81,512	9
2070	88,944	85,037	9
2071	92,794	88,712	9
2072	96,808	92,545	9
2073	100,994	96,540	9
2074	105,357	100,705	9
2075	109,905	105,046	8
2076	114,648	109,573	8
2077	119,597	114,296	8
2078	124,756	119,220	
Total, 2003-2077			757

Based on Intermediate Assumptions of the 2003 Trustees Report.

Office of the Chief Actuary
Social Security Administration
February 11, 2004