INSIGHT on the Issues

Reform Options for Social Security

Reform options for Social Security fall into three broad categories: raising revenues, reducing benefits, and investing part of the Social Security trust fund assets in equities and/or corporate bonds. These alternative reforms can be packaged together in a many different ways to achieve long-term solvency.

Introduction

The Social Security Shortfall. Since the establishment of the Federal Old-Age and Survivors Insurance Trust Fund in 1940, and the Federal Disability Insurance Trust Fund in 1956, the excess of Social Security payroll tax receipts over benefit payments has been placed into the trust funds and invested in U.S. securities. According to current projections by the Social Security Trustees, however, annual costs will exceed Social Security taxes beginning in 2017, and the trust fund will be exhausted in 2041.[1] The Congressional Budget Office places the date of trust fund exhaustion several years later, in 2046.[2]

Contrary to popular perceptions, the Social Security system will be able to pay full benefits until 2041. After 2041, the system will rely exclusively on payroll tax revenues that will enable it to pay roughly 78% of current law benefits in 2042 and subsequent years. The

Table 1: Options to Improve Trust Fund Solvency
(all policies assumed to be implemented in 2010 unless otherwise noted)

	Reform Options	Proportion of Financial Shortfall Closed
1	Raise the taxable maximum to cover 90% of payroll, pay benefits on all earnings subject to the payroll tax, phased in from 2010 to 2020	39%
2	New 3% FICA tax on all wages above the taxable maximum, no benefits paid on the additional 3% FICA contributions	32%
3	Include newly hired state and local government workers	10%
4	Tax Social Security like private pensions[1]	17%
5	Increase the payroll tax by 0.5 percentage points	23%
6	Increase the Normal Retirement Age to 68 by 2028	25%
7	Increase the Normal Retirement Age to 70 by 2040	61%
8	Index the initial benefit at retirement to longevity	27%
9	Increase benefit computation period from 35 to 38 years, phased in from 2010 to 2012	15%
10	Reduce benefits on average by 5% for all new beneficiaries	31%
11	Use Superlative Inflation Index	17%
12	Reduce benefits progressively by modifying the benefit formula (adding third bendpoint)	25%
13	Progressive Price Indexation starting in 2012	76%
14	Invest 15% of OASDI in portfolio of ½ stock and ½ corporate bonds	9%

Source: PPI estimates using Actuarial Research Corporation (ARC) model, except where noted.
[1]Social Security Administration, accessed September 26, 2007, from http://ww.ssa.gov/OACT/solvency/provisions/charts/chart_run262.html, for tax provision implemented in 2006.

AARP

THIS PAPER

AARP does not support all of the options discussed in this paper. In the spirit of setting the stage for an open debate by putting everything on the table, some policies that AARP opposes (including, but not limited to, increasing the number of years in the benefit formula or progressive price indexation) are included in Table 1 and in the discussion below.

This paper focuses on improving the funding status of Social Security over the next 75 years. It can be argued legitimately that a reform package should ensure that Social Security is solvent beyond 75 years—this is known as "sustainable solvency." This paper does not indicate a reform's impact on sustainable solvency; instead, it provides the 75-year figures that are used more frequently in solvency discussions. However, it should be borne in mind that individual reform measures may have a greater or smaller effect on the long-term sustainability of the program. For example, reducing benefits for all new retirees by 5% improves Social Security's financing gap by nearly 31% over the next 75 years, but in the final year of the forecast (the 75th), it resolves only about 22% of the financing gap. This paper also does not show "infinite horizon" forecasts for two reasons: the simulation model used for this paper does not project beyond 75 years (see the Appendix for a description of the model); and many analysts have questioned the reliability of very long-term forecasts.

There are, of course, numerous combinations of changes to tax and benefit provisions that can achieve a given total solvency result. It is important to note that the reforms discussed here interact with each other, so that the effect of a package of reforms is not simply the sum of the individual reforms in the package.

Another part of the reform discussion addresses the need to improve the adequacy of Social Security benefits by shoring up, for example, disability and spousal benefits, or by creating a minimum benefit. In addition, the Center for Retirement Research points out that Social Security benefits as a ratio to pre-retirement income ("replacement rates") will fall for future retirees as a result of the rising normal Social Security retirement age, increasing Medicare premiums that are automatically deducted from Social Security benefits, and the growing extent to which Social Security benefits will be subject to personal income taxation.* Hence, Social Security replacement rates will fall for future retirees regardless of any additional benefit cuts that might be implemented as part of a solvency package. Issues of benefit adequacy are not, however, the subject of this paper.

* Munnell, Alicia H., "The Declining Role of Social Security," (Boston: Center for Retirement Research, Boston College, February 2003).

proportion of benefits that can be funded by incoming payroll taxes drops slowly to 75% of scheduled benefits by 2082.[3]

Table 1 lays out a variety of options to keep paying full Social Security benefits for the next 75 years.[4] Options to strengthen Social Security fall into three basic categories: 1) increase tax revenues to the program; 2) reduce benefits (future and/or current); and/or 3) increase returns to trust fund investments by modifying the investment options. In the table, the third column, labeled "Proportion of Financial Shortfall Closed," expresses progress toward achieving the goal of closing 100% of the financing gap.

Extreme Policy Solutions Aren't Necessary. To frame the debate over solvency options, it may be helpful to consider some unrealistic extremes: a solvency package composed of only benefit cuts or one composed of only revenue increases.

For example, an 11.5% immediate cut to the future benefits of all workers and retirees would

be sufficient to solve Social Security's financial problems for the next 75 years.[5] If benefit cuts were restricted to those who are currently age 54 and younger, then an 18% benefit cut would restore solvency. On the tax side of the equation, raising payroll taxes by 1.7 percentage points—from 12.4% to 14.1% of covered earnings—would be more than sufficient to close the financing gap over the next 75 years.[6]

AARP does not advocate such extreme benefit cut or tax increase measures. Framing the problem in these terms, however, underscores the point that drastic reforms, such as privatizing Social Security, are unnecessary. Instead, lawmakers could assemble a package that balances more modest tax and benefit measures.

Privatizing Social Security. Some have proposed private accounts carved out of Social Security as a reform option, but they are not addressed in this paper because, by themselves, private accounts divert money away from the Social Security system and worsen solvency. For example, private accounts created by diverting 2 percentage points of payroll tax revenues to private accounts, in the absence of an offsetting reduction to the traditional benefit, would roughly double the financing shortfall to about 3.9% of payroll.[7] The final impact of private account proposals on solvency depends on the other components of a reform package that accompanies the private accounts.

For this reason, many private account plans rely on deep cuts in Social Security's traditional guaranteed benefit, or sometimes on large cash transfers from the Treasury to Social Security, to restore the system to solvency. Any cash transfers would be financed from general revenues (income, corporate, or other federal tax revenues). In other words, income or other tax revenues would shore up the system in place of the diverted payroll taxes.

Under privatization plans, the total benefit level—the combination of the reduced traditional benefit plus the proceeds from the private accounts—depends on the extent of reductions to traditional benefits and, crucially, on performance of the investments held in the private accounts. Investing private accounts in equities has the potential to increase the expected value of benefits for workers, but this comes with increased risk that some workers, or cohorts of workers, will have investments that perform poorly.

Reforms Affecting Tax Coverage and Tax Rates

Increase the Taxable Maximum. This option would increase the amount of annual wages subject to Social Security (FICA) taxes. The taxable maximum ($102,000 in 2008) is indexed annually to wage growth.

Supporters of this option argue that covering more of the wages and salaries of higher-wage workers is a matter of fairness and is supported by congressional precedent. Historically about 90% of total wages were subject to the FICA tax, but this portion has decreased over time so that today, only about 83% of total wages are subject to this tax. The reason for this decrease in coverage is that, in recent years, the wages of higher-income workers have on average increased faster than wages have in general. This measure faces opposition on the grounds that it is a tax increase relative to today's payroll tax structure. Others are concerned that additional taxes could weaken middle-class support for Social Security.

Raising the taxable maximum would improve Social Security's actuarial balance by a wide range of outcomes that depend on the magnitude of the increase, the length of the phase-in period, and whether benefits are paid on the new tax revenues.

This paper considers two hypothetical options related to the taxable maximum. The first option is to increase the taxable maximum sufficient to include 90% of covered wages (wages up to about $170,000 in 2008). This reform would be phased in between 2010 and 2020, and benefits would be paid on the new FICA contributions. This option would close 39% of the financing gap.

The second hypothetical option is an additional FICA tax of 3% on all wages above the current law's taxable maximum. This reform would be implemented in 2010 and benefits would not be paid on the new tax contributions. This option would close about 32% of the financing gap.

Include Newly Hired State and Local Government Workers. Including newly hired state and local government workers would improve solvency by bringing new workers into the system. The impact on solvency would diminish as covered workers started to claim

benefits. Today, about 30% of the workforce in state and local governments—just over 5 million workers—is not covered by Social Security.[8] If implemented in 2010, this measure would close 10% of Social Security's financing gap over the 75-year forecasting horizon.

Universal Social Security coverage could increase the benefits many state and local government workers receive, in particular by adding dependent, survivor, and disability benefits to the benefits package. Social Security is also portable; it provides the security of coverage from job to job.[9] Some state and local governments are concerned, however, that this could place financial burdens on existing state pension systems, which would continue to maintain non–Social Security pensions for older and retired workers. Over the long term, the impact on solvency would decrease as covered workers start to claim benefits.

Tax Social Security Benefits Like Private Pensions. Distributions from private pensions generally are taxed at a person's ordinary income tax rate. Taxing Social Security benefits similar to the way private pensions are taxed would close about 17% of Social Security's financial shortfall.[10] Under current law, about 39% of Social Security beneficiaries pay income tax on their benefits because they exceed certain benefit and income thresholds.[11] This specific measure would cause many beneficiaries to pay higher income taxes, so this is not a popular political choice. However, the income tax structure would protect low- and very-low-income taxpayers from being affected by this reform.

Increase the Payroll Tax. Social Security's payroll tax (the FICA tax) stands at 12.4% of payroll, of which employees pay 6.2 percentage points and employers pay 6.2 percentage points. If the payroll tax were increased by 0.25 percentage points on both employer and employee (for a total increase of 0.5 percentage points) in 2010, this measure would close about 23% of Social Security's financing shortfall over the next 75 years.

Those who argue that the measure represents a tax increase oppose it. In addition, the very highest earners do not pay the FICA tax on income over the taxable maximum ($102,000 in 2008), so the measure would be regressive. On the other hand, it helps resolve Social Security's financing gap for the next 75 years with what can be argued is a relatively small tax increase.

Reforms Affecting Benefits

Increase Normal or "Full" Retirement Age. Since 1940, life expectancy at age 65 has risen from 11.9 years for men and 13.4 years for women to 16.5 years and 19.1 years, respectively. As a result, retirees are receiving their benefit over much longer periods, which has stressed the system. Raising the normal retirement age (sometimes known as the "full retirement age") is one way to address the impact of greater life expectancy on Social Security's solvency.

Under current law, qualifying workers can begin to draw reduced Social Security benefits at the earliest eligibility age (EEA) of 62. Retirees can draw full Social Security benefits at the normal retirement age (NRA), which is rising gradually from 65 to 67.[12] The benefit of persons who take Social Security benefits before the normal retirement age are subject to an actuarial reduction for every month that benefits are received before normal retirement age.

As a result, raising the normal retirement age effectively amounts to a benefit cut. Benefit cut proposals such as this one are likely to affect lower earners disproportionately, as they have fewer alternative sources of retirement income from pensions and assets that could offset their reduction in Social Security benefits.

Although raising the EEA would not affect the solvency of Social Security, raising the NRA does have the potential to improve solvency. Some proponents of this policy also argue that raising the retirement age would make better use of the skills and abilities of America's older workers. However, an increase in the EEA or the NRA could have a disproportionately adverse impact on low-income, less-skilled workers. These workers are more likely than other workers to hold jobs that require physical labor, to be in poor health, and to have a lower life expectancy after retirement. Lower-income workers are also less likely than other workers to have pension income to supplement their Social Security benefits. Raising the NRA to 68 by 2028 would close 25% of Social Security's financing gap. Raising the NRA to 70 by 2040 would close 61% of the financing gap.

Index Retirement Benefits to Longevity. This reform would reduce annual Social Security benefits by an amount calculated to offset the additional benefits received over a longer projected life span as mortality declines in the future. As a result, Social Security benefits would fall by about 0.24% per year.[13] However, this reform directly addresses the fact that people are living longer in retirement, which is stressing the Social Security system. If implemented in 2010, this reform would close 27% of Social Security's financing gap over the next 75 years.

Increase the Benefit Calculation Period. The Social Security benefit calculations use an average of an individual's top 35 years of earnings (adjusted for real wage growth). Some have proposed an increase from 35 to 38 or 40 years. Because this change would cause years of low or zero earnings to be included in the calculations for some workers, it is expected to result in a slight reduction in benefits for some new beneficiaries.

Proponents argue that increasing the calculation period makes sense because the NRA is scheduled to rise to age 67, leading to longer working lives. Opponents of the change point out that many workers, especially women, do not yet have a full 35 years of work history to average into the existing benefit formula. If phased in from 2010 to 2012, increasing the benefit calculation period to 38 years would close 15% of the financing gap.

Reduce Benefits by 5% for All New Beneficiaries. Reducing benefits across the board for all new beneficiaries who are under age 55 in 2007 would close nearly 31% of the financing gap. This reform would protect current retirees, who generally have fewer options for changing savings or retirement plans. Questions of generational equity arise, however, because this reform places the entire burden on current workers.

Use Superlative Inflation Index for COLA. Social Security benefits during retirement are indexed to inflation so that a retiree's benefits keep up with the cost of living over a retirement that can last several decades. Over the years there has been considerable debate about the accuracy of the Consumer Price Index (CPI). The Bureau of Labor Statistics (BLS) has made several technical adjustments that improve accuracy, but many experts and researchers remain concerned that the CPI continues to overestimate inflation. The BLS is working on a superlative index that is designed to account for the fact that consumers shift their purchases in response to relative price changes (often called "substitution bias effect"). Using the superlative inflation index would reduce measured inflation by about 0.22% per year.[14]

To the extent that using the superlative index merely corrects for overstatement in the current CPI calculation, it would not cause benefit growth to fall below inflation for any beneficiary.[15] However, this change would slow the rate of benefit growth relative to the growth rate that results from current COLA calculations. There is also some evidence that elderly consumers do not shift their purchases in response to relative price changes in the same way that younger consumers do, that is, the elderly exhibit less of the substitution effect this proposal is meant to take into account. Implementing the superlative inflation index in 2010 would close about 17% of Social Security's financing gap.

Reduce Benefits Progressively by Modifying the Benefit Formula. Another way to lower benefits progressively is to make moderate but targeted adjustments to the benefit formula. This can help to avoid across-the-board benefit cuts that affect low- and high-earners equally, such as raising the Normal ("Full") Retirement Age, or proposals that would achieve radical benefit cuts, such as progressive price indexation of the benefit formula.

Social Security's current benefit structure is progressive. This is achieved through a benefit formula that replaces a higher percentage of the pre-retirement earnings (average indexed monthly earnings, or AIME) of low-wage earners than those of high-wage earners.

Because of the flexibility of the benefit formula, potential financial savings could range from minimal to up to one-half or more of the solvency gap. For example, it is possible to effect fairly modest cuts in the benefits higher-income workers receive so that they do not bear the entire cost of reform, which could undermine their support for Social Security. In addition, it is possible to tweak different parts of the benefit formula to protect or even enhance the benefits low-income workers receive. Finally, judicious modifications to the benefit formula can preserve the direct relationship between contributions and benefits, while avoiding movement to a flat benefit for all income levels.

For example, the plan in Table 2 would close about 25% of Social Security's financing gap.

Table 2
Hypothetical Progressive Change to the Social Security Benefit Formula

Current Law Benefit Formula, 2010	Proposed Benefit Formula, 2010
Replace 90% of the first $779 in AIME	Replace 90% of the first $798 in AIME
Replace 32% of AIME over $779 and through $4,893	Replace 32% of AIME over $798 and through $3,523
Replace 15% of AIME amounts above $4,893	Replace 20% of AIME over $3,523 through $4,893
	Replace 10% of AIME amounts above $4,893

This proposal would raise the benefits received by low-income earners very slightly. The benefits of the highest earners (workers earning the Social Security "taxable maximum" wage of $102,000 or more in 2008) would be cut about 13%.

Progressive Price Indexation of Benefit. This proposal would slow the growth in Social Security benefits for higher-income groups. Currently, Social Security benefits for all new beneficiaries are calculated so that they grow every year in tandem with the rise in living standards (wage growth). Historically, wages and living standards have risen faster than price inflation.

This plan would change the benefit calculation so that benefits for low-wage earners would continue to rise with wage growth. One recent proposal for progressive price indexation would protect the lowest 30% of earners (those who will earn $25,000 or less when this proposal would take effect in 2012) from any changes in the benefit formula compared to current law. However, workers with earnings between $25,000 and the taxable maximum amount ($102,000 or more in 2008) would see their benefits grow by a rate that falls between the wage index and the slower-growing price index. Benefits for the earner at or above the taxable maximum would rise by the price index. Because price inflation generally rises more slowly than wage inflation, this would drastically slow benefit growth for high earners.

This proposal has the advantage of progressivity. However, over time, the difference between price and wage growth would cause a deep cumulative cut for higher earners compared to current law scheduled benefits. For workers who earn the maximum taxable amount, the benefit would be cut in half compared to current law by 2077.[16] Over time this moves Social Security toward a "flat" benefit structure where all retirees receive a roughly similar benefit amount, which could cause higher-wage earners to reject the system.

By itself, this plan would eliminate about three-quarters (76%) of Social Security's financing gap. In this sense the proposal is a drastic one, placing most of the onus for achieving solvency on benefit cuts rather than establishing a more balanced mix of benefit cuts, tax increases, and investment measures.

Reforms Affecting Trust Fund Investments

Prefunding: Increasing Returns on Trust Fund Assets. The Social Security trust funds currently invest only in U.S. government bonds. Although these earned a respectable yield of 5.3% in 2006, many securities, such as stocks and corporate bonds, offer a higher yield. (Stock and bond market returns in the future will depend on a variety of factors beyond the scope of this paper, including economic developments and the persistence of the equity premium. The same considerations would apply to stocks or bonds held in private accounts, however.)

Higher yields on trust fund investments could help extend the life of the trust funds, while investing in equities or corporate bonds could help prefund some portion of future retirement benefits. Higher yields generally entail more risk, however. Trust fund diversification offers an important advantage over private accounts as the trust funds could spread the risk of financial market volatility among many workers and generations.

Some observers are concerned that trust fund investment could allow the government to pick corporate winners and losers or to choose investments on political grounds. The record of existing government investment programs at the federal and state levels shows that this risk can be avoided by establishing several layers of insulating structures and rules. The Railroad Retirement Board began to invest in the stock market starting in 2002, with several layers of protection including outside advisors and investment managers.

Investing 15% of Social Security's trust fund assets in corporate stocks and bonds could help close 9% of Social Security's solvency gap over the next 75 years, depending on how the investments perform.

CONCLUSIONS

We do not need to look to drastic solutions to secure Social Security's guaranteed retirement benefits for future generations. Numerous options and combinations of options can strengthen Social Security and maintain its insurance and defined benefit characteristics.

Viable options fall into three broad categories: 1) increase tax revenues to the program; 2) reduce benefits; and/or 3) increase returns to the trust fund revenues by modifying the investment options.

AARP does not support all of the individual options described in this paper. Each of these reforms has its advocates and opponents, each can be implemented in somewhat different ways, and each can be affected by other reforms that may be made at the same time.

These reforms could be combined in many different ways to form a complete solvency package for Social Security. This paper does not suggest a reform package; it does seek to contribute to a reasoned and balanced discussion of reform. Any Social Security solvency package will need to bring together various options that stand up to evaluation in light of their impact on current and future beneficiaries, adequacy and equity of benefits, and the solvency of the program as a whole.

APPENDIX: MODEL AND ALTERNATIVE PRESENTATION OF RESULTS

The results presented in this paper were generated using a Social Security simulator created by the Actuarial Research Corporation. The simulator, which runs on inputs and assumptions used by the Social Security Trustees, is designed to simulate Social Security Administration results.

This paper has evaluated various options for Social Security reform in terms of the fraction of the 75-year financial shortfall that each would close. Another way to think about Social Security reform, and a method analysts frequently use, is to use Social Security's income from the FICA payroll tax as a baseline for expressing the impact of reforms. According to the 2008 report of the Trustees of the Social Security system, Social Security's financial shortfall is equivalent to about 1.70% of the payroll taxes the system will receive under current law, on average, over the next 75 years.[17] Social Security analysts refer to this as a "financing gap equivalent to 1.70% of payroll." Translated, this means that raising the payroll tax by 1.70% would resolve Social Security's financing shortfall. The cost of various reforms to the Social Security system can also be measured against payroll tax receipts.

The model used to assess reforms for this paper uses the 2007 Trustees report as a baseline. The 2007 Trustees report found a total financing shortfall equivalent to 1.95 percent of payroll.[18] This is the baseline that was used to generate the numbers shown in Table 3. Option 1, for example, reduces Social Security's financial shortfall by an amount equal to 0.76% of Social Security's payroll. Hence, this reform closes 0.76/1.95, or 39%, of the financial shortfall. The figure of 39% is used in Table 1 to represent progress toward closing the entire shortfall.

TABLE 3: OPTIONS TO IMPROVE TRUST FUND SOLVENCY
(ALL POLICIES ASSUMED TO BE IMPLEMENTED IN 2010 UNLESS OTHERWISE NOTED)

	Reform Options	Impact on Solvency (as a percent of payroll)
1	Raise the taxable maximum to cover 90% of payroll, pay benefits on all earnings subject to the payroll tax, phased in from 2010 to 2020	0.76
2	New 3% FICA tax on all wages above the taxable maximum, no benefits paid on the additional 3% FICA contributions	0.63
3	Include newly hired state and local government workers	0.19
4	Tax Social Security like private pensions[1]	0.33
5	Increase the payroll tax by 0.5 percentage points	0.44
6	Increase the Normal Retirement Age to 68 by 2028	0.49
7	Increase the Normal Retirement Age to 70 by 2040	1.18
8	Index the initial benefit at retirement to longevity	0.52
9	Increase benefit computation period from 35 to 38 years, phased in from 2010 to 2012	0.29
10	Reduce benefits on average by 5% for all new beneficiaries	0.61
11	Use Superlative Inflation Index	0.34
12	Reduce benefits progressively by adding third bendpoint	0.48
13	Progressive Price Indexation starting in 2012	1.48
14	Invest 15% of OASDI in portfolio of ½ stock and ½ corporate bonds	0.18

Source: PPI estimates using Actuarial Research Corporation (ARC) model, except where noted.
[1]Social Security Administration, accessed September 26, 2007, from http://ww.ssa.gov/OACT/solvency/provisions/charts/chart_run262.html, for tax provision implemented in 2006.

Endnotes

[1] Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (Washington, DC: March 2008).
[2] Congressional Budget Office, *Updated Projections for Social Security* (Washington, DC: June 2006). Accessed September 5, 2007, from http://www.cbo.gov/ftpdocs/72xx/doc7289/06-14-LongTermProjections.pdf
[3] Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, p. 8.
[4] Some analysts would require Social Security reforms to ensure solvency over infinity; this type of modeling is called an "infinite horizon forecast." Because of the uncertainty associated with forecasts through infinity, as documented by the American Academy of Actuaries and others, this paper relies on the traditional 75-year forecast.
[5] Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, p. 3.
[6] Workers and their employers each pay Federal Insurance Contributions Act (FICA) taxes on 6.2% of a worker's Social Security–covered earnings. In addition, a portion of workers' retirement benefits may be subject to the income tax.
[7] The calculation is for an individual account plan that diverts 2 percentage points of the 12.4% FICA tax into a private account, up to $2,000 annually. There is no offsetting reduction to the traditional Social Security benefit.
[8] Alicia H. Munnell, *Mandatory Social Security Coverage of State and Local Workers: A Perennial Hot Button* (Boston: Center for Retirement Research, Boston College, June 2005).
[9] Alicia Munnell, *The Impact of Mandatory Social Security Coverage of State and Local Workers: A Multi-State Review* (Washington, DC: AARP Public Policy Institute, Issue Brief #2000-11, August 2000).
[10] Unlike other estimates in this paper, which were modeled by PPI using the ARC model, this estimate comes from the Social Security Administration's Web page, entitled "Solvency Estimates: Provisions." Accessed October 8, 2007, from http://www.ssa.gov/OACT/solvency/provisions/charts/chart_run262.html. This estimate uses 2005 Trustees' assumptions.
[11] U.S. House of Representatives, Committee on Ways and Means, *2004 Green Book*, Table 1-25.
[12] Until 2000, the NRA was 65. However, beginning with people born in 1938 or later, that age gradually increases until it reaches 67 for people born after 1959.
[13] Memorandum from Steven Goss, Social Security Administration, "Estimates of Financial Effects for a Proposal to Restore Solvency to the Social Security Program—INFORMATION," October 8, 2003. Accessed October 12, 2007, from http://www.ssa.gov/OACT/solvency/index.html
[14] Social Security Administration, "Solvency Estimates: Provisions." Accessed from http://www.ssa.gov/OACT/solvency/provisions/cola.html
[15] This is to be distinguished from CPI adjustments that overcorrect for inflation, that is, by reducing the COLA by more than the technical overestimation. Overcorrection would harm seniors by reducing the real value of their Social Security benefit.
[16] Memorandum from Steven Goss, Social Security Administration, "Estimated Financial Effects of a Comprehensive Social Security Reform Proposal Including Progressive Price Indexing —INFORMATION," February 10, 2005. Accessed from http://www.ssa.gov/OACT/solvency/RPozen_20050210.pdf.
[17] Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, p. 2.
[18] Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2007 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (Washington, DC: March 2007).

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