Comparing Social Security Reform Options

EBRI Policy Forum
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Craig Copeland, Employee Benefit Research Institute
Comparison Options

• Model 2 from the 2001 President’s Commission to Strengthen Social Security (Individual Accounts)

• Funding current-law benefits (current-law benefit with taxes raised)

• “Cliff” benefit cuts, at the date of the depletion of the OASDI Trust Fund

• Gradual reduction in benefits
Initial Retiree Benefit Levels for Average Wage Earners Retiring at Age 65 for Those Born in 1965, 1985, 1995, and 2005

Source: Employee Benefit Research Institute analysis using SSASIM from the Policy Simulation Group.
Initial Retiree Benefit Levels for 200 Percent of Average Wage Earners Retiring at Age 65 for Those Born in 1965, 1985, 1995, and 2005

Source: Employee Benefit Research Institute analysis using SSASIM from the Policy Simulation Group and EBRI estimates.

Source: Employee Benefit Research Institute analysis using SSASIM from the Policy Simulation Group.
Range of Initial Retiree Benefits Under Model 2 for Average Wage Earners Retiring at Age 65 Depending on the Resulting Equity Returns for Those Born in 1965, 1985, and 2005

Source: Employee Benefit Research Institute analysis using SSASIM from the Policy Simulation Group.
Uncertainty in Future Employment and Earnings Growth

• Workers will have a probability of having a higher retiree benefit under Model 2 relative to the other options
Percentage of Individuals Who Would Have a Higher Initial Retiree Benefit Under Model 2 Relative to the Other Options, by Birth Years 1965, 1985, and 2005 (Historical Rates and 100% Treasury Bonds)

Source: Employee Benefit Research Institute analysis using GEMINI from the Policy Simulation Group.
Median Percentage Difference in Initial Retiree Benefits Under Model 2 Relative to the Other Options, by Birth Years 1965, 1985, and 2005
(Historical Rates and 100% Treasury Bonds)

Birth Year

1965 1985 2005

Model 2-Historical Rates/Current Law (TR)  Model 2-Historical Rates/Cliff Reduction  Model 2-Historical Rates/Gradual Reduction
Model 2-100% Treasury Bonds/Current Law (TR)  Model 2-100% Treasury Bonds/Cliff Reduction  Model 2-100% Treasury Bonds/Gradual Reduction

Source: Employee Benefit Research Institute analysis using GEMINI from the Policy Simulation Group.
Percentage of Individuals Born in 1985 Who Would Have a Higher Initial Retiree Benefit and Ratio of OASI Benefits to OASI Taxes Paid Under Model 2 Assuming Historical Rates of Return Relative to Current Law Benefits with Taxes Raised, by Lifetime Earnings Rank

<table>
<thead>
<tr>
<th>Lifetime Earnings Rank</th>
<th>Initial Retiree Benefit</th>
<th>Benefits-to-Taxes Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 20%</td>
<td>45%</td>
<td>40%</td>
</tr>
<tr>
<td>20%-40%</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td>40%-60%</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>60%-80%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>Highest 20%</td>
<td>25%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Employee Benefit Research Institute analysis using GEMINI from the Policy Simulation Group.
Percentage of Individuals Who Would Have a Higher Initial Disability Benefit Under Model 2 Assuming Historical Equity Returns Relative to the Other Options, by Birth Year, 1955-2015

Source: Employee Benefit Research Institute analysis using GEMINI from the Policy Simulation Group.
Median Percentage Difference in Initial Disability Benefits Under Model 2 Assuming Historical Equity Returns Relative to the Other Options, by Birth Year, 1995-2015

Source: Employee Benefit Research Institute analysis using GEMINI from the Policy Simulation Group.
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