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Final Report

NEAR TERM MODEL DEVELOPMENT Part II

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Preface

In late 1998, the Social Security Administration, Division of Policy Evaluation, launched a major effort to develop a microsimulation model of retirement income in the year 2020. It awarded two contracts to develop components of the model. The first contract was with The Urban Institute to project income from Social Security benefits, private pensions, private savings, and labor force participation after retirement and to study life cycle patterns of labor force participation and earnings. The results of that effort are documented in Toder, Uccello, O' Hare, Favreault, Ratcliffe, and Smith (1999).

The second contract was with RAND to project demographic transitions, ensure that the distribution of outcomes is preserved in the projections, provide guidance on internal and external consistency, and develop a model of retirement income taxation. This document reports on the findings of this second component.

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Acronyms

AGI	Adjusted Gross Income
AIME	Average Indexed Monthly Earnings
ARIMA	AutoRegressive Integrated Moving Average
CBO	Congressional Budget Office
CPI	Consumer Price Index for Urban Wage Earners and Clerical Workers
DB	Defined Benefit
DC	Defined Contribution
DI	Disability Insurance
DPE	Division of Policy Evaluation
DRA	Divorce Registration Area
EBRI	Employee Benefits Research Institute
FICA	Federal Insurance Contributions Act
FRB	Federal Reserve Board
GAO	General Accounting Office
HI	Hospital Insurance
HRS	Health and Retirement Study
IRA	Individual Retirement Account
MINT	Modeling Income in the Near Term
MRA	Marriage Registration Area
NCHS	National Center for Health Statistics
NIA	National Institute on Aging
OACT	Office of the Chief Actuary
OASDI	Old-Age, Survivors, and Disability Insurance
OASI	Old-Age and Survivors Insurance
ORES	Office Of Research, Evaluation, and Statistics
PSID	Panel Study of Income Dynamics
SAS	Statistical Analysis System
SCF	Survey of Consumer Finances
SIPP	Survey Of Income and Program Participation
SSA	Social Security Administration
VAR	Vector Auto-Regressive