SOCIAL SECURITY

Office of the Chief Actuary

February 2, 2011

Mr. Erskine Bowles, Co-Chair
Mr. Alan Simpson, Co-Chair
National Commission on Fiscal Responsibility and Reform
1650 Pennsylvania Ave NW
Washington, DC 20504

Ms. Alice M. Rivlin, Co-Chair
Mr. Pete Domenici, Co-Chair
Debt Reduction Task Force
Bipartisan Policy Center
1225 Eye Street NW, Suite 1000
Washington, D.C. 20005

Dear Mr. Bowles, Mr. Simpson, Ms. Rivlin, and Mr. Domenici:

I am writing to you regarding updated illustrations of the effects on Social Security benefit levels for the proposals you recently developed that would improve the financial status of the OASI and DI Trust Funds. These illustrations augment those provided in the letter of December 1, 2010 for the President's National Commission proposal, and those provided in the letter of November 17, 2010 for the Bipartisan Policy Center's Debt Reduction Task Force proposal. Due to the special provisions in each of these proposals that apply to individuals based on the number of years they worked in OASDI covered employment, the standard benefit examples we produced earlier provided an incomplete and potentially misleading picture of the effects of these proposals. The expanded benefit examples in the enclosed tables represent a new, more comprehensive approach that we will use for illustrating benefit effects in future proposals.

The hypothetical worker examples that we have traditionally used for illustrating the effects of comprehensive Social Security reform proposals presume long and consistent careers with earnings each year at ages from the early 20's to the mid 60's. Some of these basic examples are also shown in the OASDI Trustees Report to illustrate present-law benefit levels. These basic examples include workers with "scaled" earnings through their careers at four different levels: scaled very low, scaled low, scaled medium, and scaled high. In addition, a worker with steady earnings at the present-law OASDI taxable maximum level is included. The scaled earners are well documented in Actuarial Note 2009.3, which is located on the internet at http://www.ssa.gov/OACT/NOTES/ran3/index.html.

While very useful for many proposals, and for present law, presenting benefit estimates only for these long-career hypothetical worker examples implies that provisions requiring a substantial number of years of work at a given career-average earnings level would apply for all such workers. In fact, we have determined that workers with very low or low career average earnings tend to have relatively short careers and are not well represented by the basic examples, which include earnings and covered employment at all ages from 21 through 64 in the case of a worker assumed to retire at 65. Through extensive work by Alice Wade, Tiffany Bosley, Michael Clingman, and Christopher Chaplain, we have subdivided the hypothetical worker examples for the very low, low, and medium career-average earners into two or three examples. These new examples vary by number of years of work, while retaining the same average earnings level over the 35 highest years of wage-indexed earnings (AIME). For those earners with fewer than 35 years of work, the AIME includes years of zero earnings.

Specification of New Hypothetical Worker Examples

The traditional hypothetical worker examples are:

(1) The very low scaled worker with 44 years of earnings and a career average annualized AIME earnings level of $10,771 (wage indexed to 2010 level),
(2) The low scaled worker with 44 years of earnings and annualized AIME of $19,388 (wage indexed to 2010),
(3) The medium scaled earner with 44 years of earnings and annualized AIME of $43,084 (wage indexed to 2010),
(4) The high scaled earner with 44 years of earnings and annualized AIME of $68,934 (wage indexed to 2010), and
(5) The steady maximum worker with 43 years of earnings all at the OASDI taxable maximum amount ($106,800 for 2010).

Scaled workers retiring at age 65 are all assumed to have earnings at each age from 21 through 64, with the relative level of earnings starting low and rising to a peak around age 48 with gradual reduction to age 64. The steady maximum worker is assumed to have earnings equal to the present-law taxable maximum at each age from 22 through 64. The annualized AIME level for the medium earner is set equal to the national average wage index level (AWI). The annualized AIME levels for very low, low, and high earners are set at 25 percent, 45 percent, and 160 percent of the AWI.

For the very low, low, and medium scaled-worker examples, we have expanded our illustrations to provide multiple examples with varying numbers of years of earnings. The enclosed tables include an indication of the estimated percentage of all new retired workers in 2050 with AIME and number of years or work closest to the indicated levels.

For the very low career average earner (annualized AIME of $10,771), we have developed three cases to better illustrate careers of retirees with AIME closest to this level. Very few workers with AIME closest to the very low level have consistent employment. The first example with AIME at this level is for a worker with 30 years of work, about the average number of years of work for those retiring in 2050 with an AIME closest to this level and with 25 or more years of work. The second example is for a worker with 20 years of work, about the average number for those closest to this AIME level with 18 to 24 years of work. The third example is for a worker with 14 years of work, about the average number for those closest to this AIME level with 10 to 18 years of work.

For the low career average earner (annualized AIME of $19,388), we have developed three cases to better illustrate careers of retirees with AIME closest to this level. Many workers with AIME closest to the low level have fairly consistent employment. The first example with AIME at this level is for a worker with 44 years of work, close to the average number of years of work for those retiring in 2050 with an AIME closest to this level and with 35 or more years of work. The second example is for a worker with 30 years of work, about the average number for those closest to this AIME level with 25 to 34 years of work. The third example is for a worker with 20 years of work, about the average number for those closest to this AIME level with 10 to 24 years of work.

For the medium career average earner (annualized AIME of $43,084), we have developed two cases to better illustrate careers of retirees with AIME closest to this level. A large majority of workers with AIME closest to the medium level have very consistent employment. The first example with AIME at this level is for a worker with 44 years of work, close to the average number of years of work for those retiring in 2050 with an AIME closest to this level and with 35 or more years of work. The second example is for a worker with 30 years of work, close to the average number for those with an AIME closest to this level and with 10 to 34 years of work.

For the scaled high career average earner (annualized AIME of $68,934), the vast majority of new retirees in 2050 are expected to have over 35 years of earnings. We have retained the 44-year earner example for the high career earner example. Similarly, retirees with annualized AIME closest to the present-law taxable maximum amount have extremely consistent earnings patterns, and so the steady earner case with 43 years of earnings has been retained.

For the new very low, low, and medium earner examples with less than 44 years of earnings, we have assumed that years of earnings would be distributed fairly evenly through the ages 21 to 64 following the traditional earnings scale by age. This assumption preserves the relative level of earnings across ages for those years of non-zero earnings. Because we assume the same AIME level (the total indexed earnings in the highest 35 years), the earnings level in years with work is appropriately higher than for the 44-year earner case.

In addition, for all examples we are assuming two children born at parent's age 25 and 28. This assumption allows estimates for these examples to reflect the effects of provisions that provide credit for years living with or caring for a child. For example, a provision that allows credit years for care of a child up to age 6 would be potentially applicable for the parent at ages 25 through 33 in these examples. The minimum benefit provision under the Bipartisan Task Force plan includes credit for up to 8 years of child care.

Results

The proposal endorsed by a majority of members of the President's National Commission on Fiscal Responsibility and Reform included two provisions that were dependent on the number of years in which a worker had earnings sufficient to earn four quarters of coverage (about $4,400 wage indexed to 2010). The first provision allows some limitation on the increase in normal and early retirement age for workers with at least 25 years of earnings sufficient to earn four quarters of coverage and AIME less than four times the poverty level. The second provision is a minimum benefit that scales up to 125 percent of the poverty level for workers with 30 years of earnings sufficient to earn four quarters of coverage. Details of these provisions and the complete proposal can be found in our letter of December 1, 2010 at http://www.ssa.gov/OACT/solvency/index.html.

For each of the five AIME levels represented in the enclosed tables 1B1 and 1B2, the benefit levels shown for the top example (that with the most years of earnings) are the same as shown in the December 1, 2010 letter. However, for very low and low AIME workers with fewer years of work, the positive effects shown for the two provisions described above may be reduced. This range of effects provides an improved indication of the variation that would be found for workers in each of these AIME categories.

The proposal adopted by the members of the Bipartisan Policy Center's Debt Reduction Task Force includes a minimum benefit level. This minimum benefit level scales up to 133 percent of the poverty level for workers with 30 years of earnings of at least about $16,000 (wage indexed to 2010), with credit for up to 8 years when caring for a child under age 6 and earning less than the $16,000 threshold. Details of this provision and the complete proposal can be found in our letter of November 17, 2010 at http://www.ssa.gov/OACT/solvency/index.html.

For each of the five AIME levels represented in the enclosed tables 2B1 and 2B2, the benefit levels shown for the top example (that with the most years of earnings) are the same as shown in the November 17, 2010 letter. However, for low AIME workers with fewer than 30 years of work, the positive effect of the minimum benefit provision described above may be reduced. This range of effects provides an improved indication of the variation that would be found for workers in each of these AIME categories.

Conclusion

We are glad for the opportunity to have worked with the members and staff of both the commission and the task force. We are pleased to enhance the original estimates provided for the proposals and hope that this enhancement will allow a fuller and more complete understanding of these proposals and their provisions, and in the development of further reform proposals for Social Security in the future.

Sincerely,

Stephen C. Goss

Stephen C. Goss
Chief Actuary

Enclosures

Table 1B1. Changes in Benefits for Hypothetical Workers Beginning Benefit Receipt at age 65
Plan Proposed by the National Commission on Fiscal Responsibility and Reform, December 1, 2010
Basic Provisions Only -- Those with Direct Effects on Social Security Beneifts or Tax Revenue

Year Attain Age 65	Present Law Scheduled Monthly Benefits[3] (Wage Indexed 2010 Dollars)	(Constant 2010 Dollars)	Scheduled Benefit Level Percent Change at age 65 (Percent change): Longevity Index NRA 1 Mth/ 2 Yrs[4]	Reduced COLA[5]	Benefit Formula[6]	Minimum Benefit[7]	Total	Proposal Scheduled Benefit Percent of Present Law (Percents): Scheduled	Payable
Very-Low-AIME ($10,771 for 2010[1]) 30-Year Scaled Earner (8.1% of Retirees[2])									
2010	648	648							
2030	579	758	0.0	-0.9	-0.1	39.8	38.5	138	138
2050	580	959	0.0	-0.9	-0.3	40.1	38.5	139	173
2080	580	1,341	0.0	-0.9	-0.3	40.1	38.5	138	183
Very-Low-AIME ($10,771 for 2010[1]) 20-Year Scaled Earner (6.0% of Retirees[2])									
2010	648	648							
2030	579	758	-1.3	-0.9	-0.1	0.0	-2.2	98	98
2050	580	959	-7.7	-0.9	-0.3	0.0	-8.7	91	114
2080	580	1,341	-14.9	-0.9	-0.3	0.0	-15.9	84	111
Very-Low-AIME ($10,771 for 2010[1]) 14-Year Scaled Earner (5.3% of Retirees[2])									
2010	648	648							
2030	579	758	-1.3	-0.9	-0.1	0.0	-2.2	98	98
2050	580	959	-7.7	-0.9	-0.3	0.0	-8.7	91	114
2080	580	1,341	-14.9	-0.9	-0.3	0.0	-15.9	84	111
Low-AIME ($19,388 for 2010[1]) 44-Year Scaled Earner (13.0% of Retirees[2])									
2010	848	848							
2030	758	992	0.0	-0.9	-0.5	7.4	5.9	106	106
2050	758	1,255	0.0	-0.9	-1.5	8.5	5.9	106	133
2080	758	1,754	0.0	-0.9	-1.7	8.6	5.9	106	140
Low-AIME ($19,388 for 2010[1]) 30-Year Scaled Earner (7.1% of Retirees[2])									
2010	848	848							
2030	758	992	0.0	-0.9	-0.5	7.4	5.9	106	106
2050	758	1,255	0.0	-0.9	-1.5	8.5	5.9	106	133
2080	758	1,754	0.0	-0.9	-1.7	8.6	5.9	106	140
Low-AIME ($19,388 for 2010[1]) 20-Year Scaled Earner (2.9% of Retirees[2])									
2010	848	848							
2030	758	992	-1.3	-0.9	-0.5	0.0	-2.7	97	97
2050	758	1,255	-7.7	-0.9	-1.5	0.0	-9.9	90	113
2080	758	1,754	-14.9	-0.9	-1.7	0.0	-17.1	83	109
Medium-AIME ($43,084 for 2010[1]) 44-Year Scaled Earner (27.0% of Retirees[2])									
2010	1,397	1,397							
2030	1,248	1,634	-0.6	-0.9	-2.6	0.0	-4.0	96	96
2050	1,249	2,068	-5.8	-0.9	-7.2	0.0	-13.3	87	108
2080	1,249	2,889	-11.5	-0.9	-7.9	0.0	-19.2	81	107
Medium-AIME ($43,084 for 2010[1]) 30-Year Scaled Earner (4.4% of Retirees[2])									
2010	1,397	1,397							
2030	1,248	1,634	-0.6	-0.9	-2.6	0.0	-4.0	96	96
2050	1,249	2,068	-5.8	-0.9	-7.2	0.0	-13.3	87	108
2080	1,249	2,889	-11.5	-0.9	-7.9	0.0	-19.2	81	107
High-AIME ($68,934 for 2010[1]) 44-Year Scaled Earner (20.7% of Retirees[2])									
2010	1,851	1,851							
2030	1,654	2,166	-1.3	-0.9	-7.3	0.0	-9.3	91	91
2050	1,656	2,740	-7.7	-0.9	-20.7	0.0	-27.4	73	91
2080	1,656	3,829	-14.9	-0.9	-22.7	0.0	-34.8	65	86
Maximum-AIME ($106,800 for 2010[1]) Steady Earner (5.4% of Retirees[2])									
2010	2,192	2,192							
2030	2,021	2,646	-1.3	-0.9	-9.9	0.0	-11.9	88	88
2050	2,020	3,343	-7.7	-0.9	-27.9	0.0	-34.0	66	83
2080	2,019	4,668	-14.9	-0.9	-30.6	0.0	-41.5	59	77

[1] Average of highest 35 years of earnings wage indexed to 2010. For workers with less than 35 years of earnings, zero years are included.

[2] Projected percent of new retired worker awards in 2050 closest to AIME levels and years of work.

[3] After trust fund exhaustion under present law continuing taxes are expected to be enough to pay about three fourths of scheduled benefits.

[4] Index the NRA to keep a constant ratio of life expectancy at NRA to (NRA-20) once the NRA reaches 67. Include hardship exemption with no EEA/NRA change if 25yrs with 4QCs and AIME <250% Federal poverty level; phased to no exemption with AIME >=400% of poverty level. The scaled very low and low earners meet the requirements for the hardship exemption. However, only about 42 percent of earners with AIMEs closest to the scaled very low earner and 87 percent of earners closest to the scaled low earner would meet these requirements.

[5] Starting Dec 2011, compute the COLA using a chained CPI-W, producing 0.3% lower annual COLAs on average.

[6] New bend point at 50th percentile of career-average earnings level; reduced PIA factors to 90/30/10/5 by 2050.

[7] Increase the PIA to a level such that a worker with 30 years of earning 4 quarters of coverage would receive an adjusted PIA equal to 125% of monthly poverty level in 2009, CPI-index from 2009-2017 then wage-indexed to year of eligibility. This provision would take full effect for all newly eligible workers in 2017. The Minimum Benefit Percent Reduction is calculated after all other proposals, so that the Proposed Benefit Amount is at least the Minimum Benefit.

The EEA increases under this proposal. For these illustrations, we assume the indexing year and the computation period remain as in current law - the indexing year is the year the worker reaches age 60 and the computation period is 35 years.

All estimates based on the intermediate assumptions of the 2010 Trustees Report.

Table 1B2. Changes in Benefits for Hypothetical Workers Beginning Benefit Receipt at age 65
Plan Proposed by the National Commission on Fiscal Responsibility and Reform, December 1, 2010
Basic Provisions Only -- Those with Direct Effects on Social Security Beneits or Tax Revenue

Year Attain Age 65	Proposal Benefit as Percent of Present Law Scheduled			
	Age 65	Age 75	Age 85[3]	Age 95
	(Percents)			
Very-Low-AIME ($10,771 for 2010[1]) 30-Year Scaled Earner (8.1% of Retirees[2])				
2010				
2030	138.5	134.5	138.4	136.3
2050	138.5	134.5	137.7	135.4
2080	138.5	134.5	137.2	134.8
Very-Low-AIME ($10,771 for 2010[1]) 20-Year Scaled Earner (6.0% of Retirees[2])				
2010				
2030	97.8	95.0	100.0	99.0
2050	91.3	88.6	91.4	92.2
2080	84.1	81.7	82.6	85.0
Very-Low-AIME ($10,771 for 2010[1]) 14-Year Scaled Earner (5.3% of Retirees[2])				
2010				
2030	97.8	95.0	100.0	99.0
2050	91.3	88.6	91.4	92.2
2080	84.1	81.7	82.6	85.0
Low-AIME ($19,388 for 2010[1]) 44-Year Scaled Earner (13.0% of Retirees[2])				
2010				
2030	105.9	102.8	105.8	104.2
2050	105.9	102.8	105.2	103.5
2080	105.9	102.8	104.9	103.1
Low-AIME ($19,388 for 2010[1]) 30-Year Scaled Earner (7.1% of Retirees[2])				
2010				
2030	105.9	102.8	105.8	104.2
2050	105.9	102.8	105.2	103.5
2080	105.9	102.8	104.9	103.1
Low-AIME ($19,388 for 2010[1]) 20-Year Scaled Earner (2.9% of Retirees[2])				
2010				
2030	97.3	94.5	97.8	96.4
2050	90.1	87.5	89.0	89.1
2080	82.9	80.5	80.7	82.1
Medium-AIME ($43,084 for 2010[1]) 44-Year Scaled Earner (27.0% of Retirees[2])				
2010				
2030	96.0	93.2	94.1	92.3
2050	86.7	84.2	85.0	83.4
2080	80.8	78.4	78.5	77.7
Medium-AIME ($43,084 for 2010[1]) 30-Year Scaled Earner (4.4% of Retirees[2])				
2010				
2030	96.0	93.2	94.1	92.3
2050	86.7	84.2	85.0	83.4
2080	80.8	78.4	78.5	77.7
High-AIME ($68,934 for 2010[1]) 44-Year Scaled Earner (20.7% of Retirees[2])				
2010				
2030	90.7	88.1	88.3	86.4
2050	72.6	70.5	70.3	69.5
2080	65.2	63.3	62.7	62.5
Maximum-AIME ($106,800 for 2010[1]) Steady Earner (5.4% of Retirees[2])				
2010				
2030	88.1	85.6	85.4	83.5
2050	66.0	64.1	63.7	62.9
2080	58.5	56.9	56.2	55.9

[1] Average of highest 35 years of earnings wage indexed to 2010. For workers with less than 35 years of earnings, zero years are included.

[2] Projected percent of new retired worker awards in 2050 closest to AIME levels and years of work.

[3] Increase the benefit by 5% beginning 20 years after eligibility and phased in over five years starting in 2011.

Note: Starting Dec 2011, compute the COLA using a chained CPI-W, producing 0.3% lower annual COLAs on average.

Other Changes:
- Index the NRA to keep a constant ratio of life expectancy at NRA to (NRA-20) once the NRA reaches 67. Include hardship EEA/NRA change if 25yrs with 4QCs and AIME <250% Federal poverty level; phased to no exemption with AIME >=400% of poverty level. The scaled very low and low earners meet the requirements for the hardship exemption. However, only about 42 percent of earners with closest to the scaled very low earner and 87 percent of earners closest to the scaled low earner would meet these requirements.
- New bend point at 50th percentile of career-average earnings level; reduced PIA factors to 90/30/10/5 by 2050.
- Increase the PIA to a level such that a worker with 30 years of earning 4 quarters of coverage would receive an adjusted PIA equal to 125% of monthly poverty level in 2009, CPI-index from 2009-2017 then wage-indexed to year of eligibility. This provision would take full effect for all newly eligible workers in 2017. The Minimum Benefit Percent Reduction is calculated after all other proposals, so that the Proposed Benefit Amount is at least the Minimum Benefit.

The EEA increases under this proposal. For these illustrations, we assume the indexing year and the computation period remain as in current law - the indexing year is the year the worker reaches age 60 and the computation period is 35 years.

All estimates based on the intermediate assumptions of the 2010 Trustees Report.

Table 2B1. Changes in Benefits for Hypothetical Workers Beginning Benefit Receipt at age 65
Bipartisan Policy Center's Debt Reduction Task Force Plan of November 17, 2010

Year Attain Age 65	Present Law Scheduled Monthly Benefits[3] (Wage Indexed 2010 Dollars)	(Constant 2010 Dollars)	Scheduled Benefit Level Percent Change at age 65: Reduced COLA[4]	Longevity[5]	PIA Formula[6]	Minimum Benefit[7]	Total	Proposal Scheduled Benefit Percent of Present Law: Scheduled	Payable
					(Percent change)			(Percents)	
Very-Low-AIME ($10,771 for 2010[1]) 30-Year Scaled Earner (8.1% of Retirees[2])									
2010	648	648							
2030	579	758	-0.9	-1.7	0.0	0.0	-2.5	97	97
2050	580	959	-0.9	-8.0	0.0	0.0	-8.8	91	114
2080	580	1,341	-0.9	-15.1	0.0	0.0	-15.8	84	111
Very-Low-AIME ($10,771 for 2010[1]) 20-Year Scaled Earner (6.0% of Retirees[2])									
2010	648	648							
2030	579	758	-0.9	-1.7	0.0	0.0	-2.5	97	97
2050	580	959	-0.9	-8.0	0.0	0.0	-8.8	91	114
2080	580	1,341	-0.9	-15.1	0.0	0.0	-15.8	84	111
Very-Low-AIME ($10,771 for 2010[1]) 14-Year Scaled Earner (5.3% of Retirees[2])									
2010	648	648							
2030	579	758	-0.9	-1.7	0.0	0.0	-2.5	97	97
2050	580	959	-0.9	-8.0	0.0	0.0	-8.8	91	114
2080	580	1,341	-0.9	-15.1	0.0	0.0	-15.8	84	111
Low-AIME ($19,388 for 2010[1]) 44-Year Scaled Earner (13.0% of Retirees[2])									
2010	848	848							
2030	758	992	-0.9	-1.7	0.0	24.3	21.2	121	121
2050	758	1,255	-0.9	-8.0	0.0	32.8	21.2	121	152
2080	758	1,754	-0.9	-15.1	0.0	44.0	21.2	121	160
Low-AIME ($19,388 for 2010[1]) 30-Year Scaled Earner (7.1% of Retirees[2])									
2010	848	848							
2030	758	992	-0.9	-1.7	0.0	24.3	21.2	121	121
2050	758	1,255	-0.9	-8.0	0.0	32.8	21.2	121	152
2080	758	1,754	-0.9	-15.1	0.0	44.0	21.2	121	160
Low-AIME ($19,388 for 2010[1]) 20-Year Scaled Earner (2.9% of Retirees[2])									
2010	848	848							
2030	758	992	-0.9	-1.7	0.0	0.0	-2.5	97	97
2050	758	1,255	-0.9	-8.0	0.0	0.0	-8.8	91	114
2080	758	1,754	-0.9	-15.1	0.0	0.0	-15.8	84	111
Medium-AIME ($43,084 for 2010[1]) 44-Year Scaled Earner (27.0% of Retirees[2])									
2010	1,397	1,397							
2030	1,248	1,634	-0.9	-1.7	0.0	0.0	-2.5	97	97
2050	1,249	2,068	-0.9	-8.0	0.0	0.0	-8.8	91	114
2080	1,249	2,889	-0.9	-15.1	0.0	0.0	-15.8	84	111
Medium-AIME ($43,084 for 2010[1]) 30-Year Scaled Earner (4.4% of Retirees[2])									
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2050	1,249	2,068	-0.9	-8.0	0.0	0.0	-8.8	91	114
2080	1,249	2,889	-0.9	-15.1	0.0	0.0	-15.8	84	111
High-AIME ($68,934 for 2010[1]) 44-Year Scaled Earner (20.7% of Retirees[2])									
2010	1,851	1,851							
2030	1,654	2,166	-0.9	-1.7	-0.4	0.0	-2.9	97	97
2050	1,656	2,740	-0.9	-8.0	-1.9	0.0	-10.5	89	112
2080	1,656	3,829	-0.9	-15.1	-2.3	0.0	-17.8	82	108
Maximum-AIME ($106,800 for 2010[1]) Steady Earner (5.4% of Retirees[2])									
2010	2,192	2,192							
2030	2,021	2,646	-0.9	-1.7	-1.3	0.0	-3.8	96	96
2050	2,020	3,343	-0.9	-8.0	-6.6	0.0	-14.8	85	107
2080	2,019	4,668	-0.9	-15.1	-7.9	0.0	-22.5	78	102

[1] Average of highest 35 years of earnings wage indexed to 2010. For workers with less than 35 years of earnings, zero years are included.

[2] Projected percent of new retired worker awards in 2050 closest to AIME levels and years of work.

[3] After trust fund exhaustion under present law continuing taxes are expected to be enough to pay about three fourths of scheduled benefits.

[4] Starting Dec 2012, compute the COLA using a chained CPI-W, producing 0.3 percentage point lower annual COLAs on average.

[5] Starting with those newly eligible in 2023, multiply by the ratio of life expectancy at 67 for 2018 to the life expectancy at age 67 for the 4th year prior to the year of benefit eligibilty.

[6] Reduce the 15% PIA Factors to 10% phased in 2023 through 2052.

[7] Increase the PIA to a level such that a worker with 30 years of earnings equal to at least 20% of the "old law" tax max (including up to 8 child care years) would receive an adjusted PIA equal to 133% of 2009 Federal Poverty level, wage-indexed after 2009 to 2 years prior to benefit eligibility. This provision would take full effect for all newly eligible workers in 2012. The Minimum Benefit Percent Reduction is calculated after all other proposals, so that the Proposed Benefit Amount is at least the Minimum Benefit.

Notes: The hypothetical worker's earnings patterns were not altered to reflect effects on wages and earnings as a result of any changes to tax provisions, including personal and corporate income tax, VAT, and taxing ESI premiums.

All estimates based on the intermediate assumptions of the 2010 Trustees Report.

Office of the Chief Actuary, Social Security Administration — February 2, 2011

Table 2B2. Changes in Benefits for Hypothetical Workers Beginning Benefit Receipt at age 65
Bipartisan Policy Center's Debt Reduction Task Force Plan of November 17, 2010

Year Attain Age 65	Proposal Benefit as Percent of Present Law Scheduled			
	Age 65	Age 75	Age 85[3]	Age 95
	(Percents)			
Very-Low-AIME ($10,771 for 2010[1]) 30-Year Scaled Earner (8.1% of Retirees[2])				
2010				
2030	97.5	94.6	102.5	99.5
2050	91.2	88.6	96.5	93.7
2080	84.2	81.7	89.9	87.3
Very-Low-AIME ($10,771 for 2010[1]) 20-Year Scaled Earner (6.0% of Retirees[2])				
2010				
2030	97.5	94.6	102.5	99.5
2050	91.2	88.6	96.5	93.7
2080	84.2	81.7	89.9	87.3
Very-Low-AIME ($10,771 for 2010[1]) 14-Year Scaled Earner (5.3% of Retirees[2])				
2010				
2030	97.5	94.6	102.5	99.5
2050	91.2	88.6	96.5	93.7
2080	84.2	81.7	89.9	87.3
Low-AIME ($19,388 for 2010[1]) 44-Year Scaled Earner (13.0% of Retirees[2])				
2010				
2030	121.2	117.7	122.4	118.9
2050	121.2	117.7	122.3	118.8
2080	121.2	117.7	122.3	118.8
Low-AIME ($19,388 for 2010[1]) 30-Year Scaled Earner (7.1% of Retirees[2])				
2010				
2030	121.2	117.7	122.4	118.9
2050	121.2	117.7	122.3	118.8
2080	121.2	117.7	122.3	118.8
Low-AIME ($19,388 for 2010[1]) 20-Year Scaled Earner (2.9% of Retirees[2])				
2010				
2030	97.5	94.7	100.0	97.1
2050	91.2	88.6	94.0	91.3
2080	84.2	81.7	87.4	84.9
Medium-AIME ($43,084 for 2010[1]) 44-Year Scaled Earner (27.0% of Retirees[2])				
2010				
2030	97.5	94.6	96.8	94.0
2050	91.2	88.6	90.9	88.3
2080	84.2	81.7	84.2	81.8
Medium-AIME ($43,084 for 2010[1]) 30-Year Scaled Earner (4.4% of Retirees[2])				
2010				
2030	97.5	94.6	96.8	94.0
2050	91.2	88.6	90.9	88.3
2080	84.2	81.7	84.2	81.8
High-AIME ($68,934 for 2010[1]) 44-Year Scaled Earner (20.7% of Retirees[2])				
2010				
2030	97.1	94.3	95.3	92.5
2050	89.5	86.9	88.1	85.5
2080	82.2	79.9	81.2	78.9
Maximum-AIME ($106,800 for 2010[1]) Steady Earner (5.4% of Retirees[2])				
2010				
2030	96.2	93.4	93.7	91.0
2050	85.2	82.8	83.4	81.0
2080	77.5	75.3	76.1	74.0

[1] Average of highest 35 years of earnings wage indexed to 2010. For workers with less than 35 years of earnings, zero years are included.

[2] Projected percent of new retired worker awards in 2050 closest to AIME levels and years of work.

[3] Beginning in 2012, increase the benefit at each age 81- 85 based on 1% of the average retired worker PIA in the prior year.

Note: Starting Dec 2012, compute the COLA using a chained CPI-W, producing 0.3 percentage point lower annual COLAs on average.

Other Changes:
- Starting with those newly eligible in 2023, multiply by the ratio of life expectancy at 67 for 2018 to the life expectancy age 67 for the 4th year prior to the year of benefit eligibilty.
- Reduce the 15% PIA Factors to 10% phased in 2023 through 2052.
- Increase the PIA to a level such that a worker with 30 years of earnings equal to at least 20% of the "old law" tax max (including up to 8 child care years) would receive an adjusted PIA equal to 133% of 2009 Federal Poverty level, wage-indexed after 2009 to 2 years prior to benefit eligibility. This provision would take full effect for all newly eligible workers in 2012. The Minimum Benefit Percent Reduction is calculated after all other proposals, so that the Proposed Benefit Amount is at least the Minimum Benefit.

The hypothetical worker's earnings patterns were not altered to reflect effects on wages and earnings as a result of any changes to tax provisions, including personal and corporate income tax, VAT, and taxing ESI premiums.

All estimates based on the intermediate assumptions of the 2010 Trustees Report.