Summary Measures and Graphs
Category of Change: Trust Fund Investment in Equities

Proposed Provision: G5. Invest 15 percent of the OASI and DI Trust Fund reserves in equities (phased in 2020-2029), assuming an ultimate 2.5 percent annual real rate of return on equities. Thus, the ultimate rate of return on equities is the same as that assumed for Trust Fund bonds.

<table>
<thead>
<tr>
<th>Current law</th>
<th>Change from current law</th>
<th>Shortfall eliminated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-range actuarial balance</td>
<td>Annual actuarial balance in 75th year</td>
<td>Long-range actuarial balance</td>
</tr>
<tr>
<td>-2.78</td>
<td>-4.11</td>
<td>0.00*</td>
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</tbody>
</table>

OASDI Cost Rates and Income Rates
(as a percentage of taxable payroll)

OASDI Trust Fund Ratio
(assets as a percentage of annual expenditures)

* A change in the investment of trust fund reserves to include some equities affects the size of all summarized measures because increased "present-value" discounting reduces the weight on values for more distant future years. As a result, the magnitude of the current-law actuarial balance and the summarized effects of most proposals is reduced. Therefore, the size of the change in the long-range actuarial balance indicated here cannot be interpreted directly as a reduction in the shortfall. The actual reduction in the shortfall from equity investment depends on the amount of reserves that are available for investment throughout the period. For example, if provisions to change revenue or scheduled benefits resulted in a purely pay-as-you-go system (reserves just above zero throughout the period), then investment in equities would have no effect on the actuarial balance.

Estimates based on the intermediate assumptions of the 2019 Trustees Report
Office of the Chief Actuary
Social Security Administration
May 13, 2019