

Reduce Elderly Poverty

Add new protections for the most vulnerable:

- Add a new **special minimum benefit** to keep full-career minimum wage workers above the poverty threshold.
- Wage-index the minimum benefit to make sure it is effective both now and in the future.
- Provide a benefit boost to older retirees most at risk of outliving other retirement resources.

Ensure Long-Term Social Security Solvency

Increase progressivity of benefit formula

- Gradually move to a more progressive benefit formula by creating a new bendpoint at the 50th percentile and reducing upper replacement factors slowly over time, phased in by 2050

Index retirement age to increases in longevity

- This option is projected to increase the age by one month every two years after it reaches 67 under current law, meaning the normal retirement age would reach 68 in about 2050 and 69 in about 2075
- Hardship exemption for those unable to work beyond 62

Switch to a more accurate measure of inflation (chained CPI) for calculating COLAs

Include newly hired state and local workers in Social Security after 2020

Broaden the Payroll Tax Base

Gradually increase the taxable maximum to capture 90 percent of wages by 2050

- Under current law, the taxable maximum is pegged to growth in average wages. In 2009, the taxable maximum captured almost 86 percent of earnings, but it will fall to 82.5 percent by the end of the decade.
- Phasing into a higher taxable maximum slowly will prevent large marginal changes and will prevent rapid buildup of the trust fund.

Promote Smart Retirement Decisions

Allow greater flexibility in how benefits are claimed

- Give retirees the choice of collecting half their benefits early and the other half at a later age to minimize impact of actuarial reduction and support phased retirement options.

Direct SSA to design a way to provide for the early retirement needs of workers in physical labor jobs

- Require SSA to have accommodation in place before longevity indexation begins and set aside funds to pay for new policy.

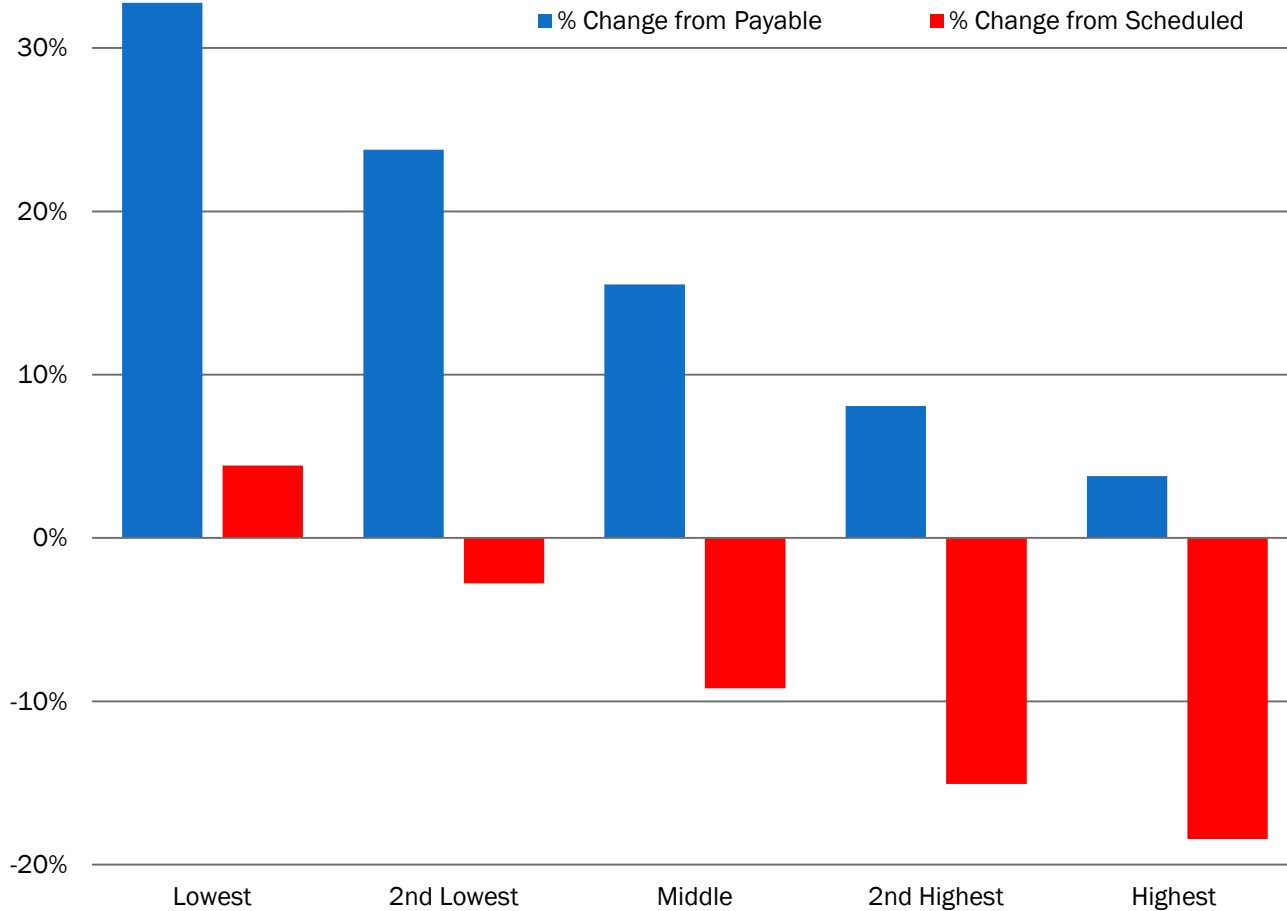
Improve information on retirement choices

- Develop an education campaign to encourage greater personal savings, delayed retirement, and phased retirement.
- Better inform beneficiaries of the costs and benefits of collecting benefits early.

Restoring Social Security Solvency

	<u>75 Year</u>	<u>75th Year</u>
Gradually phase in progressive changes to benefit formula by 2050	45%	51%
Special minimum benefit for lifetime low earners	-8%	-6%
Index retirement ages to life expectancy	21%	36%
Benefit boost to oldest old retirees	-8%	-6%
Gradually increase taxable maximum to 90% of covered earnings by 2050	35%	22%
Apply refined cost of living measure (chained-CPI) to COLA	26%	17%
Cover newly hired state and local workers after 2020	8%	0%
Add increased flexibility in retirement claiming options	-	-
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SHARE OF EXISTING SHORTFALL CLOSED:	116%	108%

Distributional Analysis: Option v. Current Law Benefits in 2050



Note: Bars represent percent difference in median benefits, by lifetime income quintile

Alternative Social Security Options

- Increase benefits for low-income widows
Reduces balance by 0.06% of payroll
- Cap spousal benefit at one-half of average worker's benefit
Improves solvency by 0.08% of payroll
- Reinstate college benefits for child survivors
Reduces balance by 0.07% of payroll
- Tax cafeteria plans in same manner as 401(k) plans
Improves solvency by 0.22% of payroll
- Uncap the Disability Insurance (DI) portion of FICA taxes (1.8%)
Improves solvency by 0.34% of payroll
- Fully or partially tax employer-sponsored health insurance
Solvency impact dependent on design
- Convert delayed retirement credit into one-time bonus
No solvency impact
- Include automatic stabilizer with future benefit and/or revenue changes