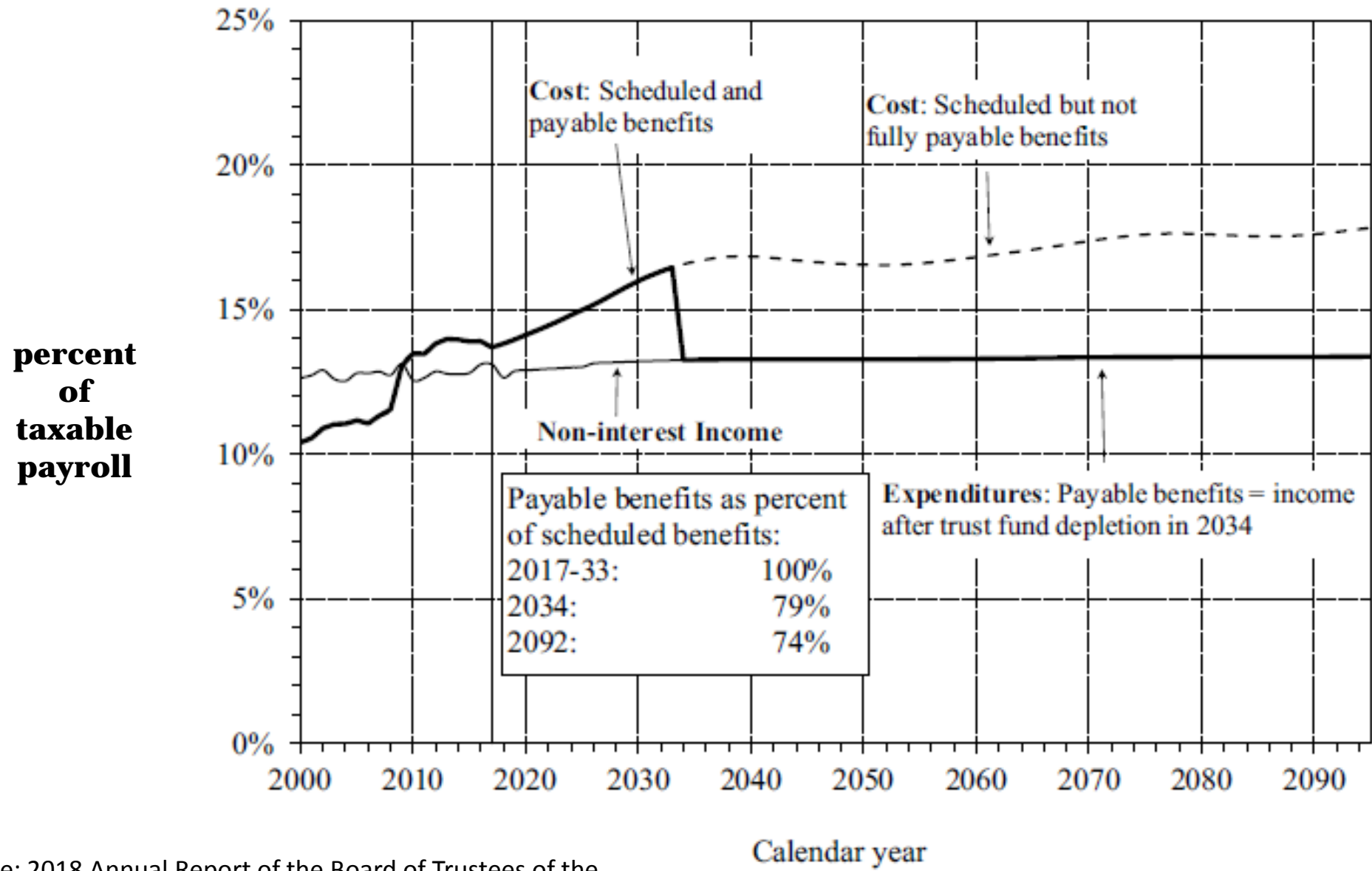


Social Security: The Time to Act is Now

National Academy of Social Insurance

5 September 2018

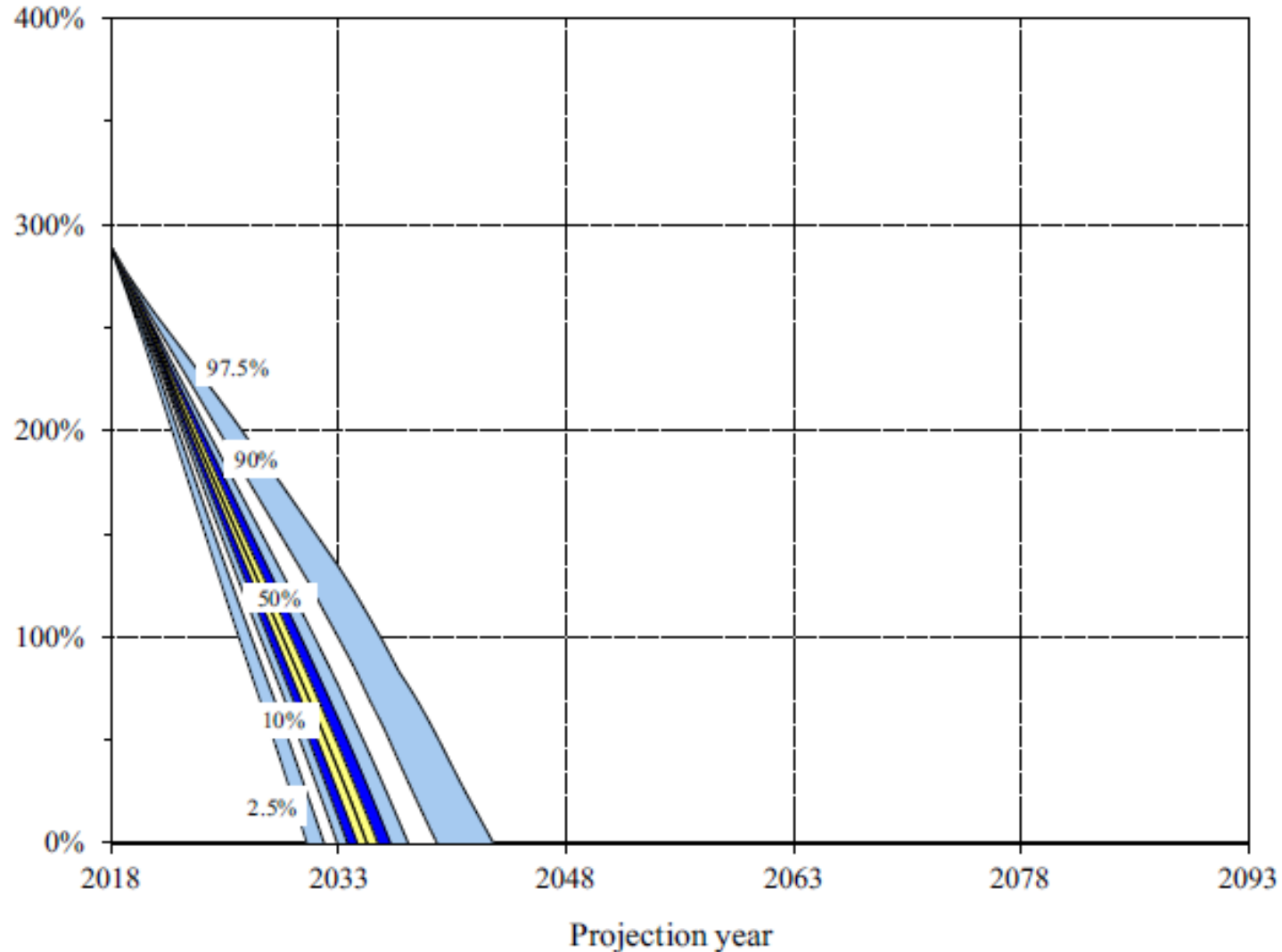
**Henry J. Aaron
Bruce and Virginia MacLaury Senior Fellow
The Brookings Institution**



Source: 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Figure II.D2, p. 11

Likelihood that OASDI trust funds will be depleted by indicated year

**Trust Funds
as percent
of annual
expenditure**



Use of Expenditure and Tax Changes To Close Projected Funding Gap: Two Congressional Plans

Proposal	Proposed benefit cuts (+) or benefit increases (–) as percent of projected funding gap	Proposed tax increases (+) or tax cuts (–) as percent of projected funding gap
Sam Johnson H.R. 6489	+116	–19
John Larson H.R. 1902	–28	+130

+ indicates a reduction in the funding gap; S indicates an increase in the funding gap

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Once Upon a Time

Grandpa, tell us again
about pensions!



R. Chis

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5. The demise of private defined-benefit plans increases the special benefits of Social Security's indexed annuities
6. Benefits for most older women are now based on their own, not their spouses', earnings

Progressive Program to restore balance and respond to social and economic change

1. Gradually raise wage base to cover 90 percent of earnings
2. Extend tax base to health benefits and certain salary reduction agreements
3. Increase progressivity of benefit formula—raise replacement rate at bottom, lower it above \$100,000
4. Increase special minimum benefit

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9. Lift age limit on child dependents who are in school
10. Dedicate estate and gift taxes at 2017 levels
11. Increase payroll tax rates in 2060, 2080

Initial Balance, Impact of Program, and Post-program balance

as percent of taxable payroll

	Average over 75 years	In 75 th year
Initial balance 2017 Trustees Report	\$2.83	\$4.50
Impact of program	+2.93	+4.60
Post-program balance	+0.10	+0.10

Argue about the program...

But ***commit to action*** as soon as conditions
are favorable to cutting a deal



“Set the alarm for 2021”