

# Comparing Social Security Reform Options

EBRI Policy Forum

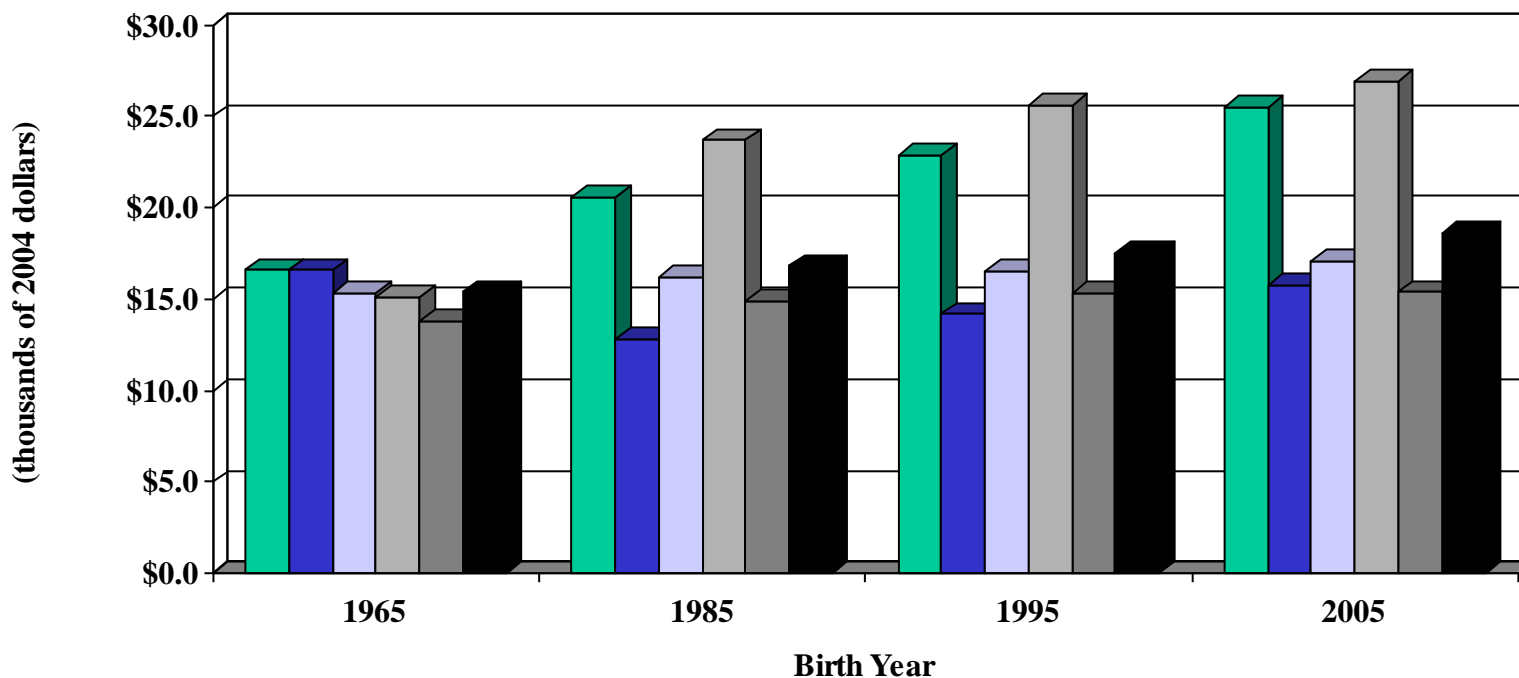
May 5, 2005

Craig Copeland, Employee Benefit Research Institute

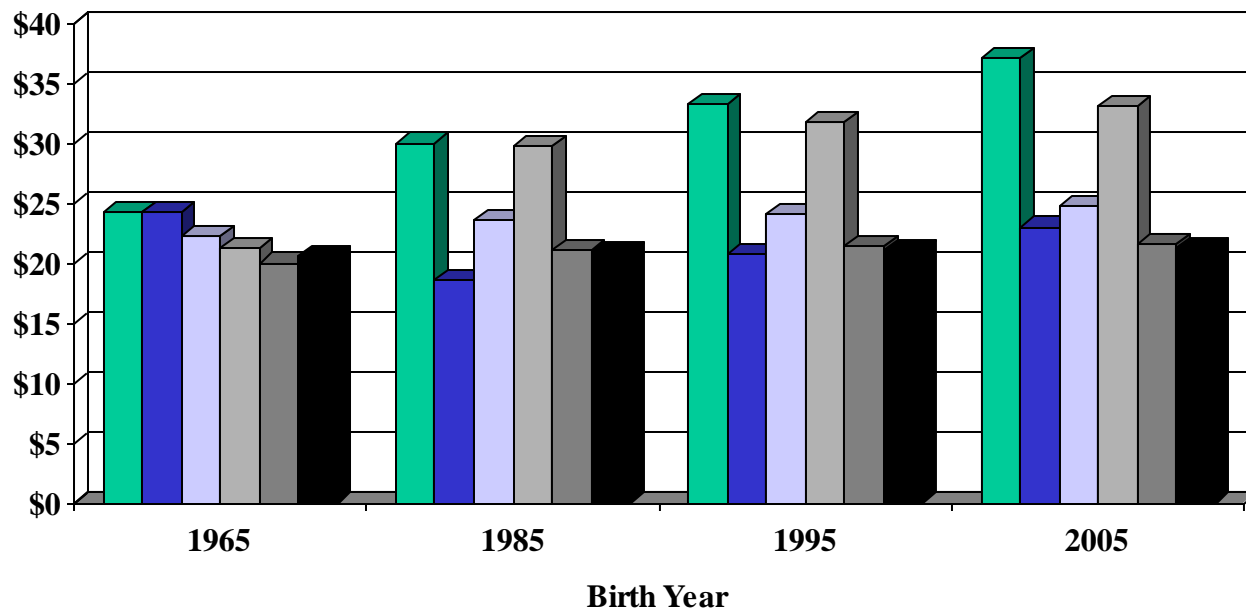
# Comparison Options

- Model 2 from the 2001 President's Commission to Strengthen Social Security (Individual Accounts)
- Funding current-law benefits (current-law benefit with taxes raised)
- “Cliff” benefit cuts, at the date of the depletion of the OASDI Trust Fund
- Gradual reduction in benefits

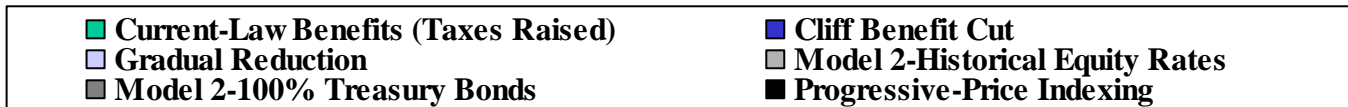
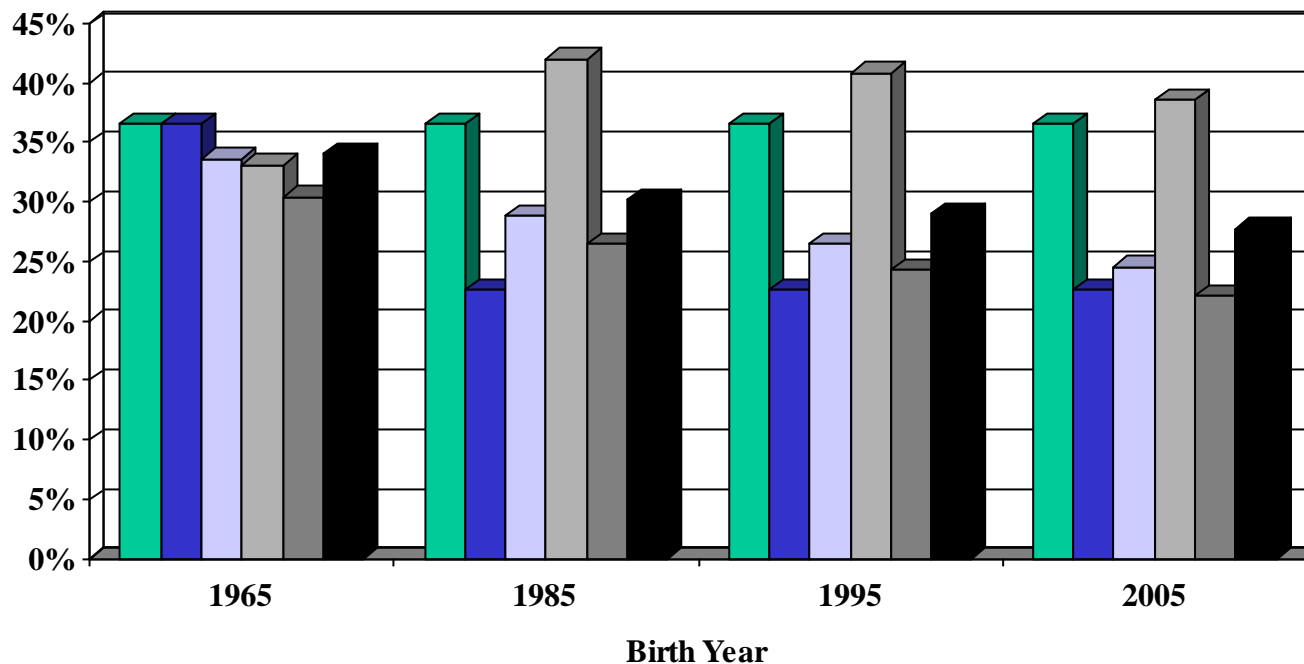
# Initial Retiree Benefit Levels for Average Wage Earners Retiring at Age 65 for Those Born in 1965, 1985, 1995, and 2005



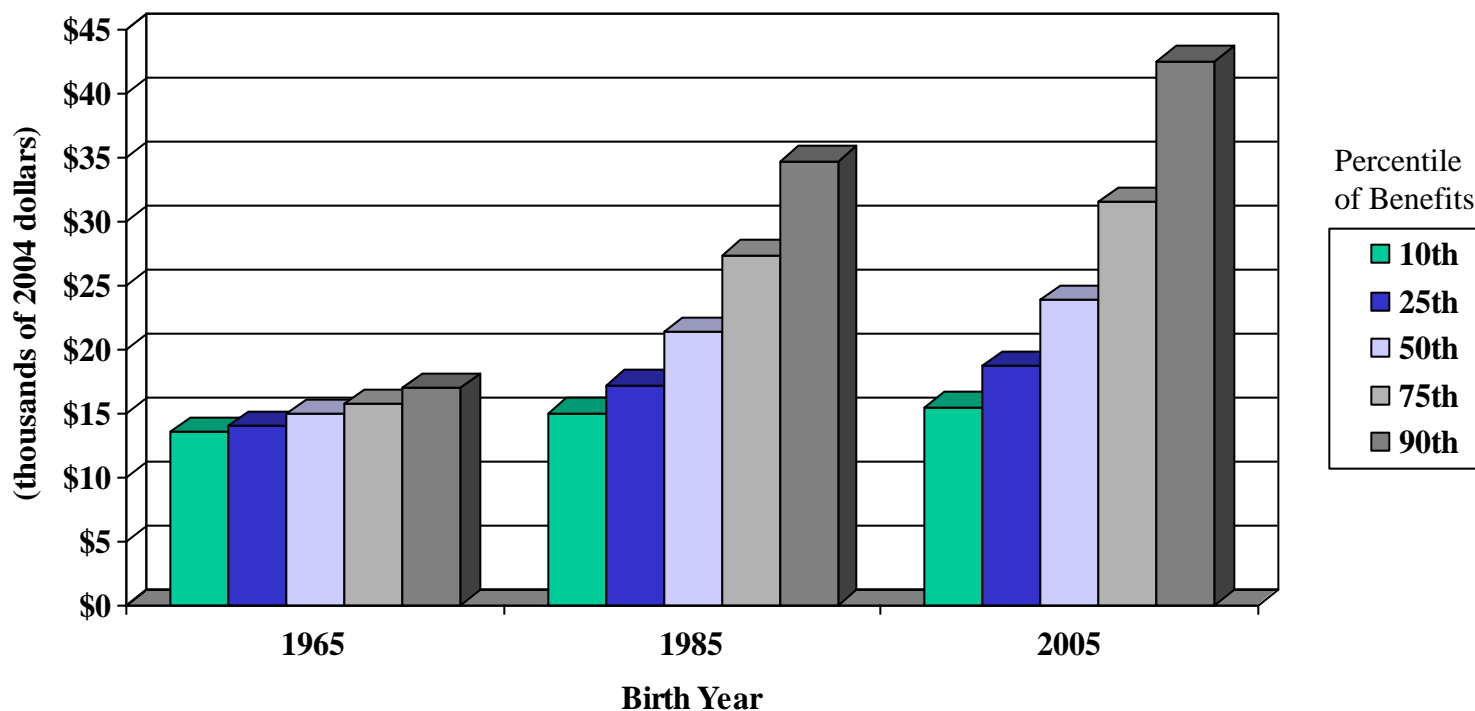
# Initial Retiree Benefit Levels for 200 Percent of Average Wage Earners Retiring at Age 65 for Those Born in 1965, 1985, 1995, and 2005



## Replacement Rates of the Initial Retiree Benefit for Average Wage Earners Retiring at Age 65 for Those Born in 1965, 1985, 1995, and 2005



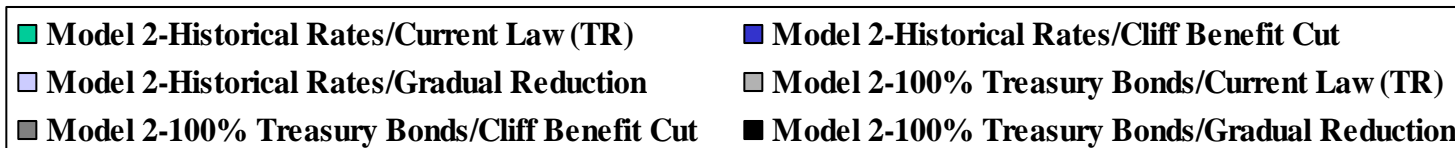
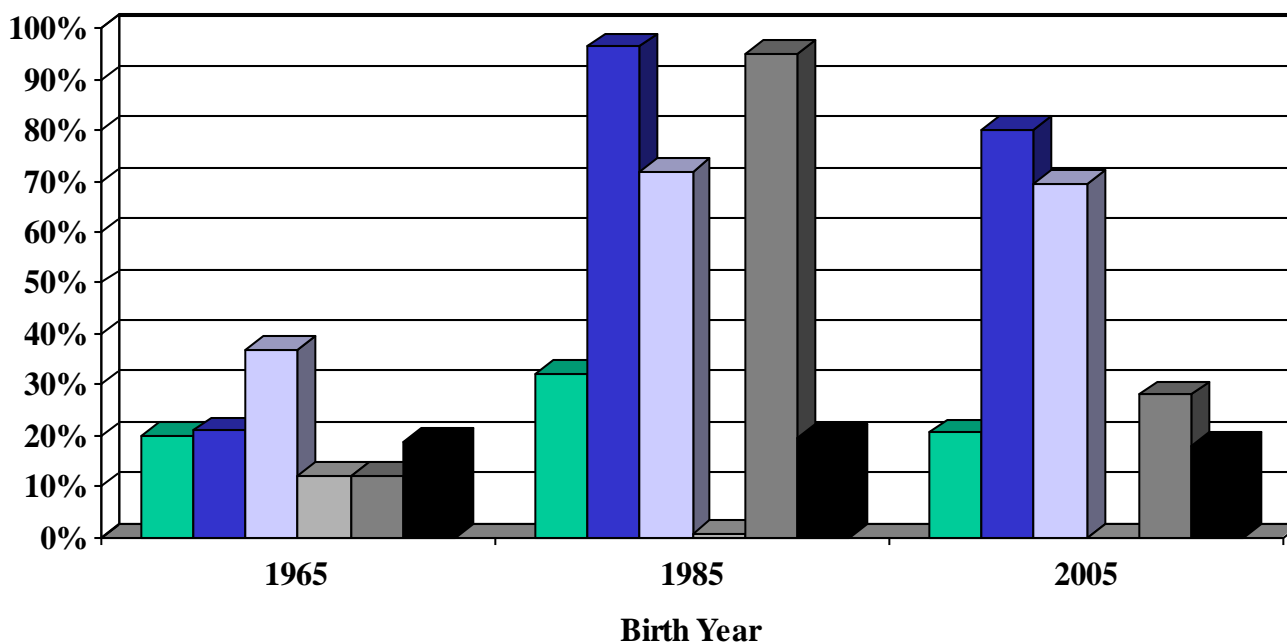
## Range of Initial Retiree Benefits Under Model 2 for Average Wage Earners Retiring at Age 65 Depending on the Resulting Equity Returns for Those Born in 1965, 1985, and 2005



## Uncertainty in Future Employment and Earnings Growth

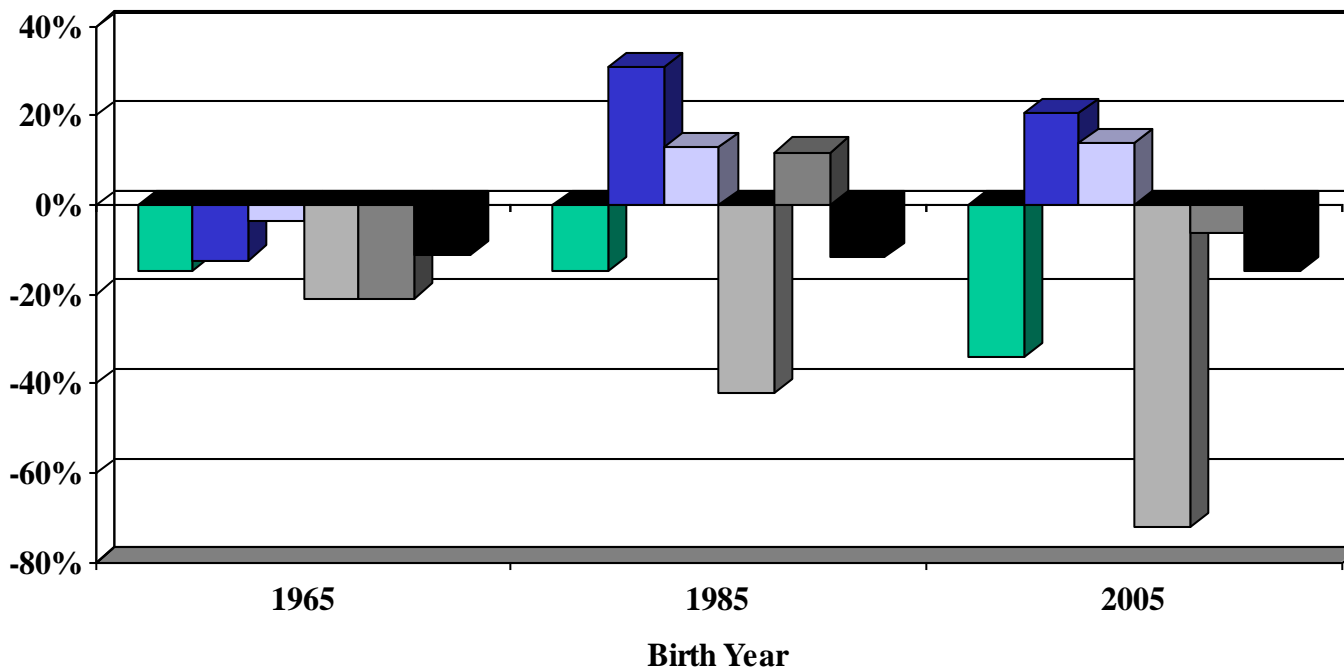
- Workers will have a probability of having a higher retiree benefit under Model 2 relative to the other options

## Percentage of Individuals Who Would Have a Higher Initial Retiree Benefit Under Model 2 Relative to the Other Options, by Birth Years 1965, 1985, and 2005 (Historical Rates and 100% Treasury Bonds)



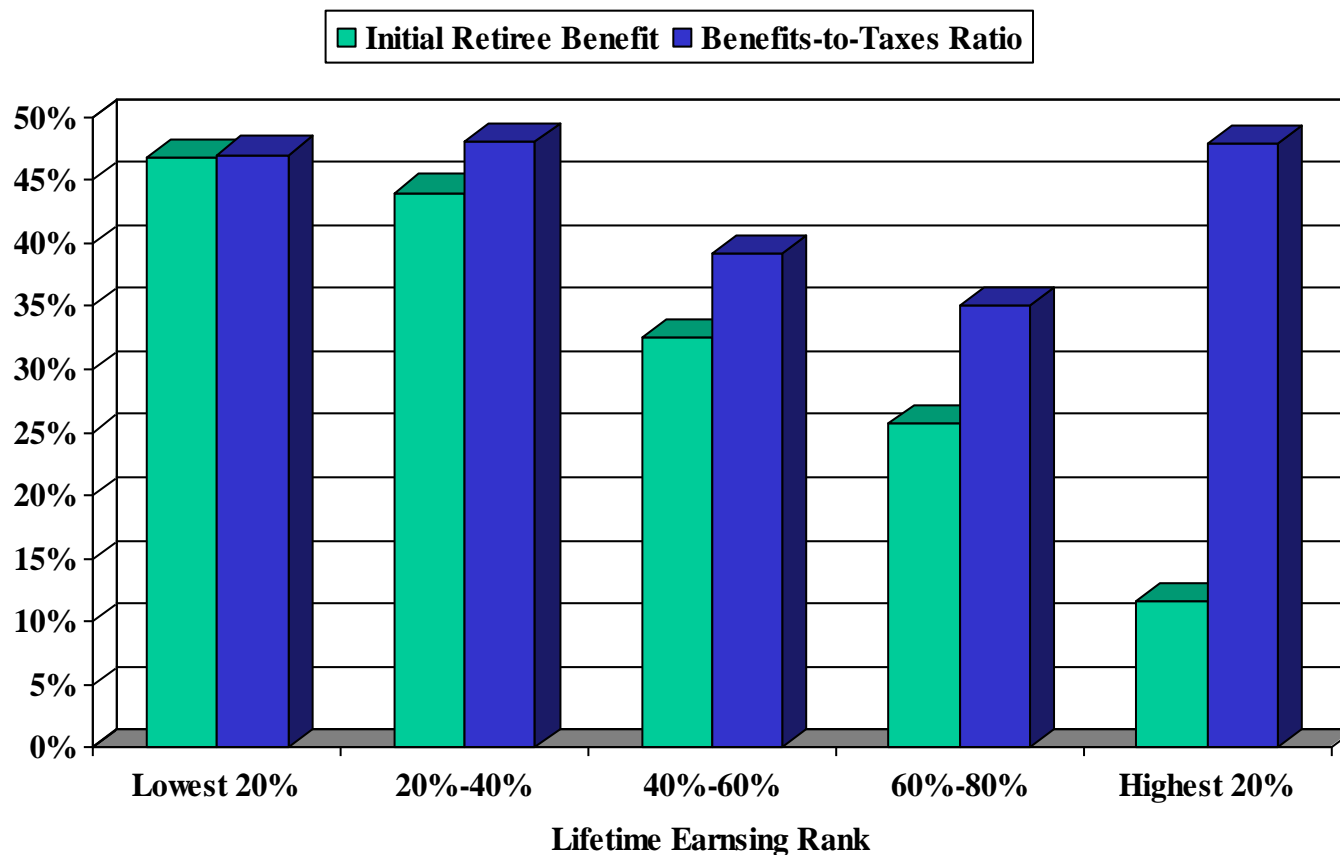


# Median Percentage Difference in Initial Retiree Benefits Under Model 2 Relative to the Other Options, by Birth Years 1965, 1985, and 2005 (Historical Rates and 100% Treasury Bonds)

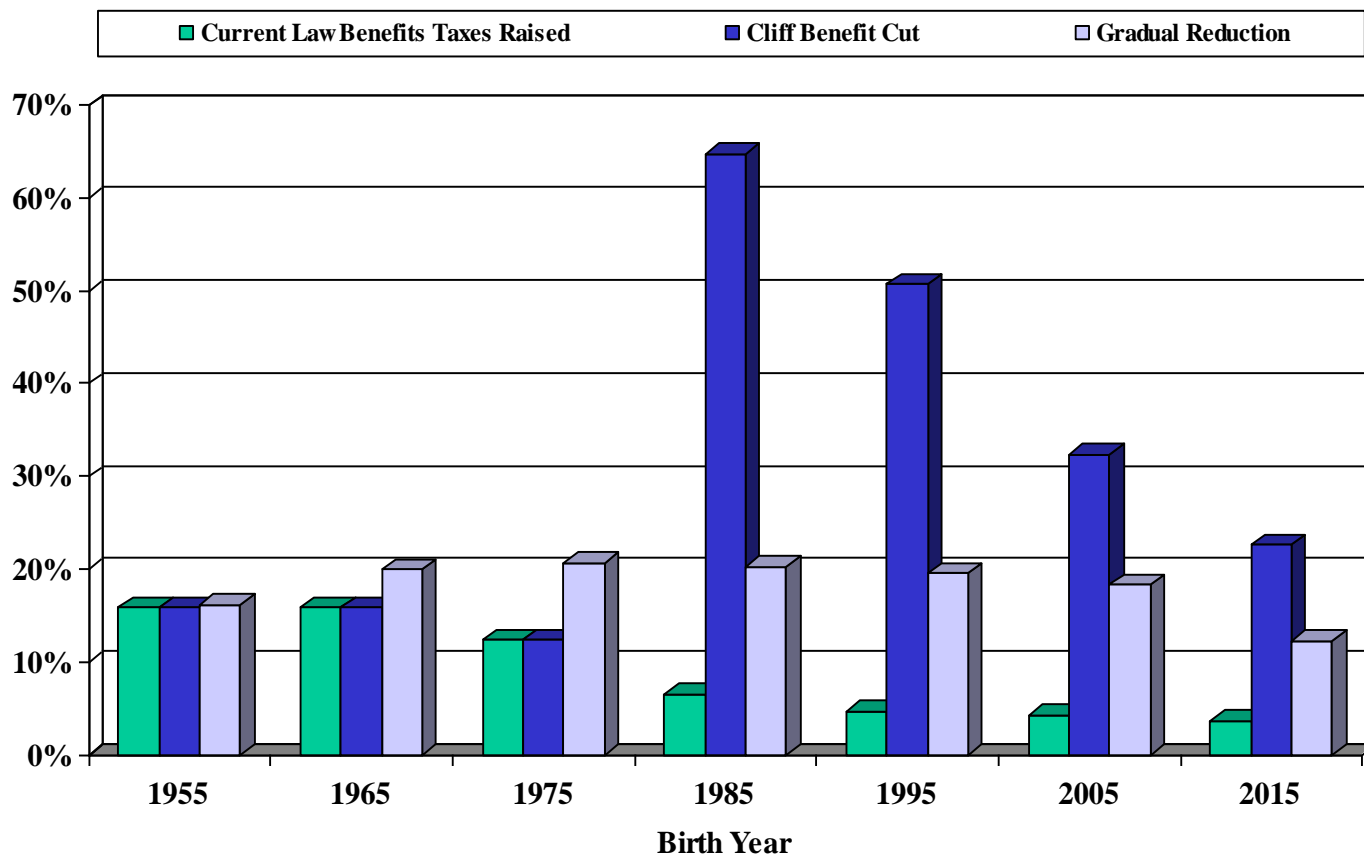


- Model 2-Historical Rates/Current Law (TR)
- Model 2-Historical Rates/Cliff Reduction
- Model 2-Historical Rates/Gradual Reduction
- Model 2-100% Treasury Bonds/Current Law (TR)
- Model 2-100% Treasury Bonds/Cliff Reduction
- Model 2-100% Treasury Bonds/Gradual Reduction

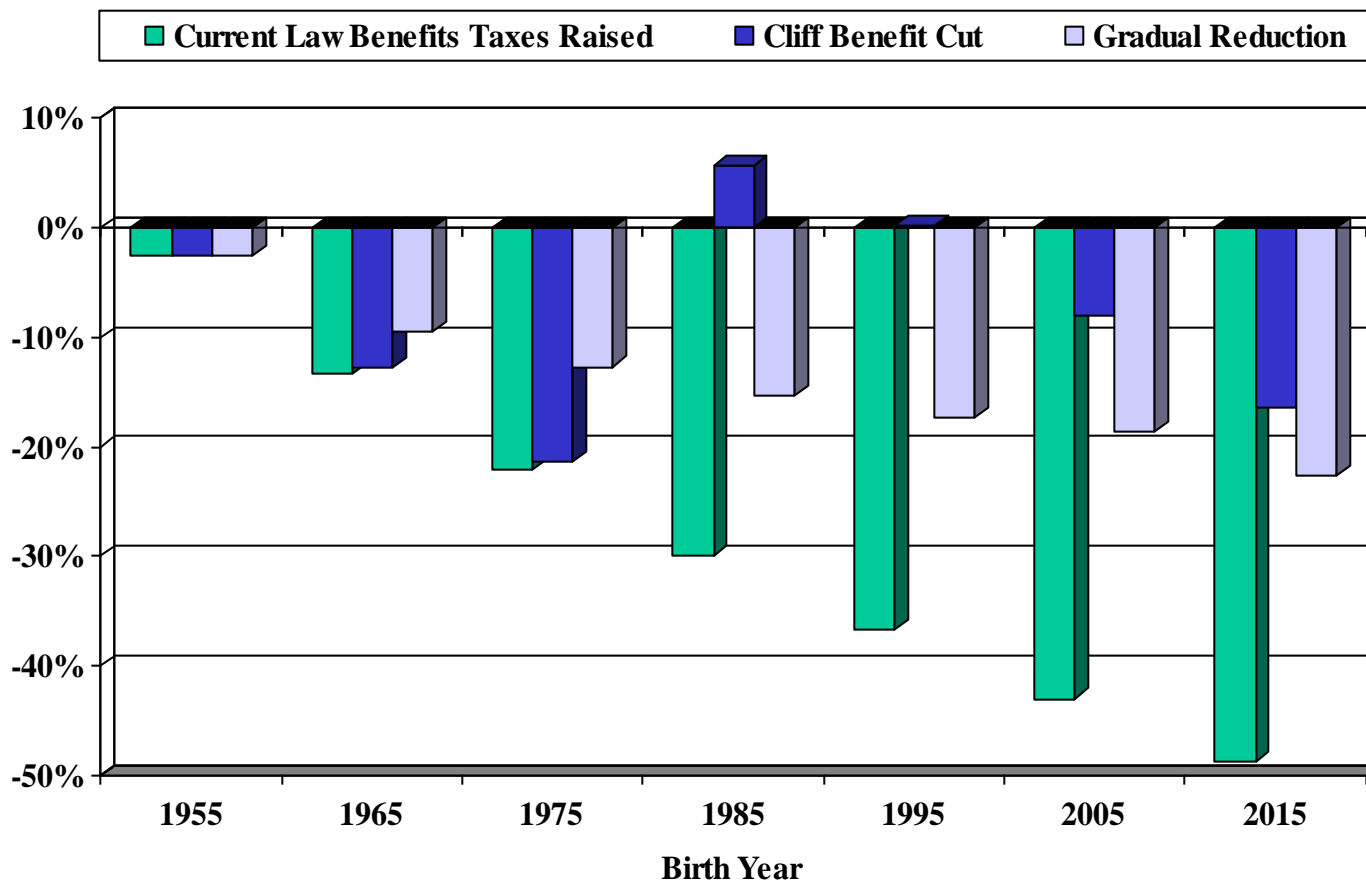
Percentage of Individuals Born in 1985 Who Would Have a Higher Initial Retiree Benefit and Ratio of OASI Benefits to OASI Taxes Paid Under Model 2 Assuming Historical Rates of Return Relative to Current Law Benefits with Taxes Raised, by Lifetime Earnings Rank



## Percentage of Individuals Who Would Have a Higher Initial Disability Benefit Under Model 2 Assuming Historical Equity Returns Relative to the Other Options, by Birth Year, 1955-2015



## Median Percentage Difference in Initial Disability Benefits Under Model 2 Assuming Historical Equity Returns Relative to the Other Options, by Birth Year, 1995-2015



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