



SOCIAL SECURITY

Office of the Chief Actuary

April 12, 2011

The Honorable Cynthia M. Lummis
House of Representatives
Washington, D.C. 20515

Dear Ms. Lummis:

I am writing in response to your letter of March 30, 2011 requesting estimates of the financial effects on Social Security of H.R. 867, "Retirement Security for Today's Four-Year-Olds Act of 2011," which was introduced on March 2, 2011. The estimates and analysis provided in this letter reflect clarification of the intent of the Bill based on discussion with your staff, and the chart prepared by the Congressional Research Service. All estimates are based on the intermediate assumptions of the 2010 Trustees Report. The estimates reflect the combined efforts of many in our office, but particularly Alice Wade and Christopher Chaplain.

Under current law, the earliest eligibility age (EEA) for retired worker benefits and aged spouse benefits will remain at 62. Also under current law, the normal retirement age (NRA) is scheduled to increase from the present level of 66 at the rate of 2 months per year beginning for those reaching age 62 in 2017, and stops increasing at an NRA of 67 for those reaching age 62 in 2022 and later.

Under the Bill, both the EEA and the NRA will begin to increase at a rate of 36/47 of a month per year for those reaching age 62 in 2023, and will stop increasing at an EEA of 65 and an NRA of 70 for those reaching age 62 in 2069. For each year, the computed EEA and NRA would be rounded down to the next lower full month. For a worker who dies, becomes disabled, or becomes eligible for retired worker benefits after age 62, we assume the number of benefit computation years used in determining the primary insurance amount (PIA) would be:

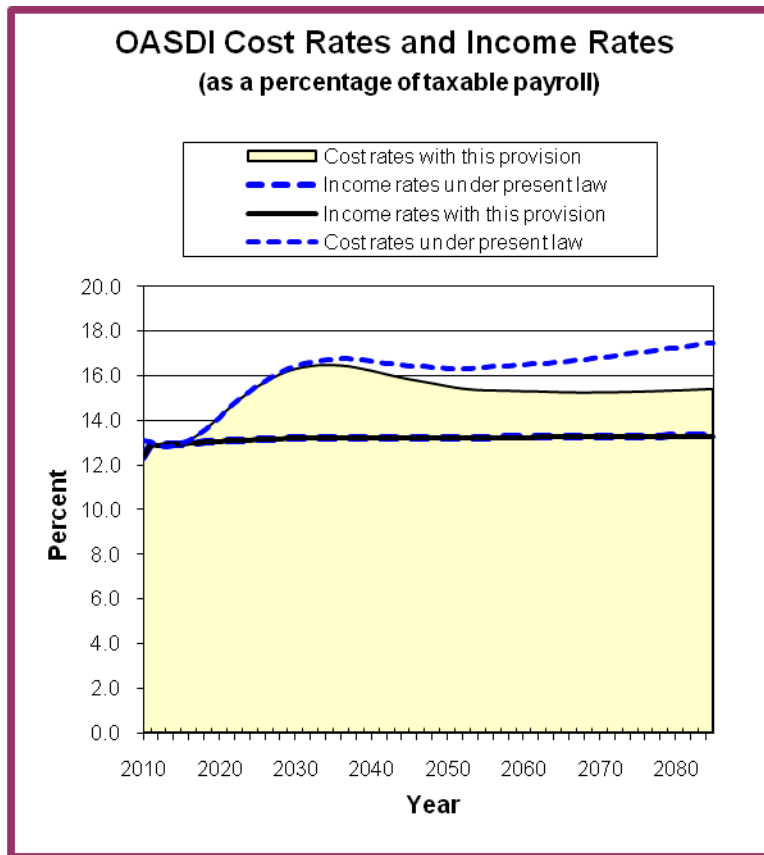
- Increased by 1 year if EEA is at least age 63 and less than age 64 *and* age at benefit eligibility is 63 or higher;
- Increased by 2 years if EEA is at least age 64 and less than age 65 *and* age at benefit eligibility is 64 or higher; and
- Increased by 3 years if both EEA and age at benefit eligibility are 65 or higher.

The PIA formula used in each case would be the formula applicable for the year in which initial eligibility occurs, but not beyond the year that EEA is attained. In addition, we assume that the quarters-of-coverage requirements for insured status would remain the same as in present law.

Increasing the NRA and EEA as specified in the Bill would reduce the long-range OASDI actuarial deficit by an estimated 0.62 percent of taxable payroll, thus eliminating about one third of the present-law actuarial deficit of 1.92 percent of payroll. In addition, the Bill would reduce the annual OASDI deficit for the 75th projection year (2084) by 1.99 percent of payroll, or by almost half of the present-law shortfall of 4.12 percent of payroll. The year in which the

combined OASDI trust funds would become exhausted is increased from present law by only one year, to 2038, under the Bill. This increase is only one year because the increase in retirement ages would be gradual, and would begin in 2023, just 14 years before the combined OASDI Trust Funds are projected to become exhausted under present law. Please see the attached table for more detailed estimates of annual cost, income, balance, and trust fund asset levels.

The figure below shows the projected annual level of OASDI cost and non-interest income as a percent of taxable payroll, both under present law and assuming enactment of the Bill through 2085.



We hope these estimates will be helpful. Please let me know if we may provide further assistance.

Sincerely,

Stephen C. Goss
Chief Actuary

Enclosures

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio
Representative Lummis Bill to Raise Retirement Ages by 3 Years over the Period 2023 through 2069: H.R. 867

Year	Proposal			Trust Fund Ratio	Change in Present Law		
	Expressed as a percentage of present-law taxable payroll				Expressed as a percentage of present-law taxable payroll		
	Cost Rate	Income Rate	Annual Balance	1-1-year	Cost Rate	Income Rate	Annual Balance
2010	13.09	12.33	-0.76	355	0.00	0.00	0.00
2011	13.04	12.91	-0.12	353	0.00	0.00	0.00
2012	12.84	12.87	0.03	350	0.00	0.00	0.00
2013	12.82	12.90	0.08	346	0.00	0.00	0.00
2014	12.86	12.92	0.06	341	0.00	0.00	0.00
2015	12.98	12.94	-0.04	335	0.00	0.00	0.00
2016	13.10	12.96	-0.14	330	0.00	0.00	0.00
2017	13.30	12.99	-0.32	324	0.00	0.00	0.00
2018	13.55	13.01	-0.53	317	0.00	0.00	0.00
2019	13.84	13.03	-0.81	309	0.00	0.00	0.00
2020	14.15	13.05	-1.10	299	0.00	0.00	0.00
2021	14.45	13.07	-1.39	289	0.00	0.00	0.00
2022	14.75	13.08	-1.66	277	0.00	0.00	0.00
2023	15.03	13.10	-1.93	264	0.00	0.00	0.00
2024	15.28	13.12	-2.16	251	-0.01	0.00	0.01
2025	15.51	13.13	-2.38	237	-0.02	0.00	0.02
2026	15.72	13.15	-2.57	222	-0.04	0.00	0.04
2027	15.91	13.16	-2.74	206	-0.05	0.00	0.05
2028	16.07	13.17	-2.89	190	-0.06	0.00	0.07
2029	16.21	13.19	-3.02	173	-0.08	0.00	0.08
2030	16.31	13.20	-3.12	156	-0.09	0.00	0.10
2031	16.39	13.20	-3.18	139	-0.12	0.00	0.12
2032	16.44	13.21	-3.23	121	-0.15	0.00	0.15
2033	16.48	13.22	-3.26	103	-0.18	0.00	0.18
2034	16.49	13.22	-3.27	85	-0.21	0.00	0.21
2035	16.49	13.22	-3.26	66	-0.24	0.00	0.24
2036	16.46	13.23	-3.24	48	-0.27	0.00	0.27
2037	16.43	13.23	-3.20	29	-0.31	0.00	0.31
2038	16.38	13.23	-3.15	11	-0.34	0.00	0.34
2039	16.30	13.23	-3.08	----	-0.38	0.00	0.37
2040	16.23	13.23	-3.01	----	-0.41	0.00	0.41
2041	16.15	13.23	-2.93	----	-0.44	0.00	0.44
2042	16.07	13.22	-2.85	----	-0.48	0.00	0.48
2043	15.99	13.22	-2.77	----	-0.52	0.00	0.52
2044	15.92	13.22	-2.70	----	-0.56	0.00	0.55
2045	15.85	13.22	-2.63	----	-0.59	0.00	0.59
2046	15.79	13.22	-2.57	----	-0.63	0.00	0.62
2047	15.73	13.22	-2.51	----	-0.67	-0.01	0.66
2048	15.67	13.22	-2.45	----	-0.71	-0.01	0.70
2049	15.60	13.22	-2.39	----	-0.75	-0.01	0.74
2050	15.54	13.22	-2.32	----	-0.79	-0.01	0.79
2051	15.48	13.22	-2.26	----	-0.85	-0.01	0.84
2052	15.43	13.22	-2.21	----	-0.89	-0.01	0.89
2053	15.40	13.22	-2.18	----	-0.94	-0.01	0.93
2054	15.37	13.22	-2.15	----	-0.98	-0.01	0.97
2055	15.35	13.22	-2.13	----	-1.01	-0.01	1.00
2056	15.35	13.23	-2.12	----	-1.04	-0.01	1.03
2057	15.34	13.23	-2.12	----	-1.07	-0.01	1.06
2058	15.33	13.23	-2.11	----	-1.11	-0.01	1.10
2059	15.32	13.23	-2.09	----	-1.14	-0.01	1.13
2060	15.31	13.23	-2.08	----	-1.17	-0.01	1.16
2061	15.31	13.23	-2.08	----	-1.20	-0.01	1.19
2062	15.30	13.24	-2.07	----	-1.23	-0.01	1.22
2063	15.29	13.24	-2.05	----	-1.27	-0.01	1.25
2064	15.28	13.24	-2.04	----	-1.31	-0.01	1.29
2065	15.27	13.24	-2.03	----	-1.35	-0.01	1.33
2066	15.26	13.24	-2.02	----	-1.39	-0.01	1.37
2067	15.26	13.24	-2.01	----	-1.43	-0.01	1.41
2068	15.26	13.25	-2.01	----	-1.47	-0.02	1.45
2069	15.26	13.25	-2.01	----	-1.51	-0.02	1.49
2070	15.26	13.25	-2.01	----	-1.55	-0.02	1.53
2071	15.26	13.25	-2.01	----	-1.58	-0.02	1.57
2072	15.27	13.26	-2.01	----	-1.62	-0.02	1.60
2073	15.28	13.26	-2.02	----	-1.66	-0.02	1.64
2074	15.28	13.26	-2.03	----	-1.70	-0.02	1.68
2075	15.29	13.26	-2.03	----	-1.73	-0.02	1.71
2076	15.30	13.26	-2.04	----	-1.77	-0.02	1.74
2077	15.31	13.26	-2.05	----	-1.80	-0.03	1.78
2078	15.32	13.26	-2.06	----	-1.84	-0.03	1.81
2079	15.34	13.26	-2.07	----	-1.87	-0.03	1.84
2080	15.35	13.26	-2.08	----	-1.90	-0.03	1.87
2081	15.36	13.27	-2.09	----	-1.93	-0.03	1.90
2082	15.37	13.27	-2.11	----	-1.97	-0.04	1.93
2083	15.39	13.27	-2.12	----	-2.00	-0.04	1.96
2084	15.40	13.27	-2.13	----	-2.03	-0.04	1.99
2085	15.41	13.27	-2.14	----	-2.05	-0.04	2.01

Summarized Rates: OASDI				
	Cost Rate	Income Rate	Actuarial Balance	Year of Exhaustion ¹
2010 - 2084	15.30%	14.00%	-1.30%	2038

Summarized Rates: OASDI		
Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
-0.63%	-0.01%	0.62%

Based on Intermediate Assumptions of the 2010 Trustees Report
¹ Under present law the year of exhaustion is 2037



Cynthia M. Lummis
Congress of the United States
Wyoming

March 30, 2011

Mr. Stephen C. Goss
Chief Actuary, Social Security Administration
6401 Security Blvd.
Rm. 700 Altmeyer Bldg.
Baltimore, MD 21235

Dear Mr. Goss:

I write to request that your office produce long-range estimates of the effect of H.R. 867 on the Social Security program's finances.

I introduced H.R. 867, Alex's Law, on March 2, 2011. This legislation is currently pending before the House Committee on Ways and Means. H.R. 867 would increase the early and normal retirement ages by 3 years, equally distributed over a span of 47 years starting in 2023 and ending in 2069. For those who attain the age of 62 in 2069, the early retirement age would be 65 and the full retirement age would be age 70. I have attached a chart prepared by the Congressional Research Service that accurately depicts the intent of this legislation.

Thank you again for taking the time to review and respond to this request. I look forward to a timely response. Should you have any questions or require any additional information, please contact Landon Stropko of my staff at 202-225-2311 or landon.stropko@mail.house.gov.

Sincerely,

Cynthia M. Lummis
Member of Congress

Table 1. Early and Full Retirement Ages for Persons Aged 1 Year and Older Under Current Law and Proposed Legislation

Year of Birth	Age in 2011	Year Reaches Age 62	Retirement Age Increase Factor	Number of Months Added to FRA, Cumulative, Unrounded	Full Retirement Age	Early Retirement Age
1937 or earlier	74 or older	1999 or earlier			65	62
1938	73	2000	2/12	2	65 and 2 months	62
1939	72	2001	2/12	4	65 and 4 months	62
1940	71	2002	2/12	6	65 and 6 months	62
1941	70	2003	2/12	8	65 and 8 months	62
1942	69	2004	2/12	10	65 and 10 months	62
1943–1954	57 to 68	2005–2016 ^a	2/12	12	66	62
1955	56	2017	2/12	14	66 and 2 months	62
1956	55	2018	2/12	16	66 and 4 months	62
1957	54	2019	2/12	18	66 and 6 months	62
1958	53	2020	2/12	20	66 and 8 months	62
1959	52	2021	2/12	22	66 and 10 months	62
1960	51	2022	2/12	24	67	62
PROPOSED LEGISLATION						
1961	50	2023	3/47	0.77 ^b	67	62
1962	49	2024	3/47	1.53	67 and 1 months	62 and 1 months
1963	48	2025	3/47	2.30	67 and 2 months	62 and 2 months
1964	47	2026	3/47	3.06	67 and 3 months	62 and 3 months
1965	46	2027	3/47	3.83	67 and 3 months	62 and 3 months
1966	45	2028	3/47	4.60	67 and 4 months	62 and 4 months

Year of Birth	Age in 2011	Year Reaches Age 62	Retirement Age Increase Factor	Number of Months Added to FRA, Cumulative, Unrounded	Full Retirement Age	Early Retirement Age
1967	44	2029	3/47	5.36	67 and 5 months	62 and 5 months
1968	43	2030	3/47	6.13	67 and 6 months	62 and 6 months
1969	42	2031	3/47	6.89	67 and 6 months	62 and 6 months
1970	41	2032	3/47	7.66	67 and 7 months	62 and 7 months
1971	40	2033	3/47	8.43	67 and 8 months	62 and 8 months
1972	39	2034	3/47	9.19	67 and 9 months	62 and 9 months
1973	38	2035	3/47	9.96	67 and 9 months	62 and 9 months
1974	37	2036	3/47	10.72	67 and 10 months	62 and 10 months
1975	36	2037	3/47	11.49	67 and 11 months	62 and 11 months
1976	35	2038	3/47	12.26	68	63
1977	34	2039	3/47	13.02	68 and 1 months	63 and 1 months
1978	33	2040	3/47	13.79	68 and 1 months	63 and 1 months
1979	32	2041	3/47	14.55	68 and 2 months	63 and 2 months
1980	31	2042	3/47	15.32	68 and 3 months	63 and 3 months
1981	30	2043	3/47	16.09	68 and 4 months	63 and 4 months
1982	29	2044	3/47	16.85	68 and 4 months	63 and 4 months
1983	28	2045	3/47	17.62	68 and 5 months	63 and 5 months
1984	27	2046	3/47	18.38	68 and 6 months	63 and 6 months
1985	26	2047	3/47	19.15	68 and 7 months	63 and 7 months
1986	25	2048	3/47	19.91	68 and 7 months	63 and 7 months
1987	24	2049	3/47	20.68	68 and 8 months	63 and 8 months
1988	23	2050	3/47	21.45	68 and 9 months	63 and 9 months
1989	22	2051	3/47	22.21	68 and 10 months	63 and 10 months
1990	21	2052	3/47	22.98	68 and 10 months	63 and 10 months
1991	20	2053	3/47	23.74	68 and 11 months	63 and 11 months
1992	19	2054	3/47	24.51	69	64

Year of Birth	Age in 2011	Year Reaches Age 62	Retirement Age Increase Factor	Number of Months Added to FRA, Cumulative, Unrounded	Full Retirement Age	Early Retirement Age
1993	18	2055	3/47	25.28	69 and 1 months	64 and 1 months
1994	17	2056	3/47	26.04	69 and 2 months	64 and 2 months
1995	16	2057	3/47	26.81	69 and 2 months	64 and 2 months
1996	15	2058	3/47	27.57	69 and 3 months	64 and 3 months
1997	14	2059	3/47	28.34	69 and 4 months	64 and 4 months
1998	13	2060	3/47	29.11	69 and 5 months	64 and 5 months
1999	12	2061	3/47	29.87	69 and 5 months	64 and 5 months
2000	11	2062	3/47	30.64	69 and 6 months	64 and 6 months
2001	10	2063	3/47	31.40	69 and 7 months	64 and 7 months
2002	9	2064	3/47	32.17	69 and 8 months	64 and 8 months
2003	8	2065	3/47	32.94	69 and 8 months	64 and 8 months
2004	7	2066	3/47	33.70	69 and 9 months	64 and 9 months
2005	6	2067	3/47	34.47	69 and 10 months	64 and 10 months
2006	5	2068	3/47	35.23	69 and 11 months	64 and 11 months
2007	4	2069	3/47 ^d	36.00 ^d	70	65
2008	3	2070	End Phase-in of		70	65
2009	2	2071	Proposed Legislation		70	65
2010	1	2072			70	65

Source: Retirement ages under current law through 2022, are available from the Social Security Administration at <http://www.socialsecurity.gov/pubs/retirechart.htm>. Retirement ages under the proposed legislation are from a draft provided by Representative Lummis' staff on February 15, 2011.

- a. The factor of 2/12 only applies to persons born in 1943, raising the FRA to 66 for this birth year. The FRA remains at 66 for persons born in years 1944-1954.
- b. In order to illustrate the proposed law's effects, the cumulative number of months added to FRA is reset to zero at implementation.
- c. The legislation specifies that the FRA would be 70, and the ERA would be 65, for a person reaching age 62 in 2069. This table shows the effect of using the retirement increase factor in 2069, however, to demonstrate that an FRA of 70 for persons reaching age 62 in 2069 would result under this mechanism.