G Provisions Affecting Trust Fund Investment in

These provisions invest a portion of the Social Security Trust funds in marketable securities (e.g., equities, corporate bonds), rather than in special-issue government bonds as under current law. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimates on the intermediate assumptions described in the 2015 Trustees Report.

The selections G3, G5, and G7 provide a low-yield or risk-adjusted perspective where equity yields equal the average real yield on long-term Treasury bonds. Thus, these selections have no effect on the actuarial balance of the OASDI program. Some analysts believe the higher expected return for equities should not be included in valuations because the tendency for higher average returns is compensation for the higher volatility in equities. The low-yield or risk-adjusted assumption reflects this perspective.

Category G: Trust Fund Investment in Equities (2015 Trustees Report intermediate assumptions)					
Present law shortfall *in long-range actuarial balance is* ***2.68*** *percent of payroll and in annual balance for the 75th year is* ***4.65*** *percent of payroll.*					
Description of proposed provisions		**Change from present law (percent of payroll)**		**Shortfall eliminated**	
		Long-range actuarial balance	**Annual balance in 75th year**	**Long-range actuarial balance**	**Annual balance in 75th year**
G1	Invest 40 percent of the OASDI Trust Fund in equities (phased in 2016-2030), assuming an ultimate 6.4 percent annual real rate of return on equities.	0.57*	0.00	*	0%
G2	Invest 40 percent of the OASDI Trust Fund in equities (phased in 2016-2030), assuming an ultimate 5.4 percent annual real rate of return on equities.	0.42*	0.00	*	0%
G3	Invest 40 percent of the OASDI Trust Fund in equities (phased in 2016-2030), assuming an ultimate 2.9 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.	0.00*	0.00	*	0%
G4	Invest 15 percent of the OASDI Trust Fund in equities (phased in 2016-2025), assuming an ultimate 6.4 percent annual real rate of return on equities.	0.23*	0.00	*	0%
G5	Invest 15 percent of the OASDI Trust Fund in equities (phased in 2016-2025), assuming an ultimate 2.9 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.	0.00*	0.00	*	0%
G6	Invest 25 percent of the OASDI Trust Fund in equities (phased in 2018-2027), assuming an ultimate 6.4 percent annual real rate of return on equities.	0.36*	0.00	*	0%
G7	Invest 25 percent of the OASDI Trust Fund in equities (phased in 2018-2027), assuming an ultimate 2.9 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.	0.00*	0.00	*	0%

* 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 present-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.