

AGENDA ITEM 11

Side by Side Comparison - Alternative Social Security Reform Plans
109th Congress: First Session (2005)

<u>The Plans</u>	<u>The Balancer</u>	<u>Private Accounts</u>	<u>Add-On Accounts</u>	<u>Minor Adjustments</u>
Proponents	Peter Diamond, Peter Orzag – Dem Ecomists	Peter Ferraro CATO Institute	Edward Gramlich FRB Governor	Robert Ball Former SSA Com.
Goals	Maintain current system and enhance benefits for vulnerable workers	Replace current system with private investment accounts	Maintain current system while raising the national savings rate.	Change current system as little as possible
Private Accounts	Yes – will provide an average	Yes – individual account of 6.4 percentage points of a 12.4% payroll tax	Yes – Add-on benefit will supplement a reduced Social Security benefit	No
Tax Increase	Yes – lifts percent of wages subject to tax to 87% and adds a 3% tax on all wages above the cap. Increases payroll tax to 12.7% in 2025, 13.7% in 2040 and 14.2% in 2055 (\$105,000 now).	No	Yes – workers will pay 1.5% of wages currently subject to Social Security tax to a mandatory private account.	Yes – Lifts the cap subject to payroll tax to 90% (\$145,000)_
Benefit Cuts	Yes – 0.5% for 45 yr old: 4.5% for 35 yr old; and 8.6% or 25 yr olds.	No – plan guarantees that benefits will not be less than currently promised	Yes – Raises retirement age and reduces benefits for upper income workers	Yes – Will provide lower cost of living increases

New Borrowing	No	Yes	No	Yes
Additional Details	New state and local government employees will participate. Retirement age will rise with changes in life expectancy	Expected to cost more than \$7 trillion over 75 years (current deficit is \$3.7 tril) Proponents contend that additional costs could be covered by spending cuts.	Retirement age initially increases to 67 and then rises with increases in life expectancy.	New state and local government workers will participate. Inheritance taxes on \$3.5 million plus estates go to program
Solvency Date	In perpetuity	In perpetuity	Not yet scored	2078
Bill Number(s)	No bill yet	HR 179 - Rep Paul (R-MN) S Sen Sununu (R-NH)	HR 750 – Rep Shaw (R-FL)	
Major Supporters				
Current Status				

Q:cpc/2005legis/socsec.sxs0205 – based on Washington Post analysis dated February 23, 2005