



## SOCIAL SECURITY

Office of the Chief Actuary

March 10, 2016

The Honorable Patrick Murphy  
United States House of Representatives  
Washington, D.C. 20515

Dear Representative Murphy:

I am writing in response to your request for estimates of the financial effects on Social Security of H.R. 4529, the *Social Security Parent Penalty Repeal Act*, which you introduced on February 10, 2016. The estimates provided here reflect the intermediate assumptions of the 2015 Trustees Report. This Bill (hereafter referred to as the proposal) includes two provisions with direct effects on the Social Security Trust Funds. Note that the estimates provided here do not reflect the estimated effects of the Bipartisan Budget Act (BBA) of 2015, which was enacted after completion of the 2015 Trustees Report. Including the effects of the BBA would provide a small further improvement in the projected actuarial status of the Social Security Trust Funds. We have enjoyed working closely with Chris Fisher and Aimee Collins-Mandeville of your staff in developing this proposal to meet your goals. The estimates and analysis provided here reflect the combined effort of many in the Office of the Chief Actuary, but most particularly Karen Glenn, Christopher Chaplain, Daniel Nickerson, Kyle Burkhalter, Michael Clingman, and Anna Kirjusina.

The enclosed Table 1 provides estimates of the effects of the two provisions on the cost, income, and combined trust fund reserves for the Old Age, Survivors, and Disability Insurance (OASDI) program. We estimate that enactment of the proposal would extend the projected year of reserve depletion from 2034 to 2038, under the intermediate assumptions of the 2015 Trustees Report. Because the OASI and DI Trust Funds are separate legal entities, estimates for the combined trust funds are consistent with an intent to reallocate the total tax rate as needed to equalize the years of reserve depletion and generally the actuarial status of the two separate trust funds.

The proposal includes two basic provisions with direct effects on the OASDI program. The following summaries identify each provision with the corresponding section number in the Bill.

*Section 2. Increase the taxable maximum by twice the rate of increase in the Average Wage Index, effective 2017.*

Under current law, the taxable maximum is indexed to reflect the annual rate of change in the national Average Wage Index (AWI). However, the taxable maximum is never reduced from one year to the next, even if the AWI declines. Under this provision, the taxable maximum would be

increased annually by twice the rate of increase in the AWI, but never by less than 3 percent. Additional earnings subject to the payroll tax above the current law maximum would be included for the worker's benefit computation.

We estimate that enactment of this provision alone would decrease the long-range OASDI actuarial deficit by 1.05 percent of taxable payroll and would decrease the annual deficit for the 75<sup>th</sup> projection year (2089) by 1.48 percent of payroll.

*Section 3. Reduce the number of computation years for individuals with a child in care in years for which the individual has no covered or non-covered earnings, for benefits paid in January 2017 and later.*

This provision reduces a worker's benefit computation years by the number of countable childcare years, where a countable childcare year is any year during which the individual was the primary caregiver for a child under 6 years of age for at least one half of the year and for which the individual's total earnings for the year is zero. Only one parent can be declared the primary caregiver for a child in any given year. Each parent can earn at most 2 dropout years per child, and a maximum of 5 dropout years in total. The years designated as childcare years do not have to be the years that could otherwise be included in the computation of the average indexed monthly earnings (AIME) computation.

The provision would be effective for all benefits payable for entitlement in January 2017 and later (without regard for when the beneficiary became initially eligible). Any year starting with 1951 can be used to qualify for an additional dropout year.

We estimate that enactment of this provision alone would increase the long-range OASDI actuarial deficit by 0.05 percent of taxable payroll and would increase the annual deficit for the 75<sup>th</sup> projection year (2089) by 0.05 percent of payroll.

### **Estimates for the Proposal (Bill) as a Whole**

**Table 1** provides detailed annual projections of the financial operations of the OASDI program assuming enactment of the proposal in its entirety, and shows the estimated changes from levels of cost and income under current law. The year of reserve depletion for the combined OASDI Trust Funds would be extended by 4 years, from 2034 under current law to 2038. The table also shows summarized cost and income rates and the actuarial balance for the 75-year (long-range) period assuming enactment of the proposal.

The actuarial balance for the OASDI program over the 75-year projection period would be improved by 1.00 percent of taxable payroll, from an actuarial deficit of 2.68 percent of payroll under current law to an actuarial deficit of 1.68 percent of taxable payroll. The annual balance for the OASDI program for the 75<sup>th</sup> projection year (2089) would be improved by 1.43 percent of payroll.

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

Sincerely,

A handwritten signature in black ink that reads "Stephen C. Goss". The signature is written in a cursive style with a large, stylized 'S' and 'G'.

Stephen C. Goss  
Chief Actuary

Enclosure

**Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio**

**Representative Murphy H.R. 4529 "Social Security Parent Penalty Repeal Act" to Exclude Certain Childcare Years from the Benefit Computation Formula and Accelerate the Annual Increase in the Contribution and Benefit Base, Effective January 2017**

Year	Proposal			Trust Fund Ratio 1-1-year	Change from 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		Cost Rate	Income Rate	Annual Balance
2015	14.13	12.82	-1.31	308	0.00	0.00	0.00
2016	13.88	12.88	-1.00	298	0.00	0.00	0.00
2017	13.94	12.98	-0.96	279	0.05	0.07	0.02
2018	14.02	13.10	-0.92	263	0.05	0.16	0.12
2019	14.13	13.21	-0.93	249	0.05	0.25	0.21
2020	14.27	13.30	-0.98	235	0.05	0.33	0.28
2021	14.39	13.39	-1.01	222	0.05	0.40	0.35
2022	14.57	13.48	-1.09	209	0.05	0.47	0.42
2023	14.78	13.56	-1.22	197	0.05	0.52	0.47
2024	15.01	13.64	-1.37	184	0.05	0.58	0.52
2025	15.22	13.71	-1.51	172	0.06	0.63	0.58
2026	15.42	13.78	-1.65	160	0.06	0.68	0.62
2027	15.62	13.84	-1.78	148	0.06	0.73	0.66
2028	15.82	13.90	-1.92	136	0.07	0.77	0.70
2029	16.00	13.95	-2.05	124	0.07	0.81	0.74
2030	16.17	14.01	-2.16	112	0.08	0.85	0.78
2031	16.32	14.06	-2.26	99	0.08	0.89	0.81
2032	16.46	14.11	-2.35	87	0.09	0.93	0.85
2033	16.57	14.16	-2.41	73	0.09	0.97	0.88
2034	16.65	14.20	-2.45	60	0.10	1.01	0.91
2035	16.72	14.24	-2.48	46	0.10	1.04	0.94
2036	16.79	14.28	-2.51	32	0.11	1.08	0.97
2037	16.84	14.32	-2.51	18	0.12	1.11	1.00
2038	16.86	14.36	-2.50	3	0.13	1.15	1.02
2039	16.86	14.39	-2.47	----	0.13	1.18	1.05
2040	16.85	14.43	-2.43	----	0.14	1.21	1.07
2041	16.84	14.46	-2.38	----	0.15	1.24	1.09
2042	16.82	14.49	-2.34	----	0.16	1.27	1.11
2043	16.81	14.52	-2.29	----	0.17	1.30	1.13
2044	16.79	14.55	-2.25	----	0.18	1.33	1.15
2045	16.78	14.57	-2.21	----	0.19	1.36	1.17
2046	16.77	14.60	-2.17	----	0.20	1.39	1.19
2047	16.77	14.63	-2.14	----	0.21	1.41	1.20
2048	16.77	14.66	-2.11	----	0.22	1.44	1.22
2049	16.77	14.68	-2.09	----	0.23	1.46	1.23
2050	16.78	14.71	-2.07	----	0.24	1.49	1.25
2051	16.81	14.74	-2.07	----	0.26	1.51	1.26
2052	16.84	14.76	-2.08	----	0.27	1.54	1.27
2053	16.89	14.79	-2.10	----	0.28	1.56	1.28
2054	16.94	14.81	-2.13	----	0.30	1.58	1.29
2055	17.00	14.84	-2.16	----	0.31	1.61	1.30
2056	17.06	14.86	-2.20	----	0.33	1.63	1.30
2057	17.13	14.89	-2.24	----	0.34	1.65	1.31
2058	17.20	14.92	-2.29	----	0.36	1.67	1.31
2059	17.27	14.94	-2.33	----	0.37	1.69	1.32
2060	17.34	14.96	-2.37	----	0.39	1.71	1.33
2061	17.40	14.99	-2.42	----	0.40	1.73	1.33
2062	17.47	15.01	-2.46	----	0.41	1.75	1.34
2063	17.54	15.03	-2.51	----	0.43	1.77	1.34
2064	17.61	15.05	-2.55	----	0.44	1.79	1.34
2065	17.67	15.08	-2.60	----	0.46	1.81	1.35
2066	17.75	15.10	-2.65	----	0.47	1.82	1.35
2067	17.82	15.12	-2.70	----	0.49	1.84	1.35
2068	17.89	15.14	-2.75	----	0.50	1.86	1.36
2069	17.96	15.16	-2.80	----	0.51	1.88	1.36
2070	18.03	15.18	-2.85	----	0.53	1.89	1.36
2071	18.09	15.20	-2.90	----	0.54	1.91	1.37
2072	18.15	15.22	-2.93	----	0.55	1.92	1.37
2073	18.20	15.24	-2.97	----	0.57	1.94	1.37
2074	18.24	15.25	-2.99	----	0.58	1.95	1.37
2075	18.28	15.27	-3.01	----	0.59	1.97	1.38
2076	18.30	15.29	-3.01	----	0.60	1.98	1.38
2077	18.32	15.30	-3.02	----	0.61	2.00	1.39
2078	18.33	15.31	-3.01	----	0.62	2.01	1.39
2079	18.34	15.33	-3.01	----	0.63	2.03	1.39
2080	18.35	15.34	-3.01	----	0.64	2.04	1.40
2081	18.36	15.36	-3.01	----	0.65	2.05	1.40
2082	18.39	15.37	-3.02	----	0.66	2.07	1.41
2083	18.42	15.38	-3.03	----	0.67	2.08	1.41
2084	18.45	15.40	-3.06	----	0.68	2.09	1.41
2085	18.50	15.41	-3.08	----	0.69	2.10	1.42
2086	18.54	15.43	-3.12	----	0.70	2.11	1.42
2087	18.59	15.44	-3.15	----	0.71	2.13	1.42
2088	18.64	15.45	-3.19	----	0.72	2.14	1.42
2089	18.70	15.47	-3.23	----	0.72	2.15	1.43
2090	18.75	15.48	-3.27	----	0.73	2.16	1.43

Summarized Rates: OASDI				
	Cost Rate	Income Rate	Actuarial Balance	Year of reserve depletion <sup>1</sup>
2015 - 2089	16.82%	15.13%	-1.68%	2038

Summarized Rates: OASDI		
Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
0.27%	1.27%	1.00%

Office of the Chief Actuary  
Social Security Administration

Based on Intermediate Assumptions of the 2015 Trustees Report.

<sup>1</sup> Under present law the year of combined Trust Fund reserve depletion is 2034.

March 10, 2016