

Robert D. Reischauer: Additional response to question at June 3, 2011 hearing of the Subcommittee on Social Security of the Committee on Ways and Means.

1. In your testimony, you supported action sooner rather than later to address Social Security's financing shortfalls. In response to a question you also expressed your personal views regarding the combination of options which would best address the 75-year deficit. Since your response time was short, please submit your recommendations for proposals Congress should consider.

Taking off my Public Trustee hat and answering the question from the standpoint of a policy analyst who has studied and written about Social Security for many years, I would craft a package of reforms that included the following elements:

1. Revise the benefit formula so as to:
  - a. moderately reduce benefits for those with high lifetime earnings
  - b. increase benefits for those who had low earnings but worked for many years
  - c. institute an adequate minimum benefit
  - d. reduce the spousal benefit
2. Start the phase-in of the increase in the full retirement age from 66 to 67 in 2013 and after the full retirement age has reached 67 index it and the early retirement age to the increase in adult life expectancy (e.g. keep the ratio of the full retirement age minus 21 to life expectancy minus 21 constant and do the same for the early retirement age.)
3. Index benefits to the chained CPI-U (Only if other retirement and tax code indexing also is changed.)
4. Raise the taxable maximum to cover 90 percent of earnings and adjust the threshold in the future to keep the ratio of average earnings to average total compensation constant.
5. Phase in the coverage of uncovered state and local workers.
6. Raise payroll tax rates on workers and employers by 0.5 percentage points.
7. Increase the number of years earnings are averaged over to calculate benefits from 35 to 38.