APPENDIX C

BENCHMARKS: ILLUSTRATIVE POTENTIAL POLICY ANALYSIS TASKS

The description and evaluation of each model in this report includes an assessment of its suitability to address several specific policy issues. This appendix describes the illustrative policy issues selected for this assessment.

1. Increase Social Security Normal Retirement Age.

If, when the scheduled increase in the age of eligibility for the normal full social security retirement benefit is implemented, workers on average increase the actual age of retirement correspondingly, what will be the effects on: OASI revenues, benefit payments, and trust fund balances; DI benefit payments and trust fund balances; employer pension accruals and benefit costs; social security retirement replacement rates; and total retirement income replacement rates?

2. Means-testing of Social Security Benefits.

If Social Security benefits are phased out for retirees whose annual income exceeds $75,000, what would be the savings (net of taxes) to the Treasury and the effects on the OASDI Trust Funds? What would be the effect on income replacement ratios for the affected segment of the population? How would employer costs change under current accounting standards now and in 2015?

3. Mandatory Minimum Employer Pension.

If a mandatory minimum pension, such as a 3% money purchase pension plan, were required to be provided by all employers, beginning in the year 2000, what would be the effect on retirement income replacement ratios in 2005, 2010, 2015, and so on through the year 2050? What would be the effects on employer (or individual) pension accruals and fund balances, aggregate national saving, and aggregate annual pension benefit payments over time?

4. Expansion of Individual Retirement Account Eligibility.

If tax rules pertaining to individual retirement savings arrangements (such as IRAs and Keoghs) are changed to permit all workers (or all individuals) to contribute each year up to $15,000 to such accounts from before tax income, what would be the effects on: (1) total annual contributions over time; (2) total retirement savings; (3) total personal savings; (4) total national savings; (5) federal government tax revenue, expenditures, deficits and debt; (6) national capital accumulation; (7) GDP; (8) retirement replacement rates? What would be the effects on each of these variables of similar rules for a "back-loaded" IRA (i.e. an arrangement in which contributions are made out of after-tax income, but all benefit payments after a specified age are tax-free)?

5. Value Added Tax

If the federal individual income tax and the corporate income tax were replaced by a Value Added Tax (properly specified), what would be the effects on employer pension contributions and accruals?

6. Construction Industry Benefit Accrual Rates

If the construction industry freezes benefit accrual rates at current levels for 10 years, what impact would this have on the funded ratio of construction workers' pension benefits at the end of that period?

7. Alternative Future Macroeconomic Scenarios

What may be the effects on employer pensions and social security (fund balances, average benefit accruals, average replacement rates) of alternative future economic scenarios, such as:
(1) Low productivity growth, low real wage growth, low real GDP growth, low real interest rates, low inflation;
(2) Low productivity growth, low real wage growth, low real GDP growth, low real interest rates, high inflation, high nominal interest rates;
(3) High productivity growth, high real wage growth, high real GDP growth, low real interest rates, low inflation;
(4) High productivity growth, high real wage growth, high real GDP growth, high real interest rates, high inflation, high nominal interest rates.