Congressional Research Service
Informing the legislative debate since 1914

Social Security: Trust Fund Status in the Early 1980s and Today and the 1980s Greenspan Commission

March 4, 2022

Congressional Research Service
https://crsreports.congress.gov
R47040

Congressional Research Service
Informing the legislative debate since 1914

Social Security: Trust Fund Status in the Early 1980s and Today and the 1980s Greenspan Commission

SUMMARY

R47040

March 4, 2022

Barry F. Huston
Analyst in Social Policy

Dawn Nuschler
Specialist in Income Security

Under current law, the Social Security Board of Trustees is required to provide Congress with an annual report on the current and projected financial status of the Social Security trust funds. There are two separate trust funds: the Old-Age and Survivors Insurance (OASI) trust fund and the Disability Insurance (DI) trust fund. The separate OASI and DI trust funds are often discussed on a combined basis as the OASDI trust funds (or the Social Security trust funds) to allow for a more complete picture of the program's overall financial outlook. Since the 2012 annual report, the trustees have consistently projected that the asset reserves held by the Social Security trust funds would be depleted in the 2033-2035 time frame (under the intermediate assumptions). Should asset reserves become depleted—as projected—Social Security would be unable to pay full scheduled benefits on time. Given this potential scenario, avoiding the system's projected funding shortfall is an issue of high congressional interest.

Congress last passed major Social Security legislation in 1983 (P.L. 98-21; Social Security Amendments of 1983). When the 1983 amendments were passed, Social Security was months or weeks away from being unable to pay full benefits. Although the 1983 amendments addressed projected short- and long-range funding shortfalls, the trustees have projected a negative 75-year actuarial balance for the Social Security trust funds in each annual report since 1984 (under the intermediate assumptions). Thus, in each Congress, bills have been introduced that aim to eliminate or delay the system's projected funding shortfall, among other policy objectives.

Before the 1983 amendments, there were previous attempts to address the system's projected funding shortfall. The system's weakening financial position was known to lawmakers throughout the 1970s. In response, Congress enacted a series of Social Security financing legislation, but the program's financial status continued to weaken. In the early 1980s, after an Administration proposal favoring benefit reductions failed to gain support, President Ronald Reagan established the National Commission on Social Security Reform—known as the *Greenspan Commission* after its chairman, Alan Greenspan—to develop a plan to restore financial balance to the Social Security system and ensure that beneficiaries would continue to receive full scheduled benefits on time.

The commission's final report, delivered to President Ronald Reagan in January 1983, included both benefit-reduction and revenue-raising measures and became the basis for the 1983 amendments. At the time, the commission's recommendations were estimated to eliminate about two-thirds of the system's projected long-term funding shortfall. When passed, the 1983 amendments included additional measures that were estimated to eliminate the remaining one-third of the projected funding shortfall.

While the situation faced by lawmakers in the 1970s and early 1980s is inherently different from that facing lawmakers today, there are some similarities. For example, similar to the 2010s and 2020s, the 1970s and early 1980s were marked by projected low fertility and an increasing ratio of beneficiaries to covered workers. An imbalance in the number of people receiving benefits relative to the number of people paying into the system is an important factor, because Social Security is financed primarily on a *pay-as-you-go* basis (i.e., current payroll tax revenues are used to pay benefits to current beneficiaries). One of the key differences, however, is the magnitude of the system's funding shortfall in the period leading up to the 1983 amendments compared to that of today. Today, the system's projected funding shortfall is much larger. Another key difference is the immediacy of trust fund insolvency in 1983 as compared to today. Today, the trustees project that trust fund insolvency is about a decade away (under the intermediate assumptions in the 2021 annual report).

If Congress decides to take action now, or in the years to come, the experiences of the past can inform the debate. A look at the Greenspan Commission can shed light on one approach that was used in the past to reach consensus on a legislative package that was designed to restore financial balance to the system. The same approach may or may not have a similar outcome today. Looking ahead, the timing, degree, and nature of any future changes to the Social Security program will reflect the policy objectives of lawmakers engaged in the debate at the time. In any case, the Social Security Board of Trustees recommends that "lawmakers address the projected trust fund shortfalls in a timely way in order to phase in necessary changes gradually and give workers and beneficiaries time to adjust to them."

Contents

Figures

Contacts

Introduction

The Social Security Board of Trustees reports to Congress annually on the current and projected financial status of the Social Security trust funds. There are two separate trust funds: the Old-Age and Survivors Insurance (OASI) trust fund and the Disability Insurance (DI) trust fund. The separate OASI and DI trust funds are often discussed on a combined basis as the OASDI trust funds (or the Social Security trust funds) to allow for a more complete picture of the program's overall financial outlook. In the 2021 annual report, the trustees project that the asset reserves held by the trust funds will be depleted by 2034, at which point Social Security will no longer be able to pay benefits scheduled under current law in full and on time. On average, over the next 75 years, the trust funds are projected to have a negative actuarial balance (an actuarial deficit) equal to 3.54% of taxable payroll. That is, the trust funds are projected to have a funding shortfall equal to 3.54% of taxable payroll on average over the next 75 years.[1] Financial imbalances for the Social Security trust funds are not a new issue. The trustees have projected a negative 75-year actuarial balance (a 75-year actuarial deficit) for the trust funds in each of their annual reports since 1984 (under the intermediate assumptions).

Each Congress, lawmakers introduce legislation that would make changes to the Social Security program to address the system's projected funding shortfalls and other policy objectives. While Social Security "reform" has long been the subject of policy debate, the last legislative action on major Social Security legislation was in 1983. Congress passed the Social Security Amendments of 1983 (P.L. 98-21) to address the system's short-range and long-range funding shortfalls. When Congress passed the 1983 legislation, the program was within months or weeks of being unable to pay full scheduled benefits on time.

The 1983 amendments followed previous efforts to address the system's funding shortfalls. In the late 1970s, Congress enacted major Social Security financing legislation, but financing issues persisted. In the early 1980s, President Ronald Reagan proposed a Social Security reform package that relied heavily on benefit reductions. After the proposal failed to gain support, President Reagan established the National Commission on Social Security Reform to develop a plan to restore financial balance to the Social Security system and ensure that beneficiaries would continue to receive their full benefits. The commission became known as the *Greenspan Commission* after its chairman, Alan Greenspan.

In January 1983, the Greenspan Commission delivered its final report to President Reagan, including policy recommendations that were estimated to close about two-thirds of the system's projected long-range funding shortfall. The commission's recommendations formed the basis for the Social Security Amendments of 1983. The 1983 amendments included additional provisions designed to close the remaining one-third of the system's projected long-range funding shortfall. In March 1983, Congress passed the Social Security Amendments of 1983, and the legislation was signed into law (P.L. 98-21) by President Reagan in April 1983.

This report looks at the financial status of the Social Security trust funds today and in the period leading up to the passage of the Social Security Amendments of 1983. Such a comparison can provide context for the current policy debate. The report then looks at the circumstances that led to the creation of the Greenspan Commission and provides background on the commission's membership, activities, and policy recommendations. It provides a summary of congressional

[1] The 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, August 31, 2021, https://www.ssa.gov/OACT/TR/2021/tr2021.pdf (hereinafter cited as 2021 Annual Report of the Social Security Board of Trustees). Projections are based on the trustees' intermediate assumptions.

action leading up to the passage of the 1983 amendments and an assessment of the effectiveness of the Greenspan Commission. An understanding of the Greenspan Commission's role in the passage of the 1983 amendments can shed light on one approach that was used in the past to reach consensus on a broad legislative package designed to address the system's financial imbalance. Finally, the report provides examples of subsequent presidential commissions that have made Social Security policy recommendations.

Status of the Trust Funds Today

The financial status of the Social Security trust funds are primarily evaluated by two summary measures: the trust fund ratio and the actuarial balance. These measures provide Congress with the information necessary to evaluate the status of the program in the short and long term. They also provide lawmakers a means to assess the financial impact of proposals to change current law.

Trust Fund Ratio

In the short run, or the immediate 10-year period, the *trust fund ratio* is used as a measure of financial adequacy and the program's ability to cover contingencies in the short term.[2] The ratio is presented as the value of the trust funds' asset reserves at the beginning of a year as a percentage of the expected cost for that year.[3] For instance, under the trustees' intermediate assumptions, the trust fund ratio in 2021 was projected to be 253%.[4] That is, at the beginning of 2021, the current value of the combined trust funds was projected to be 253% of the expected cost of the program for that year. Said differently, assets held by the trust funds at the beginning of 2021 were projected to be 2.53 times greater than the cost of the program in 2021. According to the trustees, a trust fund ratio above 100% throughout the short-range period (10 years) indicates a financially healthy program, whereas a ratio below 100% signals the program is in a financially inadequate position.[5]

Figure 1 shows the *historical* trust fund ratio for 1975-2020 and the *projected* trust fund ratio for 2021-2034. The trust fund ratio peaked at 358% in 2008. The trustees project that the trust fund ratio will decline to 104% in 2029 and fall below the 100% threshold in 2030. The trust fund ratio is projected to continue to decline until trust fund reserves are depleted in 2034.[6]

[2] In practice, the Social Security Board of Trustees designates the short term, or near term, as the immediate 10-year period. Recognizing the need to provide a longer-term outlook for Congress, the trustees also provide projections over a 75-year period. For a discussion on why these two time periods are used for short- and long-term projections, see CRS In Focus IF11851, *Social Security Long-Range Projections: Why 75 Years?*, by Dawn Nuschler.

[3] 2021 Annual Report of the Social Security Board of Trustees, see p. 11.

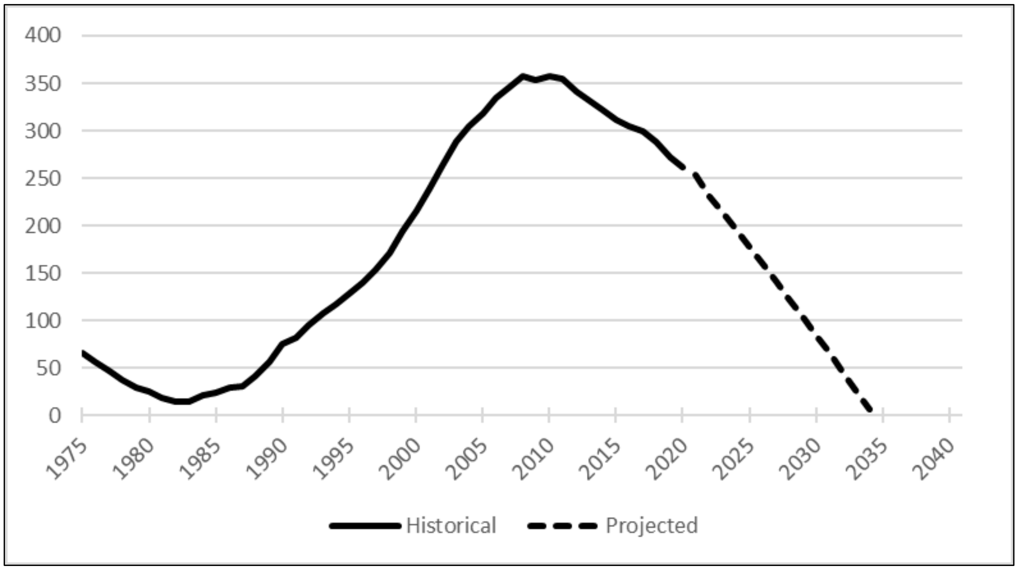
[4] 2021 Annual Report of the Social Security Board of Trustees, see Table IV.A3, p. 50. In the 2021 annual report, the trustees present three alternative sets of assumptions (intermediate, low-cost, and high-cost) for demographic, economic, and program-specific factors. The intermediate set of assumptions represents the trustees' best estimate of likely future conditions.

[5] 2021 Annual Report of the Social Security Board of Trustees, see p. 11.

[6] 2021 Annual Report of the Social Security Board of Trustees, see Table IV.B4, p. 69. See also the single-year supplemental Table IV.B4 at https://www.ssa.gov/oact/TR/2021/lr4b4.html.

Figure 1. Social Security Trust Fund Ratio, 1975-2040

Trust Fund Asset Reserves as a Percentage of Expected Cost



Source: The 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, August 31, 2021, https://www.ssa.gov/OACT/TR/2021/tr2021.pdf. See Table IV.B4, p. 69, and the single-year supplemental Table IV.B4 at https://www.ssa.gov/OACT/TR/2021/lr4b4.html.

Actuarial Balance

The summary measure for the long-run (75-year) financial status of the program is the actuarial balance. This measure is the difference between the program's summarized income rate and summarized cost rate. The summarized income rate is the sum of the present value of non-interest income (Social Security payroll tax revenues and federal income tax revenues from the taxation of Social Security benefits) for the 75-year period and the trust fund asset reserves, expressed as a percentage of taxable payroll.[7] The summarized cost rate is the sum of the present value of the cost for the 75-year period and the cost of a trust fund ratio of 100%, expressed as a percentage of taxable payroll. Thus, the actuarial balance—also expressed as a percentage of taxable payroll—is the difference between a 75-year period's summarized income rate and a 75-year period's summarized cost rate.

If the actuarial balance for a period is positive, it is considered an actuarial surplus. An actuarial balance that is negative for a period is referred to as an actuarial deficit. Generally speaking, the trust funds are deemed to be financially adequate for any period if the actuarial balance is zero or positive, as this would indicate that the period's *ending reserves* are at least equal to annual cost.[8] A positive actuarial balance is commonly misunderstood to mean the program's finances would

[7] 2021 Annual Report of the Social Security Board of Trustees, see p. 71. Non-interest income for the program is comprised of payroll taxes, tax revenues from the taxation of Social Security benefits, and reimbursements from the General Fund of the Treasury. Non-interest income excludes the interest earned on asset reserves held by the trust funds.

[8] 2021 Annual Report of the Social Security Board of Trustees, see pp. 71-72.

be in surplus each year over the period (e.g., 75 years). Although that may be the case, there could be some surplus years and some deficit years during the period.

For the 75-year projection period starting in 2021, the actuarial balance is -3.54% of taxable payroll (i.e., the actuarial deficit is 3.54% of taxable payroll).[9] This summary measure can be interpreted in many ways. Most often, it is interpreted as the approximate percentage point increase in the payroll tax rate that would be necessary for the trust funds to remain fully solvent throughout the 75-year projection period.[10] That is, for the Social Security trust funds to remain solvent over the next 75 years, the trustees point out for illustrative purposes that the payroll tax rate would have to increase from 12.40% to 15.76% on an immediate and permanent basis.[11]

Figure 2 shows the Social Security long-run (75-year) actuarial balance projected by the trustees in each of their annual reports from 1982 to 2021 (based on the intermediate assumptions).[12] The program has demonstrated a negative actuarial balance (or actuarial deficit) each year since 1984. Thus, according to the trustees' definition, the program's actuarial balance fails the test of long-run financial adequacy.

[9] 2021 Annual Report of the Social Security Board of Trustees, see p. 5.

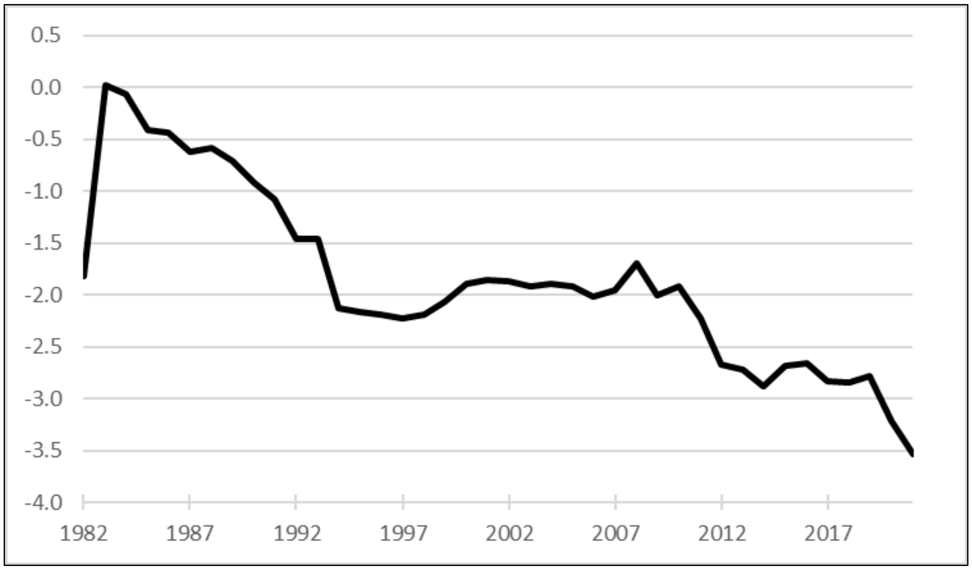
[10] At the start of 2021, the actual payroll tax rate increase that would have been necessary to ensure the trust funds remain fully solvent throughout the 75-year projection period was 3.36 percentage points. This is less than the 3.54% actuarial deficit for two reasons: (1) the actuarial deficit incorporates an ending trust fund asset reserve equal to one year's cost at the end of the projection period (i.e., 75 years) and (2) the actuarial deficit does not reflect behavioral responses to the payroll tax rate increase. See 2021 Annual Report of the Social Security Board of Trustees, p. 5.

[11] As explained in the previous footnote, the payroll tax rate would have to increase by a projected 3.36 percentage points (12.40 + 3.36 = 15.76).

[12] Starting with the 1991 annual report, the trustees have presented three sets of alternative assumptions. Alternative I is a low-cost (most optimistic) set of assumptions, while Alternative III is a high-cost (most pessimistic) set of assumptions. These assumptions are intended to put the trust funds into the most advantageous and least advantageous positions, respectively. Alternative II, or the intermediate set of assumptions, is the set of assumptions that represents the trustees' best guess for the future economic, demographic, and programmatic experience. From 1981 through 1990, however, the trustees presented two sets of intermediate assumptions: II-A and II-B. The two scenarios also represented the trustees' best guess for future experience but with alternative II-B using more *robust* economic assumptions. The1991 annual report states: "In previous reports, when there were two intermediate sets of assumptions, [tests of the financial adequacy of the trust funds] were based on the alternative II-B assumptions. Comparisons of intermediate estimates in the 1991 report with corresponding estimates in the 1990 report are also based on the alternative II-B estimates in the 1990 report." See 1991 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, May 22, 1991, https://www.ssa.gov/OACT/TR/historical/1991TR.pdf, p. 1.

Figure 2. Social Security 75-Year Actuarial Balance, 1982-2021

as a Percent of Taxable Payroll



Source: Office of the Chief Actuary, *Disaggregation of the Long-Range Actuarial Balance for OASDI Program Since 1983*, April 2020, Table 1, https://www.ssa.gov/OACT/NOTES/ran8/an2020-8.pdf. See also The 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, August 31, 2021, Table IV.B5, p. 74, https://www.ssa.gov/OACT/TR/2021/tr2021.pdf.

Notes: For 1982, the graph includes the actuarial balance that was presented in the 1982 Annual Report of the Social Security Board of Trustees to give a frame of reference for the magnitude of the change achieved by the Social Security Amendments of 1983.

A summary measure taken out of context could lead to misconceptions about the true financial status of the Social Security program.[13] Specifically, the trustees warn against focusing solely on 75-year summary measures as they may lead to policies that pass short- and long-run financial adequacy tests but do not result in *sustainable solvency*. Sustainable solvency is achieved when the projected trust fund ratio is positive throughout the 75-year period and is either stable or increasing at the end of the period.[14] For this reason, the trust fund ratio is used to evaluate the financial status of the program in both the short run and the long run.

Financial Status

The system's projected actuarial deficit equal to 3.54% of taxable payroll (i.e., projected negative actuarial balance equal to 3.54% of taxable payroll) is a summary measure representing the program's long-run financial adequacy, *on average*. It is the difference between two other summarized measures: the summarized income rate and the summarized cost rate. This measure alone does not provide context as to the financial status of the program *on an annual basis*. Analyzing non-interest income and cost on an annual, or year-to-year, basis can provide the necessary context for understanding the financial status of the program throughout the projection period, not just on average over the entire period. Evaluating the system's non-interest income

[13] 2021 Annual Report of the Social Security Board of Trustees, see p. 76.

[14] 2021 Annual Report of the Social Security Board of Trustees, see p. 25.

and cost on an annual basis (its annual cash-flows) can identify funding shortfalls that are not observable with summary measures.

Since 2010, Social Security has had annual cash-flow deficits (i.e., program costs have exceeded non-interest income). In the 2021 annual report, the trustees project that, under the intermediate assumptions, annual cash-flow deficits will continue throughout the 75-year projection period.[15] The program can continue to pay full benefits on time while operating with cash-flow deficits during periods of positive trust fund balances, because asset reserves held by the trust funds can be redeemed to augment current tax revenues. However, this process cannot last indefinitely.

As discussed, the trust fund ratio was projected to be 253% in 2021 under the trustees' intermediate assumptions in the 2021 annual report. The trust fund ratio is projected to decline each year thereafter until trust fund reserves become depleted early in 2034.[16] The prospect of trust fund insolvency (i.e., depletion of trust fund reserves) differs from bankruptcy. Although the program would not be able to cover 100% of scheduled benefits on time with incoming tax revenues, the program would not be "financially broke" and unable to pay *any* benefits.[17] Rather, the trustees project that incoming tax revenues would be sufficient to pay 78% of scheduled benefits in 2034 and 74% of scheduled benefits by the end of the 75-year projection period (2095).[18]

What Does Trust Fund Insolvency Mean?

Currently, the asset reserves held by the Social Security trust funds supplement current tax revenues, allowing the system to pay 100% of scheduled benefits on time. If trust fund reserves become depleted, as projected, the trust funds would be considered *insolvent*. At that point, the program would continue to operate with incoming tax revenues only. The trustees project that, after the point of trust fund insolvency, incoming tax revenues would be sufficient to pay in the range of 75% of benefits scheduled under current law for the remainder of the 75-year period. (Projections are based on the intermediate assumptions in the trustees' 2021 annual report.)

Status of the Trust Funds in the Early 1980s

Beginning in 1973, the trust funds had run cash-flow deficits. The program's costs exceeded its non-interest income. That is, the financial situation was known to be deteriorating. In 1977, Congress had enacted major financing legislation to address funding shortfalls (Social Security Amendments of 1977, P.L. 95-216). An article published in 1978 described the financial situation leading up to the 1977 amendments as follows: "Beginning in 1975, annual outgo from the OASDI trust funds exceeded annual income [non-interest income and interest income combined] and the deficits were expected to grow in the future. The disability fund was expected to be depleted by early 1979 and the OASI fund in the early 1980's."[19] Despite the 1977 amendments, the depletion of trust fund reserves was an imminent threat in the early 1980s.

[15] 2021 Annual Report of the Social Security Board of Trustees, p. 13. The trustees also project that program costs will exceed *total income* (income including interest) beginning in 2021. After the 2021 annual report was published, data released by the Social Security Administration's Office of the Chief Actuary showed that program costs exceeded both non-interest income and total income in calendar year 2021 (https://www.ssa.gov/OACT/ProgData/allOps.html).

[16] 2021 Annual Report of the Social Security Board of Trustees, p. 68. See also the single-year supplemental Table IV.B4 at https://www.ssa.gov/oact/TR/2021/lr4b4.html.

[17] For more information, see CRS Report RL33514, *Social Security: What Would Happen If the Trust Funds Ran Out?*, by Barry F. Huston.

[18] 2021 Annual Report of the Social Security Board of Trustees, see Figure II.D2, p. 14.

[19] John Snee and Mary Ross, "Social Security Amendments of 1977: Legislative History and Summary of Provisions," *Social Security Bulletin*, March 1978, p. 3, https://www.ssa.gov/policy/docs/ssb/v41n3/v41n3p3.pdf.

In the early 1980s, the trust funds were close to exhaustion (i.e., the asset reserves held by the trust funds were nearly depleted). Under the program's financing structure at the time, the trustees cautioned that the system would be unable to pay full scheduled benefits on time within a relatively short period. The 1982 annual report, which was released in April of that year, stated that in the absence of legislative action, the OASI trust fund would soon be insolvent:

> Without corrective legislation in the very near future, the Old-Age and Survivors Insurance Trust Fund will be unable to make benefit payments on time beginning no later than July 1983. Under present law, and on the basis of any reasonable set of economic assumptions, the expenditures of the OASI program will continue to exceed income from payroll taxes and other sources through at least 1986. To date, benefit payments have been made on a timely basis by drawing down the assets of the OASI Trust Fund to cover the shortfall. This, of course, is the fund's purpose: to act as a contingency reserve during temporary periods when outgo exceeds income. At this time, however, the assets of the OASI Trust Fund have been reduced to such a low level that they will not be able to continue making up the difference between outgo and income much longer. If assets are allowed to decline to the point where their amount at the end of a particular month is less than the benefit payments falling due on the third of the following month, inability to pay some benefits on time for that month would result.[20]

Anticipating the need for legislative action to make benefit payments, but without consensus on specific legislation, Congress passed the Social Security Amendments of 1981 (P.L. 97-123). Among other things, the 1981 amendments allowed the OASI trust fund to borrow from the DI trust fund and the Medicare Hospital Insurance (HI) trust fund, both of which were in a relatively better financial position. The OASI trust fund was required to repay the borrowed amounts with interest and could not borrow more than what was required to pay full benefits through June 30, 1983.[21] If this interfund borrowing had not taken place, the trustees estimated the program would have been unable to pay some benefits on time beginning in 1982.[22]

Trust Fund Status: 1983 Versus Today

At the start of 1983, the OASI trust fund was months away from the point of exhaustion. At the start of 2022, the OASI trust fund is about 11 years away from the projected date of exhaustion (under the intermediate assumptions in the trustees' 2021 annual report). That is, current tax revenues supplemented by trust fund reserves are projected to allow the system to pay benefits scheduled under current law in full and on time for many years. Given this projection, it could be argued that the status of the trust funds in the early 2020s is more akin to the status of the trust funds in the early 1970s (as compared to the early 1980s). That is, while congressional action is

[20] The 1982 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, April 1, 1982, p. 2, https://www.ssa.gov/OACT/TR/historical/1982TR.pdf (hereinafter the 1982 Annual Report of the Social Security Board of Trustees).

[21] The 1981 amendments authorized the OASI, DI, and HI trust funds to borrow from one another through December 31, 1982. The amount of each transfer was limited to the amount needed to guarantee the payment of benefits for a six-month period. Interfund loans were required to be repaid with interest. In practice, based on the expiration date (December 31, 1982), the temporary interfund borrowing authority could be used only to transfer funds from the DI and HI trust funds to the OASI trust fund in amounts needed to guarantee the payment of benefits through June 30, 1983. See Bruce D. Schobel, "Interfund Borrowing Under the Social Security Act," *Social Security Bulletin*, vol. 46, no. 9 (September 1983), https://www.ssa.gov/policy/docs/ssb/v46n9/. Under current law, the OASI and DI trust funds are legally distinct and do not have the authority to borrow from each other (see 42 U.S.C. §401). As in the 1980s, any interfund borrowing would have to be authorized by Congress.

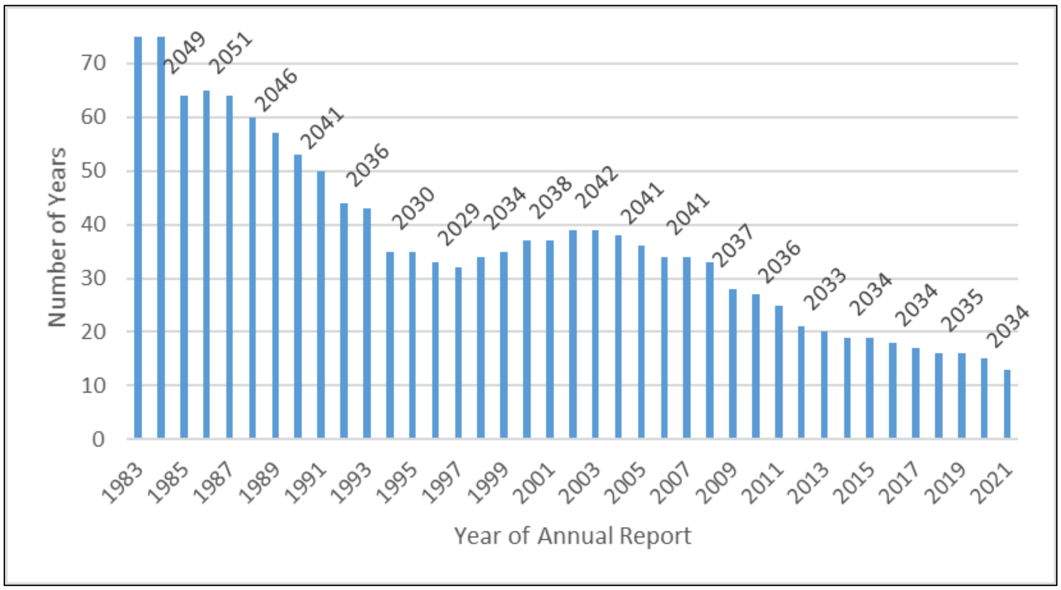
[22] The 1982 Annual Report of the Social Security Board of Trustees, p. 2.

needed to avoid a projected funding shortfall, the projected date of trust fund exhaustion provides a somewhat longer time frame for congressional action compared to the early 1980s.

Figure 3 shows the number of years until projected trust fund exhaustion under the intermediate assumptions in each annual report from 1983 through 2021. The trustees' projected date of insolvency for the combined OASDI trust funds has consistently been in the 2033-2035 time frame since the 2012 annual report. The figure also shows that, based on the trustees' best guess for the program's future experience, there is time to avoid the projected funding shortfall, similar to the early 1970s. If the future were to unfold in a manner similar to the intermediate projections, 1983 could serve as a corollary to the situation projected to occur in 2032 or 2033 (depending on the exact date of trust fund exhaustion in calendar year 2033).

Figure 3. Projected Number of Years Until Social Security Trust Fund Exhaustion, 1983-2021

With Projected Date of Trust Fund Exhaustion (Under Intermediate Assumptions)



Source: CRS, based on information from the Social Security Board of Trustees annual reports from 1983 to 2021.

Notes: The 1983 and 1984 annual reports projected the trust funds to remain solvent throughout the 75-year projection period. The chart uses information from the trustees' intermediate assumptions (alternative II). From 1983 to 1990, two intermediate forecasts were prepared (II-A and II-B). The intermediate II-B forecast corresponds more closely to the intermediate forecast in subsequent years.

One common characteristic between the program's financial status in the mid-1970s and the early 2020s is persistent annual deficits. As noted above, the program began running annual deficits (total costs exceeded total income) in 1975, and such deficits were expected to continue and grow. Many factors contributed to this, but projected low fertility and an ultimate higher ratio of beneficiaries to covered workers were key factors.[23] The ratio of beneficiaries to covered workers is important because Social Security is financed primarily on a *pay-as-you-go* basis. Payroll taxes

[23] Ibid. The cash-flow deficits, induced to some degree by this demographic imbalance, were partially addressed in the 1983 amendments by expanding coverage under the Social Security program. For example, the 1983 amendments made Social Security coverage mandatory for federal employees hired January 1, 1984, or later. By covering more workers, the imbalance in the ratio of beneficiaries to covered workers was alleviated.

paid by current workers (and their employers) finance benefit payments for current beneficiaries. In the 2020s, projected low fertility and a large number of beneficiaries relative to covered workers (i.e., those paying into the system) remain key contributing factors in the program's projected funding shortfall.[24]

Although the financial status of the trust funds in the early 2020s shows some similarities to the financial status in the mid- to late 1970s and early 1980s, there are important differences. One key difference is the magnitude of the cash shortfall in the OASI trust fund shortly before the 1983 amendments compared to that projected for the OASI trust fund in 2032, the year before projected trust fund depletion (under the trustees' intermediate assumptions in the 2021 annual report).[25] In late 1982, the OASI trust fund was able to borrow $17.5 billion (in current dollars) from the DI and HI trust funds, the amount needed to make full benefit payments through June 1983.[26] The OASI trust fund was projected to be depleted in late 1982; the interfund loans to the OASI trust fund ensured that all benefits were payable until the enactment of the 1983 amendments in April of 1983.

By comparison, in 2021, the cash shortfall for the combined OASDI trust funds was $126.4 billion (in current dollars), and it is projected to reach $449.2 billion (in current dollars) in 2033, the year before projected depletion of the OASDI trust funds.[27] The OASI trust fund is projected to be depleted sometime in 2033, and the *hypothetical* combined OASDI trust funds are projected to be depleted sometime in 2034, just one year later.[28] If Congress were to authorize interfund borrowing between the OASI and DI trust funds similar to what was done in the early 1980s, both trust funds would become depleted. That is, the DI trust fund is not projected to have sufficient assets to offset the projected deficit in the OASI trust fund. Although the DI trust fund is in a relatively better financial position, its projected depletion date (2057) is very sensitive to changes in cash flows. In 1982, when temporary interfund borrowing was authorized, the balance in the DI trust fund was projected to increase every year throughout the 75-year projection period.[29] In addition, interfund borrowing from the Medicare HI trust fund would not be an option today as it was in 1982. Under current law, the HI trust fund is projected to be depleted in 2026, earlier than

---

[24] For more information, see CRS Report R45990, *Social Security: Demographic Trends and the Funding Shortfall*, by Barry F. Huston.

[25] Comparisons of the 75-year actuarial deficit for the trust funds projected in the early 1980s and today can be misleading given changes in methodology and assumptions over time and other factors. However, a general comparison of cash shortfalls (cash-flow deficits) at specific points in time can be informative.

[26] Bruce D. Schobel, "Interfund Borrowing Under the Social Security Act," *Social Security Bulletin*, vol. 46, no. 9 (September 1983), https://www.ssa.gov/policy/docs/ssb/v46n9/. See Table 1 (Interfund loans to the OASI Trust Fund).

[27] For trust fund data for 2021, see Social Security Administration, "Trust Fund Data," https://www.ssa.gov/OACT/ProgData/funds.html. For trust fund data projected for 2033, see the 2021 Annual Report of the Social Security Board of Trustees, p. 230. See also the supplemental single-year table at Social Security Administration, "Operations of the Combined OASI and DI Trust Funds, in Current Dollars," https://www.ssa.gov/OACT/TR/2021/lr6g8.html. The projection for 2033 is based on the trustees' intermediate assumptions in the 2021 annual report.

[28] The DI trust fund is projected to be depleted in 2057, later than the OASI trust fund or the hypothetical combined OASDI trust funds (under the trustees' intermediate assumptions in the 2021 annual report). The DI trust fund represents a relatively small share of the total asset reserves held by the combined OASDI trust funds. At the end of calendar year 2021, the combined OASDI trust funds held $2.852 trillion in asset reserves. Of that total, the OASI trust fund held $2.753 trillion in asset reserves, and the DI trust fund held $99 billion in asset reserves. See Social Security Administration, Office of the Chief Actuary, "Social Security Trust Fund Data," https://www.ssa.gov/OACT/ProgData/funds.html.

[29] The 2021 Annual Report of the Social Security Board of Trustees, p. 4, and the 1982 Annual Report of the Social Security Board of Trustees, p. 3. For more information on changes in year-to-year projected depletion dates, see Table B-1 in CRS Report RL33514, *Social Security: What Would Happen If the Trust Funds Ran Out?*, by Barry F. Huston.

the OASI trust fund (2033), the DI trust fund (2057), and the combined OASDI trust funds (2034).[30]

When considering the magnitude of the system's projected funding shortfall under current law *on average over the next 75 years* and the time frame for congressional action, it can be informative to consider *hypothetical* illustrations provided by the trustees. For the combined OASDI trust funds to remain solvent throughout the 75-year projection period, the trustees project that an immediate and permanent payroll tax rate increase from 12.40% to 15.76% would be needed. Alternatively, an immediate and permanent benefit reduction of about 21% for all current and future beneficiaries would be needed (or about a 25% benefit reduction for newly eligible beneficiaries only). By comparison, if implementation of these hypothetical program changes is delayed until 2034, the trustees project that (1) a permanent payroll tax rate increase from 12.40% to 16.60% would be needed, or (2) a permanent benefit reduction of 26% in all benefits would be needed to maintain 75-year trust fund solvency. The trustees point out, "If substantial actions are deferred for several years, the changes necessary to maintain Social Security solvency would be concentrated on fewer years and fewer generations."[31]

These hypothetical illustrations show the degree to which the Social Security payroll tax rate would have to be increased or scheduled Social Security benefits would have to be reduced to maintain trust fund solvency on average over the 75-year projection period. That was the goal of lawmakers in 1983. The 1983 amendments included a combination of revenue increases and benefit reductions that were projected to restore trust fund solvency on average over the 75-year period. For some lawmakers, the goals may be different today. Social Security legislation introduced in more recent years reflects a range of approaches with respect to the timing, degree, and nature of proposed program changes. In some cases, for example, policy objectives such as benefit increases, eligibility expansions, or changes to certain provisions of current law that were established or modified as part of the 1983 amendments (i.e., provisions affecting individuals who have pensions from work not covered by Social Security) feature more prominently than restoration of 75-year trust fund solvency. These and other factors will play a role in the decision of lawmakers regarding when and how to address Social Security's projected funding shortfall.

1981-1983 Greenspan Commission

When considering current prospects for congressional action on Social Security legislation, people often look to the circumstances and events that led up to the passage of the Social Security Amendments of 1983 (P.L. 98-21), which was the last time Congress made major changes to the program. It can be informative to understand the system's financial status at the time, as well as the role of the 1981-1983 National Commission on Social Security Reform in the development of the 1983 amendments. The commission established by President Ronald Reagan by executive order is commonly referred to as the *Greenspan Commission* after its chairman, Alan Greenspan. An understanding of the Greenspan Commission's role in the early 1980s can shed light on one approach that was used in the past to reach consensus on a broad legislative package designed to address the system's financial imbalance.

[30] The 2021 Medicare trustees report projects that, under intermediate assumptions, the HI trust fund will be depleted in 2026, the same year as projected in the annual reports for the previous three years. For more information see, CRS Report RS20946, *Medicare: Insolvency Projections*, by Patricia A. Davis.

[31] The 2021 Annual Report of the Social Security Board of Trustees, pp. 5-6. Projections are based on the trustees' intermediate assumptions.

This section of the report provides information on the circumstances that led to the creation of the Greenspan Commission, as well as the commission's membership, activities, and policy recommendations. It provides information on congressional action leading up to the passage of the 1983 amendments and a brief assessment of the commission's effectiveness. Finally, it provides examples of subsequent presidential commissions that have made Social Security policy recommendations.[32]

Circumstances in the Early 1980s

Despite major financing legislation enacted by Congress in 1977,[33] the Social Security system was facing imminent insolvency in the early 1980s (i.e., depletion of trust fund reserves). The program had a short-term financing problem that was largely due to high inflation and lower-than-expected wages, as well as a projected long-term financing deficit. As the system's financial outlook worsened, pressure mounted for lawmakers to reach agreement on a Social Security legislative package.

In the fall of 1980, Congress had reallocated Social Security tax revenues from the DI trust fund, which was relatively financially sound at the time, to the OASI trust fund during 1980 and 1981.[34] The purpose was to maintain adequate reserves in both funds at least through the end of calendar year 1981 and allow Congress more time to consider options to improve the system's finances.[35]

In the summer of 1981, the Reagan Administration had proposed a Social Security reform package that relied heavily on benefit reductions and was generally received negatively by the public. In addition, the operations of the Social Security trust funds were counted as part of the unified federal budget at the time (i.e., Social Security's income and expenditures were included in federal budget totals), so Social Security reform was seen as part of a larger effort to reduce federal budget deficits while downsizing the federal government across the board.

In December 1981, President Reagan established the Greenspan Commission to review options and come up with a plan to restore financial balance to the Social Security system and ensure that beneficiaries would continue to receive their full benefits. By April 1982, while the commission's work was underway, projections showed that Social Security would no longer be able to pay full benefits on a timely basis starting in mid-1983.[36]

---

[32] This section is based on CRS Congressional Distribution Memorandum, *The 1981-1983 Greenspan Commission and Its Role in the Passage of the Social Security Amendments of 1983*, by Laura Haltzel and Dawn Nuschler, February 8, 2019; and information prepared by former CRS analyst Alison M. Shelton.

[33] Social Security Amendments of 1977 (P.L. 95-216).

[34] Reallocation of Social Security Taxes Between OASI and DI Trust Funds (P.L. 96-403).

[35] John A. Svahn and Mary Ross, "Social Security Amendments of 1983: Legislative History and Summary of Provisions," *Social Security Bulletin*, vol. 46, no. 7 (July 1983), p. 5, https://www.ssa.gov/policy/docs/ssb/v46n7/v46n7p3.pdf (hereinafter cited as Svahn and Ross).

[36] In its annual report published in April 1982, the Social Security Board of Trustees projected that the OASI trust fund would become insolvent by July 1983 if legislative changes were not made. See 1982 Annual Report, Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, April 1, 1982.

Creation of the Commission

In an address to the nation on September 24, 1981, President Reagan announced his intent to create a blue-ribbon commission to evaluate Social Security reform options.[37] The President stated:

> To remove Social Security once and for all from politics, I am also asking Speaker Tip O'Neill of the House of Representatives and Majority Leader in the Senate Howard Baker to each appoint five members, and I will appoint five, to a task force which will review all the options and come up with a plan that assures the fiscal integrity of Social Security and that Social Security recipients will continue to receive their full benefits.

President Reagan officially created the National Commission on Social Security Reform by Executive Order No. 12335 on December 16, 1981. The executive order outlined the commission's assignments as follows:

> *Sec. 2. Functions.* (a) The Commission shall review relevant analyses of the current and long-term financial condition of the Social Security trust funds; identify problems that may threaten the long-term solvency of such funds; analyze potential solutions to such problems that will both assure the financial integrity of the Social Security System and the provision of appropriate benefits; and provide appropriate recommendations to the Secretary of Health and Human Services, the President, and the Congress.
>
> (b) The Commission shall make its report to the President by December 31, 1982.[38]

Commission Members

The commission had 15 members: Five were selected by President Reagan, five were selected by Senate Majority Leader Howard Baker (in consultation with the minority leader), and five were selected by House Speaker Tip O'Neill (in consultation with the minority leader). Each was restricted from selecting more than three members from his own political party. President Reagan designated the chairman, Alan Greenspan. At the time, Greenspan was the head of Townsend-Greenspan and Co., and he was concurrently serving as a member of the President's Economic Policy Advisory Board. Previously, Greenspan had chaired President Gerald Ford's Council of Economic Advisors. Seven of the 15 commission members were sitting Members of the 97th Congress. The commission included eight Republicans and seven Democrats.

The seven Members of Congress who served on the commission are (in alphabetical order):

1. Representative Bill Archer (R-TX), ranking minority member of the Social Security Subcommittee of the House Committee on Ways and Means;
2. Senator William Armstrong (R-CO), chairman of the Social Security Subcommittee of the Senate Committee on Finance;
3. Representative Barber Conable (R-NY), ranking minority member of the House Committee on Ways and Means;
4. Senator Bob Dole (R-KS), chairman of the Senate Committee on Finance;
5. Senator John Heinz (R-PA), chairman of the Senate Special Committee on Aging;

[37] Svahn and Ross, p. 6.

[38] Executive Order 12335, "National Commission on Social Security Reform," December 16, 1981, http://www.ssa.gov/history/reports/gspan8.html.

6. Senator Daniel Patrick Moynihan (D-NY), ranking minority member of the Social Security Subcommittee of the Senate Committee on Finance; and
7. Representative Claude Pepper (D-FL), chairman of the House Select Committee on Aging.

The other eight individuals who served on the commission are (in alphabetical order):

1. Robert Ball, former commissioner of Social Security from 1962 to 1973;
2. Robert Beck, chairman and CEO of Prudential Insurance and a member of the President's Export Council;
3. Mary Falvey Fuller, vice president, Shaklee Corp., San Francisco, CA, and a member of the 1979 Advisory Council on Social Security;
4. Alan Greenspan, head of Townsend-Greenspan and Co., a member of President Ronald Reagan's Economic Policy Advisory Board, and former chair of President Gerald Ford's Council of Economic Advisors;
5. Martha Keys, former Member of Congress (D-KS) and former Assistant Secretary of the Department of Health and Human Services;
6. Lane Kirkland, president of the AFL-CIO;
7. Alexander Trowbridge, president of the National Association of Manufacturers and a member of the President's Task Force on Private Sector Initiatives; and
8. Joe Waggonner, consultant and former Member of Congress (D-LA).

Commission Activities

The commission met nine times over an 11-month period from February 1982 to December 1982, and a government official was present at all meetings. The commission did not hold public hearings. The commission reviewed the results of many hearings, previous commissions, studies, and reports. The commission also sought the advice of a number of experts who gave presentations to the commission. Eight experts provided statements or papers to the commission. The commission's 13 professional staff members prepared 67 analytical memoranda.

As of the last substantive meeting in November 1982, the commission agreed in concept on the following issues:

- The magnitude of the financing problem,
- Maintaining the structure of the Social Security program and not undermining its key principles,
- Incorporating a "fail safe" measure that would automatically increase revenues or decrease expenditures to sustain the program through financial crises, and
- Inclusion of a "stabilizer" provision to help insulate the program from economic uncertainties regarding the relative growth in wages and prices.

In addition, the commission came to substantial agreement on certain proposals:

- Coverage of certain payments under deferred compensation plans,
- The establishment of more current and easily understood trust fund investment procedures,
- Inclusion of two public members on the Board of Trustees of the Social Security trust funds,

- Removal of Social Security trust fund operations from the unified federal budget, and
- A study of the feasibility of establishing the Social Security Administration as an independent agency.[39]

By the last formal meeting on December 10, 1982, the commission had not developed consensus recommendations. There was widespread concern that the commission had failed. According to one account, the impasse was broken when Senator Dole published an op-ed in the *New York Times* calling for relatively modest steps instead of radical change, which sparked Senator Moynihan to approach Senator Dole personally to suggest trying again.[40] The two met the next day with Robert Ball. Subsequent meetings included Alan Greenspan and Representative Conable, creating a "gang of five" that met semi-secretly at Blair House (the President's guest house located across Pennsylvania Avenue from the White House), on Capitol Hill, and at the home of then-White House Chief of Staff James Baker. White House officials Richard Darman and David Stockman were also involved in the negotiations. President Reagan extended the original deadline for the commission's report (December 31, 1982) twice through Executive Orders 12397 and 12402.

Discussions among the smaller group of negotiators resulted in a consensus package that was projected to resolve two-thirds of the system's projected long-range actuarial deficit. Twelve of the 15 commission members endorsed the consensus package.[41] The three members of the commission who did not endorse the recommendations were Representative Archer (R-TX, ranking minority member of the Social Security Subcommittee of the House Committee on Ways and Means); Senator Armstrong (R-CO, chairman of the Social Security Subcommittee of the Senate Committee on Finance); and former Representative Waggonner (D-LA).

Commission Report

On January 20, 1983, the commission delivered its final report to President Reagan.[42] The commission's final recommendations followed the principle of balancing tax increases with benefit reductions, a principle that was first proposed by Senator Heinz in late 1982.[43] The commission also recommended unanimously that Congress not alter the fundamental structure of the Social Security program or undermine its fundamental principles in its deliberations on financing proposals.[44]

---

[39] Svahn and Ross, p. 7.

[40] There are several versions of how a small group of negotiators was formed. This version is taken from Robert M. Ball, *The Greenspan Commission: What Really Happened* (New York: The Century Foundation Press, 2010), p. 35.

[41] By one account, Senator Dole stated that the commission had come very close to failing to come up with a compromise. He stated that the commission would not have arrived at a package without the active participation of President Reagan, through his intermediaries, and House Speaker O'Neill (from a transcript of *The MacNeil-Lehrer Report*, January 17, 1983). See also Jane Perlez, "Gain Is Reported on 2-Part Accord on Social Security," *New York Times*, January 10, 1983, https://www.nytimes.com/1983/01/10/us/gain-is-reported-on-2-party-accord-on-social-security.html.

[42] Report of the National Commission on Social Security Reform, January 1983, available at http://www.ssa.gov/history/reports/gspan.html (hereinafter cited as Greenspan Commission Report).

[43] Ball, *The Greenspan Commission*, pp. 30-31.

[44] Greenspan Commission Report, ch. 2.

Estimates at the time showed that the commission's consensus package would resolve two-thirds of the system's projected long-range actuarial deficit.[45] Key recommendations, roughly balanced between revenue increases and benefit reductions, were to:

- make Social Security coverage mandatory for newly hired federal civilian employees and employees of nonprofit organizations;
- prohibit state and local governments from terminating Social Security coverage for their employees once coverage had been elected;
- delay the annual Social Security cost-of-living adjustment (COLA) from June to December, resulting in a one-time delay of six months in 1983;[46]
- make up to one-half of Social Security benefits subject to federal income taxes for certain beneficiaries and credit the revenues to the Social Security trust funds;[47]
- establish a "windfall elimination provision" to reduce Social Security benefits for workers who also receive pensions from employment that was not covered by Social Security;[48]
- increase the delayed retirement credit gradually from 3% per year to 8% per year (up to age 70) for people who delay receipt of benefits until after full retirement age;
- increase the Social Security payroll tax rate for self-employed workers, making it equal to the combined employer/employee payroll tax rate;
- accelerate scheduled increases in the Social Security payroll tax rate;
- increase benefits for certain widows/widowers and divorced spouses;
- base the Social Security COLA on the *lower* of (1) the increase in the Consumer Price Index (CPI) or (2) the increase in the Average Wage Index if the trust fund ratio is below 20%, with subsequent "catch-up" adjustments if the trust fund ratio is above 32%;[49]
- authorize interfund borrowing by the Social Security trust funds from the Medicare HI trust fund for 1983-1987; and
- remove the operations of the Social Security trust funds from the unified federal budget.[50]

---

[45] At the time, the system's projected long-range actuarial deficit was equal to 1.80% of taxable payroll. Estimates showed that the consensus package would eliminate two-thirds of the projected funding shortfall, an amount equal to about 1.22% of taxable payroll.

[46] For more information, see CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*, by Paul S. Davies and Tamar B. Breslauer.

[47] For more information, see CRS Report RL32552, *Social Security: Taxation of Benefits*, by Paul S. Davies.

[48] For more information, see CRS Report 98-35, *Social Security: The Windfall Elimination Provision (WEP)*, by Zhe Li.

[49] The CPI is a measure of price growth prepared by the U.S. Department of Labor, Bureau of Labor Statistics. The Average Wage Index is a measure of wage growth prepared by the Social Security Administration.

[50] The report states that the commission "believes that changes in the Social Security program should be made only for programmatic reasons, and not for purposes of balancing the budget. Those who support the removal of the operations of the trust funds from the budget believe that this policy of making changes only for programmatic reasons would be more likely to be carried out if the Social Security program were not in the unified budget" (Greenspan Commission Report, ch. 2). As part of the Social Security Amendments of 1983 (P.L. 98-21), Social Security was removed from the

Congressional Action

The commission's final report became the basis for H.R. 1900, the Social Security Amendments of 1983 (P.L. 98-21). H.R. 1900 incorporated the large majority of the commission's recommendations, along with additional provisions to resolve the remaining one-third of the system's projected long-range actuarial deficit.[51] The 1983 amendments made changes to Social Security and other programs authorized by the Social Security Act. The House report accompanying H.R. 1900 states that "the primary focus of [the legislation] is on restoring the financial soundness of the old age and survivors' insurance (OASI) program, which is facing severe cash shortfalls over the next 7 years."[52]

House of Representatives

On March 4, 1983, the House Committee on Ways and Means reported out H.R. 1900.[53] The bill included most of the recommendations of the Greenspan Commission, numerous additional relatively minor Social Security provisions, and other provisions mostly related to long-range financing issues.

On March 9, 1983, the House of Representatives debated H.R. 1900. Proponents of the bill maintained that, although there were many provisions that individuals or certain groups might find troublesome, there was an overriding need to deal quickly and effectively with the Social Security financing issues. Opponents questioned whether this was the best way to solve the system's financial difficulties. For example, many favored raising the retirement age instead of increasing Social Security payroll taxes.[54]

Before the 1983 amendments, *full* Social Security retirements benefits were payable beginning at age 65 (the full retirement age). *Reduced* Social Security retirement benefits were payable beginning at age 62 (the early retirement age). Benefits claimed before age 65 were subject to a permanent reduction for each month of benefit receipt from age 62 to age 65. The maximum reduction for early retirement was 20% (i.e., for benefits claimed at age 62 and a full retirement age of 65). Representative J. J. Pickle (D-TX) offered an amendment to increase the full retirement age gradually to 66 for people born 1943 to 1954 and to 67 for people born 1960 or later. Representative Pickle's amendment was approved by a vote of 228 (152-R, 76-D) to 202 (14-R, 188-D).[55] Reduced retirement benefits would continue to be payable beginning at age 62.

unified federal budget beginning in FY1993. For more information, see CRS In Focus IF11615, *The Social Security Trust Funds and the Budget*, by Barry F. Huston and Bill Heniff Jr.

[51] David Stuart Koitz, *Social Security Financing Reforms: Lessons from the 1983 Amendments*, CRS Report 97-741, July 24, 1997. This report is out of print. It is available from CRS upon request.

[52] U.S. Congress, House Committee on Ways and Means, *Social Security Act Amendments of 1983*, report to accompany H.R. 1900, 98th Cong., 1st sess., March 4, 1983, H. Rept. 98-25, Part 1 (Washington, DC: GPO, 1983), p. 1 (hereinafter cited as 1983 House Report 98-25, Part 1). Changes made to the Medicare, Unemployment Compensation, and Supplemental Security Income programs under P.L. 98-21 are not discussed in this CRS report.

[53] Information on House and Senate action on the 1983 legislation is from CRS Report RL30920, *Social Security: Major Decisions in the House and Senate Since 1935*, by Tamar B. Breslauer and William R. Morton. See the CRS report for additional details. In addition, for a complete legislative history of H.R. 1900, see Svahn and Ross.

[54] The final version of the bill as enacted raised the retirement age and made changes to the Social Security payroll tax. Specifically, it accelerated scheduled increases in the Social Security payroll tax rate for employers and employees, and it increased the Social Security payroll tax rate for self-employed workers, making it equal to the combined employer/employee payroll tax rate.

[55] *Congressional Record*, daily edition, March 9, 1983, House, Roll call no. 22, not voting 3, pp. H1064-H1065.

However, the maximum reduction for early retirement would increase from 20% to 30%. (The 30% reduction would apply for benefits claimed at age 62 and a full retirement age of 67.)

Representative Claude Pepper (D-FL) then offered a substitute amendment to increase the Social Security payroll tax rate from 6.20% to 6.73% (for employers and employees each) beginning in 2010. The amendment was rejected by a vote of 132 (1-R, 131-D) to 296 (165-R, 131-D).[56] The amendment would have superseded Representative Pickle's amendment to increase the full retirement age.

On March 9, 1983, the House passed H.R. 1900, as amended, by a vote of 282 (97-R, 185-D) to 148 (69-R, 79-D).[57]

Senate

On March 11, 1983, the Senate Committee on Finance reported out S. 1. As with the House bill, the committee adopted long-term financing measures along the lines of the recommendations of the Greenspan Commission.

On March 16, 1983, the Senate began consideration of H.R. 1900. Seventy-two amendments to the bill were offered on the Senate floor; the Senate adopted 49 of them. Among other differences with the House bill, the Senate version of H.R. 1900 would have (1) raised the full retirement age to age 66 for those reaching age 62 in 2011 or later and (2) deferred bringing newly hired federal employees into the Social Security program until the month following enactment of a new civil service retirement system.

On March 23, 1983, the Senate passed H.R. 1900, as amended, by a vote of 88 (47-R, 41-D) to 9 (6-R, 3-D).[58]

Conference Agreement[59]

The primary issue facing the House and Senate conferees was how to eliminate the system's remaining projected long-range funding shortfall. On March 24, 1983, conferees agreed to the final provisions of H.R. 1900. The conferees agreed to the House provision to raise the full retirement age by two years from 65 to 67. The Senate provision would have raised the full retirement age to 66. Senate conferees agreed to recede on the issue of mandatory Social Security coverage for newly hired federal employees. The Senate provision would have delayed mandatory coverage for new federal employees until a new civil service retirement system could be developed. Under the conference agreement, federal employees hired on or after January 1, 1984, were mandatorily covered under the Social Security program.

On March 24, 1983, the House passed the conference report by a vote of 243 (80-R, 163-D) to 102 (48-R, 54-D).[60]

On March 25, 1983, the Senate passed H.R. 1900, as agreed to in the conference report, by a vote of 58 (32-R, 26-D) to 14 (8-R, 6-D).[61]

---

[56] *Congressional Record*, daily edition, March 9, 1983, House, Roll call no. 24, not voting 5, p. H1079.

[57] *Congressional Record*, daily edition, March 9, 1983, House, Roll call no. 26, not voting 3, pp. H1080-H1081.

[58] *Congressional Record*, daily edition, March 23, 1983, Senate, Roll call no. 53, not voting 3, p. S3775.

[59] *Congressional Quarterly Almanac: 1983*, p. 226.

[60] *Congressional Record*, daily edition, March 24, 1983, House, Roll call no. 47, not voting 88, p. H1787.

[61] *Congressional Record*, daily edition, March 24, 1983, Senate, Roll call no. 54, not voting 28, p. S4104.

On April 20, 1983, President Reagan signed H.R. 1900 into law (P.L. 98-21).

Provisions in the Social Security Amendments of 1983 that were not part of the Greenspan Commission's recommendations include:

- a gradual increase in the full retirement age from 65 to 67;[62]
- "fail-safe" financing mechanisms, including speeding up the crediting of Social Security tax receipts to the trust funds and extending authority for interfund borrowing on a broader basis than recommended by the commission;
- provisions affecting dependents and survivors, including the elimination of remaining gender-based distinctions and modification of the Government Pension Offset, which reduces Social Security spousal and survivor benefits for people who also receive pensions from employment that was not covered by Social Security;[63] and
- provisions with relatively small impact on revenues or expenditures, including limitations on Social Security benefit payments to certain noncitizens residing outside the United States and convicted felons, expanded use of death certificates in verifying benefit eligibility, and others.

COLA Provisions Enacted in 1983

Following the Social Security Amendments of 1977 (P.L. 95-216), economic conditions proved far worse than projected at the time. In 1980, for example, the CPI increased 13.5% (compared to a projected increase of 4.7%), real wages declined 4.9% (compared to a projected increase of 2.4%), and unemployment was 7.1% (compared to a projected 5.2%).[64]

Increases in the CPI have a direct effect on Social Security program costs because the annual Social Security COLA is based on the change in prices as measured by the CPI. The Social Security COLA is based on a formula in the law that specifies the measure of price change and the measurement period to be used in the calculation.[65] The larger the increase in the CPI over the measurement period, the larger the annual COLA. The impact of CPI increases in the late 1970s on Social Security's finances is explained in the House report that accompanied H.R. 1900 (Social Security Amendments of 1983):

> ...each percentage point in the CPI increases trust fund costs by about $1.5 billion, so that the 1980 increase alone cost about $13 billion more than predicted. As a result, benefit increases raised trust fund outlays beyond expectations at precisely the time real wages were declining and unemployment was increasing, so that revenues have not kept pace with outlays. The OASI program has had to use reserves to make up for shortfalls in yearly income every year since 1977.[66]

[62] For more information, see CRS Report R44670, *The Social Security Retirement Age*, by Zhe Li.

[63] For more information, see CRS Report RL32453, *Social Security: The Government Pension Offset (GPO)*, by Zhe Li.

[64] 1983 House Report 98-25, Part 1, p. 13 (see table titled Comparison of Key Economic Indicators, 1977 Forecast and Actual Experience).

[65] The COLA provision is in Section 215(i) of the Social Security Act (42 U.S.C. §415(i)). The COLA is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). For more information, see CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*, by Paul S. Davies and Tamar B. Breslauer.

[66] 1983 House Report 98-25, Part 1, p. 12.

Among other cost-saving measures, the 1983 amendments included two provisions related to the Social Security COLA: (1) a 6-month delay in the 1983 COLA and a shift of subsequent COLAs to a calendar year basis, and (2) a trust fund stabilizer provision.[67]

Before the 1983 amendments, the annual Social Security COLA was effective in June (payable in July), and the COLA was applied without regard to the status of the trust funds (i.e., the level of trust fund reserves).[68] The 1983 amendments delayed the June 1983 COLA until December 1983 (payable in January 1984) and made all subsequent COLAs effective in December (payable in January).[69] In addition, the 1983 amendments included a trust fund stabilizer provision under which Social Security COLAs are based on the *lower* of (1) the increase in the CPI or (2) the increase in average wages if the combined trust fund balance drops below a specified level (below 15% of outlays through 1988 or below 20% of outlays beginning in 1989). Benefits are later adjusted to reflect full cost-of-living increases if the combined trust fund balance rises above a specified level (above 32% of outlays).[70] The trust fund stabilizer provision remains in effect under current law but has never been triggered.

Effectiveness of the Commission

By the last formal meeting on December 10, 1982, the commission had failed to develop consensus recommendations. The impasse was broken when a smaller group of commission members and White House officials began to meet privately in December 1982. In the end, the recommendations in the commission's final report were projected to resolve two-thirds of Social Security's projected long-range funding shortfall, leaving Congress to resolve the rest. Robert Ball, a commission member and former Social Security Commissioner, stated:

> Nothing, however, should obscure the fact that the National Commission on Social Security Reform was not an example of a successful bipartisan commission. The commission itself stalled—essentially deadlocked, despite continuing to talk—after reaching agreement on the size of the problem that needed to be addressed…. A commission is no substitute for principled commitment.[71]

Ball credits the success of the extraordinary negotiations in January 1983 to several factors: Alan Greenspan's "low-key, completely fair handling of his chairmanship;" the fact that "the key people in the final negotiations fortunately were the least ideological and most flexible of all the people involved since the inception of the commission;" "negotiations by proxy" whereby President Reagan and House Speaker O'Neill were always kept current but never committed

[67] Additional information on the COLA provisions enacted in 1983 is provided to address questions received by CRS.

[68] At the time, the COLA was measured from the average CPI of the first quarter of the previous year in which a benefit increase was provided to the average of the first quarter of the current year. In addition, no COLA was provided in any year in which the increase in the CPI was less than 3%. (There was a 3% trigger.)

[69] All subsequent COLAs were based on the increase in the CPI from the third quarter of the last year in which a COLA was provided to the third quarter of the current year. For the December 1983 COLA only, the 3% trigger was waived. During 1986, inflation slowed to a rate that made it unlikely that the 3% trigger would be met. As part of the Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509), the 3% trigger for Social Security COLAs was eliminated, allowing a 1.3% COLA to be authorized for December 1986 (payable in January 1987). Under current law, Social Security benefits are increased automatically if there is an increase of at least 0.1% in the CPI over the measurement period. If there is a less than 0.1% change in the CPI, benefit levels remain the same.

[70] U.S. Congress, Conference Committee, *Social Security Amendments of 1983*, conference report to accompany H.R. 1900, 98th Cong., 1st sess., March 24, 1983, H. Rept. 98-47, pp. 121-122 and p. 131, https://www.finance.senate.gov/imo/media/doc/Conf-98-47.pdf.

[71] Ball, *The Greenspan Commission*, p. 70.

themselves publicly until the last day of negotiations; and the threat of imminent insolvency of the Social Security system.[72]

Post-1983 Commissions

Since 1983, other presidential commissions have studied potential changes to the Social Security program to address financing issues and other policy objectives. In some cases, the commission's focus was exclusively on Social Security. In other cases, the commission's focus was on broad, government-wide deficit reduction efforts. Examples are provided below.

2001

In May 2001, President George W. Bush established the President's Commission to Strengthen Social Security.[73] The 16-member commission appointed by President Bush was composed of eight Republicans and eight Democrats. The commission was directed to make recommendations on ways to "modernize and restore fiscal soundness to the Social Security system" in accordance with six guiding principles. One of the principles mandated the creation of voluntary personal retirement accounts as a component of the Social Security program.

On December 21, 2001, the commission issued its final report, *Strengthening Social Security and Creating Personal Wealth for All Americans*.[74] The report, which was unanimously approved by the commission, included three alternative plans for reforming Social Security. Under all three plans, workers could choose to invest in personal retirement accounts and their traditional Social Security benefits would be reduced (offset) by some amount. There was no congressional action on any of the three plans developed by the commission.

2010

In February 2010, President Barack Obama established the National Commission on Fiscal Responsibility and Reform.[75] The 18-member commission was composed of (1) six members appointed by President Obama (including the two co-chairs); (2) six Senators—three appointed by the Senate majority leader and three appointed by the Senate minority leader; and (3) six Representatives—three appointed by the Speaker of the House and three appointed by the House minority leader. The commission (commonly known as the Fiscal Commission or the Simpson-Bowles Commission after co-chairs Alan Simpson and Erskine Bowles) was charged with "identifying policies to improve the fiscal situation in the medium term and to achieve fiscal sustainability over the long run." In addition, the commission was directed to "propose recommendations that meaningfully improve the long-run fiscal outlook, including changes to

[72] Ball, *The Greenspan Commission*, p. 69.

[73] Executive Order 13210, "President' Commission to Strengthen Social Security," 66 *Federal Register* 22895, May 2, 2001, https://www.federalregister.gov/documents/2001/05/04/01-11505/presidents-commission-to-strengthen-social-security.

[74] President's Commission to Strengthen Social Security, *Strengthening Social Security and Creating Personal Wealth for All Americans*, December 2001, https://www.ssa.gov/history/reports/pcsss/Final_report.pdf.

[75] Executive Order 13531, "National Commission on Fiscal Responsibility and Reform," 75 *Federal Register* 7927, February 18, 2010, https://www.federalregister.gov/documents/2010/02/23/2010-3725/national-commission-on-fiscal-responsibility-and-reform.

address the growth of entitlement spending and the gap between the projected revenues and expenditures of the Federal Government."

On December 1, 2010, the commission issued its final report, *The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*.[76] The commission made a number of recommendations with respect to Social Security benefits and tax revenues. There was no congressional action on the Social Security component of the plan developed by the commission.

Recent Commission Proposals

In recent years, there have been proposals calling for new commissions to study Social Security and make recommendations for the purpose of developing legislation. In some cases, Congress would be required to act on any such legislation. In the 117th Congress, for example, Representative Mike Gallagher and Senator Mitt Romney introduced the Time to Rescue United States Trusts Act of 2021. The measure was introduced in the House on April 15, 2021 (H.R. 2575) and in the Senate on April 21, 2021 (S. 1295). Congress.gov provides the following summary of the measure:

> This bill establishes congressional rescue committees to develop recommendations and legislation to improve critical social contract programs.
>
> A critical social contract program is a federal program
>
> • for which a federal trust fund is established (e.g., Social Security, Medicare, and federal highway programs),
>
> • with outlays of at least $20 billion during the year preceding the year in which this bill is enacted, and
>
> • for which the amount of dedicated federal funds and federal trust fund balances will be inadequate to meet the total amount of outlays of the program that would otherwise be made.
>
> Each rescue committee may develop recommendations and legislation to improve the program for which it was established, including by (1) increasing the duration of positive balances of the federal trust fund established for the program, and (2) providing for the solvency of the federal trust fund established for the program during a 75-year period.
>
> Congress must use specified expedited legislative procedures to consider legislation that is approved and submitted by the rescue committees.[77]

Looking Ahead

The experiences of the past can inform the debate about future changes to the Social Security program to address financing issues and other policy objectives. The experience of the Greenspan Commission, for example, can shed light on one approach that was used in the past to reach consensus on a legislative package designed to restore financial balance to the system. That approach may or may not have the same outcome today. In 1983, the Social Security trust funds were facing imminent insolvency. When the Social Security Amendments of 1983 were signed into law in April 1983, the program was within *months* or *weeks* of being unable to pay full

[76] National Commission on Fiscal Responsibility and Reform, *The Moment Of Truth: Report of the National Commission on Fiscal Responsibility and Reform*, December 2010, https://www.ssa.gov/history/reports/ObamaFiscal/TheMomentofTruth12_1_2010.pdf.

[77] Information is from Congress.gov as of February 24, 2022.

scheduled benefits on time. Today, projections show that the program can continue to pay full scheduled benefits on time for just over a decade. Despite the relatively longer time frame, the Social Security Board of Trustees recommends that lawmakers "address the projected trust fund shortfalls in a timely way in order to phase in necessary changes gradually and give workers and beneficiaries time to adjust to them."[78] From the perspective of lawmakers, the time frame for making changes to the program may or may not be viewed as requiring "immediate" action.

In addition, the approach taken in 1983 may or may not reflect the policy objectives of lawmakers today. For example, the Greenspan Commission was asked to study the Social Security program's financing problems (short term and long term) and recommend ways to solve the system's financial imbalance. At the time, the policy debate was not about fundamental reform but rather how to balance the system's finances by increasing income and reducing costs. The commission's recommendations followed the principle of balancing tax increases with benefit reductions. The program changes enacted in 1983 may or may not reflect current policy objectives. Today, Social Security legislation reflects a variety of policy objectives that go beyond restoring financial balance to the system. Some proposals, for example, favor benefit increases over benefit reductions, and other program expansions. Other proposals, for example, would alter provisions of current law that were established or modified as part of the 1983 amendments, such as the Windfall Elimination Provision and the Government Pension Offset.

Similarly, in 1983, there was a focus on restoring Social Security trust fund solvency *on average* over the next 75 years (the traditional long-range projection period).[79] In recent years, some proposals have aimed to restore trust fund solvency for the next 75 years *and beyond* (sustainable solvency), while others have aimed to extend trust fund solvency for some additional number of years (not necessarily 75 years and in some cases for relatively few years). Looking ahead, the timing, degree, and nature of any future changes to the Social Security program will reflect the policy objectives of lawmakers engaged in the debate today.

Author Information

Barry F. Huston
Analyst in Social Policy

Dawn Nuschler
Specialist in Income Security

[78] 2021 Annual Report of the Social Security Board of Trustees, p. 6.

[79] For more information, see CRS In Focus IF11851, *Social Security Long-Range Projections: Why 75 Years?*, by Dawn Nuschler.

Disclaimer