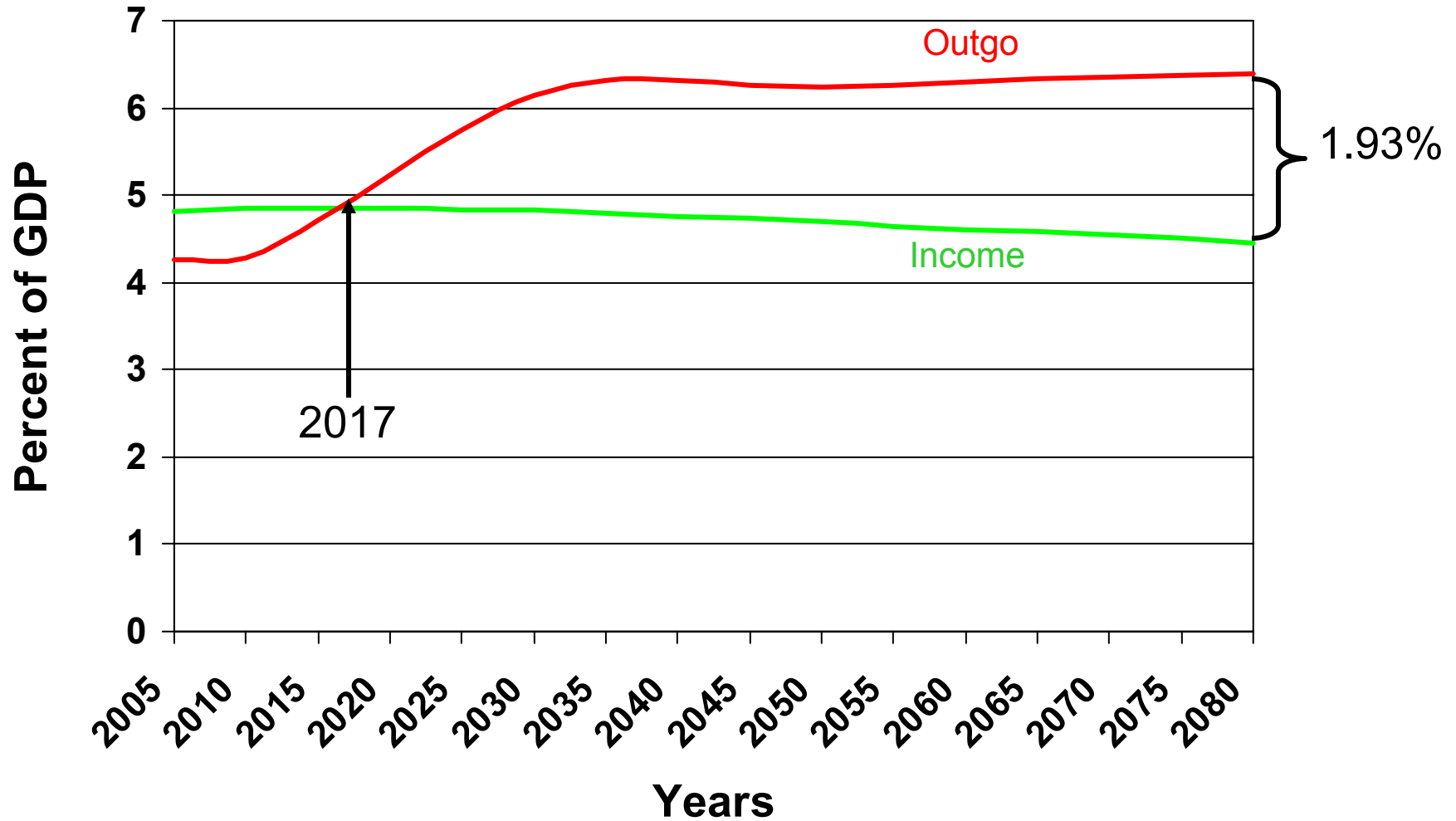


Public Pension Reform Brief Overview

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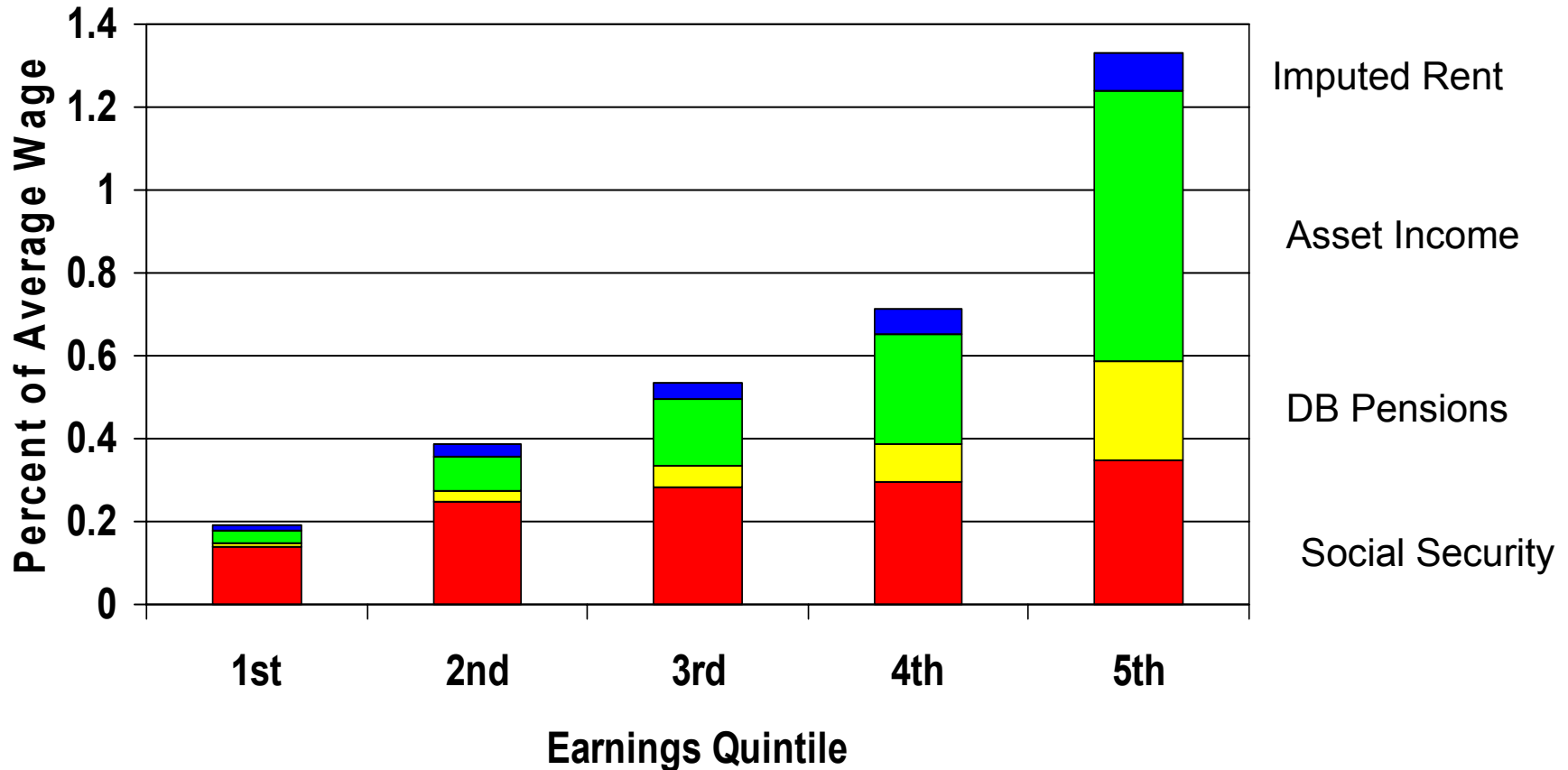
OASI Income and Outgo



Measures of Shortfall

Period	Discounted	As Percent of:	
	Present Value	Taxable Payroll	GDP
2005-2078	\$4.0 trillion	1.8	0.6
2005-Infinity	\$11.1 trillion	3.5	1.2
2078		5.8	1.9

Non Labor Income by Lifetime Earnings Quintile, 2035 Retirees



Projected Replacement Rates with and without SMI Premium

	Theoretical Average Earner	Actual Average Benefit		
		Total	Male	Female
2004:				
Annual Benefit	\$14,209	\$11,082	\$12,481	\$9,583
Percent of Ave Wage	41.9	32.7	36.8	28.3
-- after SMI premium	39.6	30.3	34.5	25.9
2080:				
Annual Benefit (2004\$)	\$28,421	\$22,166	\$24,965	\$19,167
Percent of Ave. Wage	36.3	28.3	31.9	24.5
-- after SMI premium	30.6	22.6	26.2	18.8

Issues Under Discussion

1. Ideas with measurable (though not majority) support
 - a. Private accounts (but only until 2017?)
 - b. Increase in contribution ceiling (from \$90,000 (85%) to as much as \$175,000 (90%)?)
 - c. Reduction in benefits for higher earners. By 2075, “progressive price indexing” could reduce benefits by:
 - 42% for “high earner” (1.6 times average)
 - 28% for “average earner”
2. Ideas currently lacking measurable support
 - a. Contribution rate increase
 - b. Retirement age increase
 - c. Mandates to increase coverage of private pension system

Retirement Plan Participation, Private Wage and Salary Workers, 2001

