Social Security Policy Procrastination:

A Behavioral Economics Response

John A. Turner[i]

Pension Policy Center

Jaturner49@aol.com

March 2017

John A. Turner
Director
Pension Policy Center
3713 Chesapeake St. NW
Washington, DC 20016
Jaturner49@aol.com

Abstract

Behavioral economics has focused on the shortcomings in decision making by individuals, but some of the same shortcomings can be observed in the decision making of government. In particular, policy inertia is a characteristic of the political process of Social Security reform in the United States. The last major legislated change to Social Security occurred more than three decades ago (in 1983) and was made to avert a crisis. Policy inertia is sometimes called Congressional gridlock, but it is also an aspect of presidential politics. Delay in reforming Social Security is costly to American workers because the longer the delay, the larger the tax increases and benefit cuts that will be required to restore solvency. Our proposal applies three insights from behavioral finance to behavioral public finance: the use of defaults, the "save more tomorrow" concept, and the use of salience—raising the salience of the need for reform, while lowering the salience of the reform.

"Neither Medicare nor Social Security can sustain projected long-run program costs in full under currently scheduled financing, and legislative changes are necessary to avoid disruptive consequences for beneficiaries and taxpayers. If lawmakers take action sooner rather than later, more options and more time will be available to phase in changes so that the public has adequate time to prepare. Earlier action will also help elected officials minimize adverse impacts on vulnerable populations, including lower-income workers and people already dependent on program benefits…."

"*The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*,"

Social Security Trustees (2014)

"To do nothing is within the power of all men."

Samuel Johnson (1709-1784)

Social Security has insufficient funding to pay for promised benefits, with the problem growing worse over time. The uncertainty as to the future level of benefits provided by the U.S. Social Security program because of its projected insolvency is a risk to many workers participating in the system because they may receive less benefits in retirement than they were expecting. Policy risk is the risk as to the nature of future reforms and the resulting unpredictability of future benefits for workers trying to plan for retirement. Diamond (1994) argues that political risk is one of the biggest problems facing the Social Security system, that risk being the risk related to policymaking, or in this case lack of policymaking.

Behavioral economics has focused on the shortcomings in decision making by individuals. People procrastinate when decisions are complicated or unpleasant and they are able to postpone taking action. However, some of the same shortcomings also can be observed in the decision making of government. Congress has a long history of exercising its power to do nothing until the last moment when it comes to dealing with Social Security reform. While some of the causes of procrastination by workers may

differ from the causes for procrastination by Congressional policy makers, some of them arguably are similar.

Behavioral economics has moved beyond identifying behavioral shortcomings in individual decision making and has developed policy for dealing with those shortcomings. This paper applies insights concerning individual decision making to decision making by government. In particular, it argues that the use of defaults which has been effective in dealing with the procrastination of workers may also be useful in dealing with the procrastination of Congress.

The U.S. approach to Social Security policymaking needs to be reformed. This paper argues for a reform of the political process based on insights from behavioral economics. We apply the concept of defaults to deal with inertia in Congress concerning enacting policy to restore the solvency of Social Security. We use the concept of choice architecture in the context of Congress. Defaults work best when they are consistent with what the person or entity believes that they should do. The proposal is based on experience in Canada and Japan with policies that help maintain the solvency of social security programs in those countries.

The paper is organized as follows. It first discusses the significance of the year 2034 as representing the future of retirement income in the United States. It discusses the literature relevant to policy inertia and choice architecture. It then discusses the costs of inertia as background for why the issue of timely reform of Social Security is important. Following that, the paper presents a proposal for dealing with policy inertia. The proposal has two parts. The first part deals with democratic processes and can be thought of as the effect of policy on these processes. The second part presents two different options for a default for Social Security reform. The paper then offers concluding comments.

2034

The year 2034 is 50 years after 1984, a significant year because it was the title of a book by George Orwell (1949) that described a bleak future because of excessive government control resulting in a loss of individual freedoms. The year 2034 represents a bleak future for the retirement income of many Americans. While Orwell’s book is

about a government that does too much in regulating society, the story of 2034 is about a government that does too little in terms of timely policy making.

Social Security Trustees traditionally have reported on the financial status of the combined Old-Age and Survivors Insurance (OASI) Trust Fund and the Disability Insurance Trust Fund (DI). After the last major reform of Social Security in 1983, Social Security (OASDI) was projected to have adequate financing through 2063. As of 2016, however, the combined funds are projected to run out of money in 2034, with the Old-Age and Survivors Insurance (OASI) program running out of money in 2035. Starting then, current and future retirees will take a 21 percent cut in their benefits if financing reforms are not made (Social Security Trustees 2016). That cut would be an average of $10,000 a year for a couple retiring that year (MacGuineas 2016), and $100,000 in lifetime benefits for a typical 50-year-old (Goldwein 2016) .

Other analysts find that the insolvency of Social Security may occur sooner than the Social Security actuaries currently predict. The Technical Panel on Assumptions and Methods (2015), a panel that reviewed the assumptions Social Security uses to calculate its projections, argues that life expectancy will improve more quickly than is projected by the Social Security actuaries, and that the date of insolvency will be 2033.

The Congressional Budget Office (2015a) also predicts that life expectancy will improve more rapidly than projected by the Social Security actuaries, resulting in an earlier date of insolvency. Its *2016 Long-Term Budget Outlook* report (Congressional Budget Office 2016) projects that insolvency of OASI will occur in 2029. These projections indicate that people fairly close to retirement face uncertainty as to what their Social Security benefits will be, and this situation makes it difficult for them to assess their retirement readiness and plan for retirement.

Inertia

The concept of inertia has been applied to the behavior of individuals failing to make desirable changes because they are resistant to change (Madrian and Shea 2001, Choi et al. 2002; see also Turner, Klein and Stein 2016 for an example of lack of inertia, when inertia would have been desirable). This paper applies the concept of inertia to the political process in Congress. In Congress, however, inertia is not just the

result of individual behavior; it also results from the interaction of the Democratic and Republican parties. Thus, while some aspects of the analysis of individual behavior may apply, other issues relating to the political process also are relevant.

Inertia is an extreme form of under-reaction to a problem. Social Security policy inertia is an aspect of presidential politics as well as Congressional politics. The lack of meaningful discussion in the 2016 presidential campaigns about reforming Social Security suggests that the problem of Social Security financing may not be solved in the next four years. Neither major candidate provided a detailed proposal for Social Security reform, with both indicating they would raise benefits, which would make solving the problem of the future insolvency more difficult. In addition, several members of Congress made proposals for Social Security reform in 2016 (Social Security Administration 2016), but no action was taken on these proposals. While experts understand the costs of delay, it appears that the public generally does not. As a consequence, little public pressure is placed on politicians for timely Social Security reform, though some organizations, such as the Committee for a Responsible Federal Budget (2016) are advocating for timely reform.

With Social Security having long been called the “third rail” of politics, a moniker coined by former House Speaker Tip O’Neill, reform may not occur until the last moment. The “third rail” refers to the electrified rail of the Washington, D.C., subway system, which presumably causes death if you touch it.

With rational public policy, Social Security would be reformed as quickly as possible because the problem gets worse with delay (Committee for a Responsible Federal Budget 2016). Because the problem gets worse with delay, the process can be thought of as one of accumulating errors, which are errors that get worse over time. As indicated in the Social Security Trustees report for 2014, with nearly an identical plea in the 2015 and 2016 reports, and in Trustees reports going back more than a decade, needed reforms are less drastic if they are done without further delay because the effects of the reforms are spread out over a longer time period and their effect is spread over more workers. Realistically, however, under the current system of policymaking, that is not likely to happen. In the mid-1990s, Steuerle and Bakija (1994) noted, “That future reform is inevitable, and not simply a political intention, is crucial for policymakers

and the American public to comprehend." Two decades later, the statement is true with even greater force, but reform has not yet occurred.

Policy inertia is the failure to change a public policy in the face of incentives or the future necessity to do so. The default for policy to reform the Social Security program is that no action is taken until a crisis forces Congress to act in order to prevent a benefit cut, which will happen if no action is taken.

In 2015, Congress closed a few loopholes in Social Security benefit calculations, but it did not address the long-run insolvency of Social Security. It dealt with the impending funding shortfall of the Disability Insurance (DI) Trust Fund, which could have provided the opportunity to also deal with the funding shortfall of the OASI Trust Fund. The 2015 Social Security reforms were a missed opportunity by Congress to address Social Security's major problems. Failing to take that opportunity, and delaying to the last moment to deal with the insolvency of the DI trust fund, suggests that the country may be headed toward another Social Security crisis. Congress has not made any significant changes to address the future insolvency of Social Security. The goal of responsible policy making ideally would have provided the incentive for action.

From the personal perspective of members of Congress, however, the need for change is not immediate. They face little pressure from constituents to deal with the problem, which can only be solved with unpopular changes. Because the crisis is far enough away to be outside of the likely tenure of many members of Congress, they can avoid facing the issue entirely and push it down the road for future politicians to deal with. Even for members of Congress who expect to be in office at that time, time discounting of an event that far off may make it seem like it is not important to deal with currently. In these respects—no immediate need for making difficult changes—the cause of the inertia of members of Congress is similar at least to some extent to the cause of inertia of workers failing to save for retirement by participating in a 401(k) plan.

Literature

This section discusses the literature relevant to the reform of the Social Security reform process.

Inertia. The concept of inertia has been used in the context of lack of change by both participants and non-participants in 401(k) plans (Madrian and Shea 2001, Choi et al. 2002, Muller and Turner 2013).

Several possible causes of inertia in the context of enrolling in a pension plan have been identified in the literature (e.g., Turner and Verma 2007). Inertia can be due to inattention as to the reasons for a change. It can be due to procrastination, sometimes called present bias, when a person recognizes that a change would be desirable, but that there are costs to making the change. Procrastination can be due to high discounting of the future, so that future benefits have relatively little weight. It can be due to high transactions costs in making a change. Abeler and Jäger (2015) in their study of the effects of complexity in taxes find that complexity of the decision environment is an important catalyst of behavioral anomalies, such as the status-quo bias and inertia. All of these causes of inertia for workers arguably are also causes of inertia for Social Security policy makers in Congress.

Hoskins (2010) discusses whether the length of the 75-year projection period for evaluating Social Security financing is a factor in U.S. policy inertia. He notes that the United States is an outlier with respect to the length of its actuarial projections, with Germany requiring projections of 15 years, and several European countries, including France, requiring projections of 30 to 40 years. Japan, however, uses actuarial projections of 95 years. He raises the question as to whether a shorter time horizon might result in more frequent reforms in some countries. The idea that Social Security reform must correct funding for 75 years and beyond raises the hurdle as to the type of changes that are considered acceptable. For example, Brandon (2014) presents potential Social Security fixes, but focuses entirely on fixes required to return solvency for the 75-year horizon. The 75-year projection horizon is used in part because most workers starting work in the year the projection is made would have died by the end of the period. That motivation for a 75-year projection period, however, does not imply a need for restoring solvency for 75 years.

The Social Security annual cost rate is the ratio of the cost of the program, mainly benefit payments, to taxable payroll. Because the long-run trend of the cost rate is generally upward, reforms for longer time periods must involve larger changes, while

reforms done earlier involve smaller changes. Reforms for shorter time periods can be incremental, and thus presumably would be easier to pass, but would require more frequent legislative action. A shorter projection period would presumably facilitate reform because reforms could be made in smaller increments and the more timely nature of such reforms would also facilitate smaller changes.

Buffin (2014) develops the concept of an equilibrium rate of contribution that would be required to restore 100 percent solvency for Social Security so as to enable scheduled benefits to be paid in full for projection periods of 25, 50, and 75 years. Corresponding to the existing OASI payroll tax rate for workers of 6.20 percent of covered earnings, the required equilibrium rates would be 6.51 percent for 25 years, 7.19 percent for 50 years, and 7.49 percent for 75 years.

While it would be desirable to fix Social Security's financing for a longer period, and that would involve fewer legislative actions by Congress, solving it for the shorter period has a couple of advantages. First, the required changes are smaller if solved immediately for a shorter period rather than a longer period. Second, the eventual changes required for the out years may be smaller if the short-term problem is solved immediately than if the reform is put off to the last moment.

Political scientists argue that political gridlock is a weakness of the presidential form of government (Brady and Volden 2006). With a parliamentary government, when the ruling party has a majority in parliament, it is relatively easy to pass legislation that the prime minister wants. That would be similar to the situation when the president and the majority party in both the House of Representatives and the Senate are from the same party. Even with coalition governments involving multiple parties, there may be more pressure for consensus in the parliamentary form of government than in the presidential form, where the two parties have pressure for consensus within the party, but that may not lead to a sufficient number of votes to pass legislation. Political polarization may also play a role, with the two parties being less willing than in the past to compromise. Turner and Klein (2015) discuss policy inertia in the context of the benefit eligibility age for Social Security and the Military Retirement System, noting that policy inertia with respect to adjusting those benefit eligibility ages is considerably

greater in the United States than in a number of other countries that have parliamentary systems of government.

Policy inertia concerning Social Security could occur in part because of the current era of Social Security retrenchment, with benefits being cut, rather than being increased as was the case early in the history of Social Security. Enacting policy to make Social Security more generous was easier than enacting policy to cut it back. Making Social Security more generous permitted credit claiming by politicians, while cutting benefits or raising taxes involves blame avoidance. In addition, since earlier reforms have already cut benefits and raised taxes, further cuts in benefits and increases in taxes are more difficult.

Relating to inertia, another concept from behavioral economics is inattention, which is related to the salience of a problem. Inertia may result from inattention. The proposal in this paper has a feature that would better focus the attention of Congress on the problem. However, it appears from observing the various attempts of Members of Congress to propose Social Security reform legislation that the problem is not entirely inattention but also the difficulty of Congress to agree on a reform in the absence of pressure to do so.

Prisoner's Dilemma. Steuerle (2014) argues that the gridlock in Congress concerning reforms that involve tax increases or benefit cuts is due to the "prisoner's dilemma". In game theory, the prisoner's dilemma is a dilemma of trust and self-interest in a two-player game. For example, if two people are arrested for a crime, both having taken part in the crime, and they are interrogated separately (so that they cannot confer on a strategy of testimony), if neither testifies against the other, their likely punishment is reduced. However, if one does not testify against the other, but the other does testify, then the one that does not testify is likely to get a harsher punishment and the one that does testify is likely to get a more lenient punishment. If both testify against the other, then the both are likely to get harsher punishments.

The logic of the prisoner's dilemma can be applied to the process of Social Security reform. If both political parties accept a package of benefit cuts and tax increases, both changes incurring the displeasure of different segments of the electorate, the "punishment" of both parties through the electoral process will likely be

mild. However, if one party proposes and implements such a package and the other opposes it, the implementing party is likely to be punished by the electorate and the opposing party to be rewarded.

Social Security politics differs, however, in important ways from the scenario of the prisoner's dilemma. The two parties can confer and they, in principle, can decide on a strategy of balanced reform. In reality, however, neither side seems to be willing to compromise. They both seem to take the strategy of letting the other side propose and enact a reform, with the non-reforming side criticizing the reform. Another major difference from the prisoner's dilemma is that the punishment is by the electorate. This aspect of the dilemma seems to confirm the saying that "we get the government we deserve." If the electorate rewarded political parties for taking responsible steps to reform Social Security, the prisoner's dilemma would not occur.

Cost of Inertia. The Committee for a Responsible Federal Budget (2016) makes the case that it is important to overcome inertia and to reform Social Security as soon as possible. It argues that it is a myth that Social Security reform can be postponed without serious consequences. It notes that if Social Security insolvency were fixed by benefit cuts, the cuts would need to be 16 percent in 2016, 20 percent if postponed to 2026 and 23 percent if postponed to 2034. If the benefit cuts excluded people currently receiving benefits and only applied to people retiring after the benefit cuts, the cuts would need to be 20 percent in 2016, 33 percent in 2026, and it describes the cuts as impossible to restore solvency in 2034. If the reform exempted people age 55 and older, and if it was phased in, both reasonable options, the ultimate increase in benefit cuts would be even larger.

Buffin (2014) analyzes the cost of inertia in terms of the increase in the equilibrium rates of Social Security payroll tax corresponding to the current 6.20 percent rate that would be necessary to achieve 100 percent solvency over the period from 2002 to 2013. Over this period, the equilibrium rate for 25 years increased from 5.31 percent to 6.51 percent; the rate for 50 years increased from 6.55 percent to 7.19 percent; and the rate for 75 years increased from 7.07 percent to 7.49 percent. Buffin (2014) shows that in 2014 the existing financing arrangements for Social Security were

adequate to pay 95.9 percent of scheduled benefits over 25 years, 87.6 percent over 50 years and 84.4 percent over 75 years.

Reforms to Deal with Inertia. One approach for dealing with policy inertia is to set into law automatic adjustment mechanisms for Social Security reform. Turner (2011) discusses the policy of using ongoing automatic adjustments, as is done in Sweden for example, for maintaining Social Security solvency. An advantage of a system of automatic adjustments is that politicians do not need to be involved in the maintenance of the sustainability of a social security program. Those mechanisms change the default from inaction to automatic adjustments.

After studying the Swedish social security reform of the late 1990s, Weaver and Willén (2013) conclude that reform may be easier to enact when it is complex and opaque, and thus its costs and benefits are not well understood by the electorate. They also argue that automatic adjustment mechanisms are likely to be effective when the adjustments are done frequently and are small, so that their effects are less noticeable. The Swedish experience also indicates that politicians are unlikely to accept automatic adjustments that involve cuts in nominal benefits.

Delay: Inertia in Social Security Policy Making

The last major changes to Social Security were made under President Reagan in 1983. Those changes were negotiated in a crisis, with only weeks to spare before benefit payments would be delayed due to insufficient funds (Light 2005). The same thing almost happened with the Disability Insurance Trust Fund, scheduled to have insufficient funds in 2016. The Bipartisan Budget Act of 2015 contains an incremental reform that extends the date of insolvency of the DI trust fund a few years.

Policy inertia concerning Social Security is not entirely because of a lack of awareness of the problem by Congress, at least by experts in Congress, nor is it due to a lack of awareness of the consequences of delay. Policy experts have been arguing for a need to address the issue of Social Security solvency on a timely basis because the problem becomes more difficult the longer Congress delays in dealing with it.

One reason for policy inertia may be that some policy analysts and politicians think that inertia will work in their favor in terms of getting the reform they want. For

example, Schieber (2012) cites Dean Baker, a liberal, who argues that with a reform at the last moment, tax increases are more likely than for a reform that occurs earlier. On the other hand, some conservatives may believe that a reform at the last moment will result in larger benefit cuts than a reform enacted earlier.

One of the insights of behavioral economics is the use of defaults to overcome inertia and to result in desirable outcomes in a situation when otherwise no change would occur. For Social Security reform, or for workers enrolling in 401(k) plans, traditionally the default has been to do nothing. Inertia as a reason for workers not enrolling for pension coverage has been addressed by auto-enrollment, where the default is that workers are automatically enrolled to participate in a 401(k)-type plan. For example, auto-enrollment as the default is used in the Thrift Savings Plan for federal government workers as a way to increase the participation rate.

The Costs of Inertia

Policy uncertainty with respect to Social Security is one of the largest sources of public policy uncertainty facing American workers (Luttmer and Samwick 2015). Part of the cost of Congressional delay is that gradual changes may no longer be sufficient to restore solvency. That cost due to Congressional inaction is borne by participants. The required tax increase or benefit cut is larger the longer the delay in enacting it. The required changes are larger in terms of tax rate increases and the reduction in generosity of benefit levels because there is less time for interest to accumulate and because the changes would be spread over fewer cohorts of workers. If delayed to the last moment, the required increase in the payroll tax rate -- if that were the sole change -- would be 4.4 percent compared to an increase of 2.7 percent had the problem been addressed 20 years earlier, in 2013 (Committee for a Responsible Federal Budget 2013).

Because of relatively favorable demographics in 1983, measured by the old-age dependency ratio, the changes made to Social Security to restore solvency were less drastic than the changes needed now. In 1983, for every beneficiary there were 3.2 workers paying Social Security payroll taxes. By 2030, there will only be 2.0 workers per beneficiary (Clancy 2015). The ratio of beneficiaries to workers, called the old-age

dependency ratio, acts as a "shadow" price for Social Security benefits (Turner 1984), which is the cost per worker of raising the benefits per beneficiary by $1.. The higher the old-age dependency ratio, the higher is the cost per worker of paying for old-age benefits. This relationship means that it will be much more difficult politically and economically to make up the benefit shortfall in 2034 than it was in 1983, when there was a lower old-age dependency ratio. To be precise, taking the ratio of the old-age dependency ratio in 2034 to that in 1983 shows that it will be 60 percent more costly for workers (3.2/2.0 – 1), per dollar of benefit increase, to pay for increased benefits above those already funded.

In 1983, the shortfall in financing was 1.80 percent of taxable payroll (Greenspan Commission 1983). By comparison, a reform done at the last moment in 2034 would need to raise the payroll tax rate from 12.4 percent to 16.8 percent—an increase of 4.4 percent of taxable payroll (Committee for a Responsible Federal Budget 2013).

While the 1983 reforms are often described as a balanced approach, only the short-term changes were balanced. The short-term reforms to get Social Security through the 1980s were roughly balanced between their effects on contributors and beneficiaries, with 44 percent of the changes due to increased revenue from contributors and 39 percent due to decreased benefits for beneficiaries, through postponing the cost-of-living adjustment and taxing some benefits. Part of the short-term increase in revenues came from extending Social Security coverage to newly hired federal government employees (16 percent). The longer-term reforms, occurring through the increase in the Normal Retirement Age, were entirely benefit cuts. Combining the long-term and short term reforms, 10 percent of the shortfall was made up by increases in revenues, while 70 percent was made up by decreases in benefits, with the remainder made up by extending coverage (Gregory et al. 2010).

One of the uncertainties about Social Security reform is who it will affect. If benefits are cut, the cuts could be structured to only affect people younger than some pre-retirement age, such as 55, or the cuts could affect current retirees. In 2016, if the date of insolvency is 2034, and the future cuts affect retirees, even people currently as old as age 70 or older, depending on their life expectancy, would face the risk of benefits cuts. Thus, the possible future Social Security benefits of all current workers

and many retirees could be lower than those currently projected by Social Security in its benefits calculators, but by how much lower is unclear.

Uncertainty exists as to whether benefit cuts would affect people who are already beneficiaries. For example, the cost-of-living adjustment could be made less generous, as was proposed by President Obama in moving to the chained CPI, which is a less generous, but arguably more accurate, form of price indexing than is currently used. In that case, people in their late sixties would face uncertainty that their possible future benefits will be less than currently projected. Thus, people in their fifties and early sixties who are trying to plan for their retirement, as well as people younger than those ages, face difficulty making plans, given the uncertainty surrounding the level of Social Security benefits. A 2005 survey found that only one-fifth of individuals age fifty and older felt that they had engaged in successful retirement planning (Lusardi and Mitchell 2005). However, the question might be asked as to how anyone could engage in successful retirement planning who depended on Social Security, given the uncertainty surrounding the benefits it will provide in the future.

Workers have limited ability to insure against the risks relating to any reductions to their Social Security benefits, and thus can only mitigate them by engaging in costly precautionary behavior in the form of increased savings and postponed planned retirement. Since those activities are difficult for many workers, they face the risk of having a lower standard of living in retirement than they would have if policy inertia were not a problem and they were better able to plan because of reduced uncertainty. The life cycle model argues that workers wish to smooth their consumption over time. Policy inertia makes it difficult for them to do that. Luttmer and Samwick (2012) empirically analyze the magnitude of these effects, concluding that American workers on average would be willing to accept a 4 to 6 percent benefit cut if that would remove the policy uncertainty as to the level of future Social Security benefits.

Policy inertia, and the resulting insufficiency of Social Security's funding, may be a factor causing a lack of confidence in Social Security. The Employee Benefit Research Institute (EBRI) Retirement Confidence Survey in 2015 found that 19 percent of people age 25 to 69 believe they will get nothing from Social Security, presumably

because of its inadequate financing. That figure is up from 10 percent in 1991 (EBRI 2015).

The Predictable Crisis

In the United States, some legislation has already attempted to deal with Congressional inertia relating to Social Security policy. Section 709 of the Social Security Act requires that the Social Security Trustees notify both Houses of Congress if the Social Security OASI Trust fund or Disability Insurance (DI) Trust Fund is projected to fall below 20 percent of the annual Social Security payments within the next 10 years. This situation occurred in 2015 for the DI Trust Fund, providing only one year advance notice (Board of Trustees 2015), indicating how weak the requirement is. This provision is an attempt to get Congress to act, but does not require any action, and is ineffective in assuring timely reform.

Social Security policy changes are made infrequently and therefore tend to be major changes. In this respect, they can be analyzed as a tobit problem, similar to the purchase of a car, which also tends to be done infrequently and as a major purchase. The essence of the tobit problem is a relatively high hurdle for a minimum change. In the case of Social Security, the high hurdle in the United States is the tradition that generally changes need to restore solvency for 75 years. However, a major difference from the typical tobit problem, such as purchasing a car, is that the longer Congress waits, the larger are the tax increases and benefit cuts. Thus, the hurdle rises over time.

Proposal

This proposal draws on several different strands of public policy. Some aspects of the Kline-Miller Multiemployer Pension Reform Act of 2014 are similar to aspects of the proposal in this paper. That Act identifies multiemployer plans as being in “critical and declining status” if the plans could become insolvent in less than 15 years (Kirkland & Ellis 2015). While multiemployer pension plans differ considerably from Social Security, the part of that Act that this proposal incorporates is that it establishes the same “critical and declining status” designation for Social Security. Social Security will be designated as being in “critical and declining status” if it could become insolvent in

less than 15 years. This aspect of the proposal would raise the saliency of the issue of Social Security reform. Thinking of Social Security reform as involving a problem space and a solution space, the proposal takes the strategy of raising the salience of the need for reform in the problem space, while reducing the salience of the reform in the solution space.

The proposal has three parts: 1) It discusses changing choice architecture in Congress, 2) it provides two examples of possible default reforms, and 3) it suggests a strategy for enacting the proposal.

Changing Choice Architecture--Defaults. Choice architecture refers to the way that choices are framed. In Social Security policy, choices are framed as requiring an action by Congress that restores solvency for Social Security for at least 75 years. That framing creates a high hurdle. The standard of sustainable solvency requires that in addition to the trust fund balance being positive over the 75-year projection period, at the end of the period the level of trust fund reserves be stable or rising as a percentage of the annual cost of the program (Goss 2010). Thus, this standard is even more stringent, and an even higher hurdle for reform, than simply requiring solvency over the 75-year period. The unfunded liability over the 75-year projection period is 11.4 trillion dollars (Campaign to Fix the Debt 2016).

One of the issues with basing policy on 75-year projections is the high degree of uncertainty as to the distant future. For example, the Congressional Budget Office (2015b) projects that in 2089, 75 years after 2014, the 80 percent confidence interval for expenditures on Social Security benefits ranges from 5 percent of GDP to nearly 10 percent.

The proposal involves a default, and thus has some similarities to Congressional reform of the budgetary process. Congress in 2010 and 2011 passed two laws in an attempt to improve the budgetary process--statutory caps on discretionary spending and the statutory pay-as-you-go law to prevent budget-busting tax cuts or mandatory spending increases not offset by other changes (Committee for a Responsible Federal Budget 2015). Without debating the merits of these laws, their intent to improve the budgetary process is consistent with the intent of this proposal.

Experience with those budgetary-process reforms provides cautionary lessons for the reform proposed here. Those reforms contain a default, similar to the proposal here. If the Office of Management and Budget (OMB) determines that discretionary spending limits have been exceeded, and Congress has not otherwise acted, OMB is required to issue a sequester to bring spending within the cap or offset the deficit increase. The problem from the perspective of process reform is that Congress can avoid enforcing discretionary spending limits by enacting legislation to prevent sequestration from taking effect. Thus, for this type of change in choice architecture to be effective, special rules, like a 60 percent majority, need to be enacted to make it difficult for Congress to over-ride the default changes (Committee for a Responsible Federal Budget 2015).

The Default Reform Proposals

This section considers two possible default reform proposals. The first proposal has three essential elements: 1) Social Security will be declared in "critical and declining status" if the date of insolvency is less than 15 years, 2) Congress will make a binding legislative commitment to restore solvency for 20 years at that point, either through a default reform or through a reform that Congress prepares, and 3) recognizing that some people are adamantly opposed to further benefit cuts and some people are adamantly opposed to further tax increases, it is necessary in developing the default proposal to recognize that compromise is needed. This proposal thus provides a way of dealing with the "prisoner's dilemma" problem and other factors that may play a role in political inertia.

With our proposal, every time the intermediate projection of the Social Security actuaries indicates insufficient financing within the next 15 years, Congress will be given one year to restore solvency for the following 20 years. If Congress fails to act within that time frame, automatic changes would occur that would restore solvency for 20 years. This proposal addresses inertia in part by lowering the hurdle so that if Congress does not enact a major reform, reforms would be done as a series of relatively small reforms.

A Possible Default Package. While the change in default architecture is the essential aspect of the proposal, this section provides two examples of the package of

changes that it could involve. These possible default packages go beyond the insights of behavioral economics and provide possible examples of what a default reform package might look like. The first package would involve several changes, an approach sometimes called a "grand bargain," thus minimizing the effect of any single change and sharing the burden across different generations and income classes of workers.

This default proposal is informed by three motivating factors. First, it takes into account differences of opinion in how Social Security should be reformed. Second, while it is not possible to reduce benefits or raise taxes and at the same time improve the situation of every group relative to the (false) alternative of doing nothing, it attempts to improve the targeting of Social Security benefits to people who are vulnerable because of their advanced age. Third, it offsets to some extent the effect on lifetime benefits of the increasing gap in life expectancy between high-income and low-income workers (Waldron 2007, 2013).

To restore Social Security's solvency, nearly all the Republican presidential candidates in 2016 are on record as favoring Social Security benefit cuts (directly or through an increase in the Normal Retirement Age) with no increases in revenue, while the Democratic presidential candidates favor revenue increases, with no benefit cuts (Center for Retirement Research at Boston College 2015). Recognizing the divided opinion as to how solvency should be restored, the default would be that solvency would be restored both by financing increases and by benefit cuts. A survey has found that more than half of American workers (58 percent) expect that Social Security reform will involve both financing increases and benefit cuts , while 18 percent think that reform will mostly or entirely involve benefit cuts, and nearly a quarter (24 percent) think that it will mostly or entirely involve revenue increases (Luttmer and Samwick 2012).

The apparently simple concept of an equal division between payroll tax rate increases and benefit cuts is actually complex because the impact of the payroll tax rate increases and benefit cuts is not equal for all persons. In particular, different generations are affected differently. Because most reform proposals exempt current beneficiaries and those near retirement age, the cut in benefits initially has a small impact, but its impact grows over time. Thus, when taking the present value of the two

changes at the point of the reform, generally revenue increases have a larger effect than benefit cuts. However, for young workers, the effect could be the reverse.

In the default proposal, financing increases would be divided between an increase in the payroll tax maximum and an increase in the payroll tax rate. With this approach, the increase at any one time in the payroll tax rate paid by workers would be relatively small. Increasing the payroll tax maximum would be one way of adjusting Social Security so as to deal with the situation where life expectancy has increased substantially more for people with earnings above the current taxable maximum than it has for lower-income people (Waldron 2007, 2013).

The benefit cuts would be done in a way that would improve the relative situation of people who are vulnerable because of their advanced age. The benefit cuts would occur through an increase for future retirees in the Normal Retirement Age and a six-month delay in the cost-of-living adjustment. However, the benefit cuts due to the increase in the Normal Retirement Age would only affect people up to age 81. Starting at age 82, the benefit cuts would be rescinded, so that benefits would increase at that age, compared to the reduced benefits at earlier ages. This change is equivalent to introducing a longevity insurance annuity that starts at age 82. A longevity insurance annuity is a deferred annuity that starts at an advanced age (Turner 2011, 2013). This feature of the proposal results in better targeting of Social Security benefits towards people who have a substantial risk of having outlived their 401(k) accounts and other forms of savings, resulting in higher poverty rates at that age than at earlier ages in retirement (Turner 2013).

Analysis. A policy of benefit cuts would need to take into account that Social Security provides modest benefits and that some people depend on those benefits for a large part of their retirement income. In 2013, the average monthly Social Security benefit was $1,294 or $15,528 a year. Among persons age 65 and older, for 22 percent of married couples and 47 percent of unmarried persons, Social Security benefits constitute 90 percent or more of their retirement income (Social Security Administration 2014). It should be noted that retirement income is measured as regular income receipts, and does not include irregular withdrawals from IRAs, 401(k) plans, and other forms of savings, which have become increasingly important with the growth of IRAs

and 401(k) plans. Recognizing the relatively low average benefits and the relatively high proportion of unmarried people relying on Social Security, benefit cuts need to be carefully considered and targeted. This proposal only cuts benefits for future retirees, at least some of whom have the option of offsetting the benefit cuts by working longer or saving more. The longevity insurance benefits also improve the targeting of benefits and reduce the impact of benefit cuts by not making benefit cuts for people at advanced ages, when people are most vulnerable.

While a full evaluation of possible reform options is beyond the scope of this section, a possible option to offset the benefit cuts for some people would be to permit voluntary additional contributions for people earning below the taxable maximum. These contributions would be made when filling the personal income tax. They would raise the credited earnings in the year for which they were made by exactly the amount of earnings that would have resulted in the additional payments.While this option would not be helpful for people who could not afford the additional payments, it would provide an option for some people as a way of offsetting the benefit cuts.

Another option that could be considered is to have some of the burden borne by the current generation of high-income beneficiaries. This could be done, for example, bu raising the tax on Social Security benefits for higher-income recipients.

The default proposal discussed here does not raise the early entitlement age of 62. Workers would be able to continue claiming benefits at that age. While life expectancy has increased considerably since 1940 when benefits were first received at age 65, a discussion of this contentious topic is beyond the scope of this paper.

With the exception of the introduction of longevity insurance benefits and the possibility of allowing voluntary payments to purchase earnings credits, these changes are qualitatively similarly to the changes made in 1983 during the last major Social Security reform. At that time, the cost-of-living adjustment was delayed six months, the Normal Retirement Age was raised, and payroll taxes supporting Social Security were increased more rapidly than had been previously legislated. In addition, taxation of Social Security benefits for higher-income retirees was introduced (Light 2005), which had the effect of increasing the progressivity of benefits. Also, federal government workers were covered by Social Security.

While the changes involved in this proposal require compromise by all major groups, and have historical precedent as an approach, we do not argue for their optimality. Instead they are intended to provide Congress an opportunity to make changes that it views are superior.Under this proposal, Social Security solvency would be maintained through a series of small changes, unless Congress decided instead to make major changes.

This proposal would prevent Social Security reforms from being made at the last moment, as was the situation with the legislation in 2015 to deal with the impending insufficiency of funding for the DI program in 2016, and as occurred with the last major changes in the OASI program in 1983.To prevent the problem of Congress enacting legislation to override the automatic changes what would occur if it fails to act, the proposal should also include a provision making it difficult to override, such as requiring a 60-vote majority in the Senate. Without such a provision, it is possible that the default would be overridden because the required changes to maintain Social Security's solvency would be unpopular.

A reform at the last moment would probably have different intergenerational effects than the reform of this proposal. The last birth cohort of the Baby Boom generation was born in 1964, and thus turns age 62 in 2026. If a reform occurred at the last moment, and if it did not affect the benefits of those already age 62, the entire Baby Boom generation would be spared from bearing the burden of the reform, but with the costs of the reform shifted to their children. By contrast, if the reform were done in 2017, tax hikes and benefit cuts would be borne by roughly half of the Baby Boom generation. Thus, this proposal would result in an arguably better intergenerational distribution of reform costs than a long-term reform done at the last moment.

By assuring that solvency would be guaranteed for roughly 20 years, the proposal presumably minimizes the possible distortions that uncertainty as to future benefit cuts can cause concerning the decisions of workers as to what age they should claim Social Security benefits. By restoring solvency for 20 years, the reform would restore solvency over a period with a smaller range of uncertainty as to the level of the reform needed, compared to a reform that restores solvency for 75 years.

A reform done at the last moment would raise the payroll tax rate from 12.4 percent to 16.8 percent (Committee for a Responsible Federal Budget 2013). Calculations provided to us by the Office of Actuaries indicate that if instead, the payroll tax rate was raised to 13.3 percent in 2017 through 2040, solvency could be maintained over the entire 75-year projection period by raising the payroll tax rate to 16.01 percent from 2041 to 2090. In our proposal, the payroll tax rate would be increased a smaller amount initially, with the same effect because other changes would also be made to restore solvency. Thus, our proposal for immediate small changes to fix the problem for 20 years would result in a smaller increase in the payroll tax rate in the future than if no changes were made until the last minute.

An Alternative Default Proposal. Within the basic approach of a default, different defaults can be used. This section presents an example of an alternative default. The default would be that every time the date of insolvency is 15 years or less, if Congress fails to act within the year, the payroll tax rate would be raised by 0.1 percent for both the employer and the employee. In addition, the taxable maximum would be raised by $1,000 above what it would be otherwise. With this approach, the default would involve a series of small changes over time. These changes would be permanent, unless overridden by Congress, which would occur only if it passed an alternative proposal that restored solvency for 20 years. Again, it should be noted that the intent of this default is not to claim that it is an optimal approach, but rather to provide an incentive to Congress to craft a reform that it viewed to be superior. While the first default proposal involves both benefit cuts and payroll tax rate increases, this default only involves payroll tax rate increases. Thus, as Steuerle (2014) notes concerning the automatic benefit increases in Social Security due to the structure of the benefit formula, a possible effect of this default is that because it would involve automatic increases in Social Security financing that might crowd out spending on other government programs.

Enacting the Proposal. The “save more tomorrow” concept is that people commit today to do in the future something they know they should do, but are not eager to do (Benartzi and Thaler 2004). It is psychologically easier for people to commit to doing something in the future that they are not eager to do than actually taking that action in the present. By enacting this proposal in 2017, Congress would be committing,

according to the current Social Security Trustees report, to take action in 2019. Thus, this approach would deal with present bias, which leads to putting off desirable but difficult decisions to the future.

This proposal has one additional aspect that would further increase the saliency of the problem to American workers. The Social Security Administration provides projected benefit statements to people online and for some people by regular mail. However, these statements provide misleading information. They provide projected benefits based on the benefit formula in the current law. That information is misleading because Social Security is inadequately funded, and unless there is a reform, by law it will only provide benefits at the level that can be paid for—roughly a quarter less. Social Security would be required to amend its benefit statement, providing the current information, but also providing the lower benefits that will be paid in the absence of reform.

Providing this information about future benefits may have two positive effects relating to enacting Social Security reform. First, people will see that there is a chance they will receive a lower level of benefits and take that into account when engaging in retirement planning. Second, understanding that, it is likely that people will place pressure on Congress to act.

Conclusions

With rational public policy making done in the best interest of the American people, the Social Security program would be reformed as quickly as possible because needed reforms are less drastic the sooner they are done. Realistically, however, under the current system of policymaking, that is not likely to happen. Social Security policy in the United States is characterized by a high degree of inertia. Inertia has been addressed in other aspects of pension policy through defaults. We propose extending the insight of choice architecture to behavioral public finance and Social Security policy making by Congress.

With our proposal, every time the Social Security actuaries project that the program will have insufficient funding within 15 years, a package of small changes would restore solvency for the following 20 years. The package would involve several

changes, thus minimizing the effect of any single change. Because the changes are made in advance, rather than at the last moment, and because they restore solvency for 20 years rather than 75 years, they would be smaller than would otherwise be necessary. Congress would have the option to override the default by producing its own package that restored solvency for at least the following 20 years, but if it did not act, the default package would automatically take effect.

The proposal draws on several insights from behavioral economics. First, it raises the saliency of the problem to members of Congress and the public. Second, it uses a default to address the problem. Third, it reduces the saliency of the solutions by using incremental changes rather than larger changes. Fourth, it makes use of aspects of the "save more tomorrow" program in its initial enactment in that it does not require immediate action.

Thinking of Social Security reform as involving a problem space and a solution space, the proposal takes the strategy of raising the salience of the need for reform in the problem space and lowering the salience of the reform in the solution space. This strategy thus raises the pressure on politicians for reform, while lowering the resistance of the electorate to reform. Notwithstanding these aspects that arguably make this approach to Social Security policy reform superior to the current approach with its focus on the 75-year projection period, Social Security reform using this approach would still be a major achievement for Congress.

Even so, this proposal is a second-best solution. It is superior to the current reform process of waiting until a crisis. However, a better solution would be for Congress to enact a well-reasoned reform many years in advance of a crisis. One of the possible benefits of this proposal is that it might inspire Congress to take that route.

This proposal for a default if Congress fails to act would help restore confidence in Social Security by assuring that the solvency of the system would be dealt with in a timely manner. It would reduce the amount of uncertainty that American workers face concerning their future Social Security benefits. It would provide for reforms on a more timely basis than would otherwise occur. For that reason, the required changes would be less dramatic than would occur if the reforms were put off to the last moment. The reforms would be predictable, unless Congress over-rode them, which would lead

presumably to more politically appealing reforms. While the proposals reflect compromises between differing viewpoints, they succeed in restoring solvency and could improve the targeting of benefits by providing longevity insurance benefits for people at advanced older ages.

References

Benartzi, S. and R.H. Thaler. 2004. "Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving." *Journal of Political Economy* 112(1): S164-S187. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=489693

Board of Trustees. 2015. "Letter to the President of the Senate." July 22. https://www.ssa.gov/oact/TR/2015/709letter_DI_Senate_2015.pdf

Brady, D.W. and C.Volden. 2006. *Revolving Gridlock: Politics and Policy from Jimmy Carter to George W. Bush.* Boulder, CO: Westview Press.

Brandon, E. 2014. "5 Potential Social Security Fixes: These Social Security Changes Would Correct the Funding Shortfall." *U.S. News & World Report*, November 14.

Buffin, K.G. 2014. "Actuarial Metrics for Monitoring the Sustainability of the US Social Security System." 49th Actuarial Research Conference, University of California, Santa Barbara.

Campaign to Fix the Debt. 2016. "Social Security Trustees Report Highlights Need for Solvency First." June 22.

Center for Retirement Research at Boston College. 2015. "The 2016 Presidential Candidates on Social Security." http://crr.bc.edu/newsroom/featured-work/2016-presidential-candidates-views-on-social-security/

Choi, J.J., D. Laibson, B. Madrian and A. Metrick. 2002. "Defined Contribution Pensions: Plan Rules, Participant Choices, and the Path of Least Resistance." In *Tax Policy and the Economy*, vol. 16, edited by James M. Poterba. MIT Press, pp. 67-114. http://www.nber.org/chapters/c10863.pdf

Clancy, D. 2015. "The Best Way to Reform Social Security: Eliminating the Payroll Tax is the Key. Yes, Really." *U.S. News & World Report*, April 27. http://www.usnews.com/opinion/blogs/opinion-blog/2015/04/27/the-best-way-to-reform-social-security-eliminate-the-payroll-tax

Committee for a Responsible Federal Budget. 2013. "Social Security Reform and the Cost of Delay." August 22. http://crfb.org/sites/default/files/social_security_cost_of_waiting_8_22_13.pdf

_____. 2015. "The Better Budget Process Initiative: Strengthening Statutory Budget Enforcement." June 25. http://crfb.org/sites/default/files/bbpi_strengtheningstatutorybudgetenforcement.pdf

_____. 2016. "Nine Social Security Myths You Shouldn't Believe." April 27. http://crfb.org/document/nine-social-security-myths-you-shouldnt-believe

Congressional Budget Office. 2015a. “The 2015 Long-term Budget Outlook.” June 16. http://www.cbo.gov/publication/50250

_____. 2015b. “CBO’s 2015 Long-term Projections for Social Security: Additional Information.” December 16. CBO publication 51047. https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51047-SSUpdate.pdf

_____. 2016. “The 2016 Long-Term Budget Outlook.” https://www.cbo.gov/publication/51580

Diamond, P. 1994. “Insulation of Pensions from Political Risk.” NBER Working Paper No. 4895. Cambridge, MA: National Bureau of Economic Research. October.

Employee Benefit Research Institute (EBRI). 2015. “Attitudes About Current Social Security and Medicare Benefit Levels.” Retirement Confidence Survey (RCS) Fact Sheet No. 6. http://www.ebri.org/files/RCS15.FS-6.Entitlmnts2.pdf

Goldwein, M. 2016. “These 5 Supposed Fixes for Social Security Won’t Solve Its Problems.” Center for a Responsible Federal Budget, October 31. http://crfb.org/blogs/marc-goldwein-these-5-supposed-fixes-social-security-won%E2%80%99t-solve-its-problems

Goss, S.C. 2010. “The Future Financial Status of the Social Security Program.” *Social Security Bulletin* 70(3). https://www.ssa.gov/policy/docs/ssb/v70n3/v70n3p111.html

Greenspan Commission. 1983. *1983 Greenspan Commission on Social Security Reform*. https://www.ssa.gov/history/reports/gspan5.html

Gregory, J.M., T.N. Bethel, V.P. Reno, and B.W. Veghte. 2010. “Strengthening Social Security for the Long Run.” *Social Security Brief* No.35. National Academy of Social Insurance, November. https://www.nasi.org/sites/default/files/research/SS_Brief_035.pdf

Hoskins, D.D. 2010. “U.S. Social Security at 75 Years: An International Perspective.” *Social Security Bulletin* 70(3). http://www.ssa.gov/policy/docs/ssb/v70n3/v70n3p79.html

Kirkland & Ellis. 2015. “Changes to Multiemployer Pension Plan Liabilities.” *Kirkland Alert*, February. http://www.kirkland.com/siteFiles/Publications/Alert_2112015.pdf

Light, P.C. 2005. “The Crisis Last Time: Social Security Reform.” Brookings Institution, March 5. http://www.brookings.edu/research/opinions/2005/03/05saving-light

Lusardi, A. and O.S. Mitchell. 2005. “Financial Literacy and Planning: Implications for Retirement Wellbeing.” Michigan Retirement Research Center, Research Paper WP 2005-108. http://deepblue.lib.umich.edu/bitstream/handle/2027.42/49432/wp108.pdf?sequence=1

Luttmer, E.F. P. and A.A. Samwick. 2012. “The Welfare Cost of Perceived Policy Uncertainty: Evidence from Social Security.” Unpublished paper. http://users.nber.org/~luttmer/polrisk_paper.pdf

MacGuineas, M. 2016.”Statement by Maya MacGuineas on Vice Presidential Debate.” Committee for a Responsible Federal Budget. October 5.

Madrian, B.C. and D.F. Shea. 2001. “The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior.” *Quarterly Journal of Economics*, 116 (4): 1149 - 1187.

Muller, L.A. and J.A. Turner. 2013. “The Persistence of Employee 401(k) Contributions Over a Major Stock Market Cycle: Evidence on The Limited Power of Inertia.” *Benefits Quarterly* 2013: 3, pp. 51-65.

Orwell, G. 1949. *Nineteen Eighty-Four.* London, UK: Secker & Warburg.

Schieber, S.J. 2012. *The Predictable Surprise: The Unraveling of the U.S. Retirement System.* Oxford, U.K.: Oxford University Press.

Social Security Administration. 2014. “Social Security Basic Facts. ”http://www.ssa.gov/news/press/basicfact.html

_____. 2016. “Proposals Affecting Trust Fund Solvency.” Actuarial Publications. https://www.ssa.gov/oact/solvency/

Social Security Trustees. 2011. “A Summary of the 2011 Annual Reports.” http://www.socialsecurity.gov/OACT/TR/2011/

_____. 2014. “A Summary of the 2014 Annual Reports.” http://www.ssa.gov/OACT/TRSUM/index.html

_____. 2015. “A Summary of the 2015 Annual Reports.” https://www.ssa.gov/oact/TRSUM/index.html

_____. 2016. “A Summary of the 2016 Annual Reports.” https://www.ssa.gov/OACT/TRSUM/

Steuerle, C.E. 2014. *Dead Men Ruling: How to Restore Fiscal Freedom and Rescue Our Future.* New York: The Century Foundation Press.

Steuerle, C. E. and J.M. Bakija. 1994. *Retooling Social Security for the 21st Century: Right & Wrong Approaches to Reform.* Washington, DC: The Urban Institute Press.

Technical Panel on Assumptions and Methods. 2015. “Report to the Social Security Advisory Board.” September. http://ssab.gov/Portals/0/Technical%20Panel/2015_TPAM_Final_Report.pdf?ver=2015-09-24-113145-693

Turner, J.A. 1984. “Population Age Structure and the Size of Social Security.” *Southern Economic Journal* 50 (April): 1131–1146.

_____. 2011. *Longevity Policy: Facing Up to Longevity Issues Affecting Social Security, Pensions, and Older Workers.* Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

_____. 2013. “Providing Longevity Insurance Annuities: A Comparison of the Private Sector versus Social Security,” *The Journal of Retirement*, Fall, 1(2): 125-130.

_____ and B.W. Klein. 2015. “Retirement Policy Inertia: Modernizing Pension Eligibility for the Military.” Pension Policy Center Working Paper.

_____ and S.V. 2007. “Why Some Workers Don’t Take 401(k) Plan Offers: Inertia Versus Economics.” CERP Working Paper 56/07. http://www.cerp.carloalberto.org/wp-content/uploads/2008/12/wp_56.pdf

Turner, J.A., B.W. Klein, and N.P. Stein. 2016. “Financial Illiteracy Meets Conflicted Advice: The Case of Thrift Savings Plan Rollovers.” *Journal of Retirement* Vol. 3, No. 4 (2016), pp. 47-66.

U.S. Department of Labor, Employee Benefits Security Administration. “Top 10 Ways to Prepare for Retirement.” 2015. http://www.dol.gov/ebsa/publications/10_ways_to_prepare.html

Waldron, H. 2007. "Trends in Mortality Differentials and Life Expectancy for Male Social Security–Covered Workers, by Socioeconomic Status." *Social Security Bulletin* Vol. 67, No. 3 (2007), pp.1–28. http://www.socialsecurity.gov/policy/docs/ssb/v67n3/v67n3p1.html.

_____. 2013. “Mortality Differentials by Lifetime Earnings Decile: Implications for Evaluations of Proposed Social Security Law Changes.” *Social Security Bulletin* Vol. 73, No. 1 (2013). http://www.ssa.gov/policy/docs/ssb/v73n1/v73n1p1.html

Weaver, K. and A. Willén. “The Swedish Pension System After Twenty Years: Mid-course Corrections and Lessons.” *OECD Journal on Budgeting 20*13(3), pp.1-26. http://www.oecd-ilibrary.org/governance/the-swedish-pension-system-after-twenty-years_budget-13-5jxx3sx58x9t

---

[i] I have received helpful comments from Kenneth Buffin, Christopher Chaplain, Howard Iams, Lily Liu, Sandy Mackenzie, David McCarthy, Kathy Peery, Mark Shemtob and an anonymous reviewer.