



SOCIAL SECURITY REFORM PRAUSA.org

The Plan: Transitioning Social Security to Solvency

Purpose and Governing Relationship

The Plan establishes a permanent transition from the Old-Age and Survivors Insurance component of Social Security to a funded retirement system centered on individually owned Personal Retirement Accounts. It addresses the financing and retirement structure of OASI only. Disability Insurance, Medicare, and other federal programs remain outside the Plan except where an existing OASI interaction must be recognized for accurate administration or scoring.

This document is the public policy statement of the Plan. Technical Specifications for Scoring, Version 2.8, govern the actuarial, computational, administrative, and certification rules. Supplement A, Universal Lifetime Income Contract (ULIC), Version 2.0, and Supplement B, End-State Retirement Adequacy and Family Protection, Version 1.0, govern detailed matters expressly delegated to them by the TSS. Where this public Plan and the TSS differ, the TSS controls.

The governing objectives are to protect accrued retirement obligations; preserve continuous payment of scheduled cash benefits subject only to expressly authorized contingencies; operate without external federal cash borrowing or general-revenue financing; remain within the existing 10.6 percent OASI payroll-tax rate during transition; establish real participant-owned retirement assets; meet the governing retirement-adequacy standard; terminate both employee and employer OASI tax obligations at closure; convert the former employer 5.3 percent OASI obligation into employee compensation; and permanently close PAYGO OASI after all transition obligations are satisfied or fully secured.

Why Structural Reform Is Necessary

Under the governing projection used by the TSS, OASI reserves are projected to be exhausted in Q4 2032. After reserve depletion, dedicated revenue would be insufficient to pay scheduled benefits in full absent additional financing, benefit reductions, or continued reliance on an underfunded pay-as-you-go structure.

The Plan does not attempt to preserve that structure through another temporary adjustment. It closes the legacy system prospectively, converts the remaining obligation into a finite transition, and replaces unfunded future accruals with participant-specific retirement value and funded assets. A favorable long-range actuarial balance does not cure a year in which authorized resources are insufficient to meet required cash obligations.

Implementation and Cohort Structure

Implementation is assumed to occur on January 1, 2028. Cohort status is determined once on that date.

Individuals age 56 or older on the implementation date constitute the legacy cohort. They remain under legacy OASI for life, continue legacy accrual and claiming under the applicable rules, and are not involuntarily converted into the PRA transition system. Individuals already receiving OASI benefits continue under legacy rules, subject only to the prospective provisions expressly authorized by the Plan.

Individuals younger than age 56 on the implementation date constitute the transition cohort. They cease earning additional legacy OASI retirement accruals after December 31, 2027. Retirement value attributable to their preimplementation covered earnings is preserved through an actuarially neutral conversion into individually recorded notional retirement credits. Postimplementation work produces retirement accrual through notional credits, funded PRA contributions, or both, according to the annual transition rules.

Workers first entering OASI-covered employment after implementation enter the PRA transition system and accrue no legacy OASI retirement benefit. Their retirement accrual consists of notional credits when funded contributions are unavailable or below the certified transition target, funded PRA contributions when authorized, and any voluntary supplemental contributions.

Protection and Conversion of Accrued Benefits

Accrued retirement value is preserved when the system changes. For each transition-cohort participant with preimplementation covered earnings, SSA calculates the retirement value earned through December 31, 2027, using the governing earnings record, wage-indexing conventions, the applicable 35-year computation framework, the PIA formula, survivor-value treatment, mortality assumptions, actuarial discounting rules, and a full retirement age of 67 as specified in the TSS.

The resulting participant-specific amount is recorded as an initial notional retirement credit. A notional credit is a statutory retirement claim. It is not a funded security, a market asset, Treasury debt, immediately redeemable cash, or authority for federal borrowing. It is maintained in an individual ledger, indexed under the governing rules, and paid or converted only through authorized retirement and survivor provisions.

The conversion is subject to a conservation-of-retirement-value rule. The aggregate value assigned to transition participants may not exceed the aggregate actuarial value of the accrued legacy obligations surrendered. The methodology must also be examined for material subgroup effects, including incomplete careers and survivor-heavy records.

Retirement Accrual During Transition

During transition, funded plus notional retirement accrual equals the OCACT-certified transition target. Baseline scoring may use an annuity-equivalent target of approximately 7.5 percent of the applicable earnings base unless another rate is independently certified. The transition target does not determine the permanent end-state contribution rate.

Before funded contributions are authorized, transition retirement accrual consists entirely of notional credits. As genuine residual financing capacity becomes available, actual funded PRA contributions begin and progressively replace annual notional accrual. The notional rate therefore declines as the funded rate rises. No worker receives duplicate legacy, notional, or funded accrual for the same postimplementation earnings.

New annual notional accruals end only when the transition funded rate meets the certified transition target and the actuarial authority certifies retirement adequacy, reserve sufficiency, and required stress compliance. Previously recorded notional balances remain enforceable and are paid, transferred into an authorized retirement-income product, inherited, or otherwise resolved under the governing rules.

The 10.6 Percent Financing Ceiling

The Plan imposes no add-on mandatory payroll contribution during transition. The existing combined 10.6 percent OASI payroll-tax rate is the maximum mandatory transition-financing resource. External federal cash borrowing and general-revenue transfers are prohibited.

The Plan does not divide the 10.6 percent rate into fixed statutory shares. Authorized OASI resources are allocated annually under a mandatory priority sequence. Scheduled cash benefits, legacy obligations, matured RTC redemptions, notional payouts then due, transition administration, operating-reserve requirements, the two-year buffer, and tail-reserve requirements are satisfied before any residual amount is deposited into funded PRAs.

The funded PRA contribution rate for a transition year is the highest rate supportable from genuine residual financing capacity without violating benefit continuity, annual cash-flow sufficiency, reserve standards, the borrowing prohibition, the general-revenue prohibition, the RTC-neutral PRA funding test, or any other binding certification requirement. At final closure, both employee and employer OASI taxes terminate; the employer's former 5.3 percent OASI obligation becomes employee compensation, and the participant alone finances the permanent all-in Individual

Adequacy Contribution Rate under the end-state rules.

Deferred PRA Activation and the Two-Year Buffer

Funded PRA contributions have no fixed activation year. Before funded contributions begin or increase, projected authorized resources must exceed all higher-priority obligations by at least 5 percent in each of the next two projection years under the governing certification assumptions.

The Plan also requires an RTC-neutral PRA funding test. Cash retained solely because an RTC remains outstanding may support benefits, reserves, the two-year buffer, and other higher-priority obligations, but it may not be counted as residual capacity for beginning or increasing funded PRA contributions. If either forward margin, a reserve threshold, or another binding test would fail, the funded contribution is reduced or deferred.

Contribution Base and Funded Rates

During transition, mandatory funded PRA contributions ordinarily apply to covered earnings up to the median covered wage, subject to the contribution-base stabilizer. OASI payroll taxes collected on earnings above that funded-PRA base remain available for legacy obligations, notional payouts, RTC redemptions, reserves, administration, and other authorized transition uses.

At permanent closure, the systemwide transition rate ends and both employee and employer OASI payroll-tax obligations terminate. The employer thereafter has no mandatory PRA contribution obligation. Instead, each employer pays the employee an Employer OASI Compensation Conversion Amount equal to 5.3 percent of that employer's Reference Employer OASI Wages. Each participant finances the entire permanent all-in Individual Adequacy Contribution Rate from employee compensation. The rate is calculated from PRA Reference Earnings, actual PRA assets, remaining accumulation, certified ULIC and family pricing, governing assumptions, and applicable administrative cost, and may not exceed 10.6 percent.

PRA Reference Earnings are measured before the 5.3 percent Employer OASI Compensation Conversion Amount so the compensation conversion does not recursively increase its own contribution denominator. The normal end-state contribution base is 1.50 times the Reference Full-Time Median Wage. A base of 1.75 times that reference median is the first certified fallback; only thereafter may the contribution-base stabilizer ratchet prospectively toward the Reference OASI Taxable Maximum. The all-in 10.6 percent ceiling includes the mandatory funded PRA allocation, applicable family-protection and Family Security Reserve charges, and any dedicated payroll administrative assessment. No mandatory employer PRA contribution or off-ceiling mandatory payroll charge is permitted.

Retirement Transition Certificates

Retirement Transition Certificates are the Plan's benefit-deferral liquidity mechanism. Eligible beneficiaries may voluntarily elect to defer 25, 50, 75, or 100 percent of an eligible OASI cash payment; no election means cash. OCACT annually certifies the maximum voluntary RTC principal actually required after prior liquidity measures for transition liquidity, reserves, the two-year buffer, tail security, stress tests, and secure closure. If elections exceed that capacity, accepted amounts are reduced pro rata.

Permitted reserve resources are used in the governing sequence before coercive RTC issuance. If a certified residual liquidity need remains, mandatory RTCs may apply only for that residual need, beginning with the highest-net-worth eligible beneficiaries and subject to objective hardship protection. Mandatory RTCs are a contingent backstop, not a routine financing source.

An RTC is a nonmarketable, inheritable statutory federal benefit-deferral claim recorded solely within the OASI transition system. It is backed by the full faith and credit of the United States, but that guarantee does not authorize Treasury borrowing or general-revenue financing. An RTC may not be sold, traded, securitized, contributed to, or held in a PRA. SSA must redeem and extinguish the RTC before resulting cash may be paid to the beneficiary or deposited into a qualified PRA. RTC-created cash retention may never accelerate or increase funded PRA contributions. A statutory final call and maturity rule ensures that outstanding RTCs cannot indefinitely delay final closure.

Operating and Tail Reserves

The OASI transition system maintains two analytically distinct reserve functions. The operating reserve protects near-term benefit and administrative liquidity and must equal at least 25 percent of projected higher-priority cash obligations for the following twelve months, measured on a rolling basis and certified at least quarterly while transition liquidity risk remains material. The tail reserve supports late-stage notional, RTC, and other transition obligations as OASI approaches final closure.

Reserve funding has priority over funded PRA contributions. Drawdowns must be reported, justified, and followed by a replenishment path; reserves may not conceal structural noncompliance. The ULIC Family Security Reserve is separate: it is a privately funded family-risk reserve outside OASI resources and participant PRA assets, with no federal guarantee, borrowing authority, or general-revenue claim.

Automatic Stabilizers

The Plan relies on automatic, prospective stabilizers rather than recurring discretionary legislation. A stabilizer activates only when the designated actuarial authority numerically certifies that the

Plan would otherwise fail a binding annual-solvency, reserve, closure, financing, or retirement-adequacy test.

For transition liquidity, the sequence first suspends or reduces lower-priority funded PRA contributions; accepts voluntary RTC deferrals only within annual certified capacity; uses permitted reserve resources in the governing sequence; and applies mandatory high-net-worth RTCs only for certified residual need and subject to hardship protection.

If a binding liquidity or reserve failure remains, a one-time 0.5 percent reduction in otherwise scheduled OASI cash benefits may activate. If necessary after that, one annual OASI COLA may be suspended or reduced. For longer-run adequacy, the contribution-base stabilizer first moves the end-state base from 1.50 to 1.75 times the Reference Full-Time Median Wage and may thereafter ratchet toward the Reference OASI Taxable Maximum. The Longevity Stabilizer assigns the baseline 50 percent share of certified longevity improvement to additional work, subject to governing statutory limits.

No stabilizer may reduce funded PRA assets already deposited, issued RTC principal or accrued RTC interest, or recorded initial notional principal. Except for the expressly authorized contingent benefit and COLA backstops, stabilizers operate prospectively.

Retirement Age and Claiming

The normal full retirement age is 67 for transition conversion and end-state modeling. There is no automatic age-68 adequacy rule. A future systemwide increase may occur only if the Longevity Stabilizer is certified and applies prospectively to future cohorts under the governing notice and adjustment rules.

Early retirement is subject to an actuarially neutral reduction, and delayed retirement receives an actuarially neutral increase. Participants may also continue working or defer annuitization voluntarily. Additional contribution years and later annuitization can help cure an individual adequacy gap through added contributions, additional compounding, and later-age lifetime-income pricing.

Ownership, Custody, and Investment

Funded PRA contributions and investment earnings become the participant's property when deposited. They are held outside the OASI transition system through regulated private custodians and may not be treated as federal assets, used for federal expenditure, borrowed, invested, spent, or otherwise used for any governmental purpose.

The federal role is limited to regulation, administration, enforcement, participant protection, contribution routing, fiduciary standards, disclosure, cybersecurity, audit, and approval of qualified custodians and investment options.

The investment system uses a limited menu of diversified, low-cost options. Participants who make no election are placed in an age-appropriate lifecycle or target-date fund. Mandatory contributions vest immediately. Accounts remain portable through changes in employment, custodian, residence, and marital status, and unannuitized funded balances remain inheritable under the governing beneficiary rules.

Retirement Income and Payouts

The Plan is designed to convert accumulated retirement value into reliable inflation-protected lifetime income. The full-career worker design standard is lifetime income of at least 1.10 times the Reference OASI Benefit Schedule worker amount at the participant's applicable FRA. Normal FRA is 67; if the prospective Longevity Stabilizer later changes FRA for a future cohort, that cohort's adequacy comparator moves with the applicable FRA. Validation uses a 45-contribution-year horizon and reference full-time earnings benchmarks, including the 10th and 25th percentiles, as test points rather than permanent worker classifications.

Baseline scoring uses annuity-equivalent lifetime income. At retirement, a transition participant may combine cash derived from notional-credit conversion with all or part of the funded PRA balance through a qualified Universal Lifetime Income Contract or an actuarially equivalent regulated product. After closure, the participant's annual adequacy calculation uses actual PRA assets and certified lifetime-income pricing.

Alternative payout forms may be authorized, but lump sums and systematic withdrawals may not defeat the minimum retirement-income standard, duplicate claims, or impair required transition reserves. Amounts not committed to a retirement-income product remain in the participant's PRA under the governing investment, payout, inheritance, and administrative rules.

Survivor, Disability, and Family Protections

Survivor and auxiliary rights attributable to preimplementation earnings are preserved and assigned to the proper legacy or transition component. In the permanent system, all applicable OASI-equivalent auxiliary and survivor protections within scope are separately actuarially priced through a qualified ULIC or actuarially equivalent private mechanism. The 1.10 worker-income standard does not multiply those family benefits by 1.10, and mandatory family-protection and Family Security Reserve charges remain inside the participant's all-in 10.6 percent ceiling.

Family protection is privately funded and may pool genuine insurance risk only within properly priced covered classes. Working-life survivor protection first recognizes inherited PRA assets and insures only the remaining certified gap. Ex-spouse protection must be funded during the protected marital period or allocated through an enforceable domestic-relations mechanism; no later unfunded claim may arise.

Disability Insurance remains separate. A participant receiving DI retains ownership of funded PRA assets. At death, funded assets, notional claims, and RTCs retain their distinct legal character: unannuitized funded assets pass under the applicable beneficiary rules, while notional balances and RTCs pass or convert only under their respective statutory transition rules.

Tax Treatment

For baseline scoring, mandatory funded PRA contributions and investment earnings receive tax-deferred treatment, and distributions are taxable when received unless implementing legislation provides otherwise. Voluntary contributions may be authorized under applicable pretax, Roth-type, rollover, employer-contribution, or other qualified-account rules.

Notional credits do not create current taxable income when recorded or indexed. RTC issuance creates no current taxable cash income, and RTC interest remains tax-deferred while outstanding. If SSA redeems an RTC and directly deposits the proceeds into a qualified PRA under an authorized election, tax deferral continues until PRA distribution, subject to implementing law.

At final OASI closure, both statutory OASI tax obligations terminate. The employee's former 5.3 percent withholding ceases. The employer's former 5.3 percent OASI obligation becomes a statutory Employer OASI Compensation Conversion Amount paid as employee compensation on Reference Employer OASI Wages. That amount is compensation, not an employer retirement contribution, and is excluded from PRA Reference Earnings so it cannot enlarge the mandatory contribution denominator. The participant then pays the all-in Individual Adequacy Contribution Rate from employee compensation. The resulting pre-income-tax compensation/cash-flow improvement relative to the former OASI burden is 10.6 percent minus the participant's all-in rate on earnings within the applicable base; after-tax effects depend on ordinary tax treatment and must be separately modeled.

Administration, Modeling, and Certification

SSA or the designated administrator maintains authoritative cohort, earnings, legacy-benefit, conversion, notional, RTC, eligibility, and reconciliation records. Approved private custodians administer funded accounts under uniform federal standards. After closure, SSA or its statutory successor maintains PRA Reference Earnings and reference metrics, calculates each participant's all-in Individual Adequacy Contribution Rate, transmits the applicable payroll instruction, and centrally reconciles multiple jobs, self-employment, contribution caps, family-status changes, and corrections. Employers pay the statutory 5.3 percent compensation conversion, withhold and remit the participant's employee-only mandatory allocation, and do not calculate lifetime adequacy or make a mandatory PRA contribution. Self-employed participants receive no artificial employer compensation conversion; their former 10.6 percent OASI liability terminates and the all-in rate applies to governing reference net earnings.

The Plan is scored through one integrated annual cash-flow model. Every authorized receipt, benefit obligation, reserve movement, funded contribution, notional accrual, RTC transaction, administrative cost, and ending balance must reconcile annually. Each dollar may be allocated only once.

The model must distinguish statutory parameters from actuarial assumptions, retain a centralized assumptions register, preserve version control and data provenance, identify failed control tests, and be independently replicated and validated. Binding adequacy analysis tests participant and material subgroup outcomes rather than relying on favorable averages.

Formal certification includes preimplementation readiness, initial implementation, accrued-benefit conversion, annual compliance, stabilizer actions, permanent end-state adequacy, tail security, closure readiness, and final closure. Permanent end-state certification requires validated accumulation assumptions, market-supported ULIC and family pricing, compliance with the 10.6 percent participant ceiling and end-state base rules, and legal and operational segregation of the ULIC Family Security Reserve. A failed binding test cannot be cured by favorable descriptive averages or optimistic projections.

Permanent Closure and End State

The Plan is not complete when funded contributions begin or when legacy costs merely become small. Final closure occurs only when legacy obligations have ended or been fully satisfied; remaining notional obligations have been extinguished or fully secured; all RTC obligations have been redeemed, extinguished, or fully satisfied, including completion of the statutory final call; required reserves and tail protections are complete; both employee and employer OASI payroll-tax obligations have permanently terminated; the employer compensation-conversion and employee-only permanent contribution structure is functioning; permanent administration is independently financed; and the funded PRA system can operate without federal borrowing or general-revenue support.

After closure, the OASI payroll tax may not be reinstated and no new PAYGO OASI accrual may be created. The transition's systemwide funded rate ends. Employers have no mandatory PRA contribution obligation; they perform payroll withholding and remittance for the participant's employee-only all-in rate and pay the required compensation conversion. Government retains regulatory, administrative, and enforcement responsibilities, but retirement assets remain privately owned and held for participants and beneficiaries.

The permanent system replaces an open-ended unfunded retirement promise with regulated, portable, inheritable retirement property and privately priced lifetime-income protection. It protects accrued obligations during transition while establishing a durable funded structure for future workers.

Summary of the Plan

- Applies only to OASI; implements January 1, 2028; protects the age-56-and-older legacy cohort; and preserves younger workers' accrued preimplementation value through participant-specific notional credits.
- Operates during transition within the combined 10.6 percent OASI payroll-tax ceiling, with no federal borrowing or general-revenue financing, and permits funded PRAs only from genuine residual capacity after higher-priority obligations, reserves, the two-year buffer, and the RTC-neutral funding test.
- Uses RTCs only within certified need, with pro rata limits, reserve-before-mandatory sequencing, hardship protection, and a statutory final call so RTCs cannot indefinitely delay closure.
- At closure, terminates both OASI taxes; converts the former employer 5.3 percent OASI obligation into employee compensation; eliminates any mandatory employer PRA contribution; and makes the participant solely responsible for the permanent all-in Individual Adequacy Contribution Rate.
- Caps that all-in employee rate at 10.6 percent of PRA Reference Earnings, including mandatory PRA, family/reserve, and dedicated payroll-administration charges; uses a normal base of 1.50 times the Reference Full-Time Median Wage, 1.75 times as the first fallback, and only then a certified ratchet toward the Reference OASI Taxable Maximum.
- Uses a full-career worker design target of at least 1.10 times the Reference OASI Benefit Schedule amount at the participant's applicable FRA; keeps normal FRA at 67 subject only to the prospective Longevity Stabilizer; protects participant ownership and inheritance; and requires independent validation, market-supported ULIC pricing, binding certification, and permanent PAYGO closure only after all obligations are satisfied or secured.

All technical assumptions, computational rules, certification standards, and implementation requirements are governed by Technical Specifications for Scoring, Version 2.8. Supplement A, Universal Lifetime Income Contract (ULIC), Version 2.0, and Supplement B, End-State Retirement Adequacy and Family Protection, Version 1.0, govern delegated details only to the extent consistent with TSS v2.8.