PRAUSA

The PRAUSA Plan: Transitioning Social Security to Solvency

Purpose and Governing Relationship

The PRAUSA 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. The Technical Specifications for Scoring (TSS) govern the actuarial, computational, administrative, and certification rules. Where this public Plan and the TSS differ, the TSS controls technical interpretation and formal evaluation.

The governing objectives are to protect accrued retirement obligations, preserve continuous payment of scheduled benefits, operate without federal borrowing or general-revenue financing, remain within the existing 10.6 percent OASI payroll-tax rate during transition, establish real participant-owned retirement assets, and permanently close pay-as-you-go 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.

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 in the existing OASI benefit structure for life, continue to accrue benefits under the applicable legacy rules, and are not involuntarily converted into the new system. Individuals already receiving OASI benefits remain protected under the legacy structure.

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 covered employment after implementation enter the new retirement system and do not accrue legacy OASI benefits.

How the Transition Works

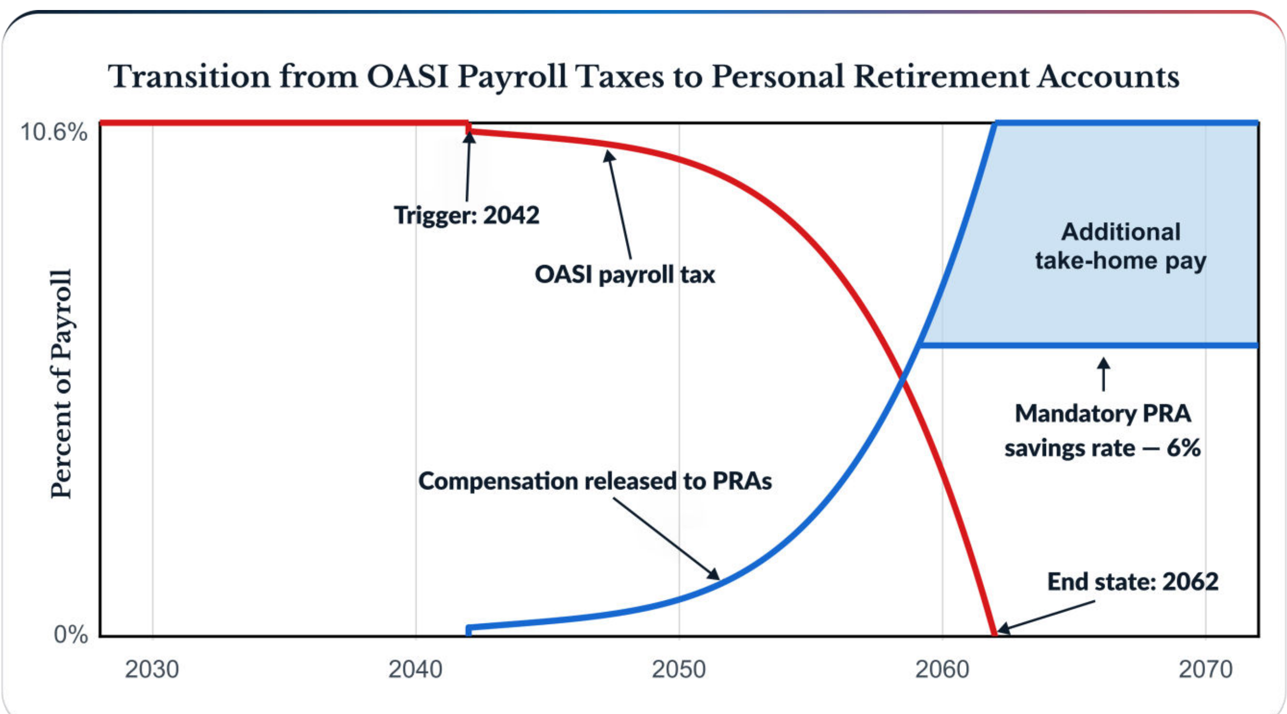
This chart is a conceptual illustration for visual understanding, not an exact actuarial projection of annual payroll-tax reductions or PRA contributions.

The red OASI payroll-tax line represents the 10.6% payroll tax financing the legacy system. It remains at 10.6% until approximately 2042, then declines as legacy obligations fall and ultimately disappears when those obligations end.

The blue Personal Retirement Account (PRA) line represents the portion of that 10.6% burden released as legacy financing declines. During the phase-out, the red and blue amounts always total 10.6 percentage points.

PRA contributions begin at a low rate and rise as capacity becomes available, ultimately reaching approximately 6% of wages up to the national median wage. Once the released amount exceeds the required PRA contribution, the difference becomes additional take-home compensation, shown by the shaded area.

At the estimated 2062 end state, the OASI payroll tax is eliminated. Workers contribute approximately 6% to their PRAs up to the median-wage cap and retain approximately 4.6 percentage points as additional compensation. On wages above the cap, they retain the full 10.6 percentage points formerly devoted to OASI.



Protection and Conversion of Accrued Benefits

No accrued retirement benefit is confiscated merely because 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, and actuarial discounting rules stated 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, 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 the transition, the combined annual retirement accrual assigned to covered earnings is calibrated initially to an annuity-equivalent target of approximately 7.5 percent, subject to independent actuarial determination of the amount required to meet the governing retirement-income standard.

Before funded contributions can begin, the transition cohort earns the required retirement value through notional credits. As 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 both a legacy accrual and a PRA or notional accrual for the same postimplementation earnings.

New annual notional accruals end when funded contributions permanently provide the full certified annual retirement accrual. 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 the transition. The existing combined 10.6 percent OASI payroll-tax rate is the maximum mandatory transition-financing resource. Federal borrowing and general-revenue transfers are prohibited.

The Plan does not divide the 10.6 percent rate into fixed statutory shares. Instead, authorized OASI resources are allocated annually under a mandatory priority sequence. After giving effect to voluntary RTC elections and any certified mandatory RTC deferral, scheduled cash benefits, legacy obligations, matured RTC redemptions, notional payouts then due, transition administration, operating-reserve requirements, tail-reserve requirements, and the required forward buffer are satisfied before any residual amount is deposited into funded PRAs.

The funded PRA contribution rate for a year is therefore the highest rate that can be financed from residual capacity without violating benefit continuity, annual cash-flow sufficiency, reserve standards, the borrowing prohibition, the general-revenue prohibition, or any other binding certification test.

Deferred PRA Activation and the Two-Year Buffer

Funded PRA contributions do not begin merely because the Plan has been enacted or because a projected surplus appears in one 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.

This two-year five-percent buffer protects benefit payments and transition liquidity against forecast error and short-term deterioration. If the buffer or another binding reserve test would fail, the funded contribution is reduced or deferred. The timing of PRA activation is therefore determined by objective annual conditions rather than by a speculative calendar date.

Mandatory Contribution Base and Funded Rate

Mandatory funded PRA contributions ordinarily apply to covered earnings up to the national median covered wage. Earnings above that mandatory contribution base are not subject to the mandatory PRA contribution unless the contribution-base stabilizer is activated.

During transition, OASI payroll taxes collected on earnings above the mandatory PRA base remain available for legacy obligations, notional payouts, RTC redemptions, reserves, and administration. If high-cost conditions require additional protection after the funded-rate stabilizer has been fully applied, the mandatory contribution base expands prospectively toward the OASI taxable maximum under the formula stated in the TSS.

The permanent end-state mandatory funded contribution rate is provisionally estimated at approximately 6.0 percent of the mandatory contribution base. The final rate must be independently certified as sufficient to meet the retirement-income, annuitization-cost, reserve, and closure standards. It is a design target, not a guaranteed model output.

Retirement Transition Certificates

Retirement Transition Certificates provide a transition-liquidity mechanism for otherwise payable OASI cash benefits. An eligible beneficiary may voluntarily defer from zero to 100 percent of an eligible cash benefit in exchange for an interest-bearing RTC. Voluntary RTCs are available beginning at implementation.

If voluntary RTC deferrals, authorized current-period receipts, and permitted reserve use are insufficient to satisfy a binding annual or near-term cash-flow or operating-reserve test, mandatory RTC deferral applies only to the certified residual amount required to restore compliance. Mandatory participation begins with the highest-net-worth eligible beneficiaries and expands downward only as necessary. Partial deferral at the marginal wealth tier is permitted, and a hardship exemption protects beneficiaries for whom deferral would create demonstrable financial hardship.

An RTC is a transferable, inheritable statutory obligation of the United States administered through the OASI transition system. Principal and accrued interest are backed by the full faith and credit of the United States. The legal guarantee does not authorize the transition model to assume Treasury borrowing or general-revenue transfers as financing resources; baseline and certification scoring must demonstrate payment from authorized Plan resources.

RTCs accrue interest under the governing Treasury-linked formula. Once an RTC becomes redeemable under the statutory payment priority, reserve requirements, and available dedicated resources, the holder may redeem it or may elect to continue holding it and earning the governing rate. Binding solvency scoring assumes redemption when financially permitted and does not depend on voluntary delayed redemption.

Formal evaluation must report voluntary and mandatory RTC issuance separately and test a zero-voluntary-participation case, lower and higher voluntary participation, hardship variation, RTC interest sensitivities, and immediate versus voluntarily delayed redemption. Mandatory RTC issuance is calculated endogenously as the minimum residual amount required to satisfy the binding liquidity tests.

Operating and Tail Reserves

The OASI transition system maintains two analytically distinct reserve functions. The operating reserve is binding from implementation 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 material transition liquidity risk remains. The tail reserve supports late-stage obligations, including remaining notional payments and RTC redemptions, as the payroll-tax system approaches final closure.

Reserve contributions have priority over funded PRA contributions. Reserve drawdowns must follow the governing ordering rules, be reported and justified, and be followed by a replenishment schedule when required. Reserves may not be used to conceal structural financing failure or operate as an undisclosed second financing system.

Automatic Stabilizers

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

For a projected liquidity or reserve failure, lower-priority funded PRA contributions are first reduced or suspended as necessary. Voluntary RTC deferrals then in force are recognized. If a certified residual liquidity requirement remains, mandatory RTC deferral applies only to the minimum amount required, beginning with the highest-net-worth eligible beneficiaries and subject to hardship protection.

If those measures remain insufficient, a one-time 0.5 percent reduction may be applied to otherwise scheduled OASI cash benefits. The adjustment occurs once, and future COLAs apply to the resulting benefit base. If a binding failure still remains, one annual OASI COLA may be suspended or reduced. These benefit-side stabilizers remain dormant in any scenario that passes without them.

Contribution-base and longevity stabilizers address retirement-adequacy and longer-run structural requirements. No stabilizer may reduce funded PRA assets already deposited, RTC principal already issued, accrued RTC interest, or initial notional principal already recorded. Scheduled future OASI cash benefits may be altered only through the expressly authorized contingent benefit and COLA stabilizers after their governing triggers are certified.

Retirement Age and Claiming

The baseline full retirement age for the transition cohort is 68. No phase-in applies to that baseline rule. Any later increase occurs only through the prospective Longevity Stabilizer and applies to future cohorts under the notice and adjustment rules stated in the TSS.

Early retirement is subject to an actuarially neutral reduction, and delayed retirement receives an actuarially neutral increase. The same governing assumptions must be used consistently when evaluating notional payouts, funded PRA income, and the effect of RTC holdings.

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 and custodian, 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 lifetime income. Baseline scoring uses annuity-equivalent lifetime income so that the new system can be compared meaningfully with OASI and tested against the governing retirement-income standard.

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 annuity or other authorized lifetime-income provider. Amounts not applied to a retirement-income product remain in the PRA and continue to be governed by the applicable investment, payout, inheritance, and administrative rules.

Alternative payout forms may be authorized, but lump sums and systematic withdrawals may not be structured in a manner that defeats the minimum retirement-income standard, duplicates claims, or impairs required transition reserves.

Survivor, Disability, and Family Protections

Survivor and auxiliary rights attributable to preimplementation earnings are preserved and assigned to the proper legacy or transition component. The system must prevent simultaneous payment of a converted accrual and the corresponding legacy benefit.

Disability Insurance remains separate. A participant receiving DI retains ownership of funded PRA assets. When a DI beneficiary converts to retirement status, the OASI, notional, and funded components are coordinated to prevent duplication.

Funded assets, notional claims, and RTCs retain their distinct legal character at death. Unannuitized funded assets pass under the applicable beneficiary rules. Unpaid 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, or other qualified-account rules.

Notional credits do not create current taxable income when recorded or indexed. Their cash payments are taxed under the treatment established by implementing law. RTC taxation occurs upon redemption, sale, transfer for value, distribution, or other realization as prescribed by law.

When the OASI payroll tax is finally eliminated, the former mandatory tax amount not replaced by the continuing mandatory PRA contribution ceases to be collected and becomes additional compensation or take-home pay, subject to ordinary tax treatment. At the provisional 6.0 percent funded rate, the difference through the median-wage cap is approximately 4.6 percentage points. Above the mandatory PRA cap, the potential difference may reach the full former 10.6 percentage points, subject to applicable compensation and tax treatment.

Administration, Modeling, and Certification

SSA or the designated administrator maintains authoritative cohort, earnings, legacy-benefit, conversion, notional, RTC, and eligibility records. Approved private custodians administer funded accounts under uniform federal standards.

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, display failed control tests, and be independently replicated and validated before governing certification.

Formal certification includes preimplementation readiness, initial implementation, conversion neutrality, annual compliance, stabilizer actions, permanent funded-rate status, closure readiness, and final closure. 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 and RTC obligations have been extinguished or fully secured by authorized resources, required reserves and tail protections are complete, the OASI payroll tax has permanently terminated, and the funded PRA system can operate independently without federal borrowing or general-revenue support.

After closure, the OASI payroll tax may not be reinstated and no new pay-as-you-go OASI accrual may be created. Government retains regulatory and enforcement responsibilities, but retirement assets remain privately owned and held for participants and beneficiaries.

The permanent system replaces an open-ended unfunded promise with regulated, portable, inheritable retirement property. It protects older Americans and accrued obligations during transition while establishing a durable financing structure for future workers.

Summary of the Plan

- Applies only to OASI; Disability Insurance, Medicare, and other federal programs remain separate.
- Implements on January 1, 2028, with workers age 56 or older protected in the legacy system.
- Ends new legacy OASI accruals for workers younger than 56 while preserving preimplementation retirement value.
- Uses participant-specific notional credits until actual funded PRA contributions can begin and grow.
- Operates within the existing 10.6 percent OASI payroll-tax ceiling during transition.
- Prohibits federal borrowing and general-revenue financing.

- Requires a two-year five-percent buffer before funded PRA contributions begin or increase.
- Targets a certified transition retirement-accrual rate, declining toward an approximately 6.0% permanent funded contribution as the market matures.
- Caps the ordinary mandatory PRA contribution base at the median covered wage, subject to a prospective stabilizer.
- Uses voluntary RTC deferrals from implementation and a limited mandatory high-net-worth RTC backstop only for certified residual liquidity needs, subject to hardship protection.
- Protects participant ownership and prohibits governmental use of funded PRA assets.
- Uses automatic stabilizers, integrated annual modeling, independent validation, and binding certification.
- Permanently closes pay-as-you-go OASI only after all transition obligations are satisfied or fully secured.

All technical assumptions, computational rules, certification standards, and implementation requirements are governed by the Technical Specifications for Scoring.