The Social Security Trustees’ Report: The Public Trustees’ Role

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Social Security Income and Costs as a % of Taxable Payroll

Payable benefits as percent of scheduled benefits:
- 2011-35: 100%
- 2036: 77%
- 2085: 74%

Expenditures: Payable benefits = income after trust fund exhaustion in 2036
Key Summary Measures and Statistics
(Combined Social Security Trust Funds)

Trust Fund Exhaustion Date:
2036 (OASI = 2038, DI = 2018)

Choices if resolution delayed until 2036:
Benefits reduced 23%, or;
Payroll tax rate = 16.4%

75-Year Actuarial Imbalance:
2.22% of Taxable Payroll (previous report = 1.92%)
($PV = $6.5 T on TF basis; $9.1 T on unified budget basis)

Trust Fund Ratio (100 x TF assets/annual costs):
353 (was 358 in 2008)
Reasons for Deterioration in 2011 Report

Factors Accounting for Increase in the Projected Actuarial Deficit in the 2011 TR
*Net Increase of 0.30 percent of payroll*

- **Demographic Assumptions**: -0.14
- **Economic Assumptions**: -0.06
- **Methods and other data**: -0.05
- **Valuation Period**: -0.05
- **Disability**: -0.01
## Long-range Assumptions Underlying Social Security Projections

<table>
<thead>
<tr>
<th>Long-range assumption</th>
<th>Intermediate</th>
<th>Low-cost</th>
<th>High-cost</th>
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<tbody>
<tr>
<td>Fertility rate</td>
<td>2.0</td>
<td>2.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Annual reduction in death rates</td>
<td>0.78</td>
<td>0.32</td>
<td>1.31</td>
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<tr>
<td>Net immigration</td>
<td>1.075 M</td>
<td>1.385 M</td>
<td>0.785 M</td>
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<tr>
<td>Productivity</td>
<td>1.7</td>
<td>2.0</td>
<td>1.4</td>
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<tr>
<td>CPI</td>
<td>2.8</td>
<td>1.8</td>
<td>3.8</td>
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<tr>
<td>Real-wage differential</td>
<td>1.2</td>
<td>1.8</td>
<td>0.6</td>
</tr>
<tr>
<td>TF real interest rate</td>
<td>2.9</td>
<td>3.6</td>
<td>2.1</td>
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</tbody>
</table>
Explaining Projection Uncertainty:
Social Security Trust Funds Exhausted In Nearly All Projection Scenarios
(Trust Fund Ratios, Analysis Varying Economic/Demographic Assumptions)
Deciding What is Important:  
Key Points from Trustees’ Messages

1) **Legislative corrections best enacted soon**: “Earlier action will . . . afford elected officials with a greater opportunity to minimize adverse impacts on vulnerable populations, including lower-income workers and those . . . already substantially dependent on program benefits.”

2) **Demographic changes prior to 2035 primary driver of cost growth**: “Under current law, demographic trends will be the primary driver of cost growth . . . over the next couple of decades. . . . More than 90 percent of combined cost growth in Social Security and Medicare from 2007 through 2085 relative to GDP will have occurred by 2035 under current projections.”

3) **The problems are certain**: “The financial shortfalls confronting both Social Security and Medicare are substantial and – absent legislation to correct them – quite certain.”

4) **Don’t get distracted by Trust Fund/budget debate**: “Whether viewed from the narrower trust fund perspective or from the wider unified budget perspective, the financial challenges . . . must be addressed.”

5) **Practical policy constraints increase the costs of delay**: “In the past, policy makers have been reluctant to significantly reduce the benefits of those who have already begun to collect them. . . The costs that will be borne by younger generations will grow significantly each year that a new cohort of baby boomers joins the benefit rolls.”