SOCIAL SECURITY: HOW BIG IS THE FINANCING CHALLENGE?

National Academy of Social Insurance 2018 Summer Intern Academy

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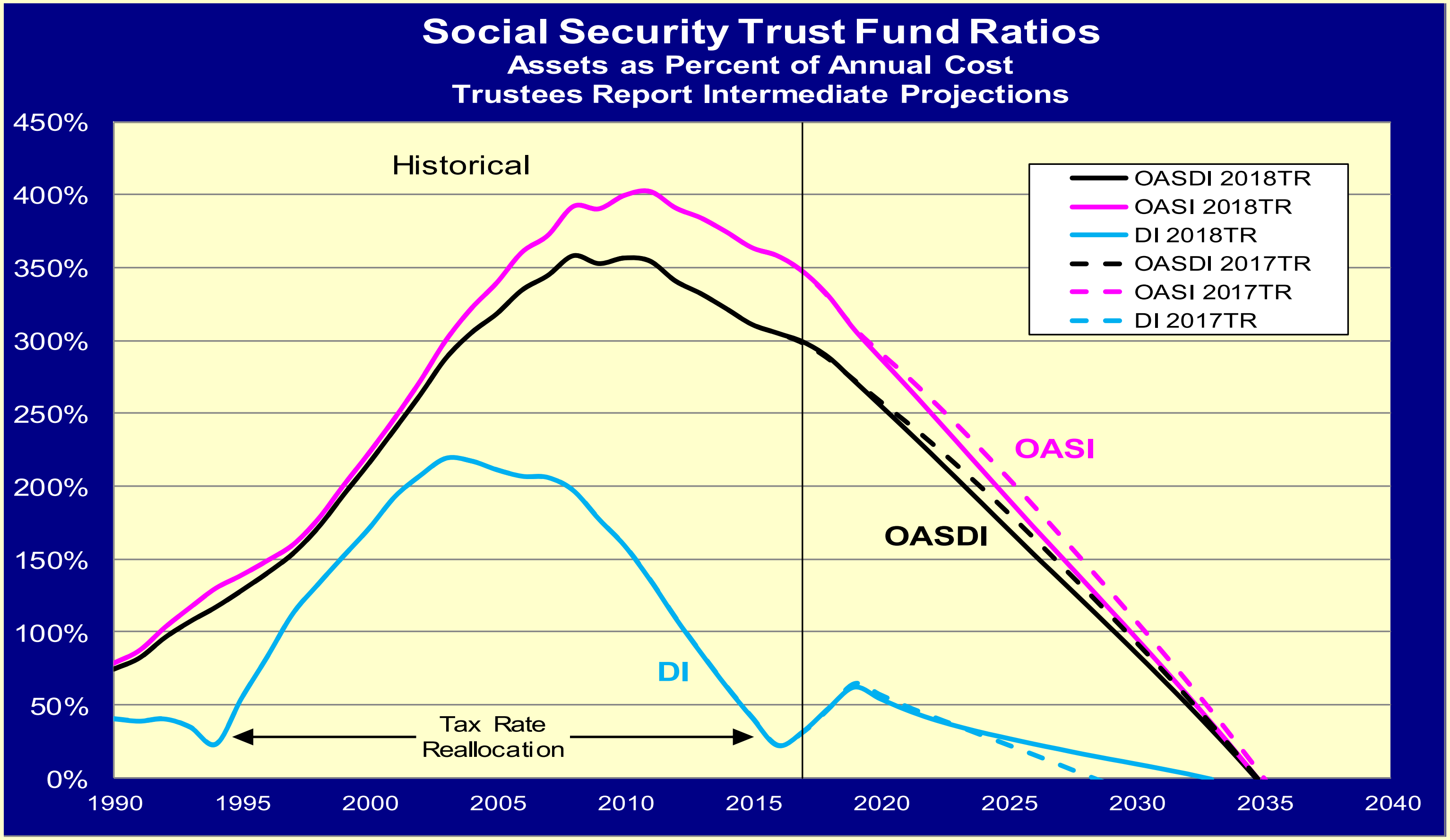
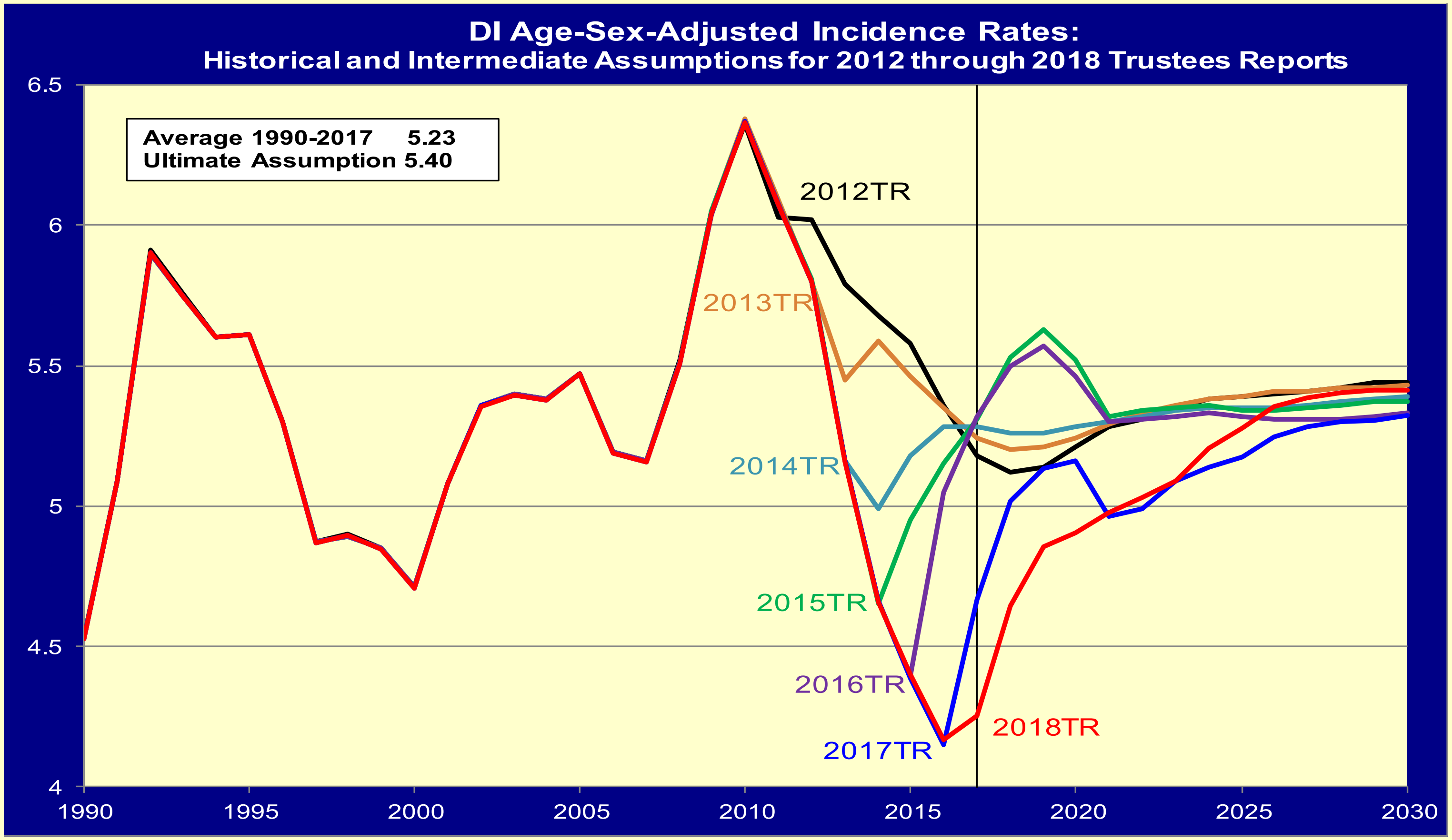
SOLVENCY: OASDI Trust Fund Reserve Depletion 2034 (same as last year)

- Reserve depletion date varied from 2029 to 2042 in reports over the past 28 years (1991-2018)
- ***DI Trust Fund — reserve depletion in 2032, four years later than last year***
  - Due largely to lower recent and near-term disability applications and average benefit levels



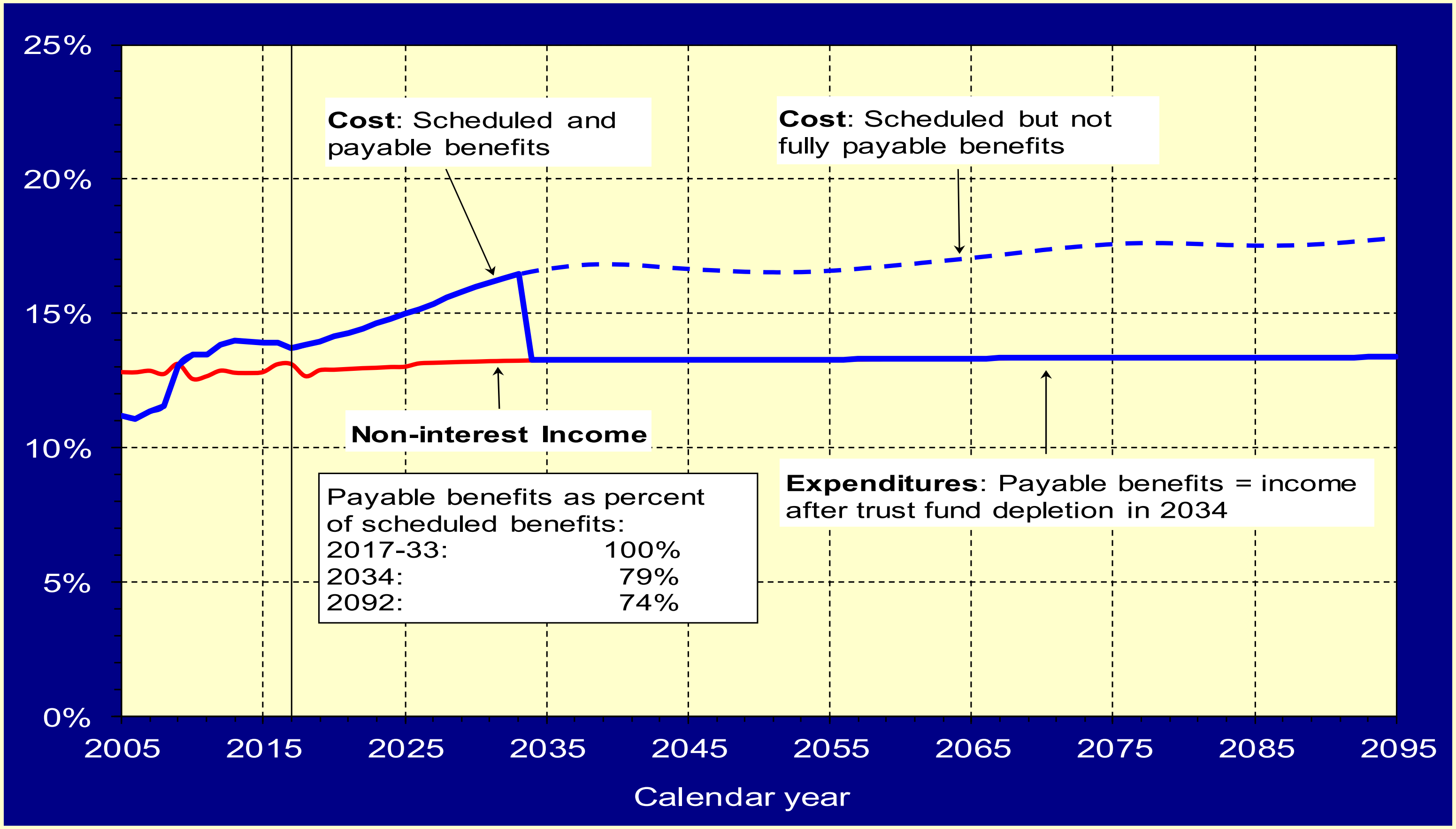
Disability Incidence Rate Falls to Historic Lows

DI disabled worker incidence rate rose sharply in the recession, and has declined since the peak in 2010 to extraordinarily low levels for 2016 and 2017

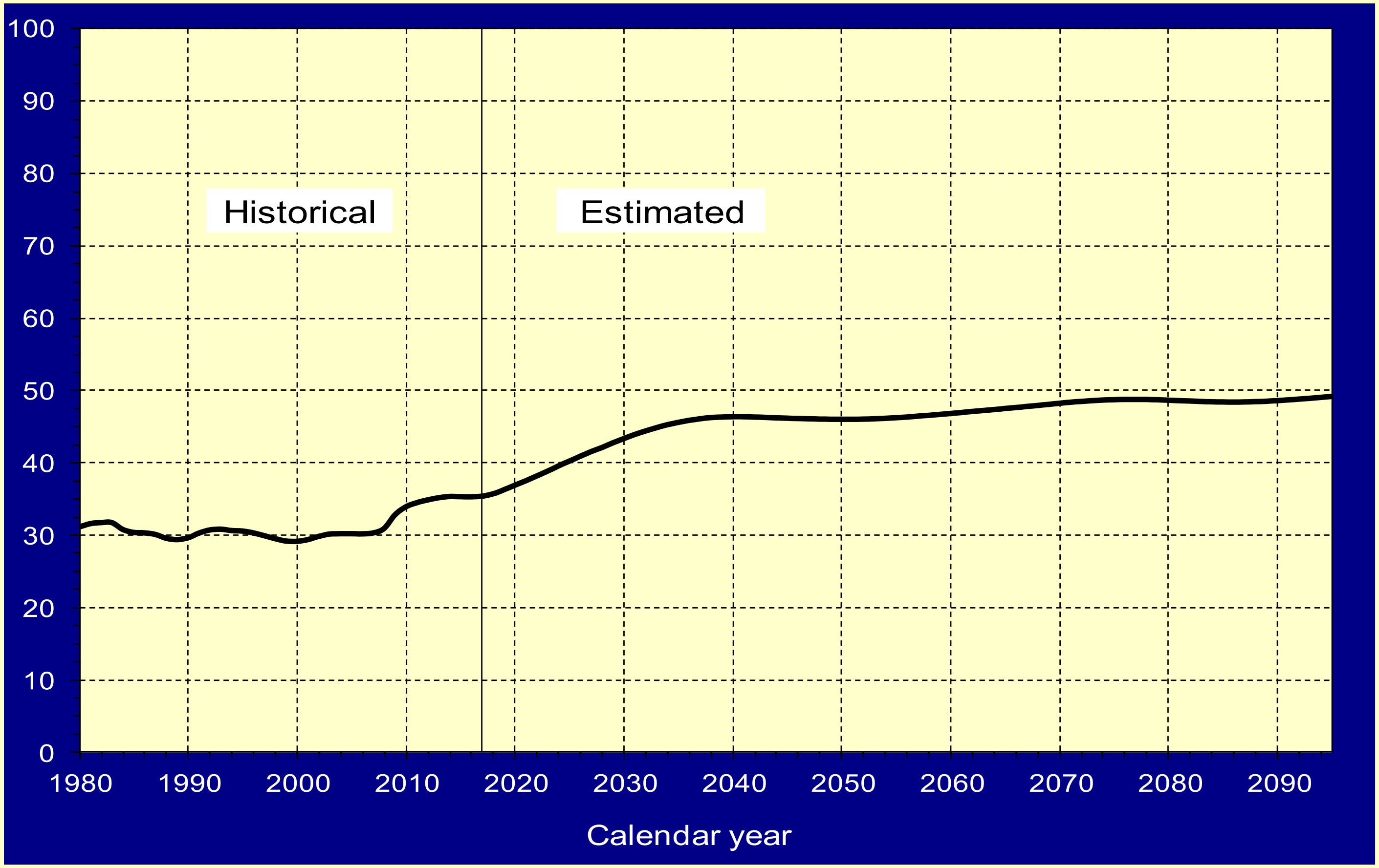


OASDI Annual Cost and Non-Interest Income as Percent of Taxable Payroll
Persistent Negative Annual Cash-Flow Balance Starting in 2010

79% of scheduled benefits still payable at trust fund reserve depletion
Annual deficit in 2092: 4.32 percent of payroll — 0.21 percent smaller than last year

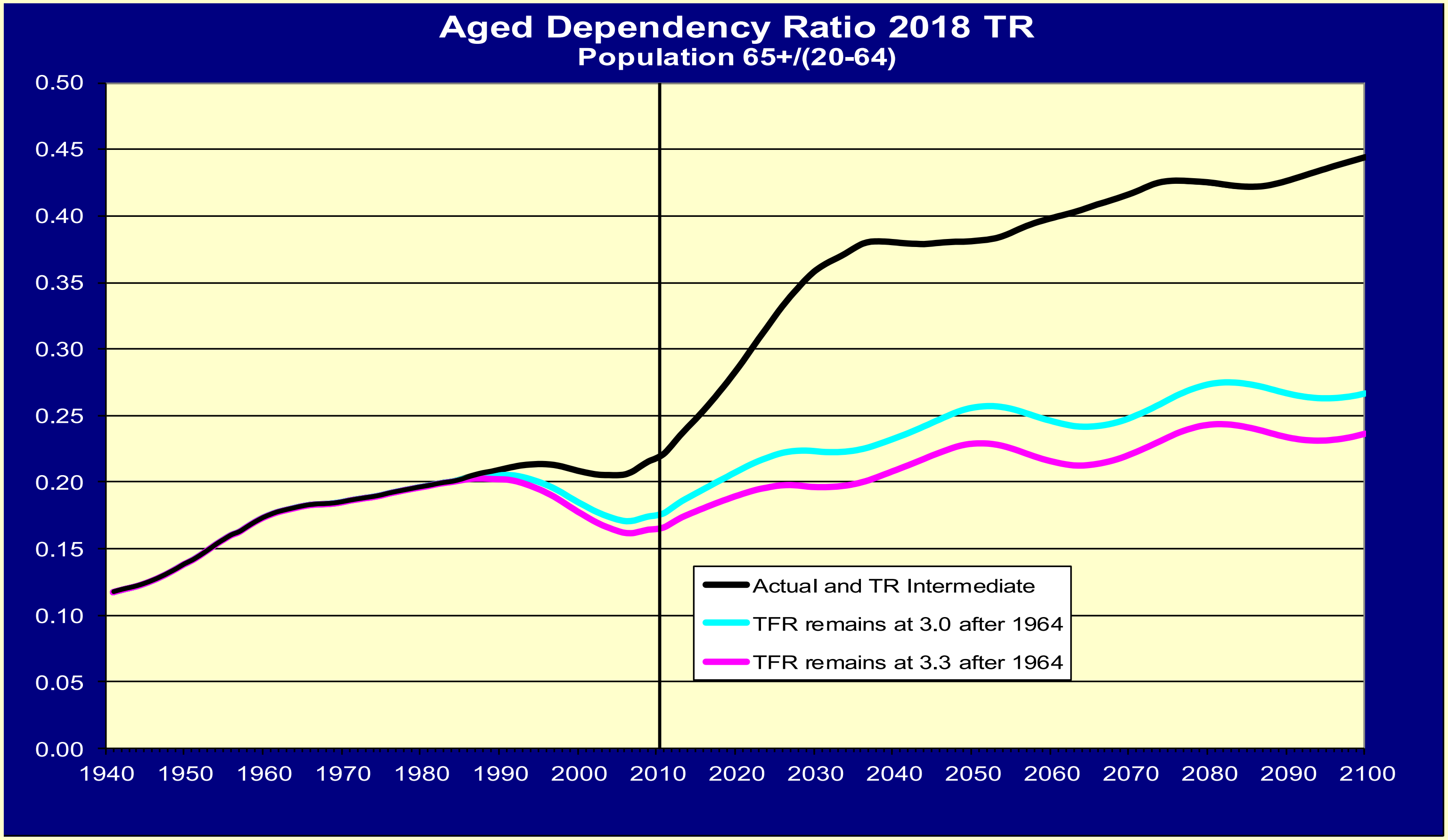


OASDI Beneficiaries per 100 Workers

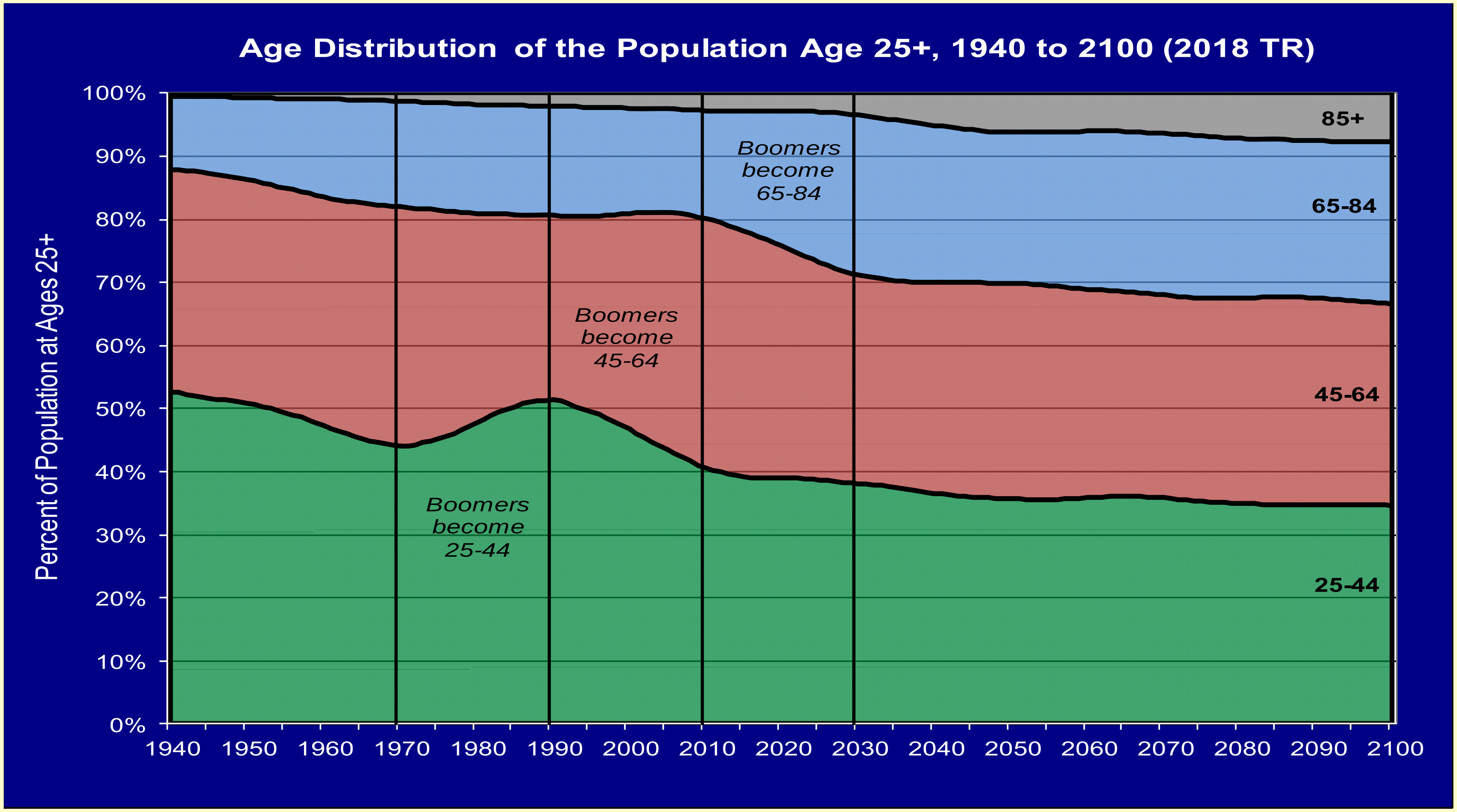


Aging (change in age distribution)

mainly due to drop in birth rates

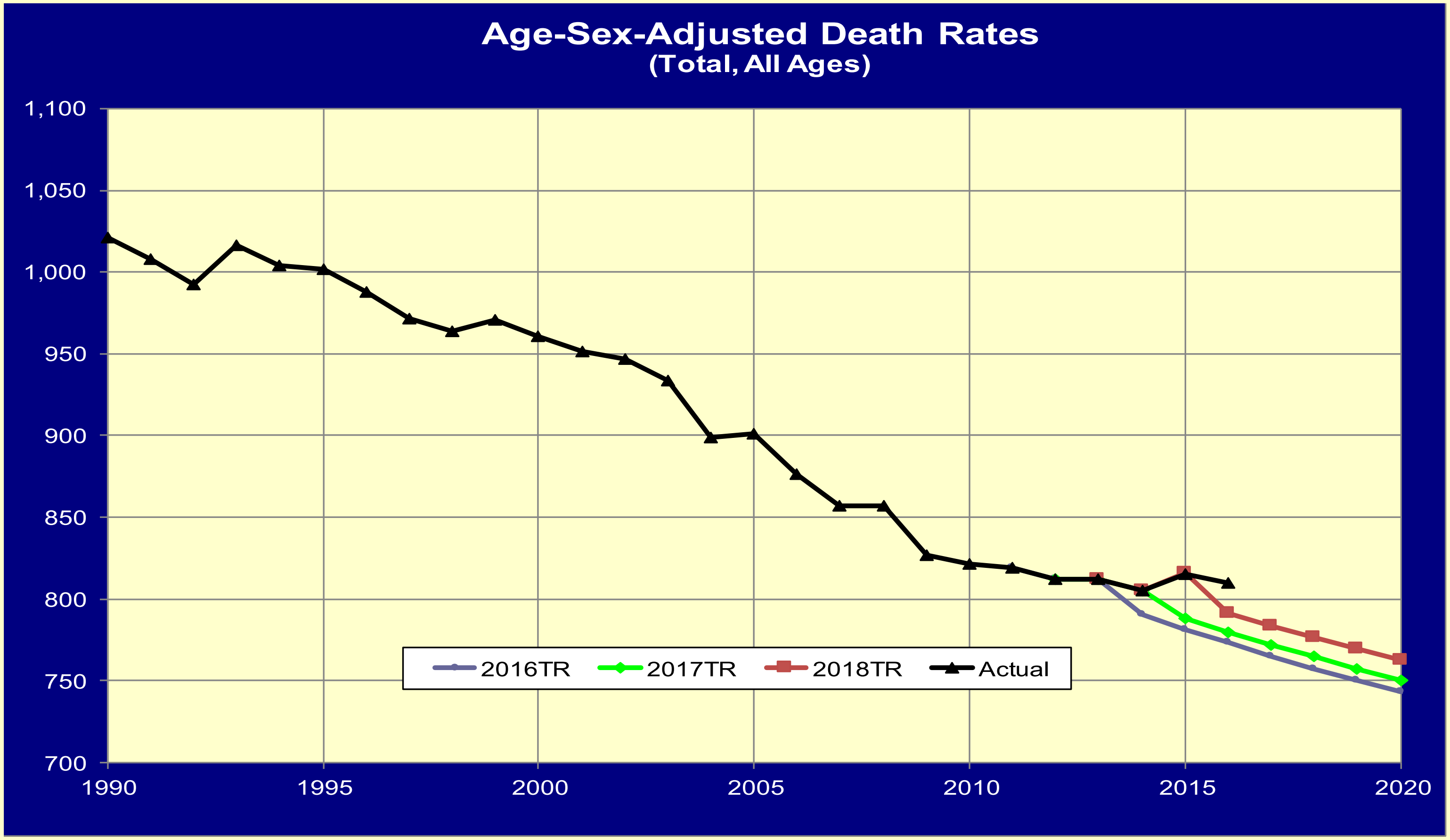


Changing Age Distribution Over Last 20 and Next 20 Years Mainly Due to Macro Aging—*permanent level shifts*



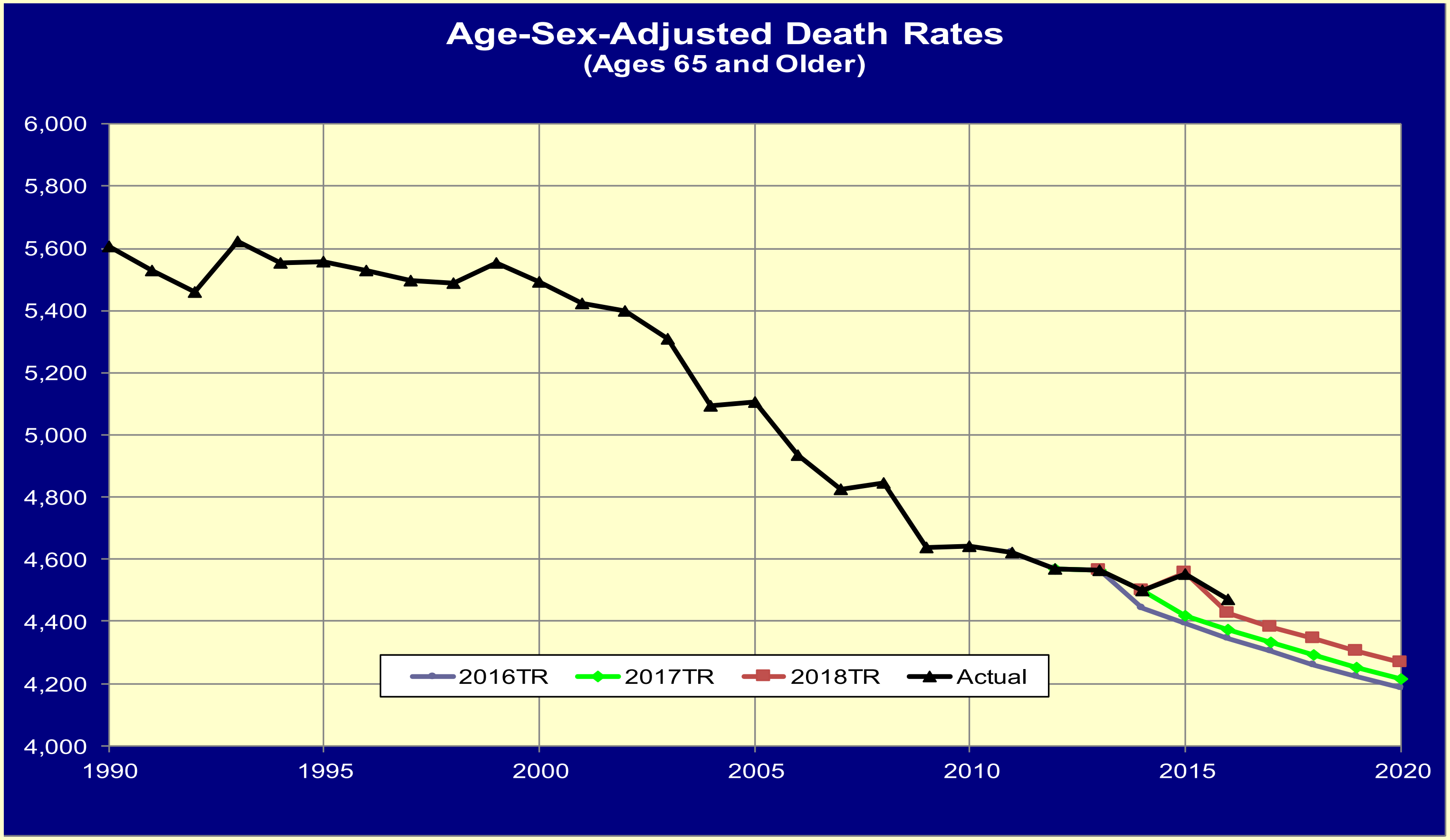
Mortality Experience: All Ages

Reductions continue to fall short of expectations



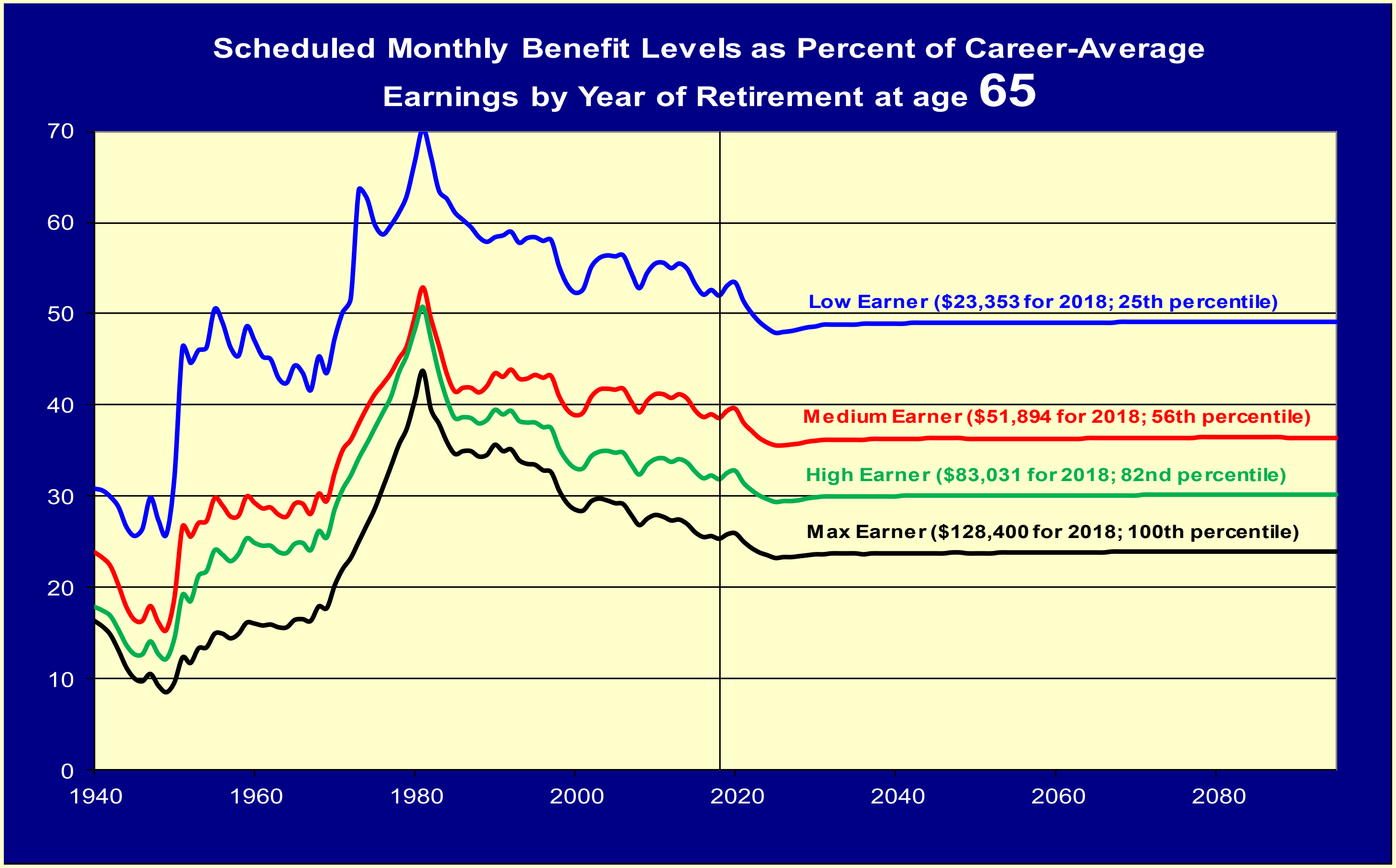
Mortality Experience: Ages 65 and Older

Reductions since 2009 continue to fall short of expectations

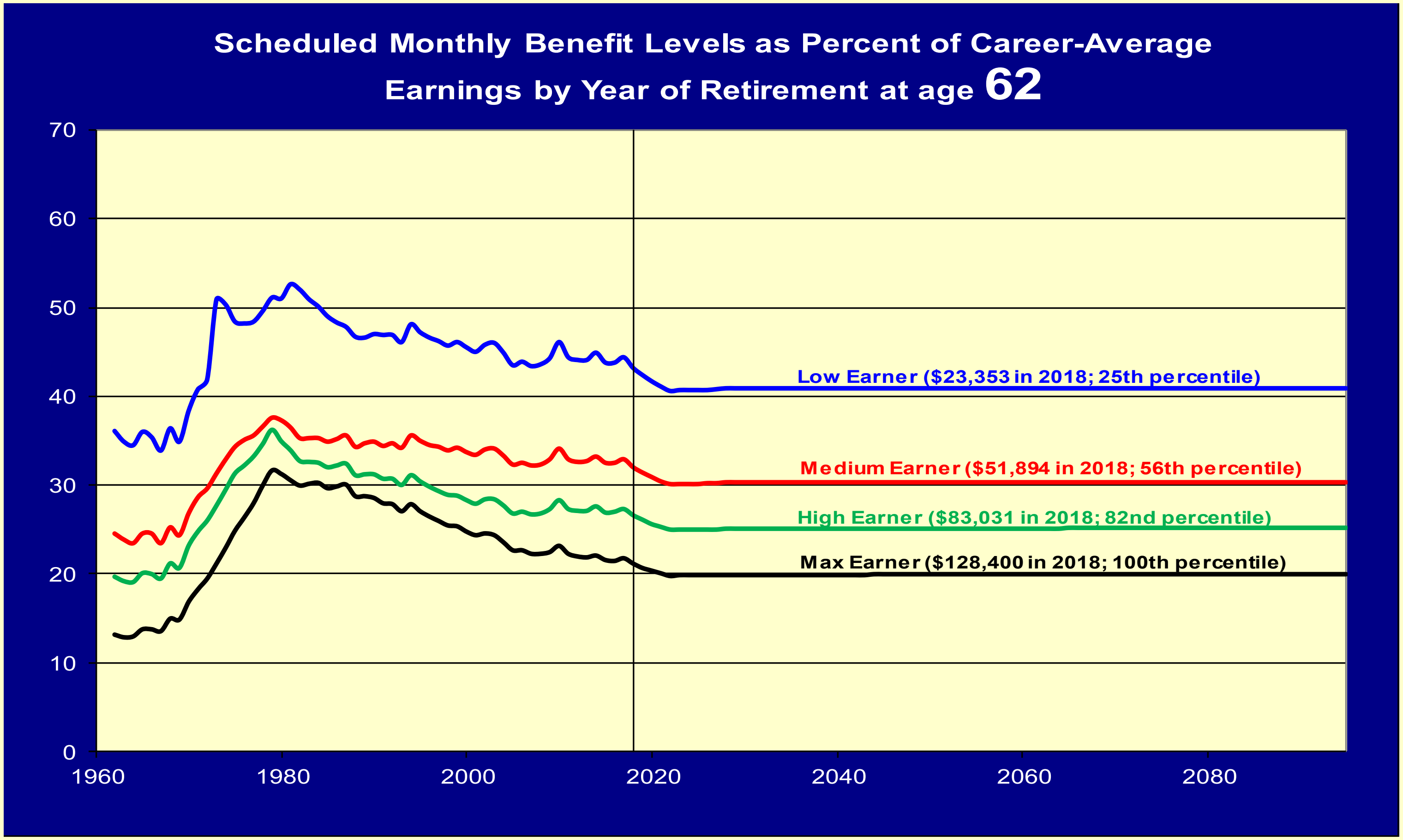


Replacement Rates Based on the 2018 Trustees Report

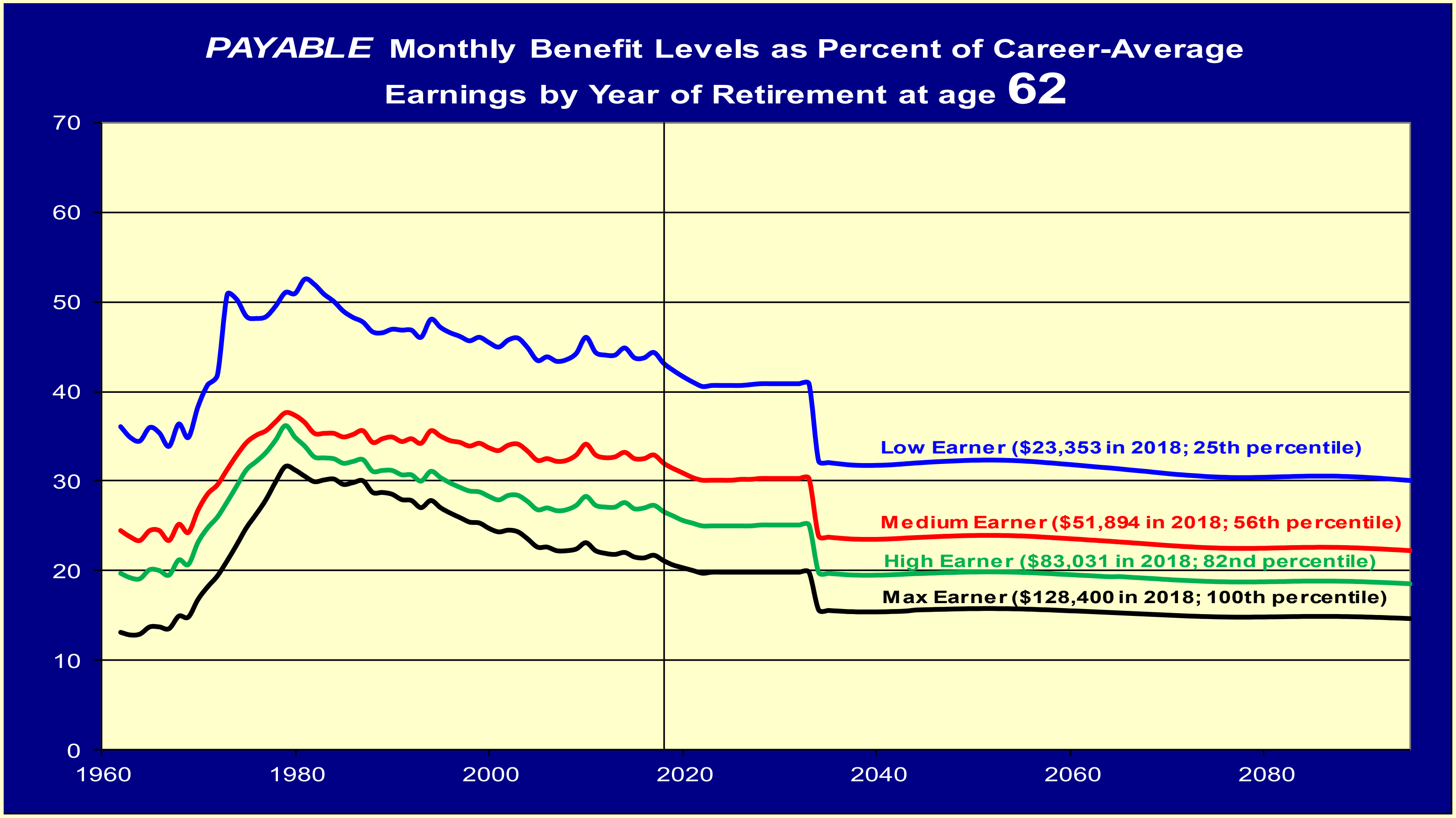
Source: Annual Recurring Actuarial Note #9, www.ssa.gov/oact/NOTES/ran9/index.html



How About at Age 62, Where Most Start Benefits?



Payable Benefits Under the Law, After Trust Fund Reserves Are Depleted, Are Even Lower



How to Fix Social Security Long-Term

Make choices addressing OASDI deficits 2034-2092:

- Raise scheduled revenue after 2033 by about one-third: increase revenue from 4.6 to 6.1% of GDP
- Reduce scheduled benefits after 2033 by about one-fourth: lower benefits from 6.1 to 4.6% of GDP
- Or some combination of the two
- Invest trust funds for higher return?
  - Limited help—it is a PAYGO world
  - So invest in coming generations of workers