

Breakout Session:

Social Security and  
Financially Disadvantaged Groups

Envision  
tomorrow

 AMERICAN ACADEMY  
of ACTUARIES

November 13, 2023  
10:30 – 11:45am

# Social Security Basics and Some Ways to Think about Equity Issues

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Social Security Administration

# Social Security's Benefit Formula is Progressive

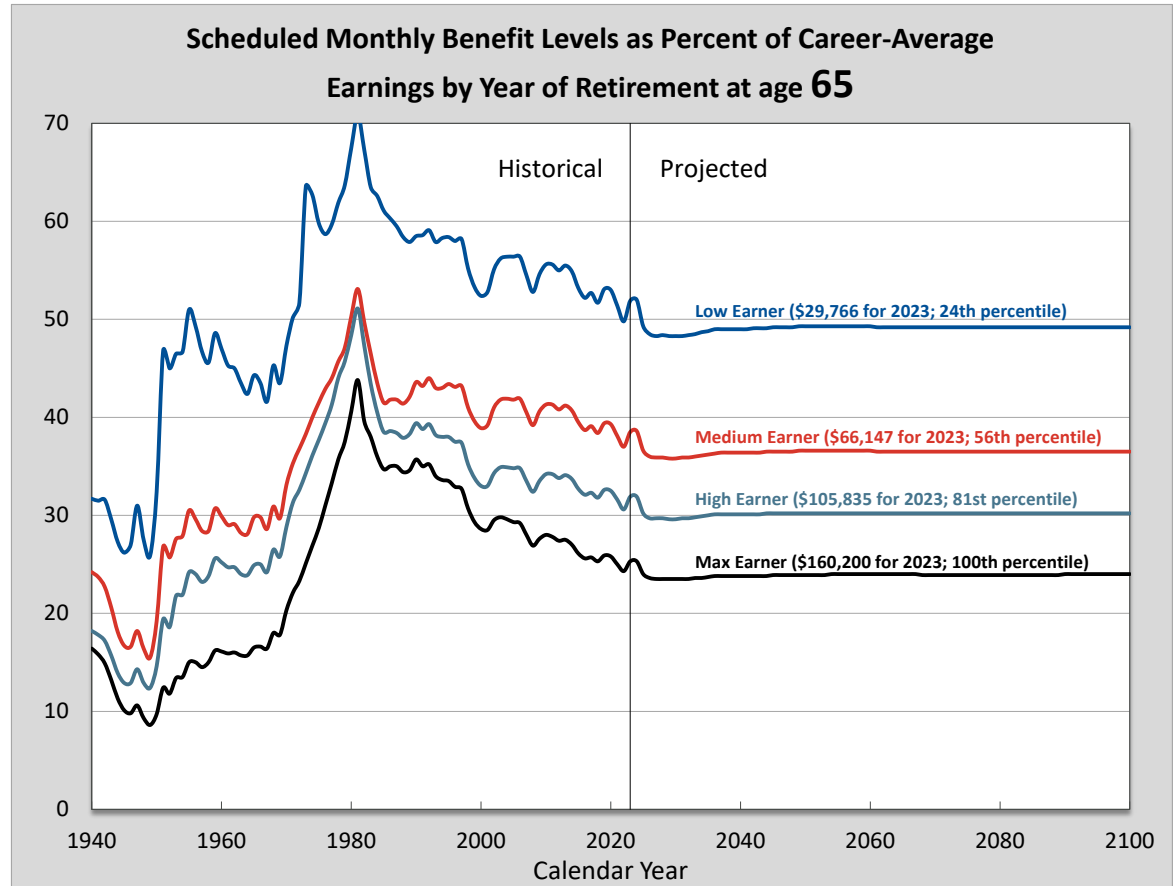
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For an individual who first becomes eligible for benefits in 2023, their primary insurance amount (PIA) is the sum of:

- a) 90 percent of the first \$1,115 of their average indexed monthly earnings (AIME)
- b) 32 percent of their AIME over \$1,115 and through \$6,721
- c) 15 percent of their AIME over \$6,721

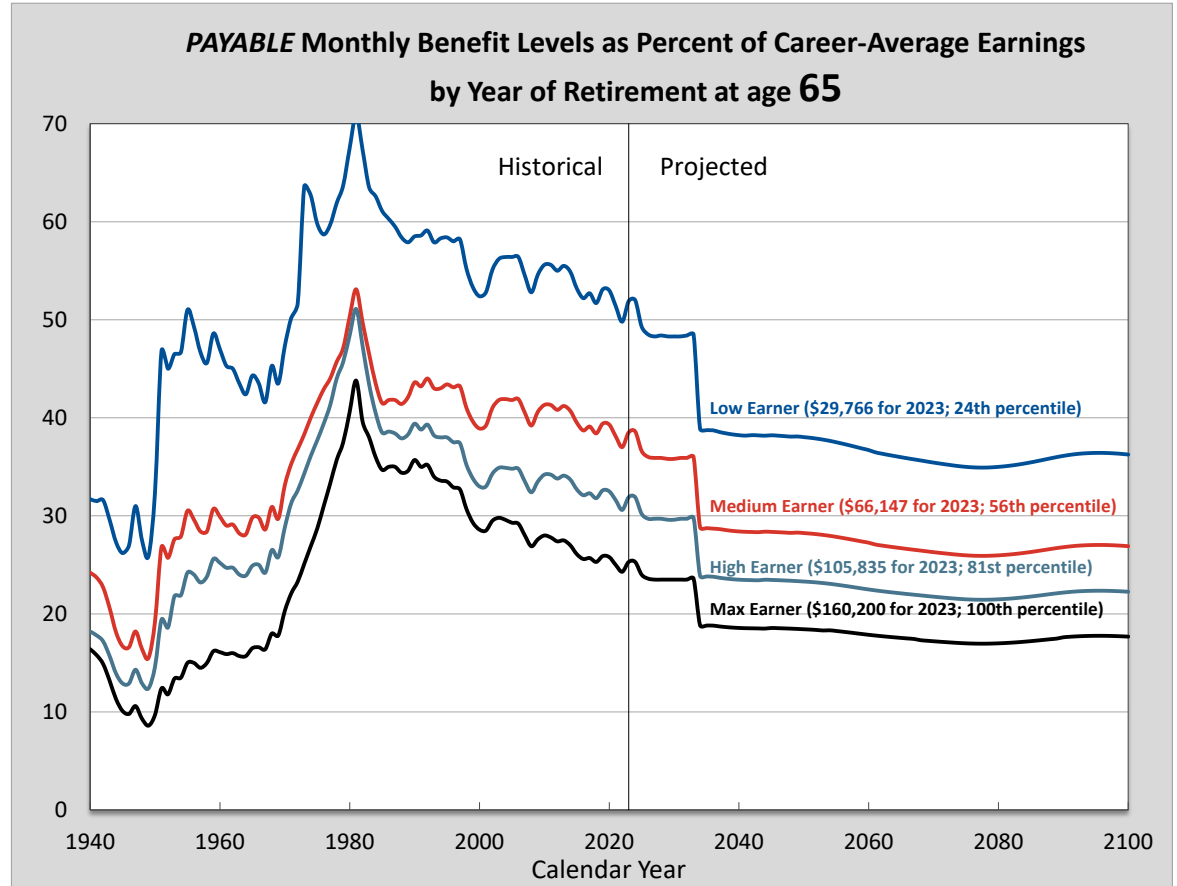
*Note: the PIA is the benefit a person would receive if they begin receiving retirement benefits at normal retirement age—neither reduced for early retirement nor increased for delayed retirement*

# Replacement Rates Based on the 2023 Trustees Report



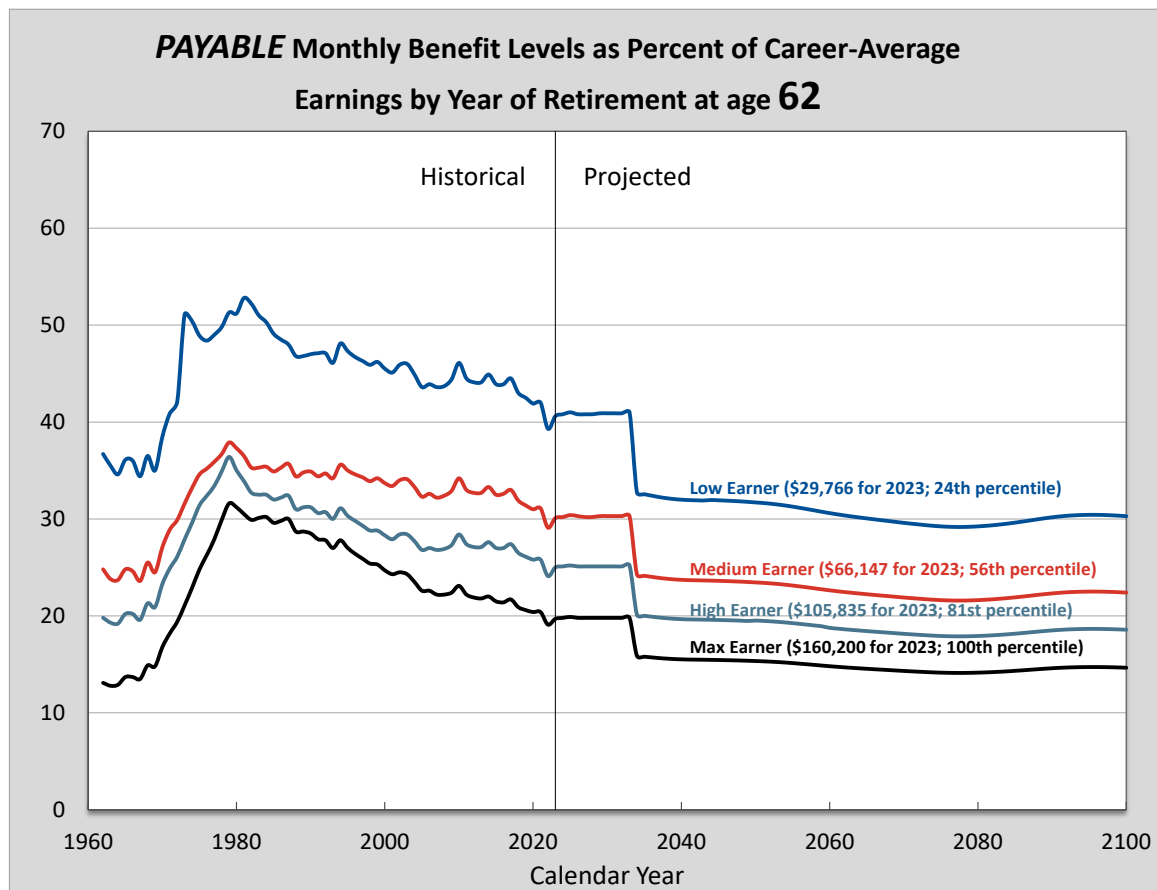
See Recurring Actuarial Note #9: [www.ssa.gov/OACT/NOTES/ran9/](http://www.ssa.gov/OACT/NOTES/ran9/)

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



See Recurring Actuarial Note #9: [www.ssa.gov/OACT/NOTES/ran9/](http://www.ssa.gov/OACT/NOTES/ran9/)

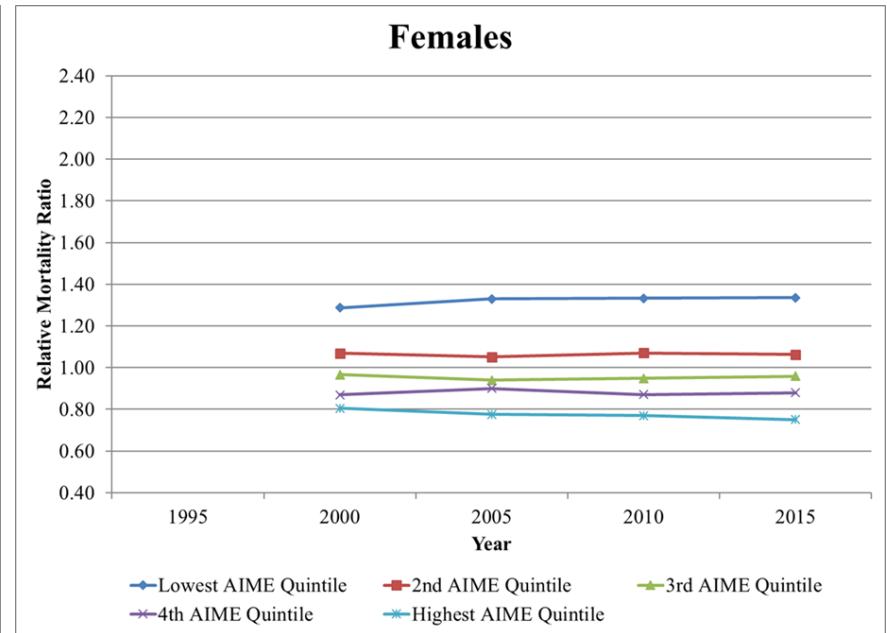
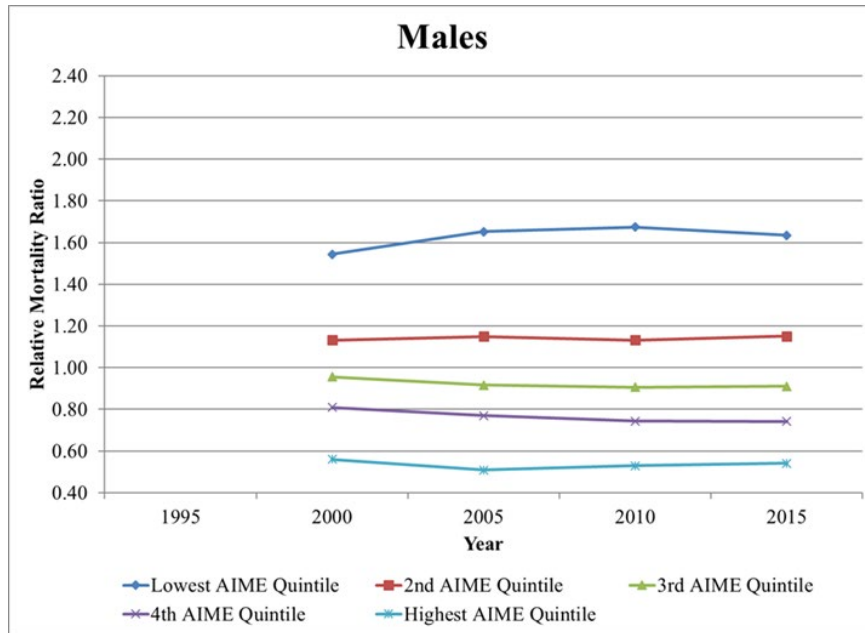
# How About at Age 62, When Many Start Benefits?



See Recurring Actuarial Note #9: [www.ssa.gov/OACT/NOTES/ran9/](http://www.ssa.gov/OACT/NOTES/ran9/)

# Death Rates Vary by Career Average Earnings Quintile

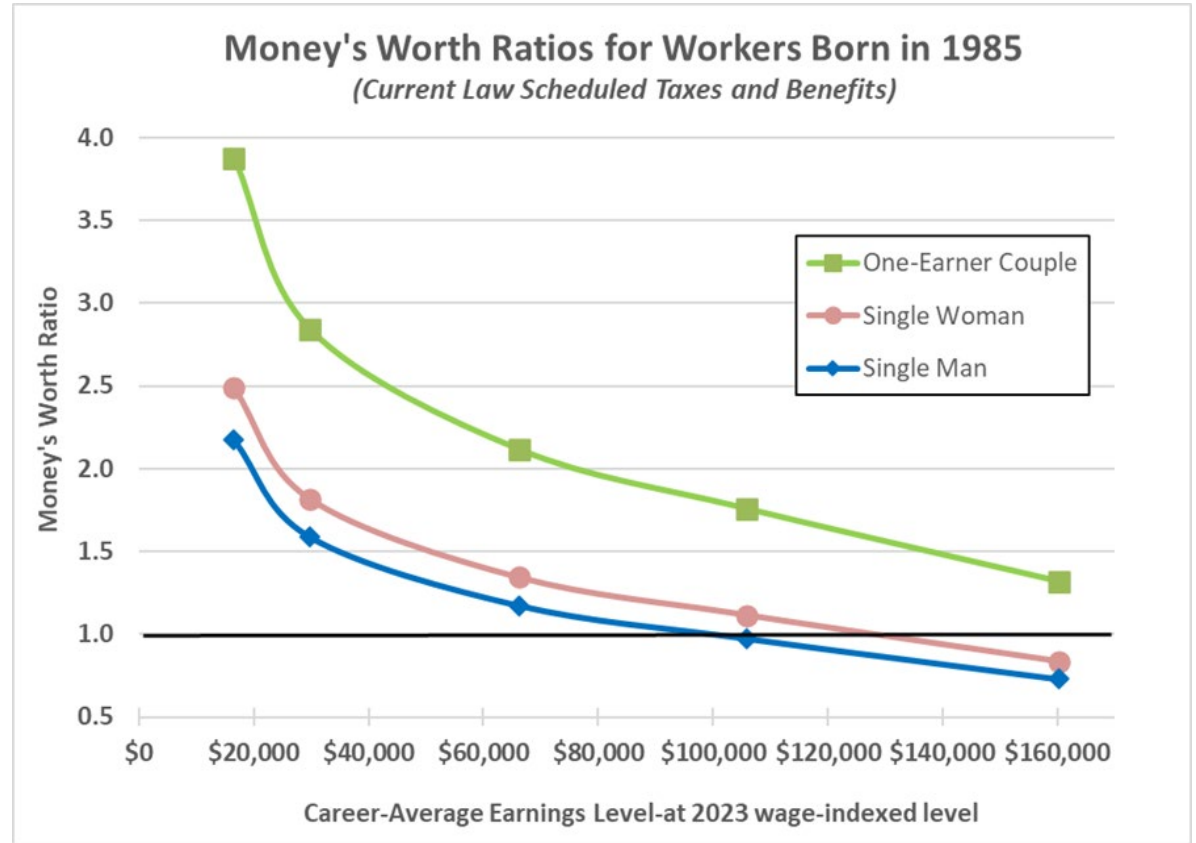
*Bosley, Morris, Glenn (2018): have the spreads stabilized? At ages 63:65*



See Actuarial Study #124: [www.ssa.gov/OACT/NOTES/pdf\\_studies/study124.pdf](http://www.ssa.gov/OACT/NOTES/pdf_studies/study124.pdf)

# Money's Worth Recurring Actuarial Notes

Answers the question:  
How much are workers  
and their dependents  
receiving in benefits,  
compared to what  
they paid in payroll tax  
contributions?



See Recurring Actuarial Note #7: [www.ssa.gov/OACT/NOTES/ran7/](http://www.ssa.gov/OACT/NOTES/ran7/)



# Money's Worth Expansion: Coming Soon!

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- Expand analysis to incorporate:
  - ✓ Differences in mortality by earnings level
  - ✓ Differences in disability incidence by earnings level
- These factors tend to have somewhat offsetting effects
- Adding them will provide a more accurate representation
- Similar expanded analysis also coming for the internal rate of return note
  - ✓ See Recurring Actuarial Note #5: [www.ssa.gov/OACT/NOTES/ran5/](http://www.ssa.gov/OACT/NOTES/ran5/)

# Effects of Proposed Regulations

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- We have recently added distributional results to our analysis of regulations affecting Social Security
- Allows comparison of estimated effects of a regulatory change on various groups
- We provide detailed analysis by:
  - ✓ Race/ethnicity
  - ✓ Sex
  - ✓ Age group
- April 2021: proposed regulation affecting disability determinations involving musculoskeletal impairments (see our memo at [www.ssa.gov/OACT/solvency/MSKRuleDistrib\\_20210416.pdf](http://www.ssa.gov/OACT/solvency/MSKRuleDistrib_20210416.pdf))

# Potential Legislative Changes

- Policymakers have proposed many changes to the Social Security program
- Some address solvency of the program, others address the adequacy of benefits
- We update our estimates for about 140 individual provisions each year; fully updated for the 2023 Trustees Report baseline as of the end of September
  - ✓ See [www.ssa.gov/OACT/solvency/provisions/](https://www.ssa.gov/OACT/solvency/provisions/)
- We also provide detailed letters analyzing bills proposed by members of Congress and others
  - ✓ See [www.ssa.gov/OACT/solvency/](https://www.ssa.gov/OACT/solvency/)


Office of the Chief Actuary

Proposals

2023 Trustees Report

Understanding Interaction Among  
Options

Annual [Trustees Reports](#) provide estimates of the financial status of Social Security's [Old-Age and Survivors Insurance](#) (OASI) and [Disability Insurance](#) (DI) Trust Funds under current law. Recent Reports call for informed discussion, creative thinking, and timely legislation to address expected future deficits. Many policy makers have developed proposals and options to address this long-range solvency problem. Listed below is a broad range of policy options that would address Trust Fund solvency and other issues related to Social Security benefits and financing. Many of these options are part of comprehensive proposals intended to restore Trust Fund solvency.

We group the options into categories, as shown below. We also provide a [summary list of all options](#)  (PDF version).

## Category of Change to the Social Security Program

*(Estimates based on the 2023 Trustees Report baseline unless otherwise stated)*

A: Cost-of-Living Adjustment

F: Coverage of Employment or Earnings/Inclusion of  
Other Sources of Revenue

B: Level of Monthly Benefits (PIA)

G: Investment in Marketable Securities

C: Retirement Age

H: Taxation of Benefits

D: Benefits for Family Members

I: Individual Accounts

E: Payroll Taxes (including maximum taxable)

J: All Categories

Estimates available in HTML and PDF. PDF requires [Adobe Acrobat Reader](#) or equivalent.

Following a brief description of each option, we provide estimates of the financial effect on the combined OASI and DI programs over the long-range period (the next 75 years) and for the 75th year. In addition, we give a link to the memorandum containing this policy option.

# Example: Provision D1

Proposed by many (including in 2016 by the Bipartisan Policy Center's Commission on Retirement Security and Personal Savings)

Note this provision improves benefits, and therefore increases the shortfall slightly

## Summary Measures and Graphs

Individual Provisions

Family Members

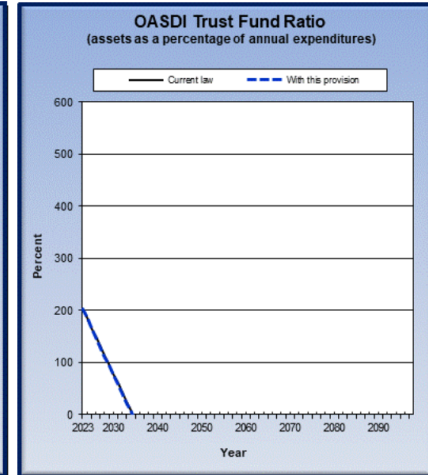
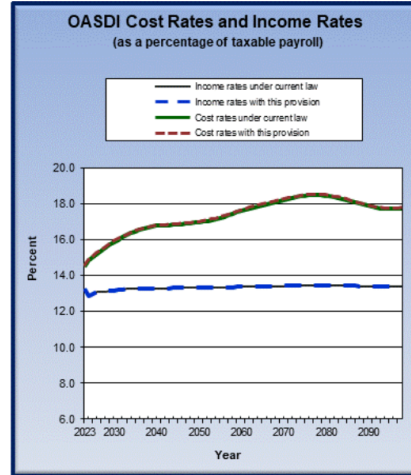
### Description of Proposed Provision:

**D1: Beginning in 2024, continue benefits for children of disabled or deceased workers until age 22 if the child is in high school, college or vocational school.**

*Estimates based on the intermediate assumptions of the 2023 Trustees Report*

### Summary Measures

Current law [percent of payroll]		Change from current law [percent of payroll]		Shortfall eliminated	
Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
-3.61	-4.35	-0.05	-0.05	-1%	-1%



[Office of the Chief Actuary](#)[Frequently Asked Questions about Trust Funds](#)[Individual Provisions](#)

Search for letters or memoranda by key word(s):

Go

Reset

Search by the developer(s) of the proposal:

\*\* Select a name \*\*

Go



The last 12 [Trustees Reports](#) have indicated that Social Security's **Old-Age, Survivors, and Disability Insurance** (OASDI) Trust Fund reserves would become depleted between 2033 and 2035 under the intermediate set of assumptions provided in each report. If no legislative change is enacted, scheduled tax revenues will be sufficient to pay only about three-fourths of the scheduled benefits after trust fund depletion. Policymakers have developed proposals and options that have financial effects on the OASDI Trust Funds. Many of these proposals and options have the intent of addressing the long-range solvency problem.

The Office of the Chief Actuary also develops estimates of proposals to change the Supplemental Security Income (SSI) program.

We have prepared letters or memoranda for many of these proposals and options. Each letter or memorandum provides an actuarial analysis showing the estimated effect on the financial status of the Social Security program and/or the SSI program.

These documents are provided in Portable Document Format (PDF), which we recommend for printing (requires [Adobe Acrobat Reader](#)). Some of the documents are also available in HTML format.

The documents are listed below in chronological order, most recent first. To search the list, use the search forms at left.

Date of letter or memorandum	Developer(s) of proposal	Subject and related information
September 5, 2023	Jodey Arrington	Estimate of the Financial Effects on the Social Security Trust Funds of the "Equal Treatment of Public Servants Act of 2023," introduced on September 5, 2023 by Representative Jodey Arrington ( <a href="#">PDF version</a>  )
July 12, 2023	John Larson	Estimates of the Financial Effects on Social Security of Enacting the "Social Security 2100 Act," introduced on July 12, 2023 by Ranking Member Larson ( <a href="#">PDF version</a>  )

# Example: The “Work Without Worry Act”

Proposed by Senators  
Wyden and Cassidy in  
June 2023

Bipartisan bill which is  
estimated to increase  
program cost by a  
negligible amount  
over 75 years



June 22, 2023

The Honorable Ron Wyden  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Bill Cassidy  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

Dear Chairman Wyden and Senator Cassidy:

I am writing in response to your request for our estimate of the financial effects on the Social Security Trust Funds of the “Work Without Worry Act,” which you introduced today. This Bill would change current law so that individuals with a qualifying medically-determined disabling impairment that can reasonably be presumed to have begun before attaining age 22 may qualify for an initial childhood disability benefit after attaining age 22, regardless of whether they have worked at the level of substantial gainful activity after attaining age 22. Our

# For More Information Go To: [www.ssa.gov/OACT/](http://www.ssa.gov/OACT/)

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There you will find:

- The 2023 and all prior OASDI Trustees Reports
- Detailed singleyear tables for recent reports
- Our estimates for comprehensive proposals and individual provisions
- Actuarial notes—including replacement rates, money's worth, and internal rate of return
- Actuarial studies—including mortality by careeraverage earnings level
- Extensive databases
- Congressional testimonies
- Presentations by OCACT employees