

# **SOCIAL SECURITY: HOW BIG IS THE FINANCING CHALLENGE?**

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NASI 2017 Summer Academy for Interns

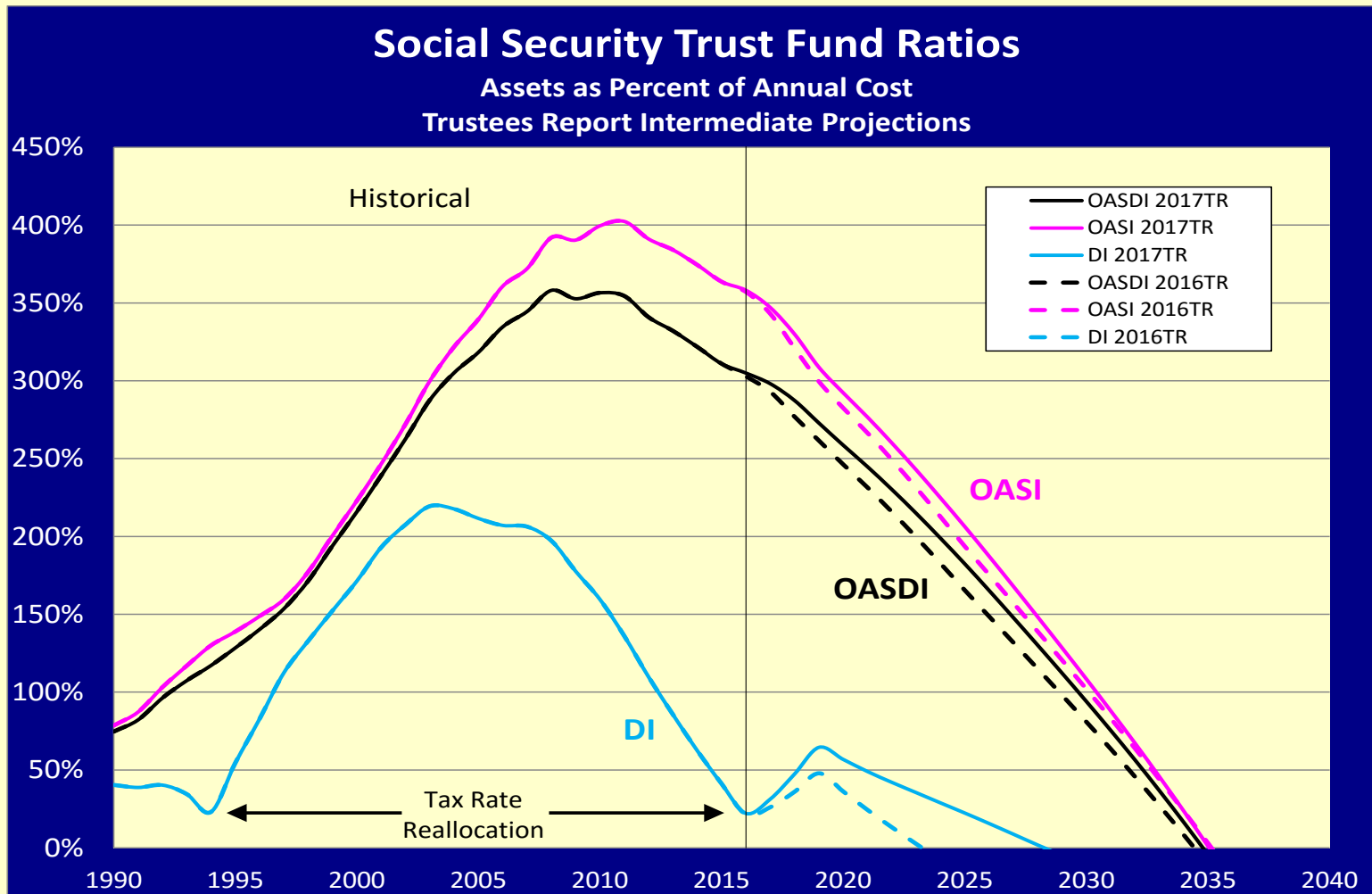
August 10, 2017

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Office of the Chief Actuary  
Social Security Administration

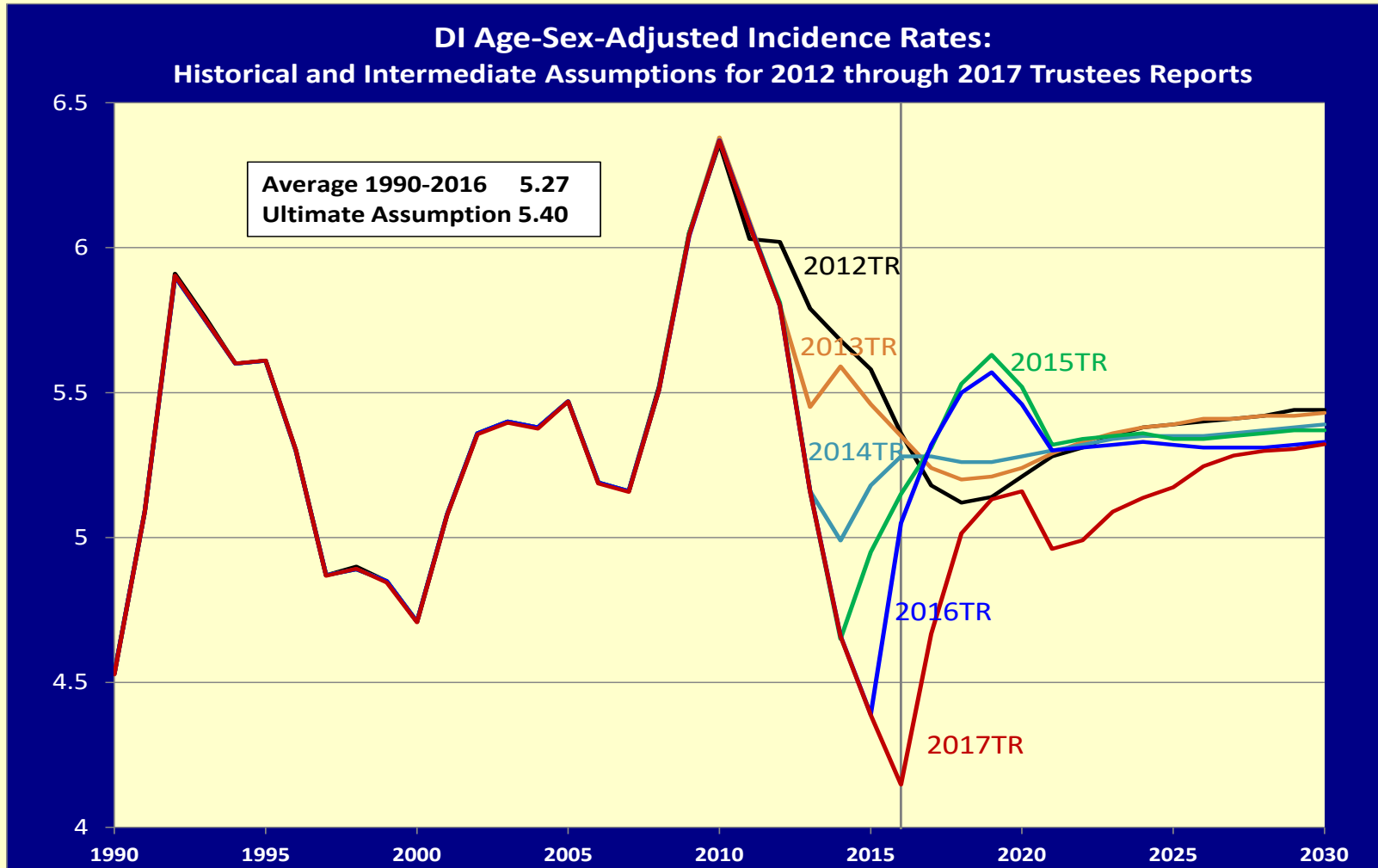
# SOLVENCY: OASDI Trust Fund Reserve Depletion 2034 (same as last year)

- Reserve depletion date varied from 2029 to 2042 in reports over the past 25 years (1992-2017)
- ***DI Trust Fund — reserve depletion in 2028, five years later than last year***
  - Due largely to lower recent and near-term disability applications and incidence rate



# 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 an extraordinarily low level for 2016

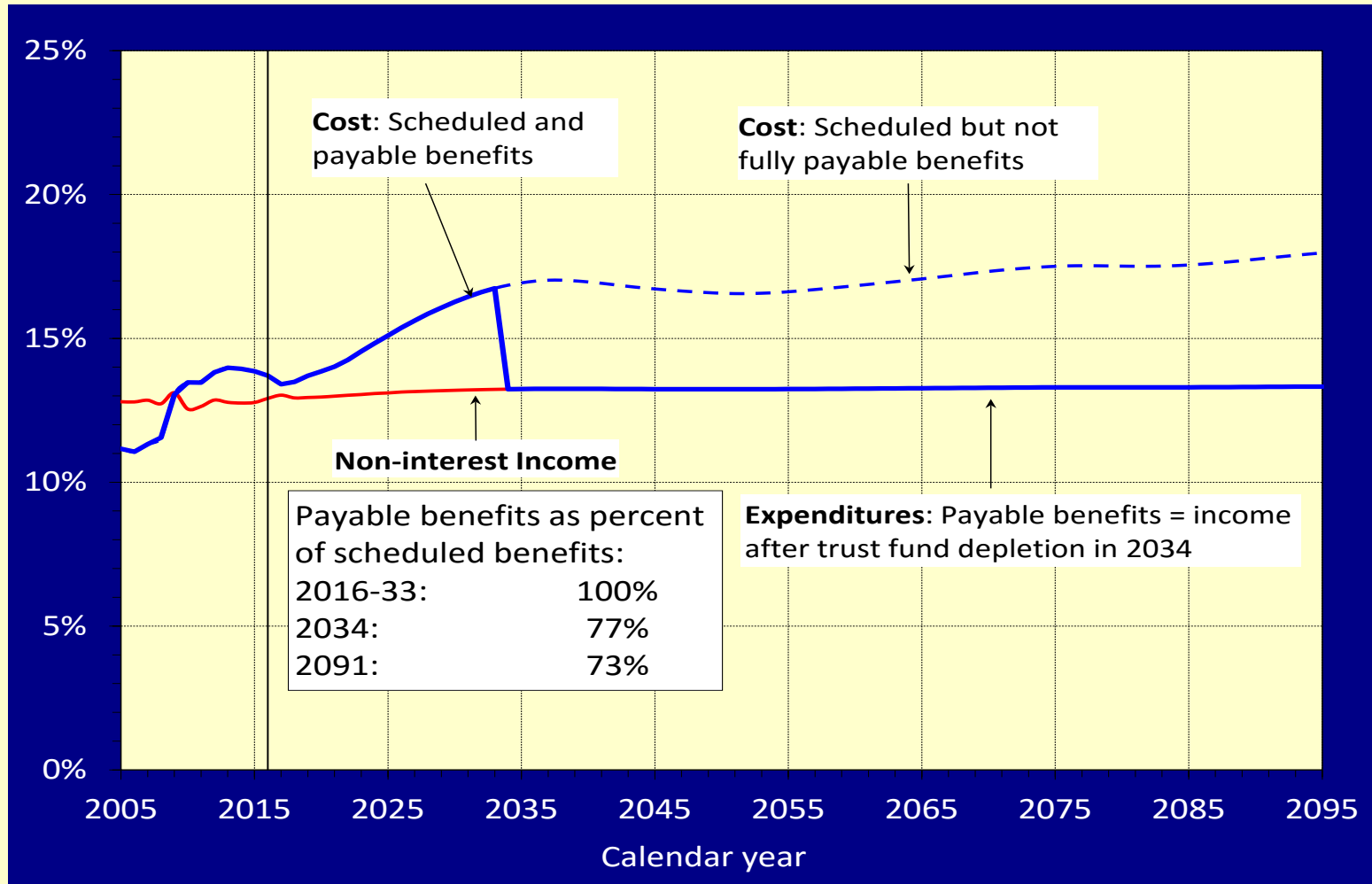


# OASDI Annual Cost and Non-Interest Income as Percent of Taxable Payroll

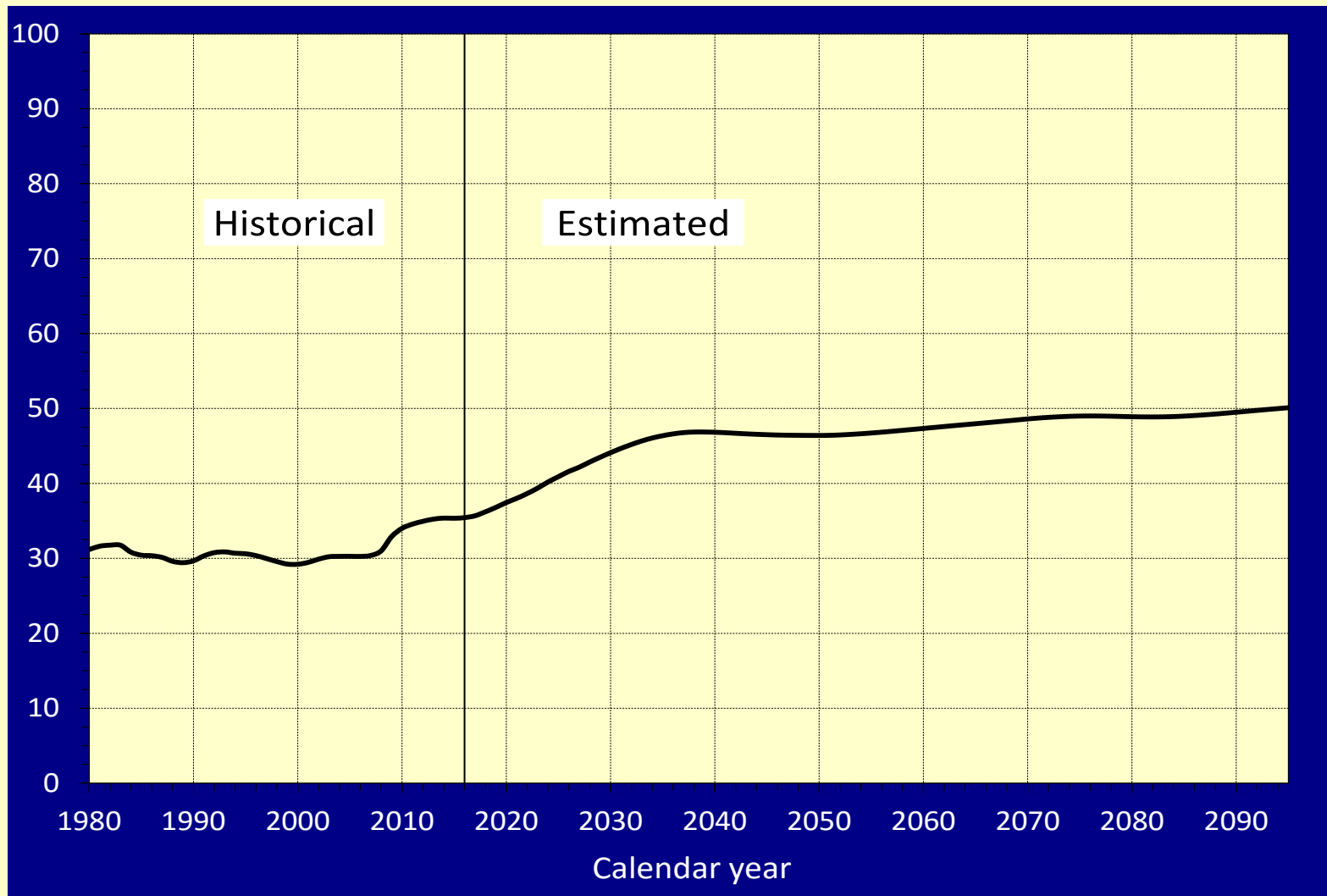
## Persistent Negative Annual Cash-Flow Balance Starting in 2010

77% of scheduled benefits still payable at trust fund reserve depletion

Annual deficit in 2091: 4.48 percent of payroll — 0.13 percent larger than last year

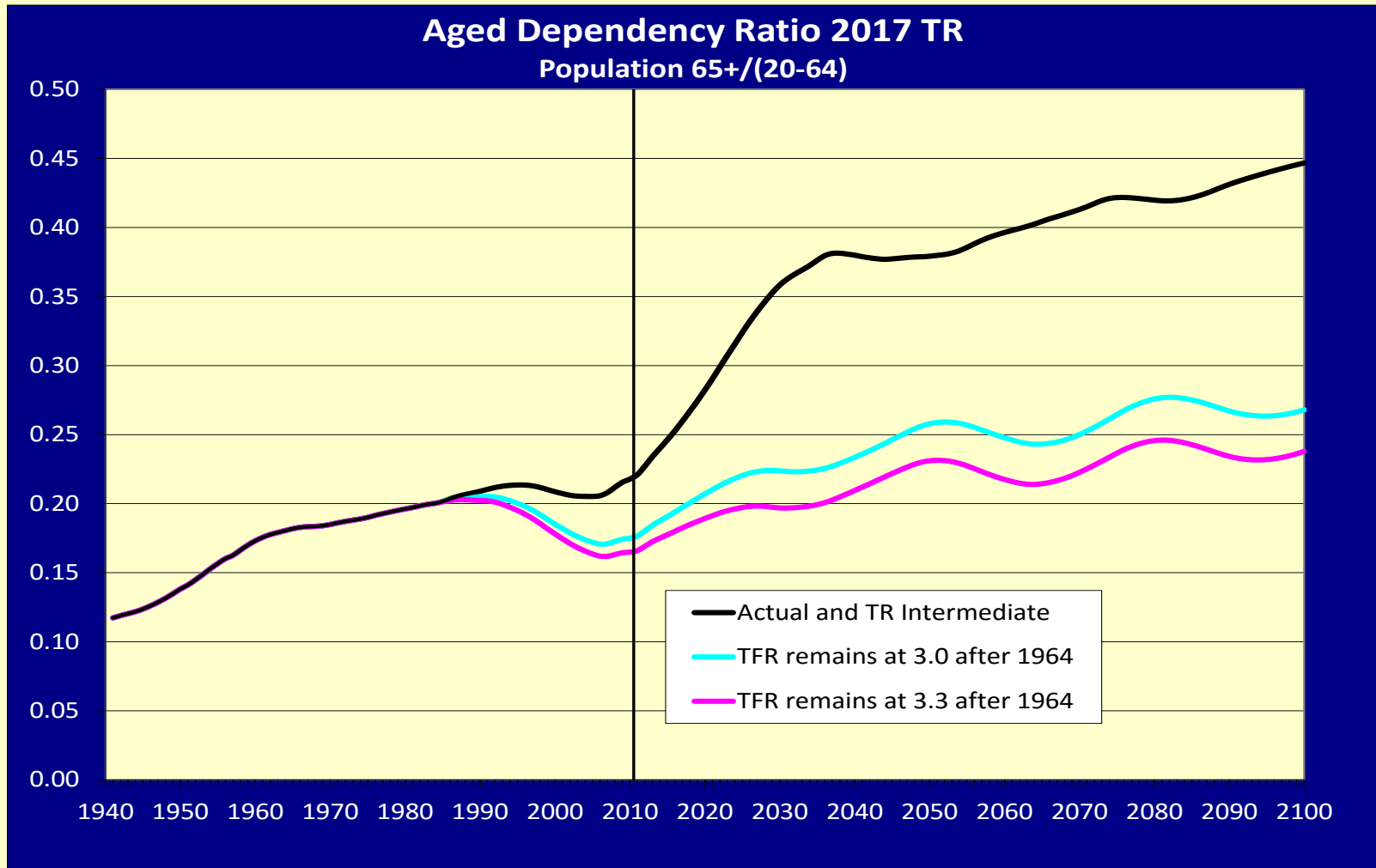


# OASDI Beneficiaries per 100 Workers

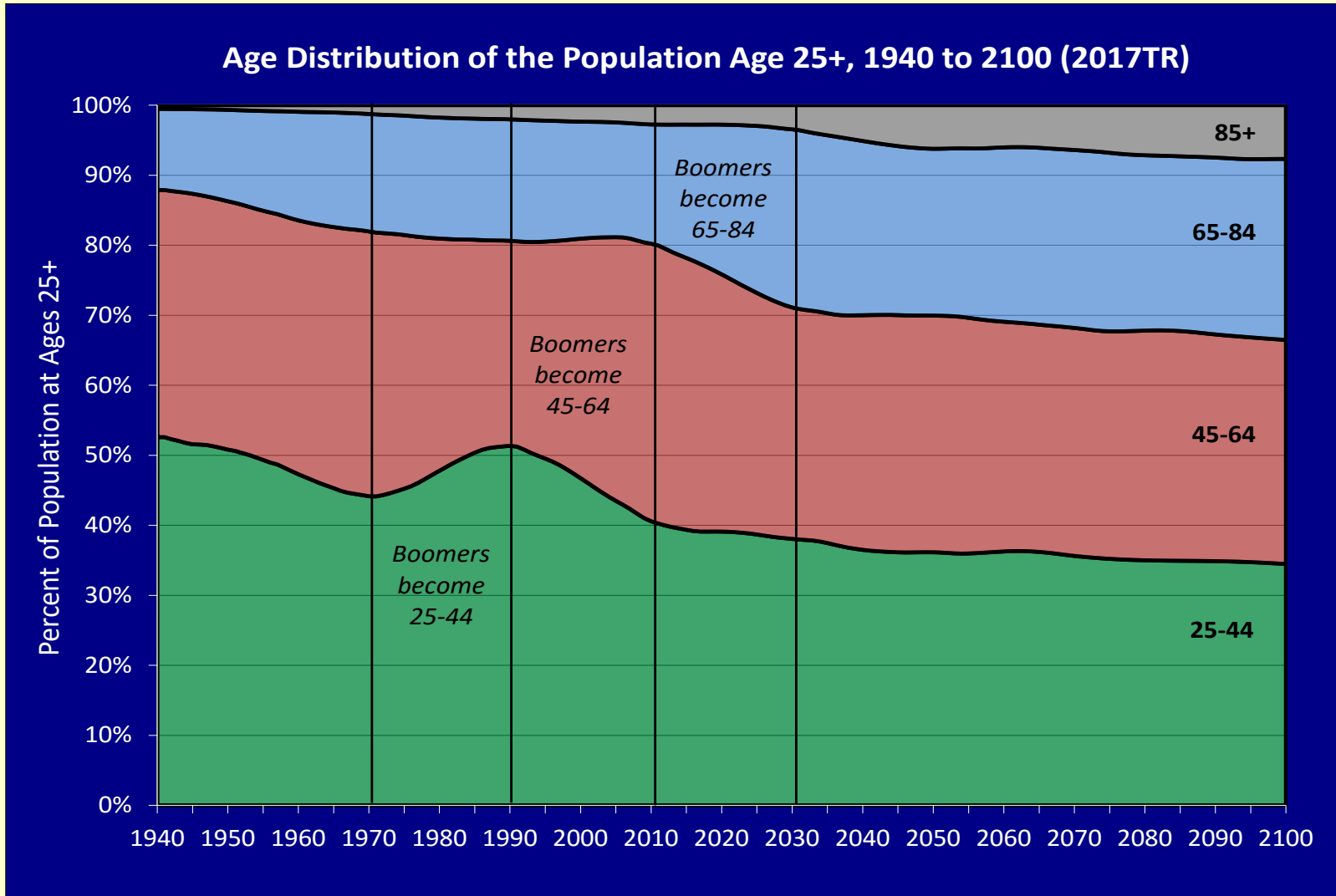


# Aging (change in age distribution)

Mainly due to drop in birth rates

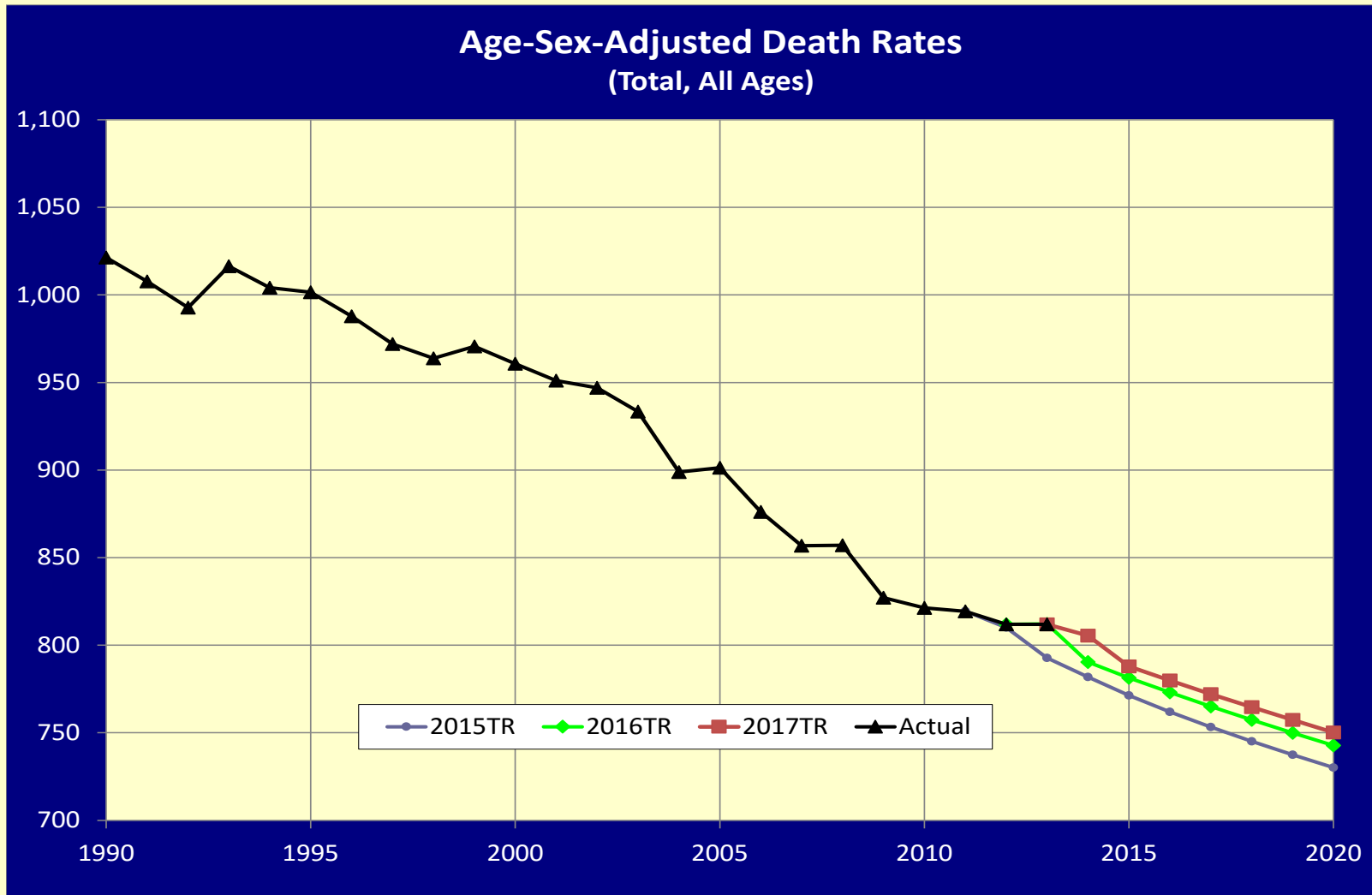


# Changing Age Distribution Over Last 20 and Next 20 Years Mainly Due to Macro Aging—*permanent level shifts*



# Mortality Experience: All Ages

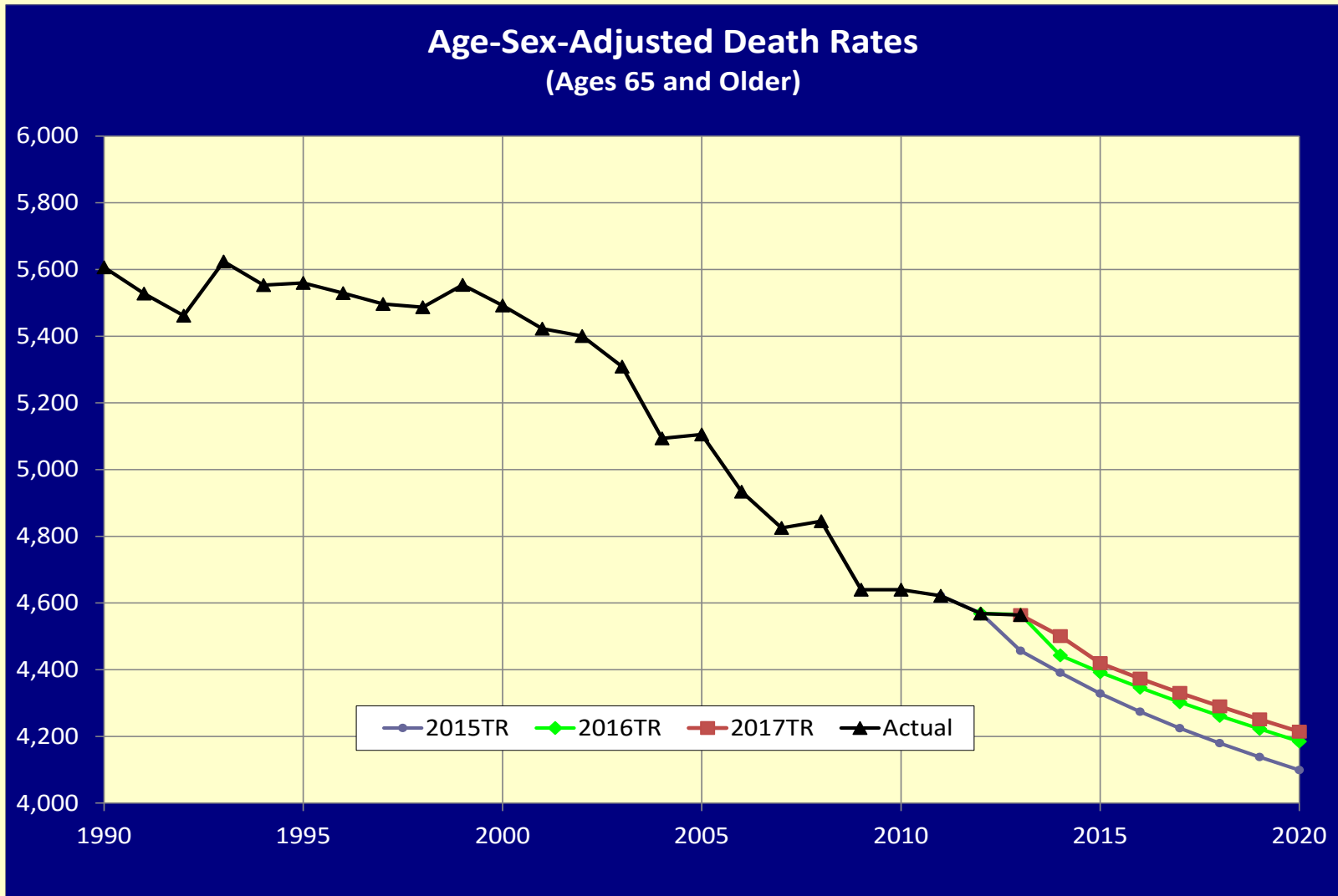
Reductions continue to fall short of expectations



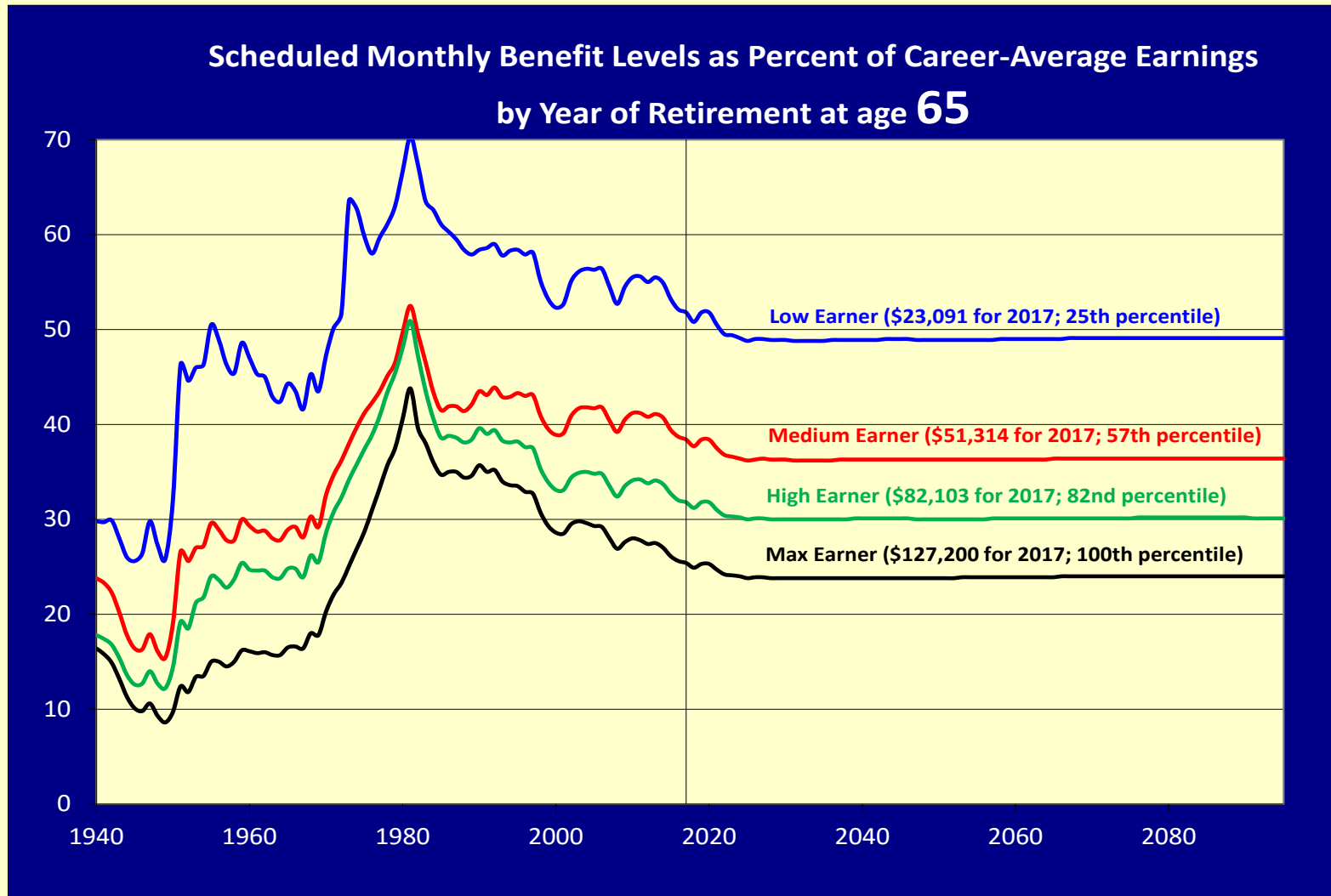


# Mortality Experience: Ages 65 and Older

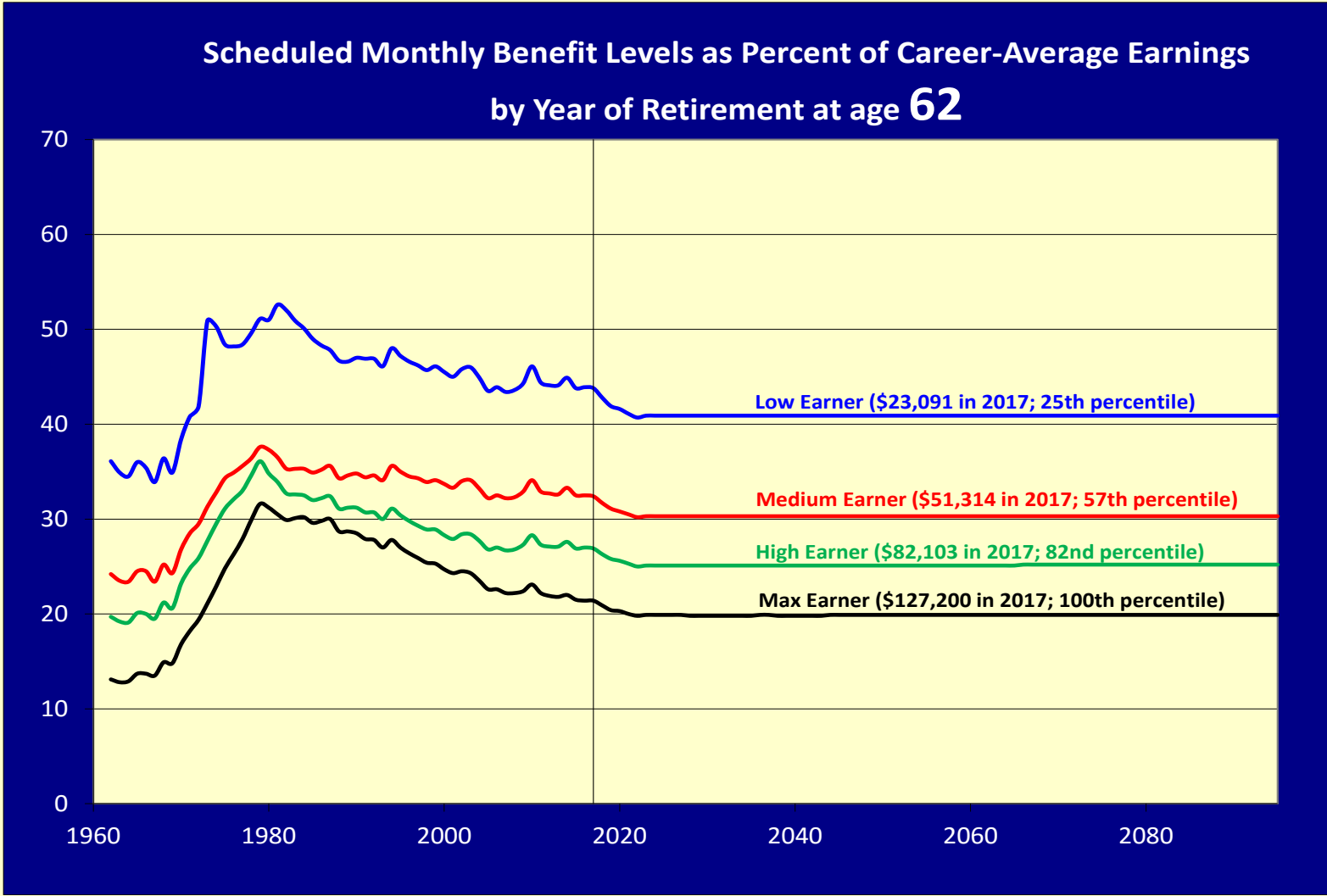
Reductions since 2009 continue to fall short of expectations



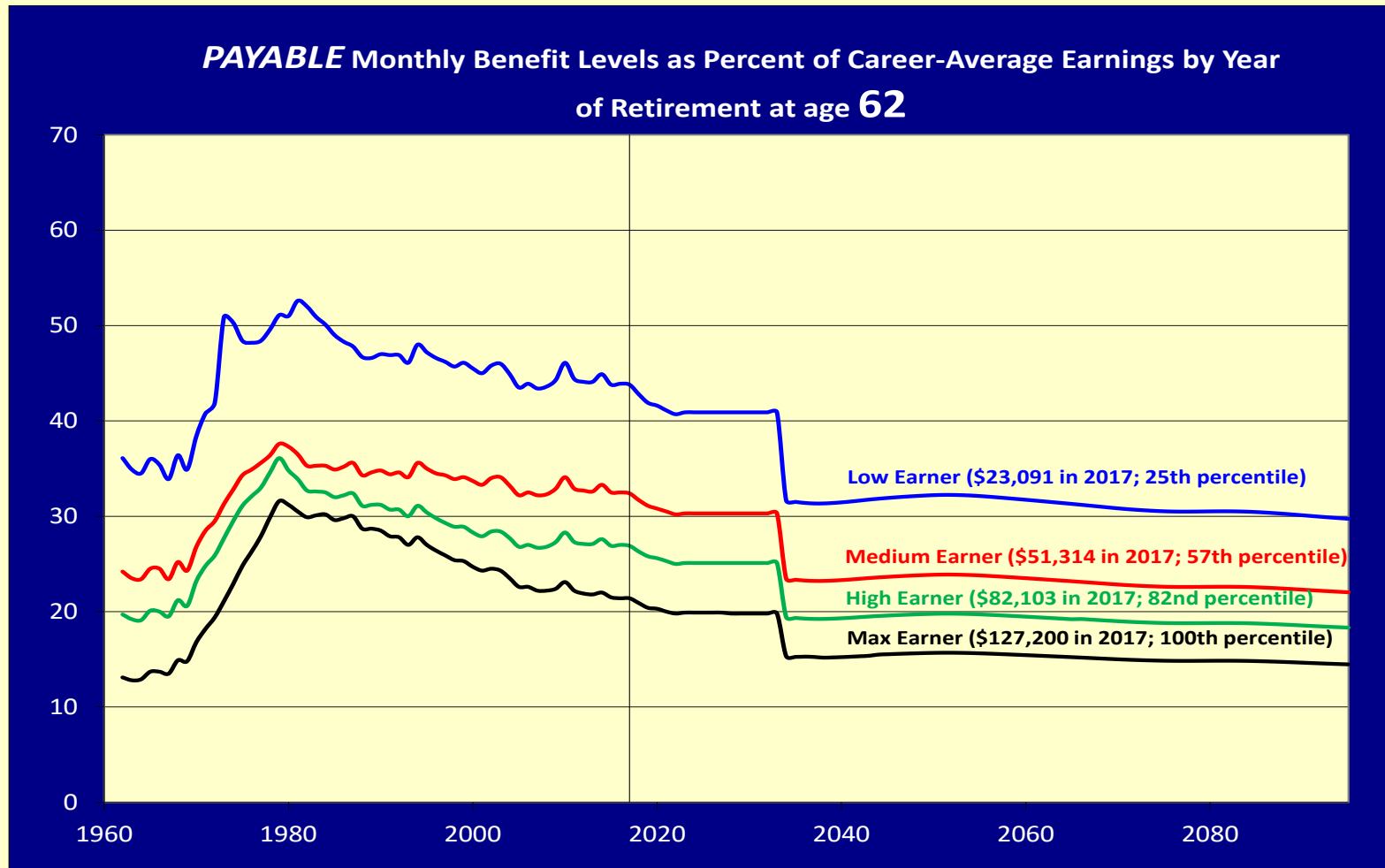
# Replacement Rates Based on the 2017 TR



# 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

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Make choices addressing OASDI deficits 2034-2091:

- Raise scheduled revenue after 2033 by about 33%:  
increase revenue from 4.6 to 6.1% of GDP
- Reduce scheduled benefits after 2033 by about 25%:  
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