The Social Security Trustees Report in Perspective

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Recapping some key points:

- Social Security benefits are modest yet essential.
- Benefits are the main source of income for most seniors.
- Benefits are already being cut — by about 24%.
- Social Security is efficient: <1% for administration.
- Social Security is affordable as % of GDP.
- Disability Insurance (DI) requires prompt action by Congress.
- Temporary rebalancing from OASI to DI is an option.
- A 20% cut in DI benefits is unwarranted — and unthinkable.
Whatever happened to the 3-legged stool?

Traditional retirement planning: Pensions, savings, and Social Security

But today . . .

- Only 16% of private industry workers are covered by a Defined Benefit pension.¹
- Defined Contribution savings plans — e.g., 401(k)s — are not pensions.
- Workers bear all risks.
- About 55% of households have a 401(k) or IRA², but . . .
- Median account balance is only about $50,000.²
- Among all workers approaching retirement, median savings was $14,500 in 2013.²
- Home equity values remain 38% below peak value before Great Recession.³
Only Social Security continues to do its job as envisioned

- Since 1935 system has collected $18 trillion and paid out $15.2 trillion, leaving $2.8 trillion in reserve.
- Benefits have always been paid in full and on time.
- Unmatched value (<1% for administrative costs . . . no commissions!)
- System had 45-year run before facing first true crisis in 1981. (Crisis caused by problems in larger economy, not mismanagement.)
- 1983 Amendments kept system solvent for next 50 years (1983-2033)
- Combined 95-year track record of public service may be unmatched in private sector.
- Actuaries provide adequate time for policymakers to make changes.
- System is already 87% funded over next 50 years.
- Changes needed to close projected shortfall can be gradual and equitable.
If we can address *this* problem, all will be well...

Gap between productivity and pay

*Growth of real hourly compensation for production/nonsupervisory workers and productivity, 1948–2011*

Note: Hourly compensation is of production/nonsupervisory workers in the private sector and productivity is for the total economy.

The promise of Social Security...

‘No other vehicle can match the combination of inflation-fighting increases, longevity protection, investment risk elimination, and spousal coverage that Social Security delivers.’
— James Mahaney, Prudential Financial

‘Social Security is the greatest fixed income you’ll ever get.’
— John Bogle, Founder, Vanguard Group
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Sources: