

Social Security (OASDI) Actuarial Status 2010 Annual Report of the Board of Trustees

*Prepared by Office of the Chief Actuary, SSA
August 9, 2010*

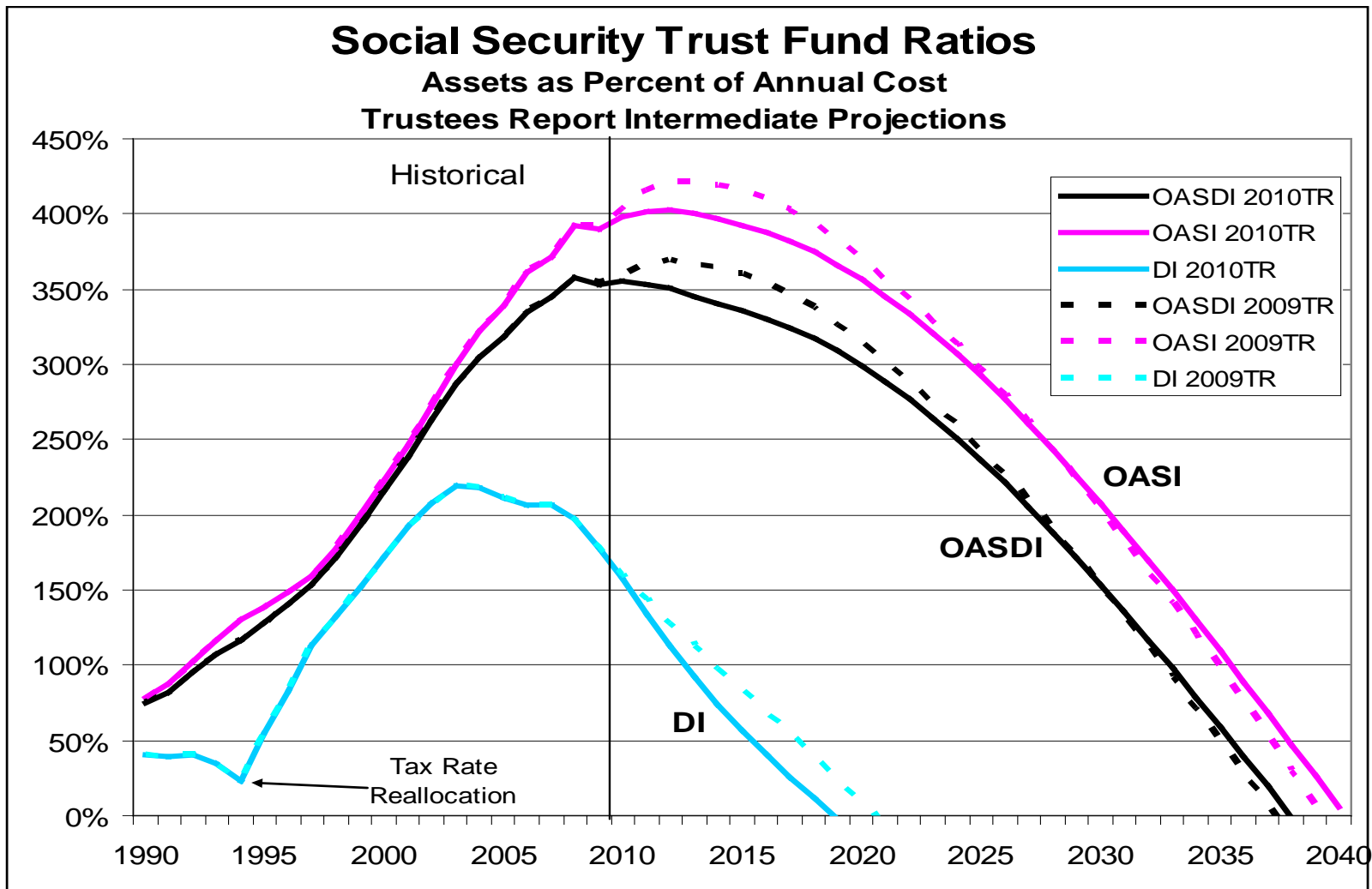
Key Results under Intermediate Assumptions

News from the 2010 OASDI Trustees Report

- Long-term—Actuarial deficit reduced from 2.00 to 1.92 percent of payroll due to effect of health care legislation
 - Combined OASDI Trust Fund exhaustion still 2037
 - Annual Balance improved after 2016
- Near-term—More disabled workers and slower economic recovery
 - DI Trust Fund exhausts in 2018, 2 years earlier
 - Lower Annual Balance through 2016

SOLVENCY: OASDI Trust Fund Exhaustion 2037 — No Change

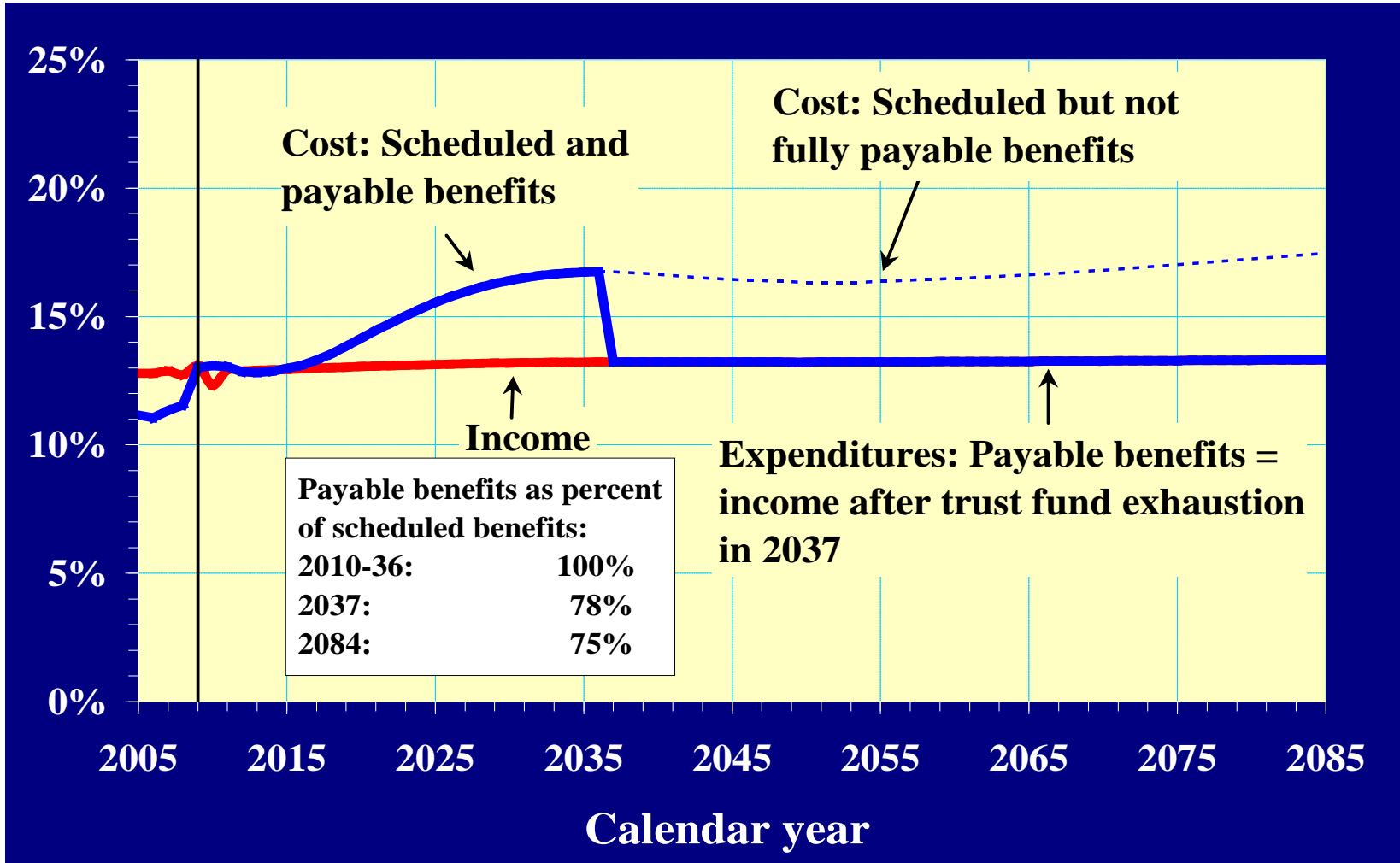
- Last 16 Reports (1995-2010) varied from 2029 to 2042
- DI Trust Fund — Exhaustion in 2018, or 2 years earlier
- OASI Trust Fund — Exhaustion in 2040, or 1 year later



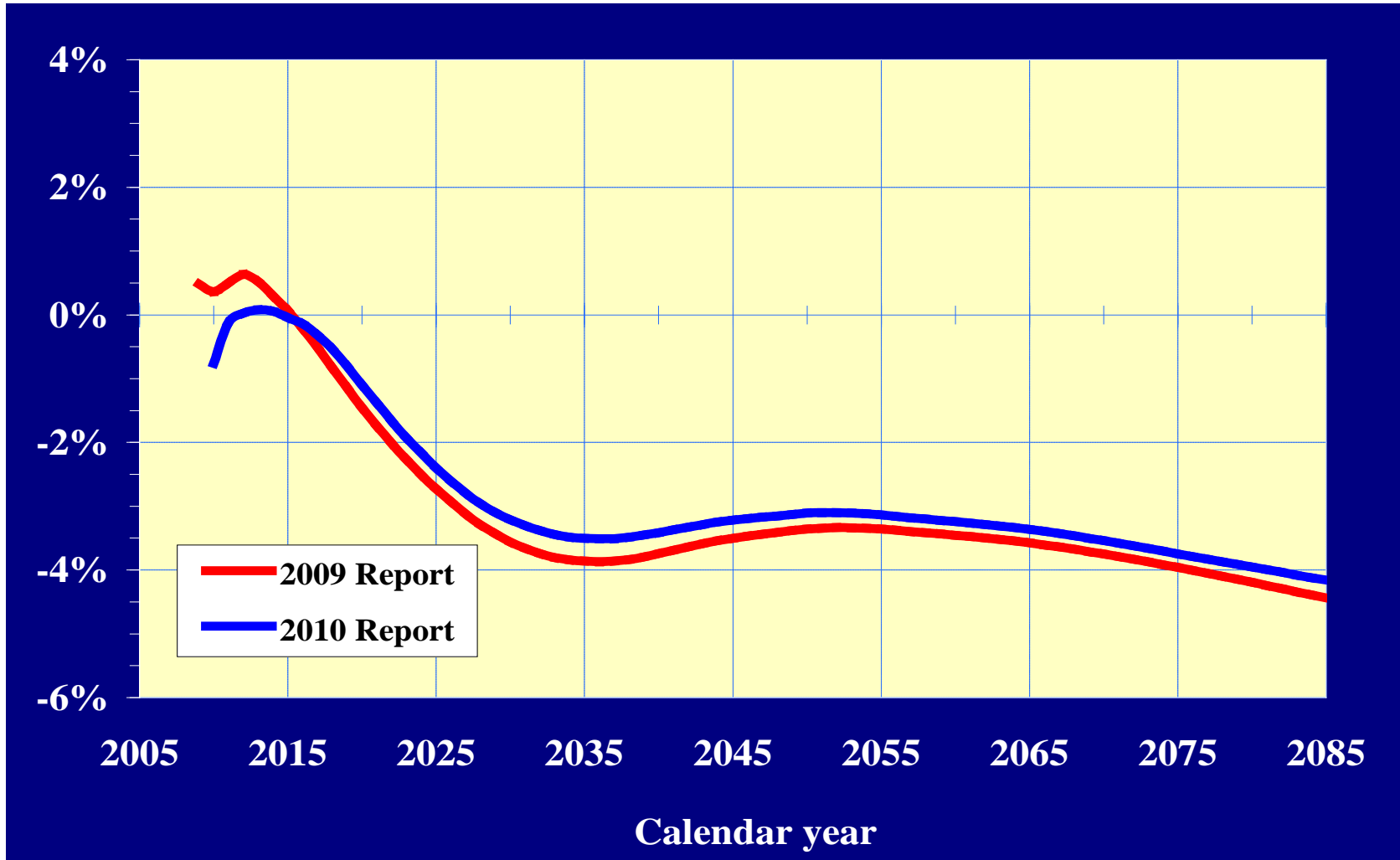
OASDI Annual Cost and Tax Income: Percent of Taxable Payroll

Persistent Negative Balance in 2015 — 1 Year Earlier

Three fourths of scheduled benefits still payable after TF exhaustion
 Annual deficit in 2083: 4.08 percent of payroll — 0.26 percent lower

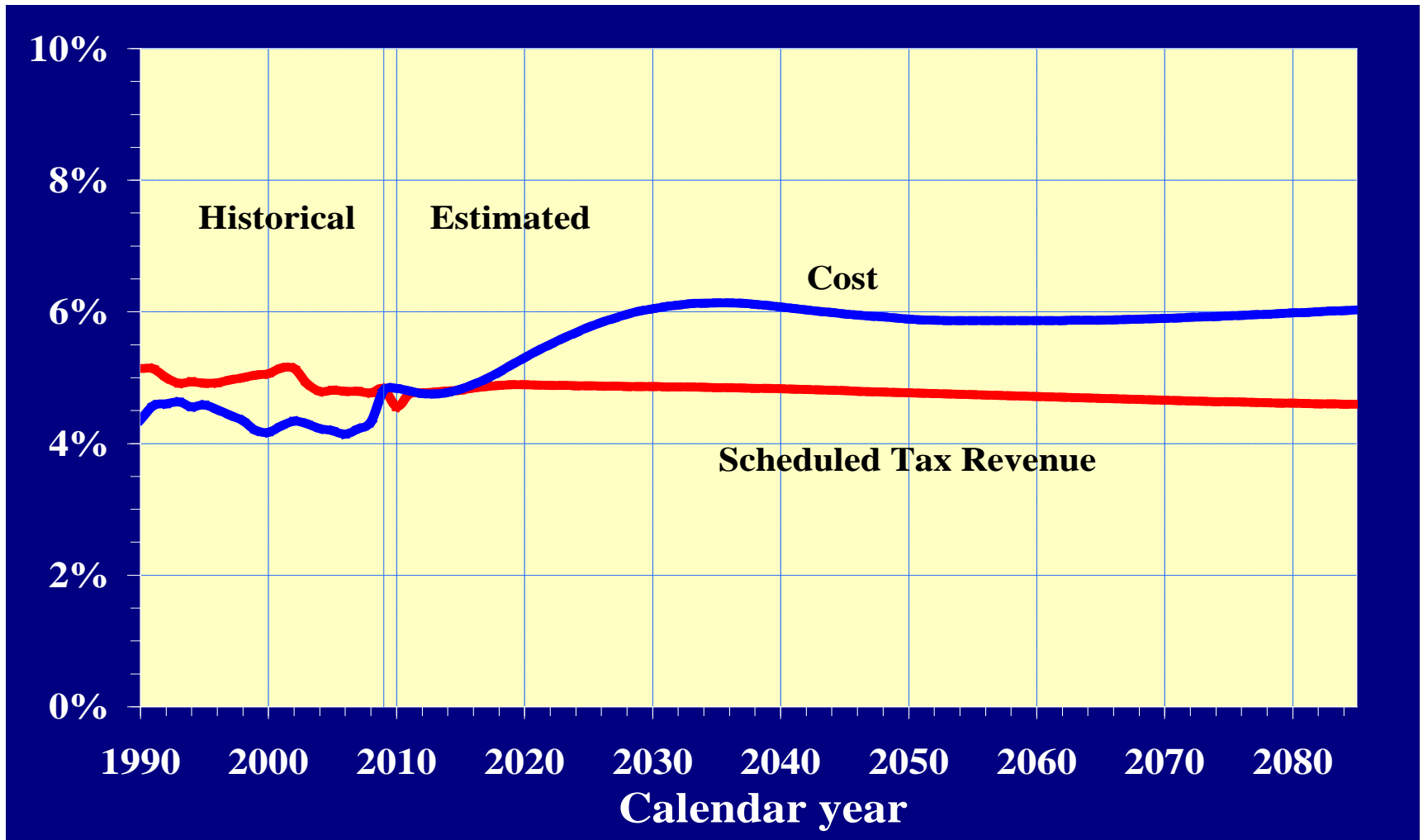


OASDI Annual Balances Are Lower Through 2016 But Higher Thereafter (Tax Income minus Cost as percent of Payroll)

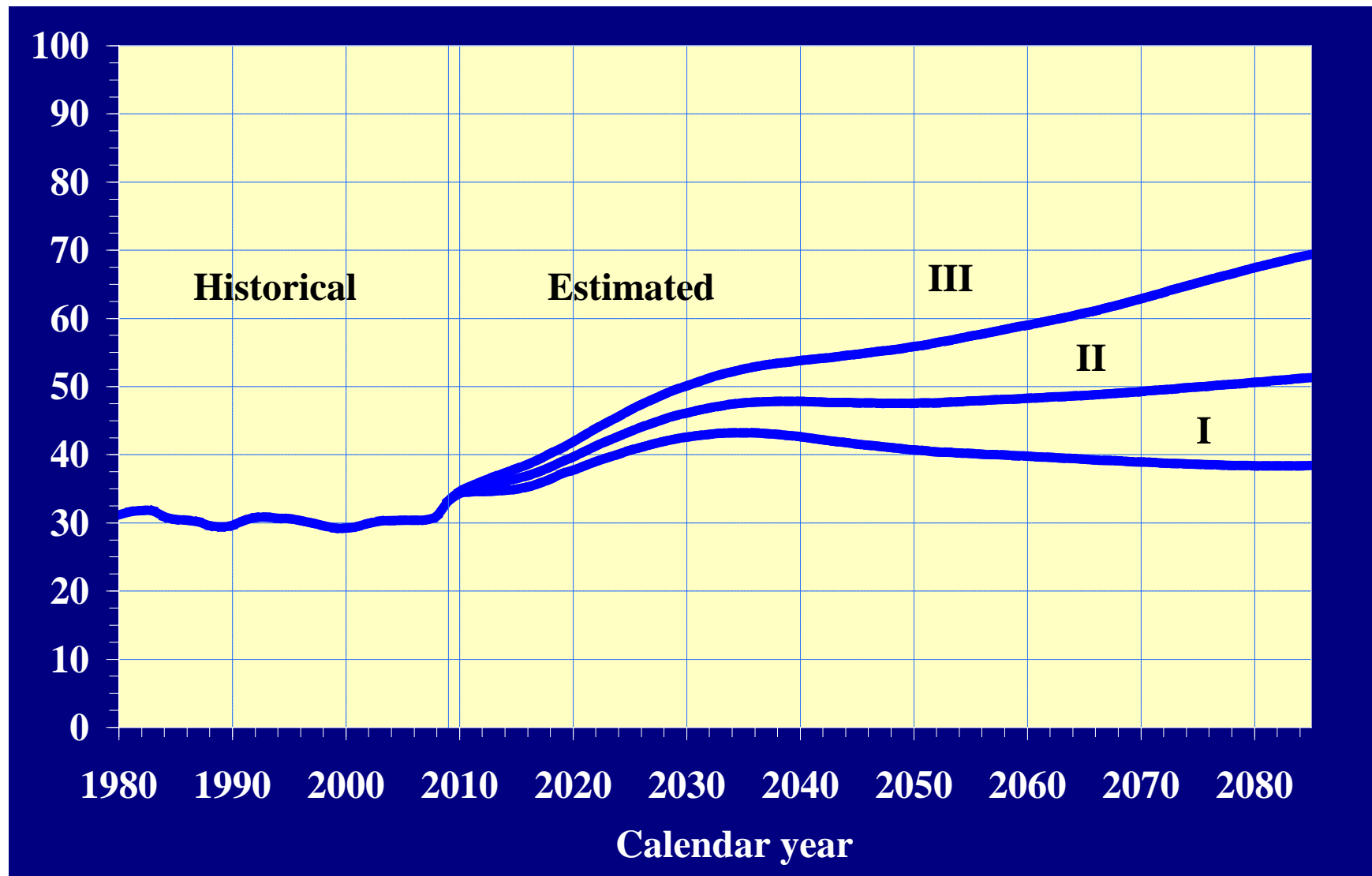


SUSTAINABILITY: Cost as Percent of GDP

Rises from 4.8 percent in 2009 to a peak of 6.1 percent in 2035 then roughly stabilizes between 5.9 and 6.0 percent



Following the Ratio of Beneficiaries per 100 Workers



- **Summarized Values**
 - Actuarial Deficit: 1.92 percent of payroll—0.08 percent smaller
 - Unfunded obligation (75 years): 0.6 percent of GDP—0.1 percent lower
- **Reasons for Change in the Actuarial Deficit—Net Reduction of 0.08 percent of payroll**

Valuation Period—Adds the year 2084

Increases the actuarial deficit by 0.06 percent of payroll

Legislation—Health Care Reform (ACA)

Excise tax reduces growth in employer sponsored group health insurance

Replaced with individual insurance, including exchanges—subject to payroll tax

Slows decline in wages (taxable) as percent of employee compensation

Increases long-range (LR) average real earnings growth from 1.1 to 1.2 percent

Reduces the actuarial deficit by 0.14 percent of payroll

Demographics

Mortality improvement—faster than expected for 2006—affects starting level and near term trend

Increases the actuarial deficit by 0.05 percent of payroll

Economic Assumptions—No net change (see related changes under legislation and disability)

Disability Assumptions

More near term beneficiaries due to recession—100,000 more in 2010, and 300,000 more in 2015

Increases the actuarial deficit by 0.02 percent of payroll

Methods and data updates

Revised projection of wages as percent of employee compensation—no net effect on LR

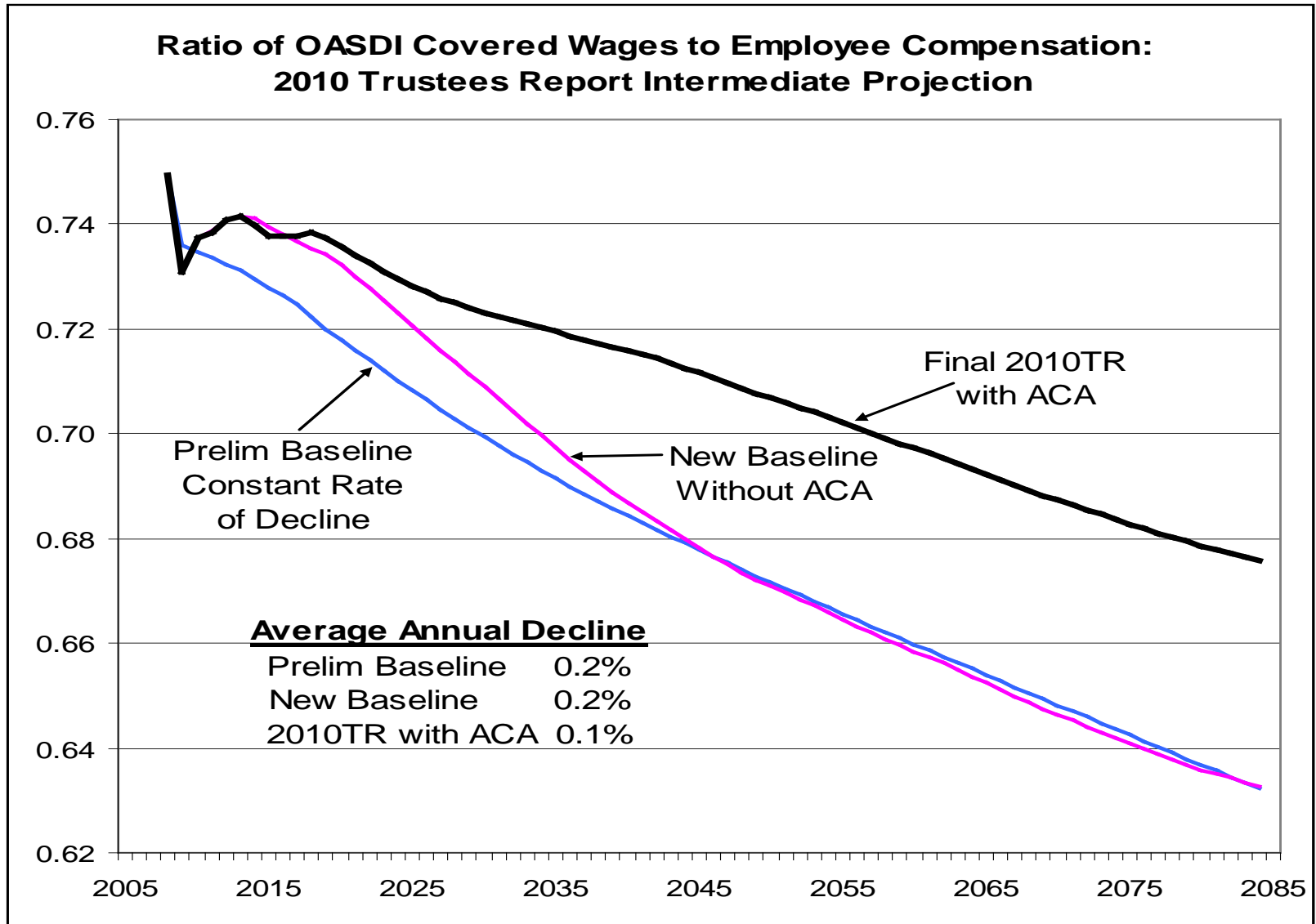
Update of new benefit sample (-0.10 LR deficit)

Mortality between 2007 and 2009: made consistent with SSA/CMS data (+0.08 LR deficit)

Update/improve labor force projection model (-0.05 LR deficit)

Net reduction in the actuarial deficit by 0.07 percent of payroll

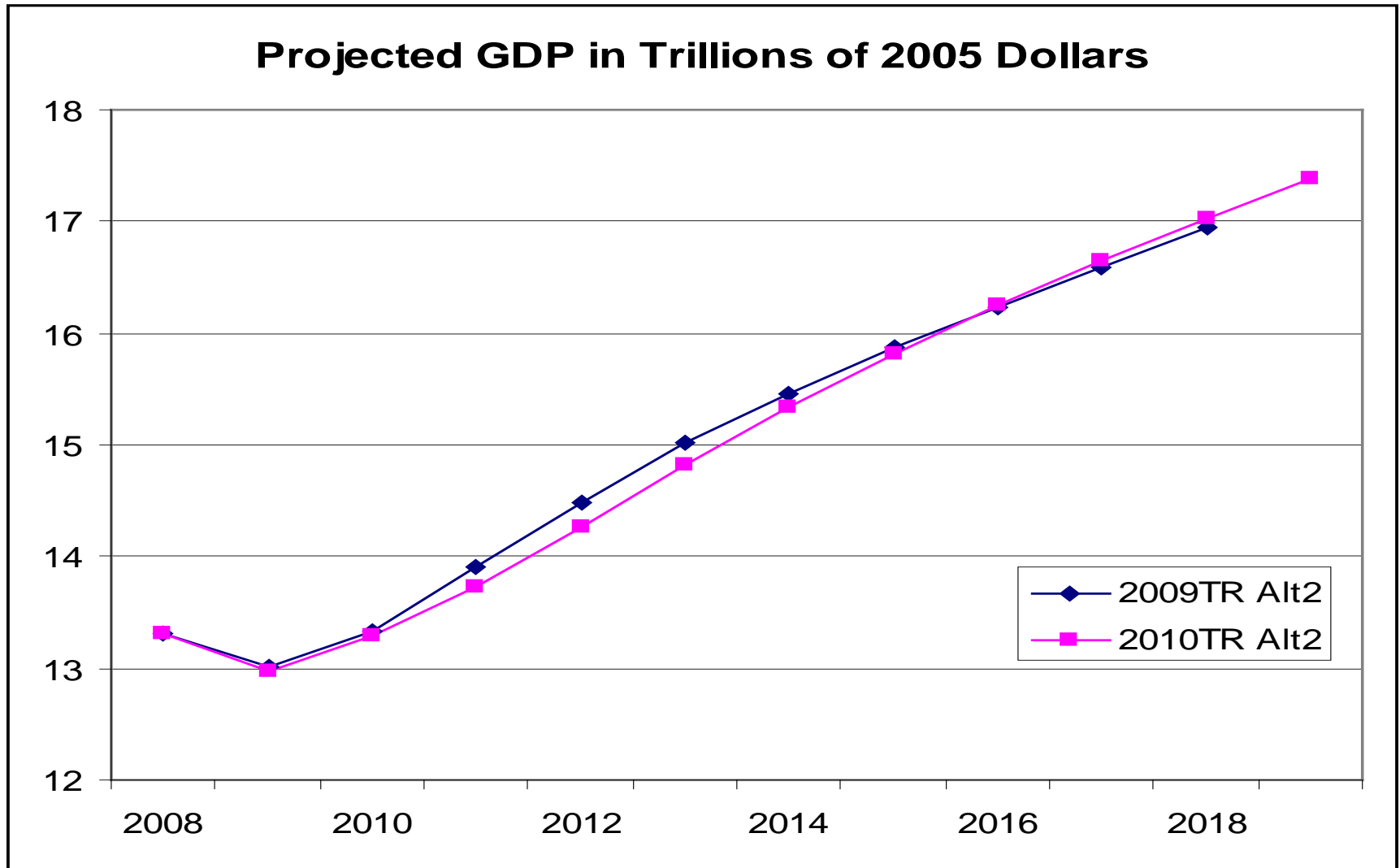
Long-Term Effects: Health Care Legislation



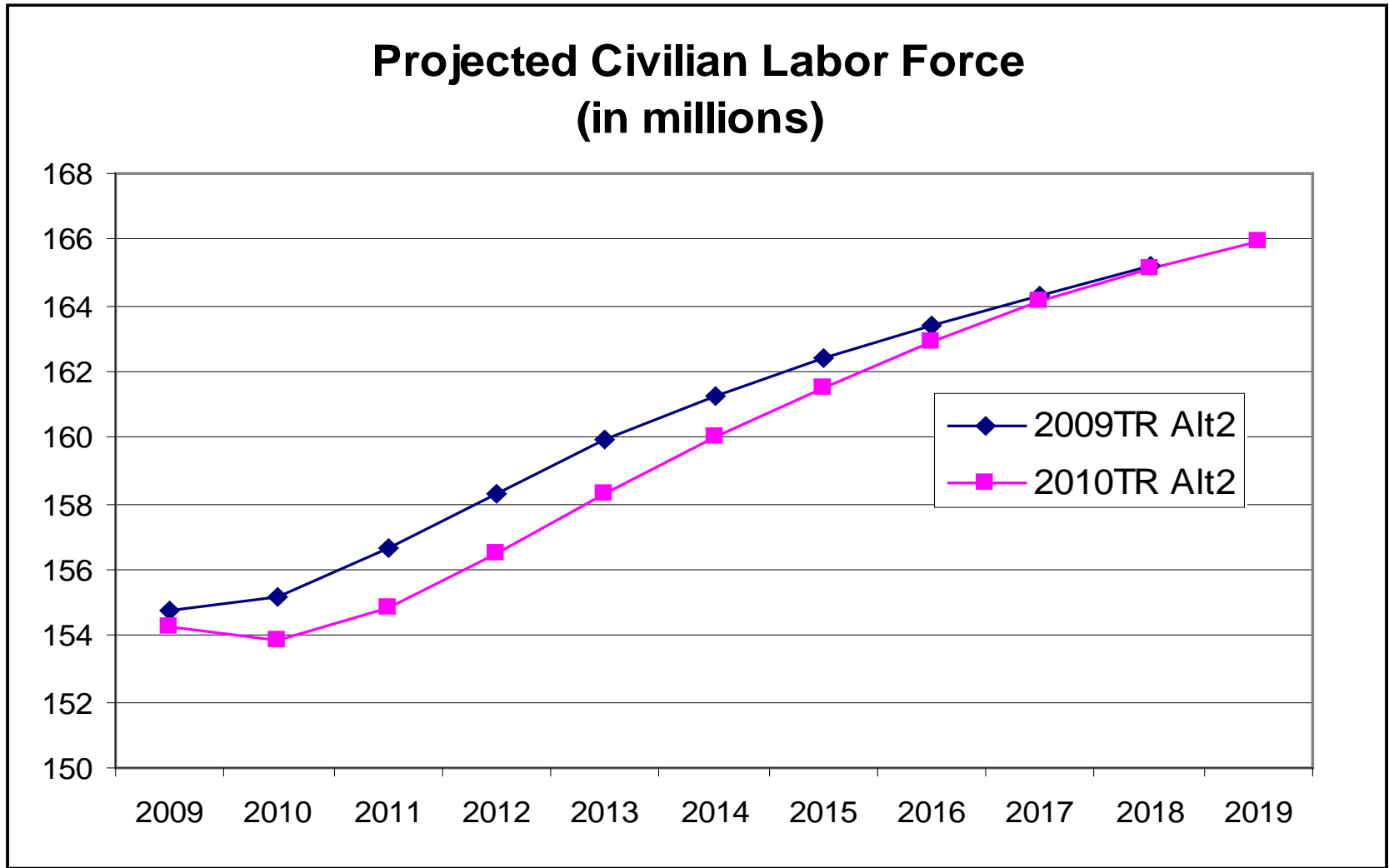
Near-Term Factors

- Deeper recession, longer recovery
- Reduced employment
- More disability beneficiaries
- Result in:
 - Lower annual balance in the near-term
 - Sooner DI Trust Fund exhaustion
- No COLA for December 2010

Slightly Slower Recovery in GDP

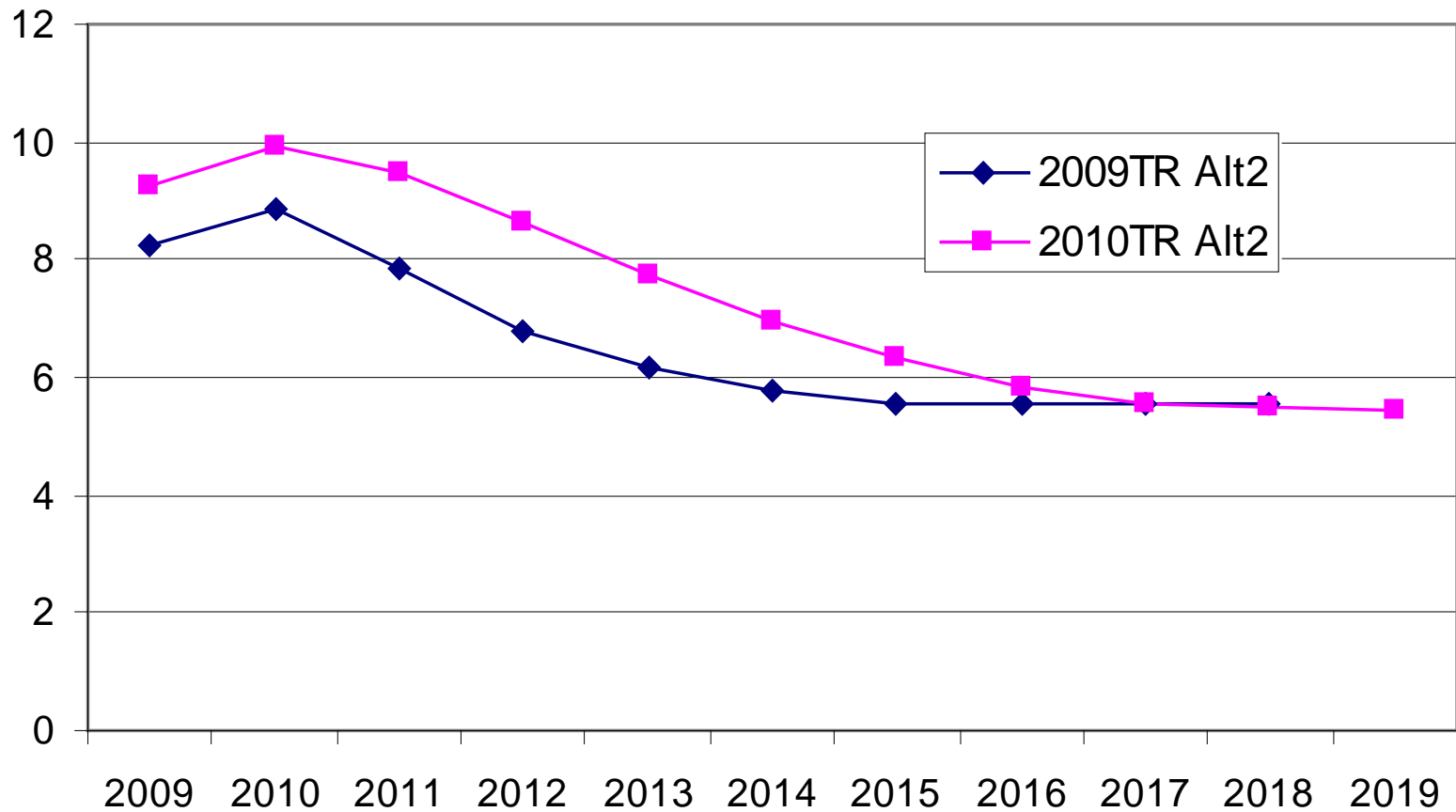


Recovery in Employment is Less Rapid



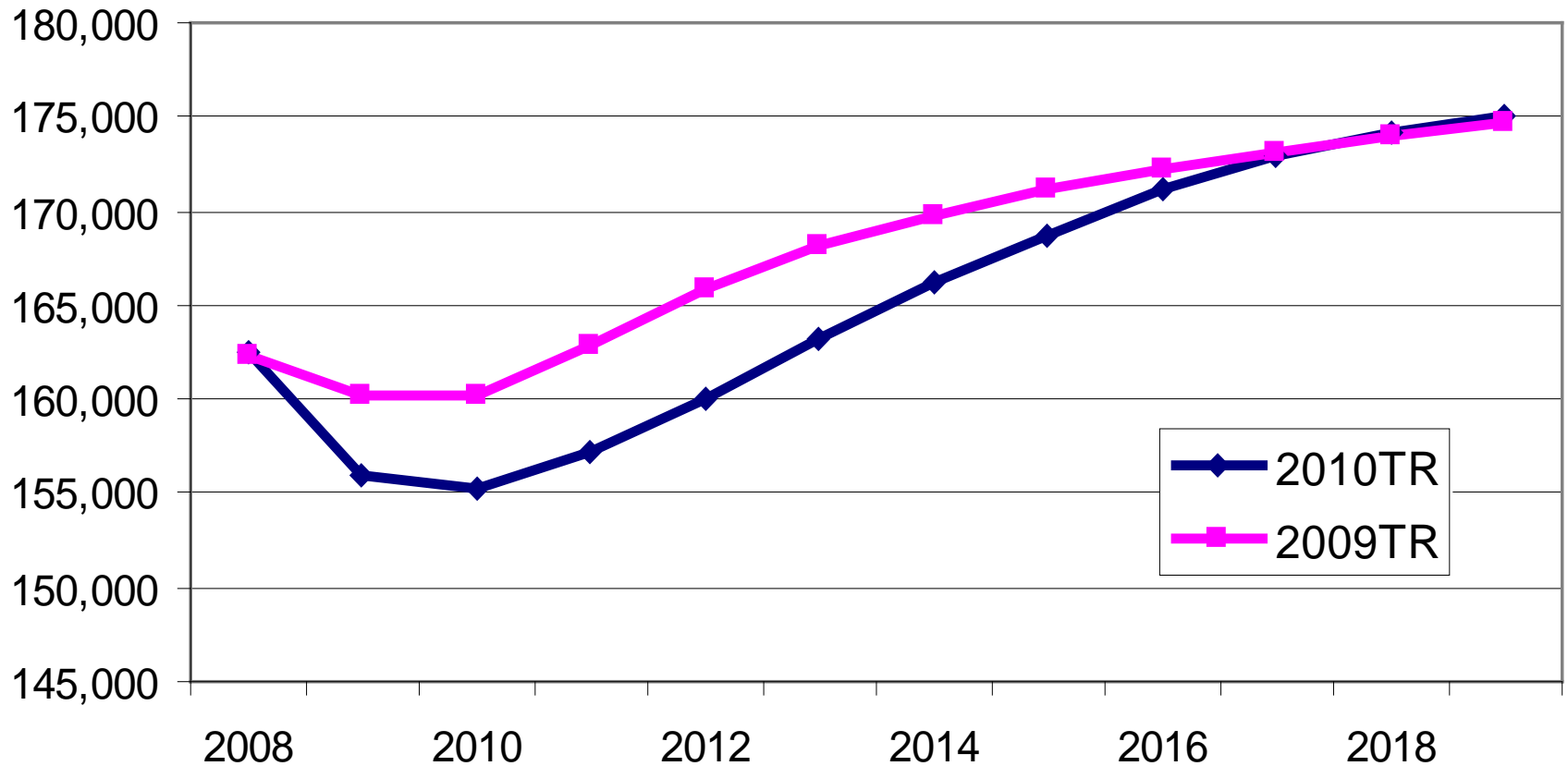
Recovery in Employment is Less Rapid

Projected Civilian Unemployment Rate



Fewer Workers Contributing

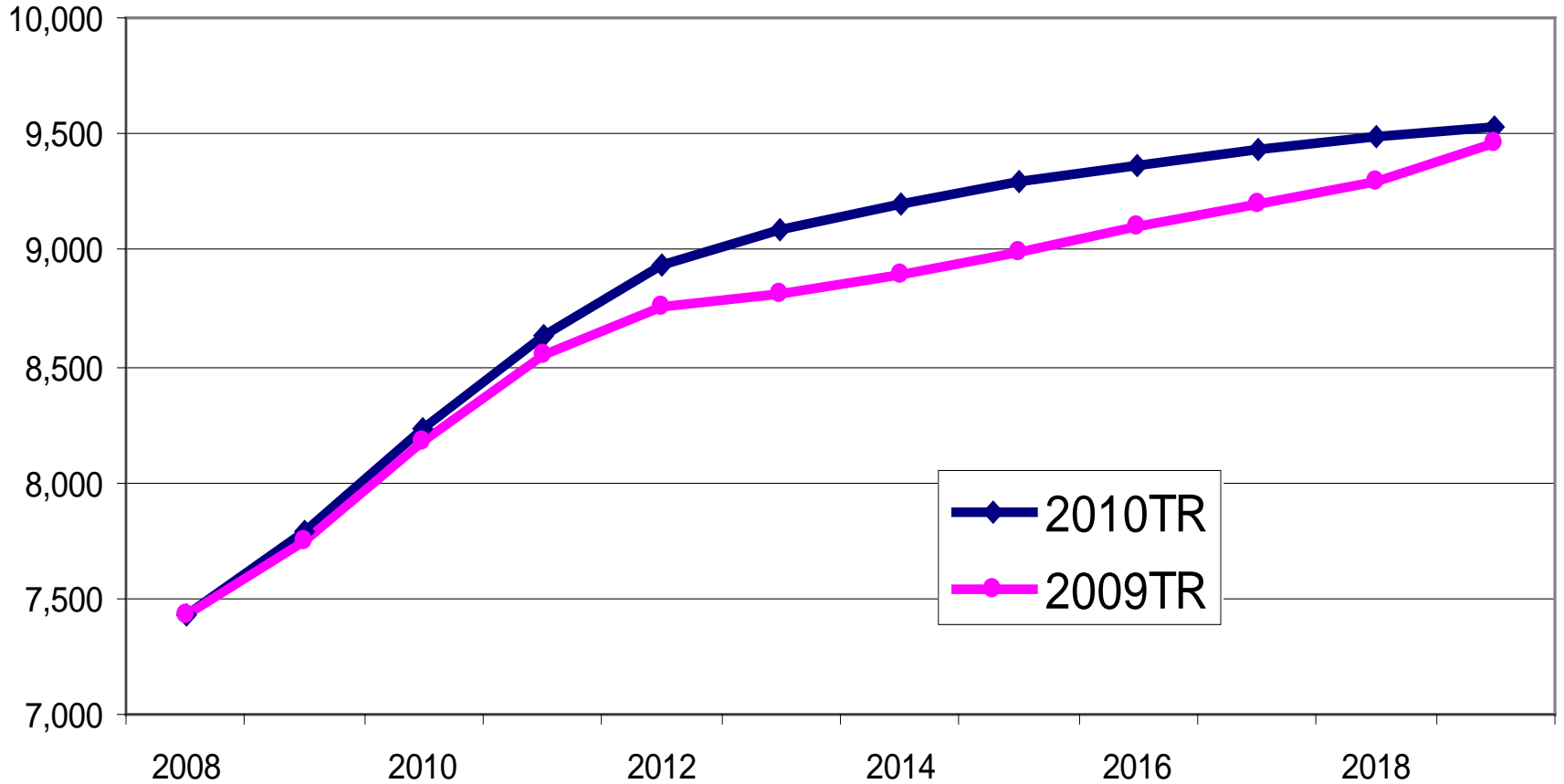
Projected OASDI Covered Employment thousands with earnings in the year



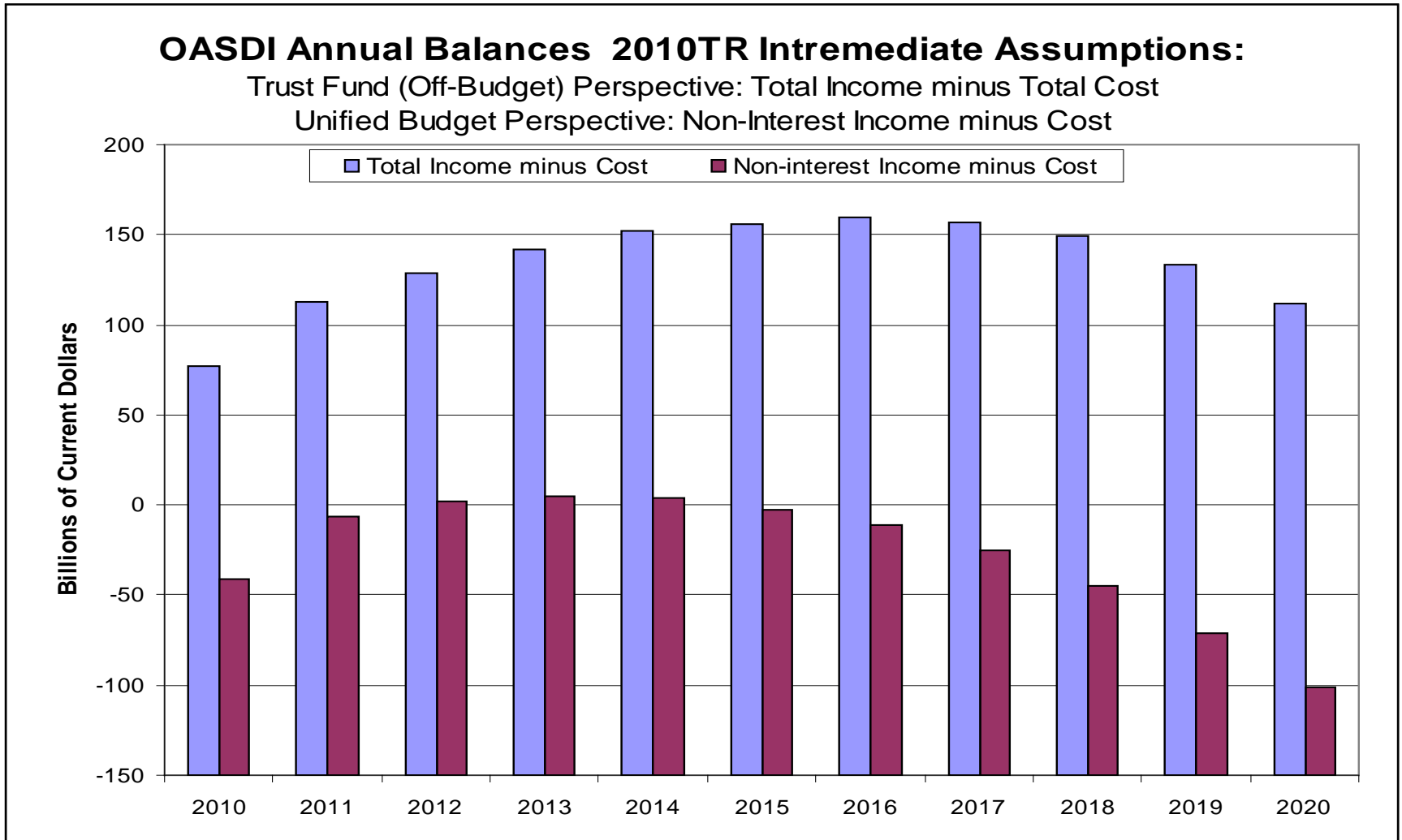
More Disabled Worker Beneficiaries

Disabled Worker Beneficiaries

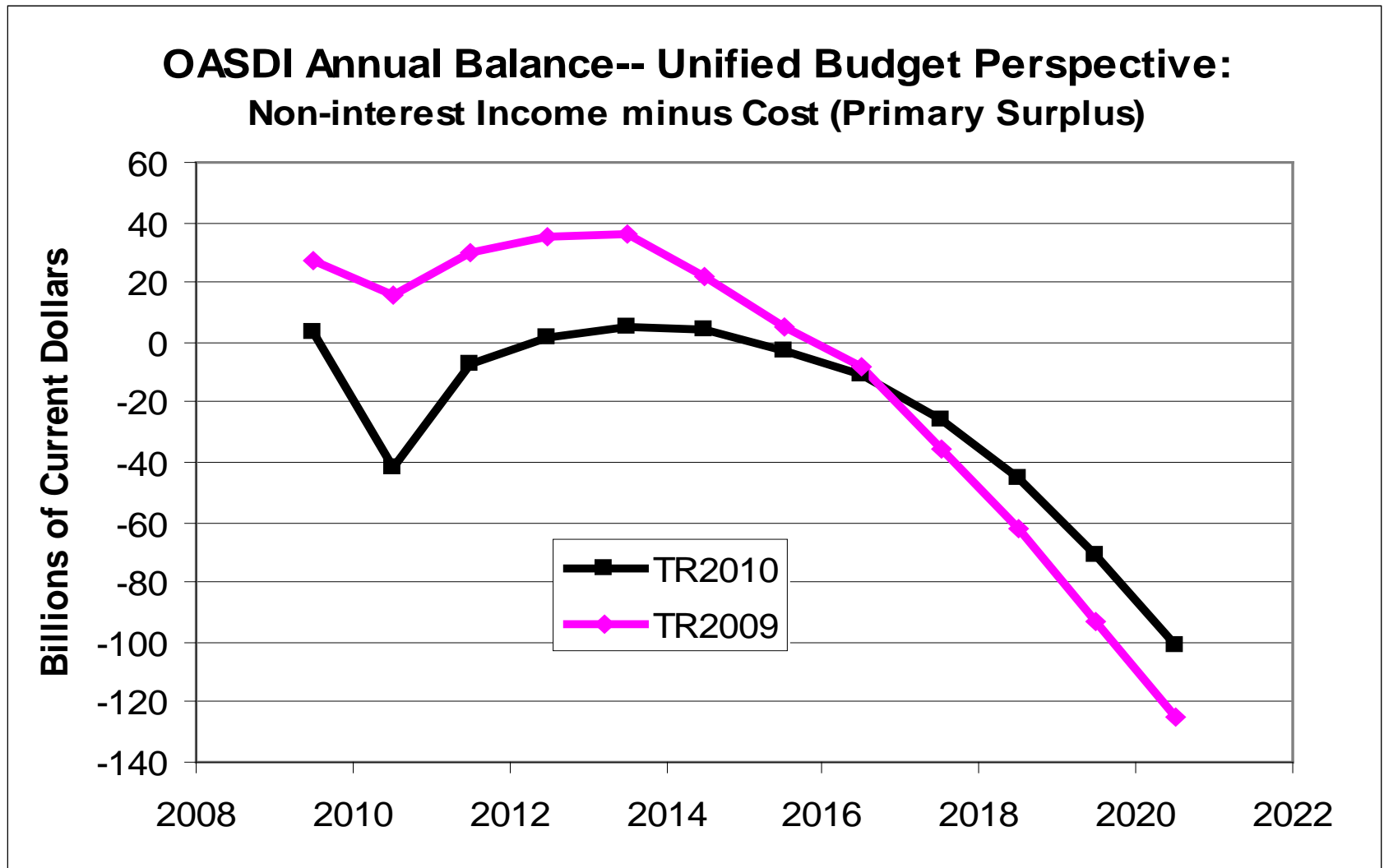
thousands receiving benefits at end of year



Projected OASDI Total Income Exceeds Annual Cost until 2025
For a Unified Budget Perspective (where TF interest is scored to cancel):
Non-interest income is less than cost in 2010-11, and in 2015+



Compared to Last Year's Report:
Annual balance is lower for 2009 through 2016, but higher thereafter



Project No COLA for December 2010

