

Social Security Obstacles and Opportunities

Reframing the Public Debate

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24th Annual Policy Research Conference

Reframing the Public Debate

- ❑ Shoring up Public Confidence
 - ❑ Perceptions and Reality
 - ❑ Speaking Truth to Power
 - ❑ Solvency: Cash Flow Adequacy
 - ❑ Trust Funds: Assets and Liquidity
 - ❑ The “Spent or Lent” Dilemma
 - ❑ Sustainability and Affordability
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Solvency: Cash Flow Adequacy

- OASDI Trustees Report
 - Cash Flow Income and Outgo
 - 25-year projection: 100% adequacy
 - 50-year projection: 90% adequacy
 - 75-year projection: 87% adequacy
 - Include interest income
 - Include asset maturity proceeds
 - Deficits of 10-13% not unsustainable
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Trust Funds: Assets and Liquidity

- ❑ Intergenerational Social Transfer
 - ❑ Fixed Contribution Stabilization
 - ❑ Modified Pay-as-you go
 - ❑ \$2.61 trillion of assets
 - ❑ 3.53 times annual 2012 outgo
 - ❑ Maturities over 15 year period
 - ❑ Interest 4.6% OASI and 4.9% DI
 - ❑ Lender not Borrower
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The “Spent or Lent” Dilemma

- ❑ Legal Obligations of US Treasury
 - ❑ Principal Maturity Schedule 15 years
 - ❑ Interest and Principal Payments
 - ❑ Surplus Transfers to US Treasury
 - ❑ Applied to Current Expenditure
 - ❑ Future Tax Revenues or Borrowing
 - ❑ De Jure vs. De Facto
 - ❑ Modified PAYGO or Full PAYGO System
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Sustainability and Affordability

- ❑ 50 and 75-year Projected Deficits
 - ❑ Credibility of Long-term Projections
 - ❑ Range of Plausible Outcomes
 - ❑ Is 7.2% Payroll Tax Affordable?
 - ❑ Why the Fixed Rate Constraint?
 - ❑ Changing Demographics
 - ❑ Dynamic Sustainability
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