

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

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NASI Academy for Interns

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# What We Need to Know

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## **(1) System**

What it is, what it does, how it works

## **(2) Solvency**

Benefits payable in full on a timely basis

## **(3) Sustainability**

What Americans want - cost versus benefits

## **(4) Fix the Shortfall**

Options to balance income and outgo

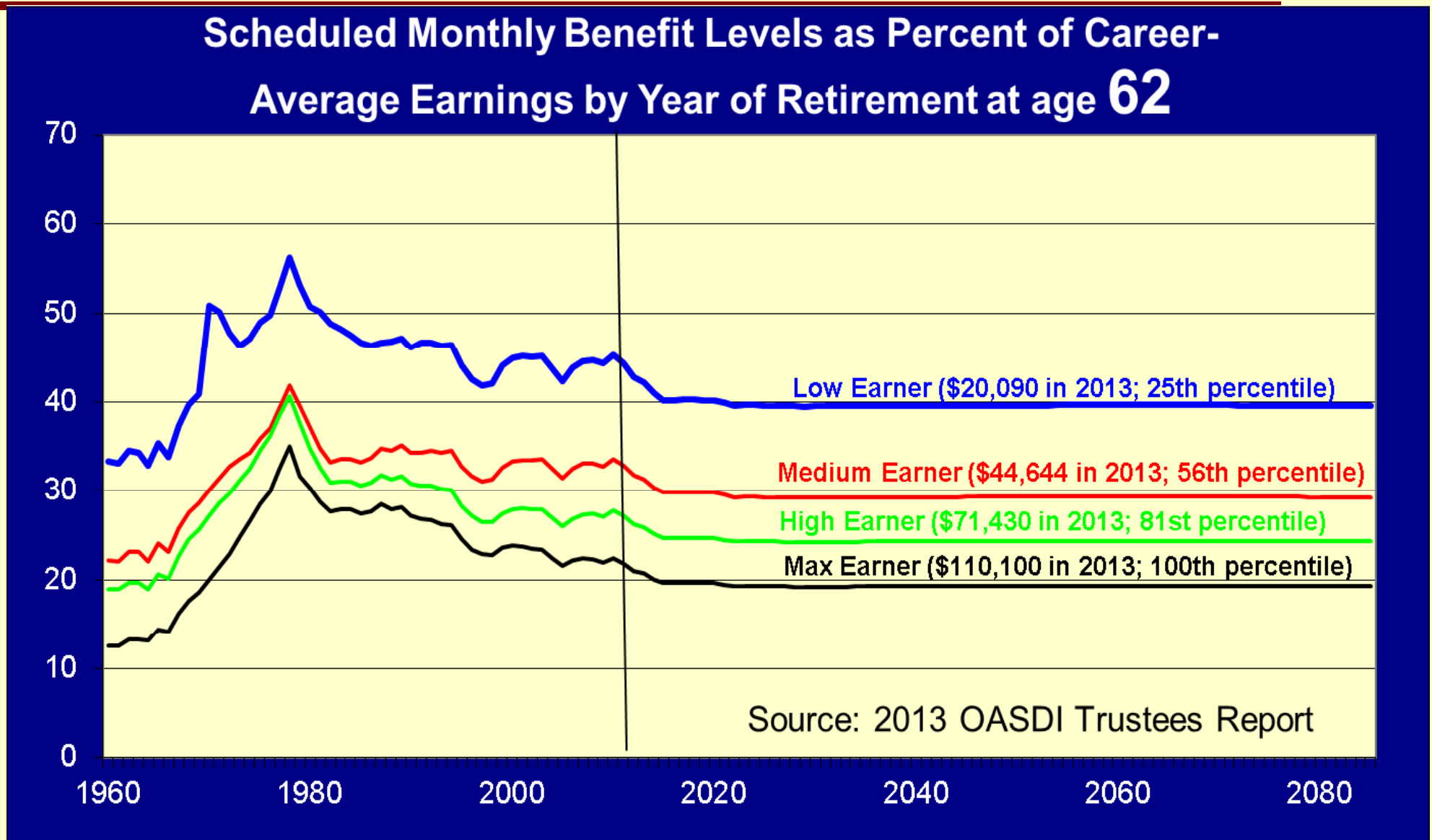
# (1) System: What it is

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- ◆ Retirement benefits start at 62, unreduced at 66 NRA
- ◆ Survivor benefits
- ◆ Disability benefits: unable to “engage in SGA”
- ◆ Benefits rise with average wage *across generations* --- but with CPI after a beneficiary becomes eligible
  - However, even COLAs fall behind standard of living

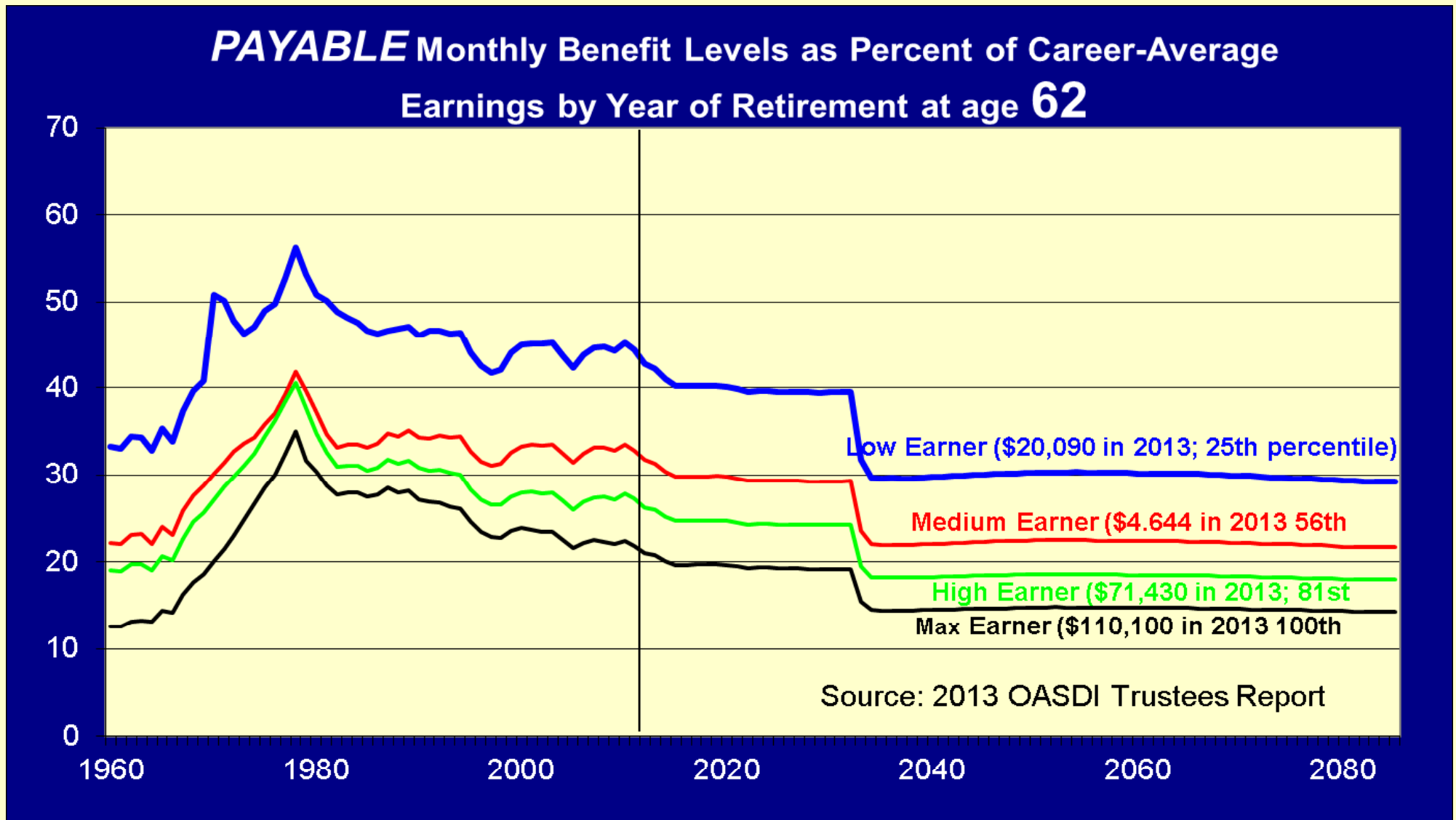
# (1) System: What it is

## *Scheduled* monthly benefits when most retire



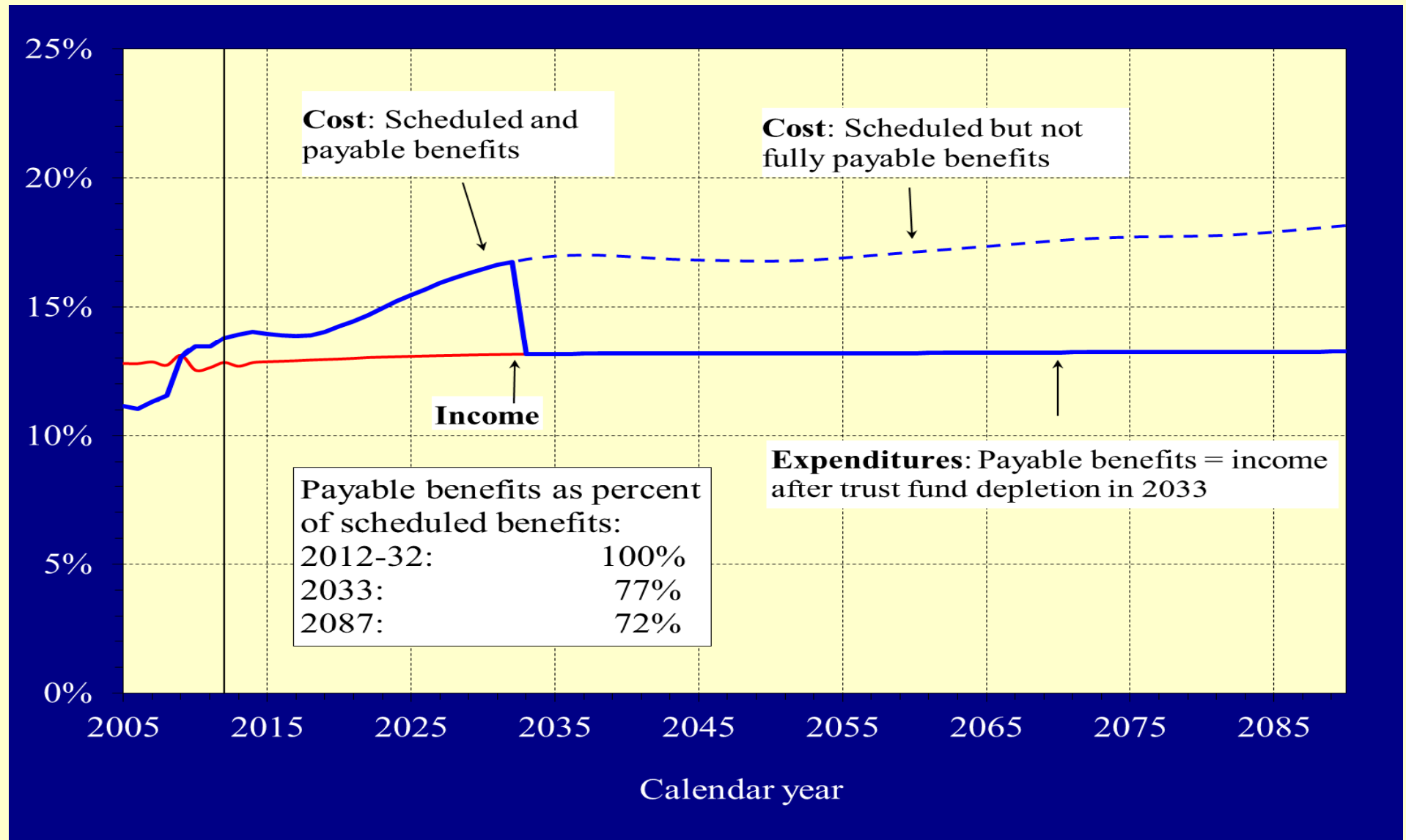
# (1) System: What it is

*Payable* monthly benefits for when most retire

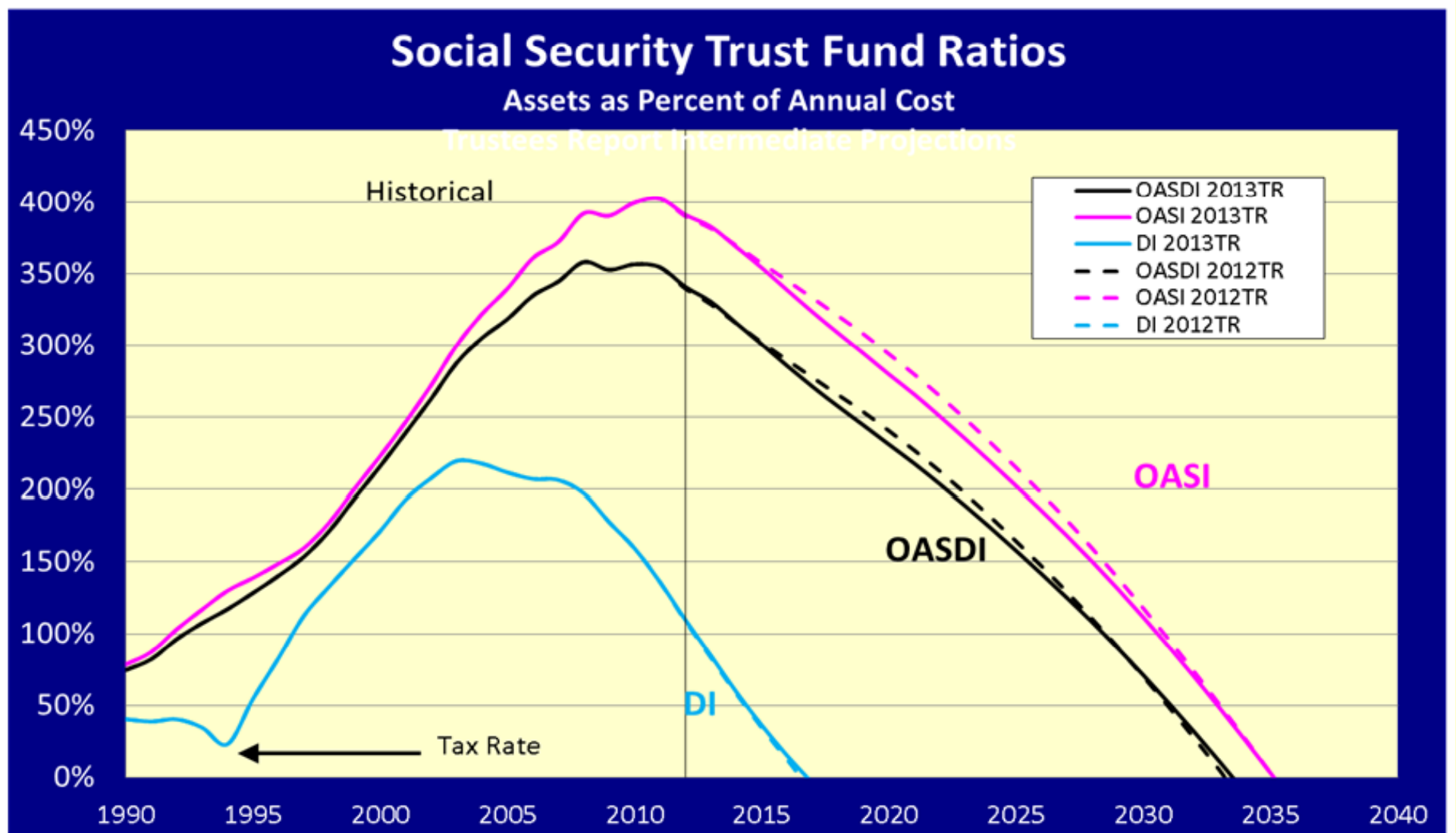


# (1) System: Trust Fund Financing

## Social Security Cost and Expenditures as Percent of Payroll



## (2) Solvency: Ability to Pay Full Scheduled Benefits on a Timely Basis: Requires Trust Fund Reserves



## (2) Solvency: Ability to Pay Benefits

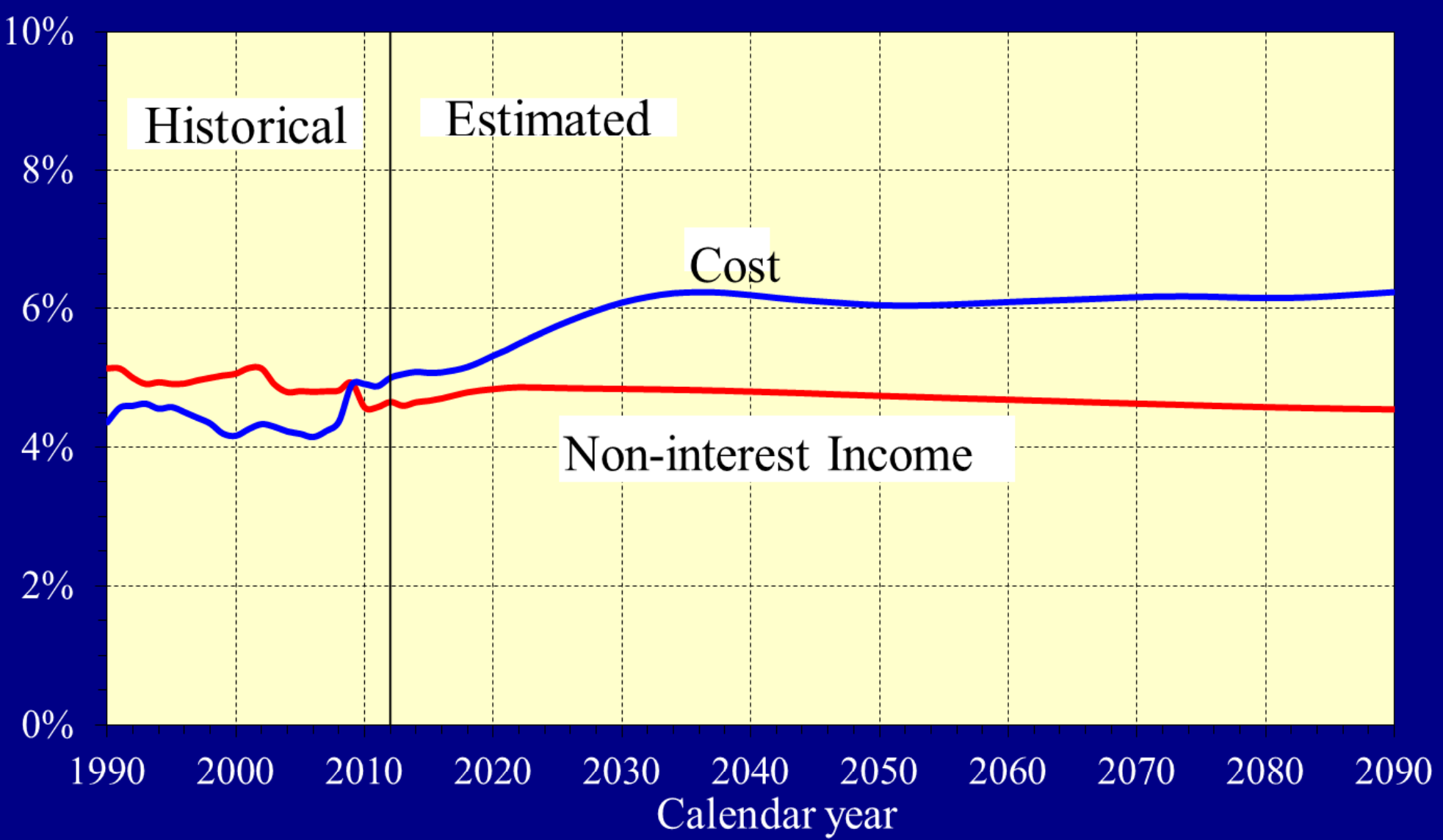
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- ◆ DI needs attention by 2016 !!!!!!!!!!!!!
- ◆ If OASDI asset reserves are depleted in 2033, then by law,
  - only 77% of scheduled benefits are payable
  - OASDI & HI have no borrowing authority
- ◆ Has this ever happened??
  - NO. Trust Fund depletion forces action
    - » 1977 and 1983 Social Security Amendments

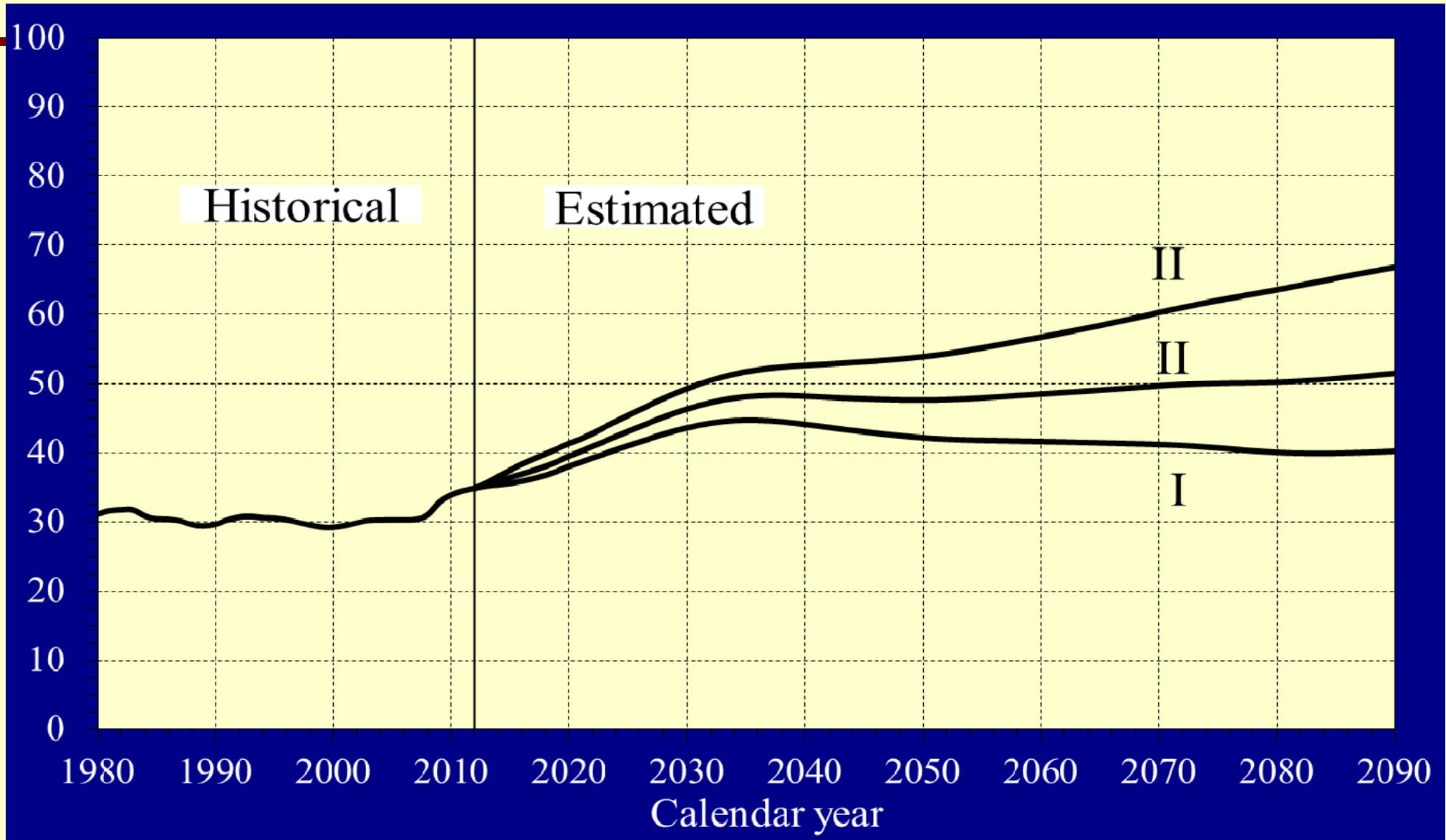


# (3) Sustainability: Cost for Scheduled Benefits

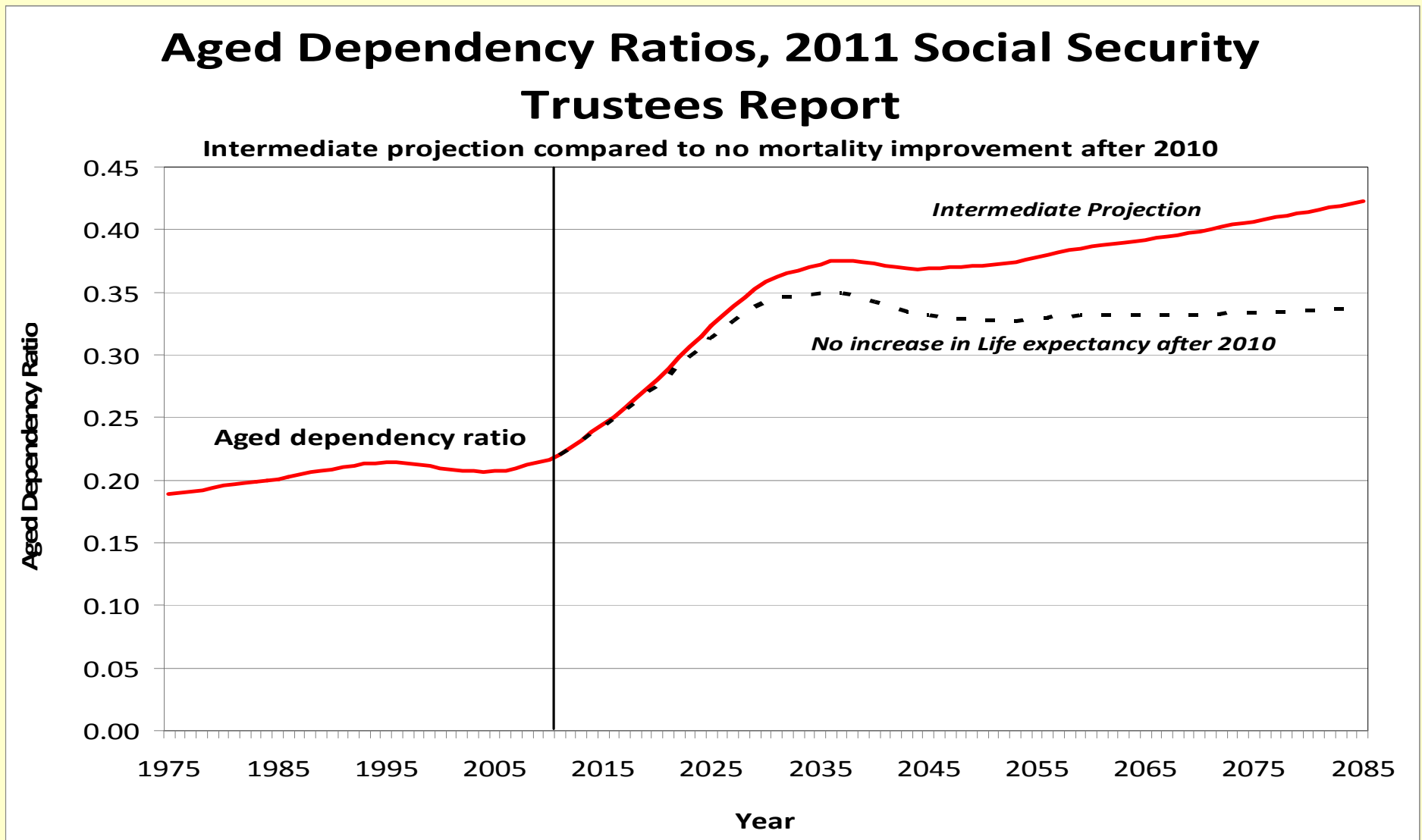
## Social Security Scheduled Cost as Percent of GDP



### (3) Sustainability: Following ----- the Ratio of Beneficiaries per 100 Workers

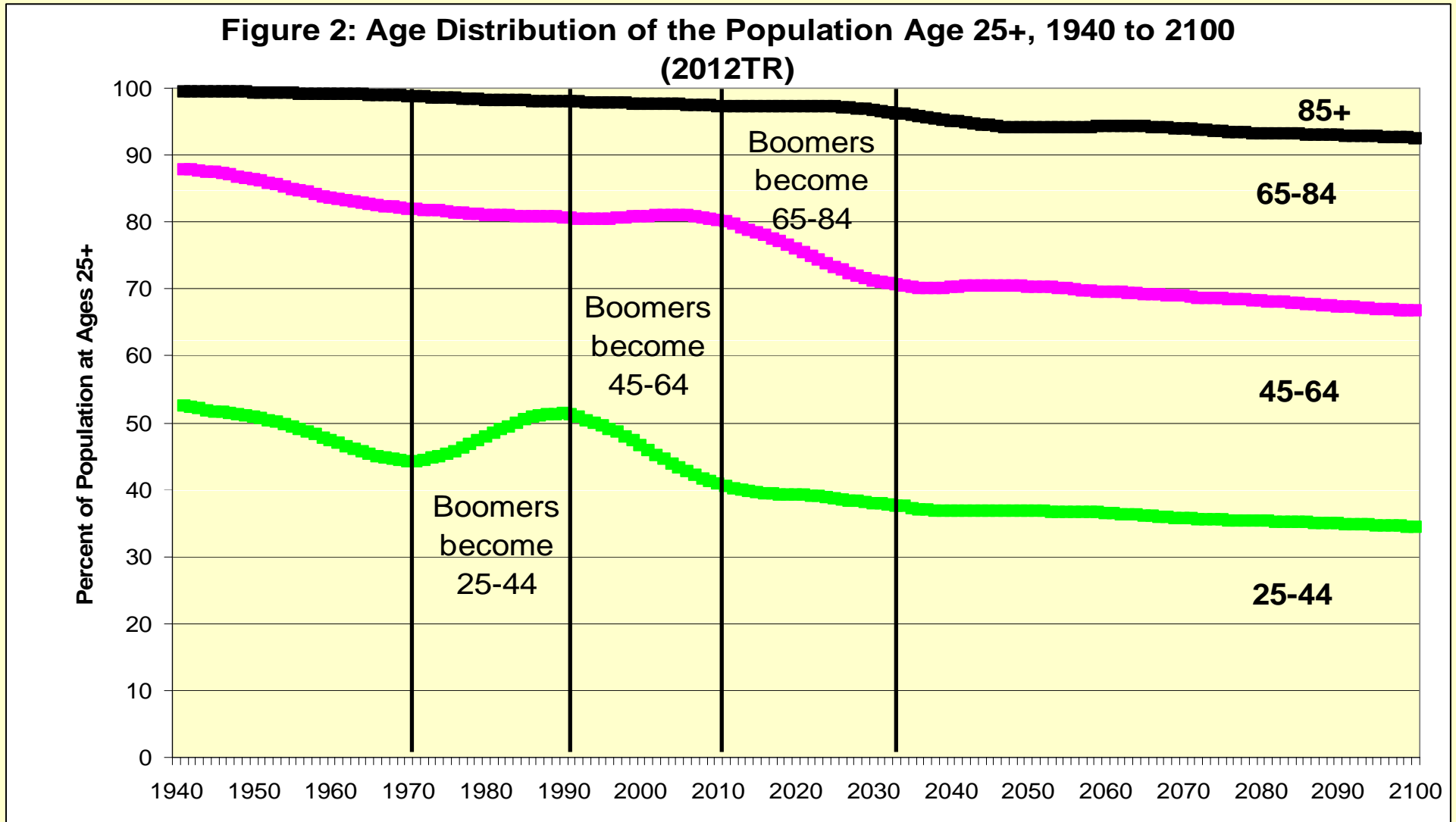


# (3) Sustainability: We are an “aging” society; Longer life---gradual effect after 2030



# (3) Sustainability: As usual, it is mostly about aging

*Note the progression of the boomers from 1970-2030)*



## (4) Solutions: Get Sustainable Solvency, ...or at least make progress

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- ◆ Eliminate 2.72% Actuarial Deficit (0.9% GDP)
- ◆ Sustainable Solvency – Stable Trust Fund Ratio at 75<sup>th</sup> Year
  - Largely reduce the 2087 annual deficit
    - » Over 4% of payroll, 1.6% of GDP