Social Security Actuarial Status

A Brief Summary of Results from the 2020 Annual Report of the Board of Trustees of the OASI and DI Trust Funds

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APRIL 23, 2020

Social Security in 2019

1. At the end of 2019, Social Security provided monthly benefits to 64 million people, over 1 in 6 Americans:
   - 54 million from the Old Age and Survivors Trust Fund
   - 10 million from the Disability Insurance Trust Fund
2. 178 million workers had OASDI covered earnings and made payroll tax contributions
3. During 2019 the combined OASI and DI Trust Fund reserves increased by $2.5 billion, or $1.5 billion more than expected, to $2.90 Trillion

What is the Legislative Mandate for the Annual Trustees Report?

1. Trust Fund operations of the past year and the next five years
2. Actuarial status of the trust funds
   - This means the ability to meet the cost of scheduled benefits with scheduled revenue and trust fund reserves
   - And the extent to which scheduled revenue would fall short under current law, indicating the size of legislative changes that will be needed

Primary Changes This Year

First, an important caveat! The projections in the 2020 Trustees Report do NOT reflect the potential implications of the COVID-19 pandemic, due to (1) the timing of the development of assumptions for the report and (2) the timing of the recognition of the pandemic.

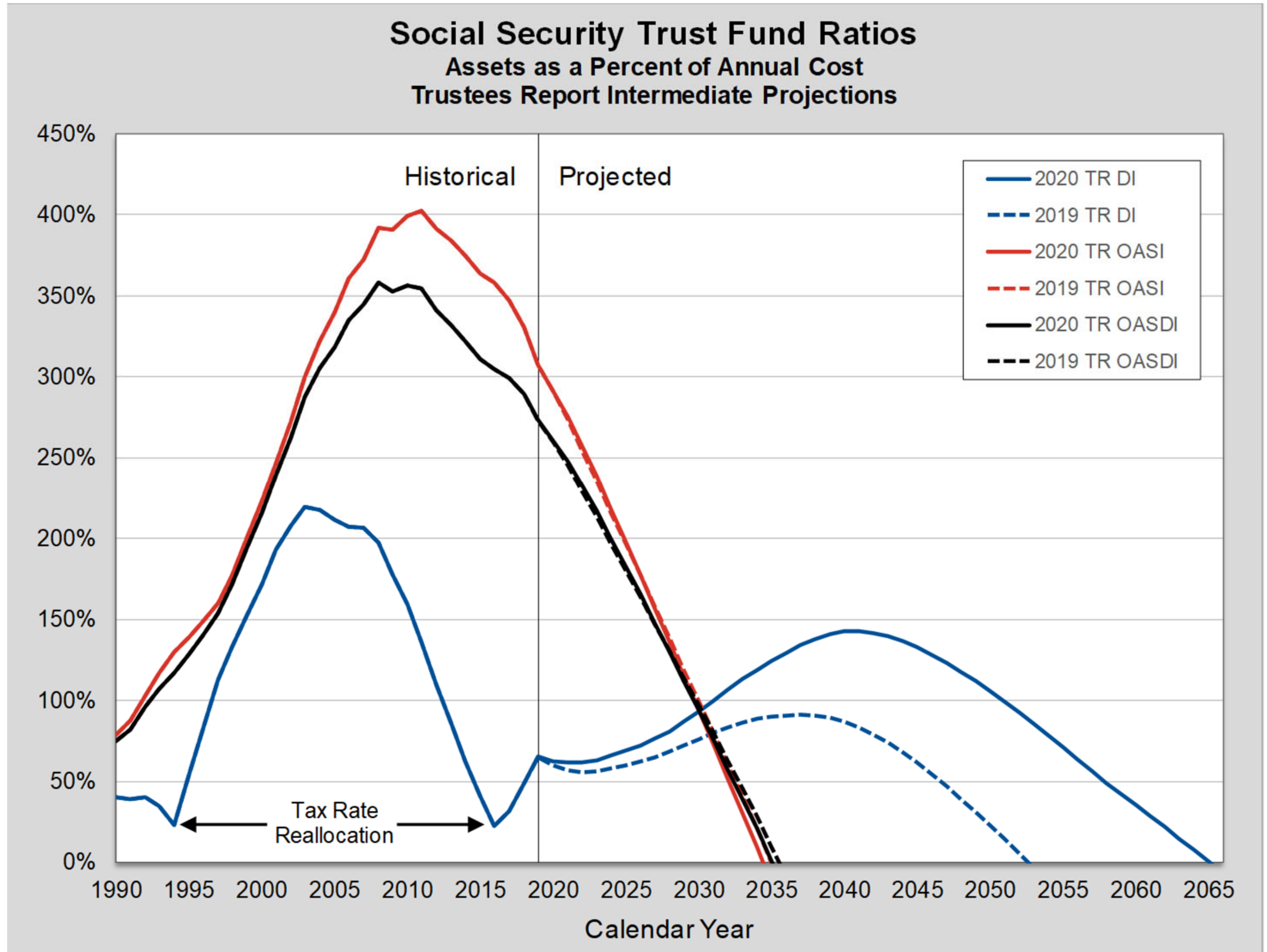
1. DI reserve depletion extended another 13 years, to 2065!
   a) Applications and benefit awards remained at historically low levels in 2019
   b) Lower ultimate incidence rate
   c) Gradual increase to ultimate incidence rate
2. OASI reserve depletion is 2034 – the same as in last year's report.
3. OASDI reserve depletion is 2035, the same as in last year's report. Actuarial deficit increased by 0.43 percent of payroll versus expected increase of 0.05 percent from change in valuation period alone. Annual deficits larger throughout the 75-year projection period.

Solvency: OASDI Trust Fund Reserve Depletion in 2035
(same as last year)

Reserve depletion date varied from 2029 to 2042 in reports over the past 30 years (1991-2020).

DI Trust Fund – reserve depletion in 2065, thirteen years later than last year.

Due largely to low recent and near-term disability applications and awards, and an assumed lower ultimate disability incidence rate.



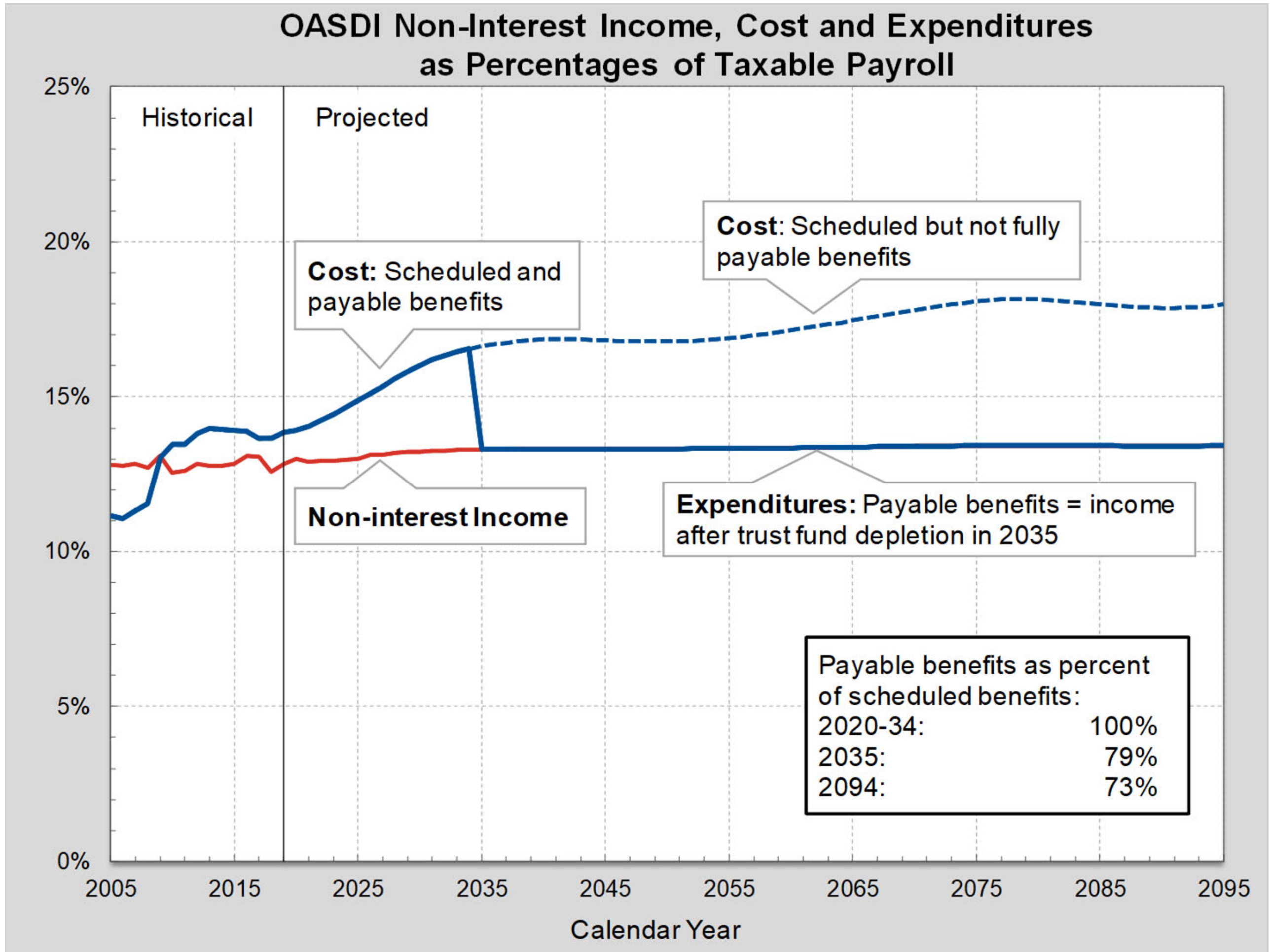
OASDI Annual Cost and Non-Interest Income as Percent of Taxable Payroll

Persistent negative annual balance starting in 2010.

79 percent of scheduled benefits still payable at trust fund reserve depletion.

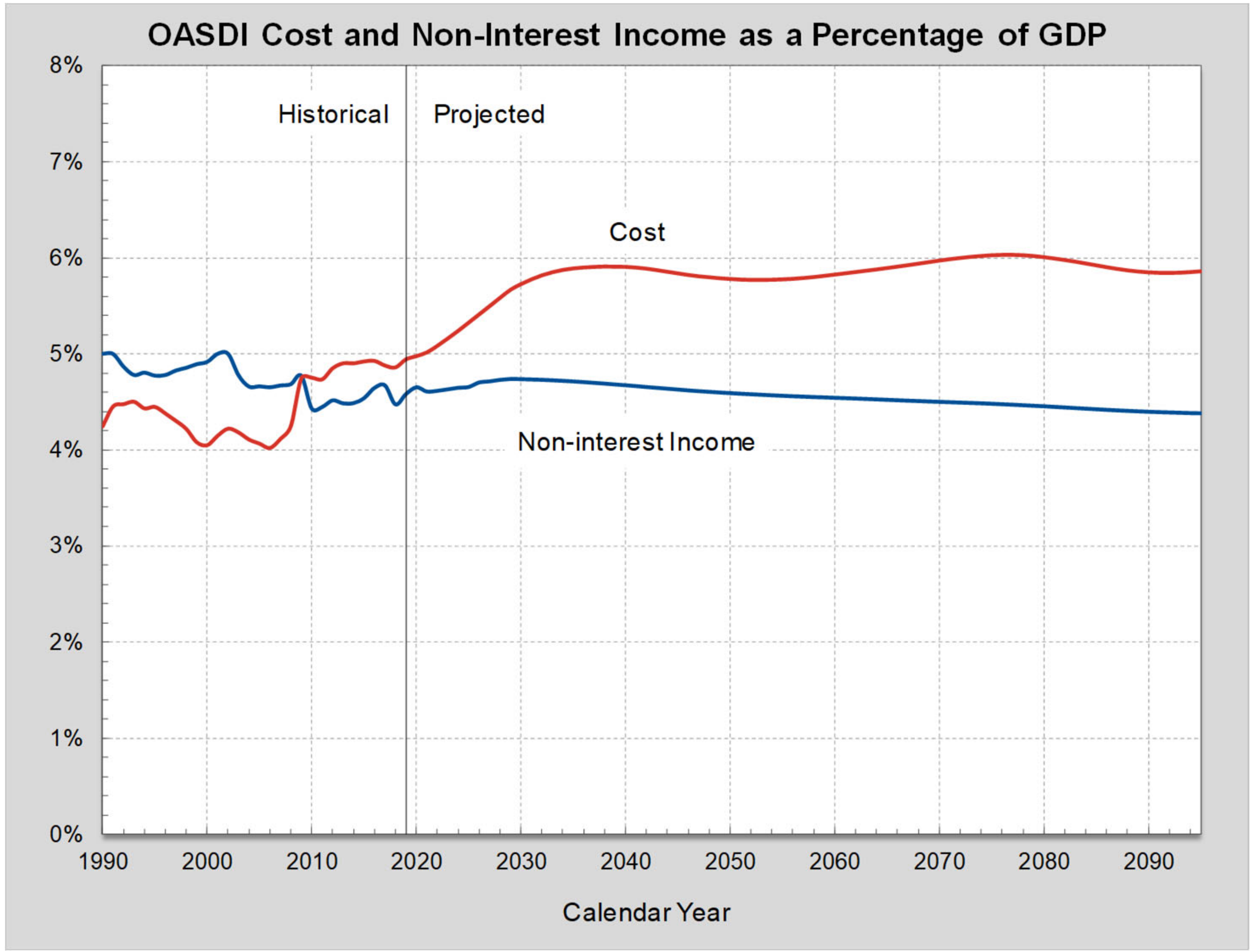
Annual Deficit in 2094:

4.51 percent of payroll – 0.36 percent larger than last year



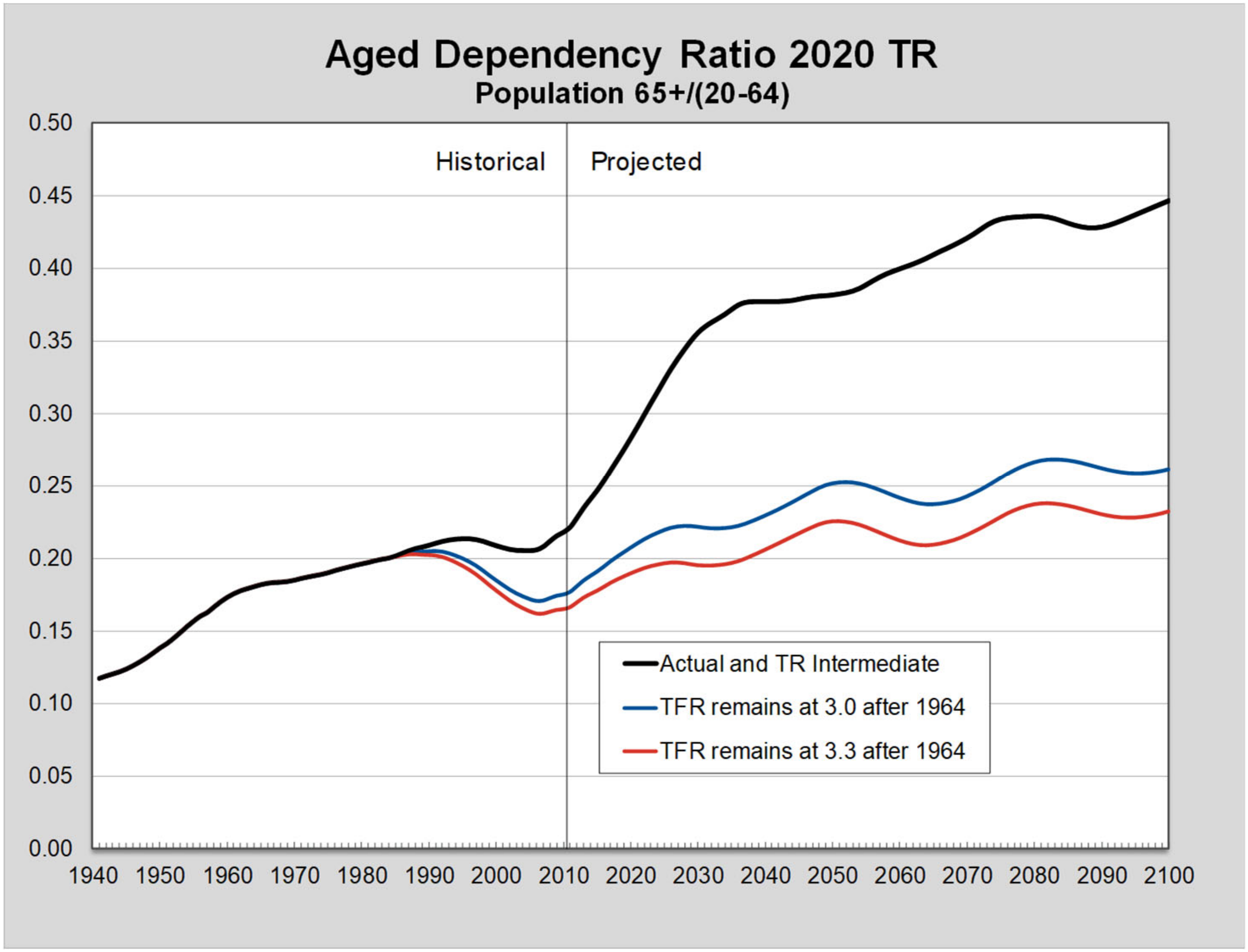
SUSTAINABILITY: Cost as percent of GDP

Rises from a 4.2 percent average in 1990-2008, to about 5.9 percent by 2038, then declines to 5.8 percent by 2053, and generally increases to 5.9 percent by 2094.



Why Cost rises between 2008 and 2035 as percent of Payroll and GDP: Aging - Change in Age Distribution

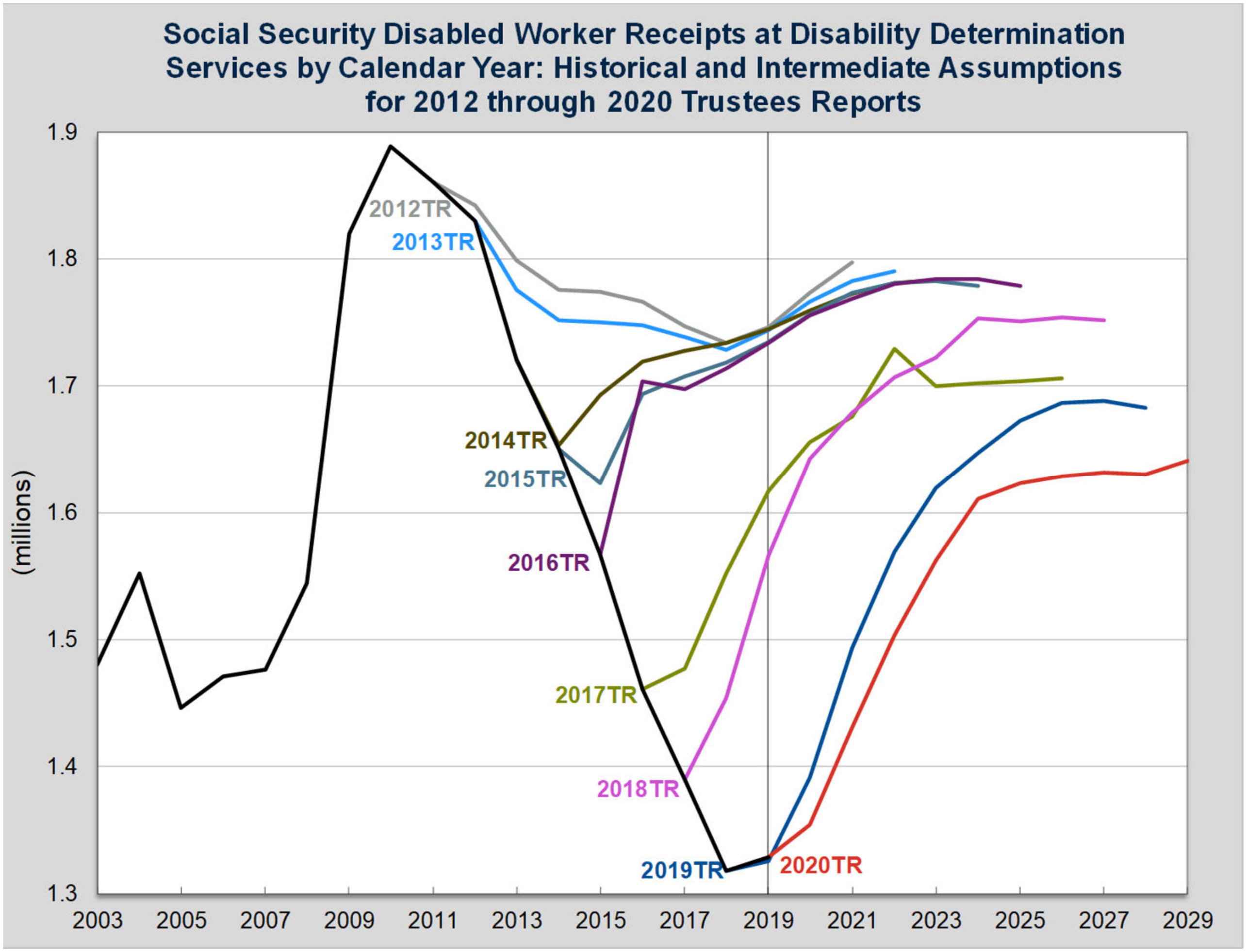
Mainly due to drop in birth rates



Applications for Disability Benefits Remain Historically Low

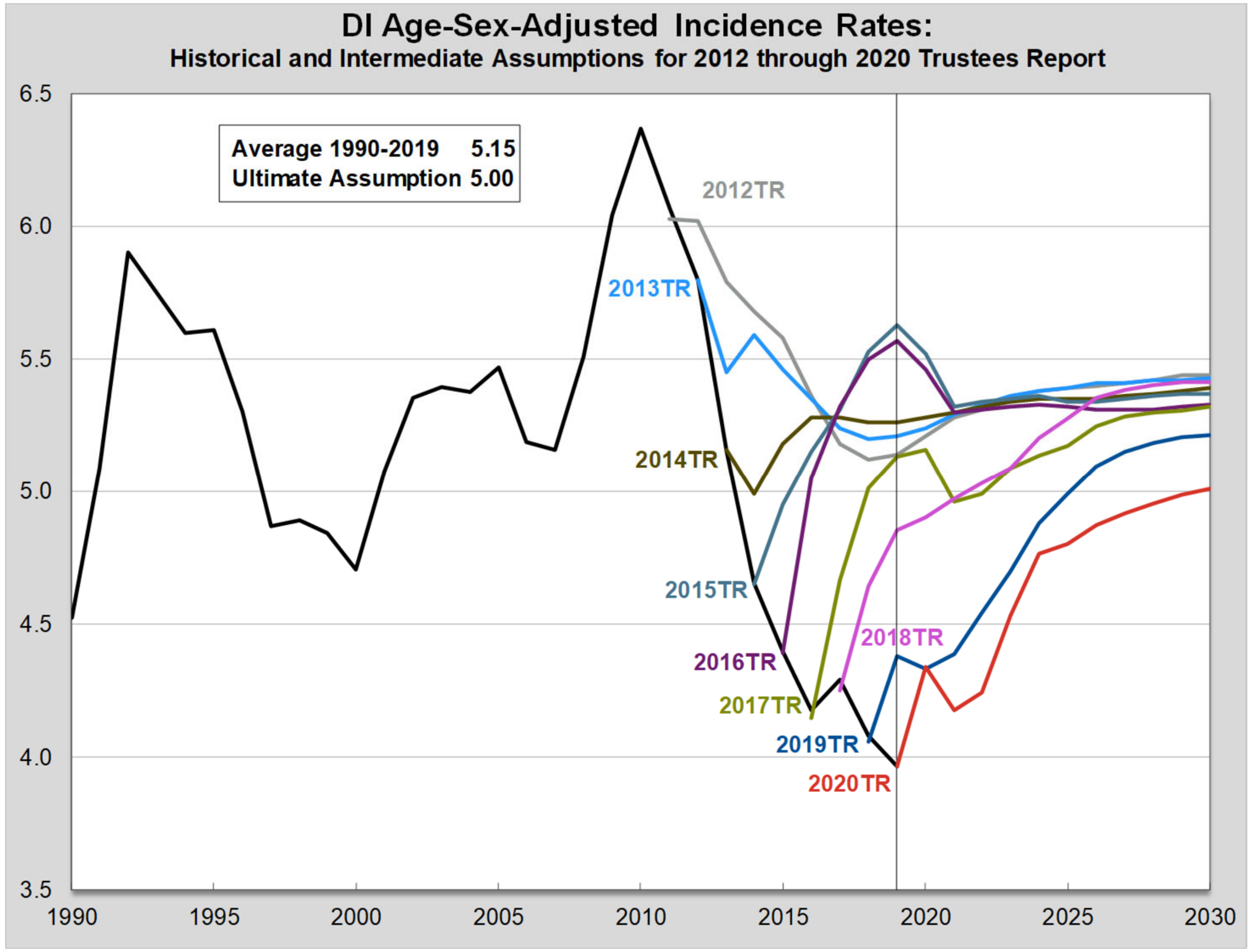
At the peak of the last economic cycle in 2007, applications were low, but increased rapidly in the recession from 1.5 million in 2007 to 1.9 million in 2010.

In 2016 through 2020, applications have dropped below the 2007 level.



Disability Incidence Rate Also Remains Historically Low

DI disabled worker incidence rate rose sharply in the recession, and has declined since the peak in 2010 to extraordinarily low levels in 2016 through 2020.



Principal Reasons for Actuarial Balance
Change in 2020 Report from -2.78 to -3.21 percent of payroll

•Valuation Period	- 0.05 percent
•Legislation (primarily repeal of the ACA excise tax)	- 0.12 percent
•Lower ultimate total fertility rate	- 0.11 percent
•Lower recent birth data and lower assumed near-term total fertility rate	- 0.04 percent
•Higher recent mortality	**+0.04 percent**
•Immigration assumptions and other data updates	- 0.02 percent
•Lower ultimate rate of price inflation (CPI-W)	- 0.05 percent
•Higher long-term real-wage differential	- 0.01 percent
•Lower ultimate unemployment and labor force participation rates	0.00 percent
•Lower ultimate real interest rate	- 0.07 percent
•Starting values and other near-term economic assumptions	- 0.04 percent
•Lower ultimate disability incidence rate	**+0.04 percent**
•Lower recent and near-term disability applications and incidence rates	**+0.01 percent**
•Other new data and methods improvements	0.00 percent
Net Changes for All Reasons	- 0.43 percent

How to Eliminate the Social Security Long-Term Actuarial Deficit

Make choices addressing OASDI deficits 2035-2094:

- Raise scheduled revenue after 2034 by about one-third.
- Reduce scheduled benefits after 2034 by about one-fourth
- Or some combination of the two

For More Information Go to http://www.ssa.gov/oact/

- There you will find:
  - This an all prior OASDI Trustees Reports
  - Detailed single-year tables for recent reports
  - Our estimates for comprehensive proposals
  - Actuarial notes; including replacement rates
  - Actuarial studies; including stochastic
  - Extensive databases
  - Congressional testimonies
  - Presentations by OCACT employees