Social Security Actuarial Status:
A Brief Summary of Results from the 2019 Annual Report of the Board of Trustees of the OASI and DI Trust Funds

Conference Call with Bipartisan Policy Center
Prepared by the Office of the Chief Actuary, SSA
April 23, 2019
What Is the Legislative Mandate for the Annual 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 will fall short, forcing cuts or delays in benefits in the absence of legislative change
Primary Changes this Year

1) DI reserve depletion extended another 20 years, to 2052!
   a) Further drop in applications and benefit awards in 2018
   b) More gradual increase to ultimate incidence rate
   c) Lower ultimate incidence rate—back to 2008-11 TR assumption
   d) Restore reconsideration step in disability process in 10 states

2) OASI reserve depletion is 2034—the same as in last year’s report.

3) OASDI reserve depletion is now 2035 versus 2034 in last year’s report. Actuarial deficit decreased by 0.06 percent of payroll versus expected increase of 0.05 percent from change in valuation period alone. Annual deficits smaller throughout the 75-year projection period.
SOLVENCY: OASDI Trust Fund Reserve Depletion in 2035 (one year later than last year)

- Reserve depletion date varied from 2029 to 2042 in reports over the past 27 years (1992-2019)
- *DI Trust Fund — reserve depletion in 2052, twenty years later than last year*
  - Due largely to lower recent and near-term disability applications and awards.

**Social Security Trust Fund Ratios**

**Assets as Percent of Annual Cost**

**Trustees Report Intermediate Projections**
Applications for Disability Benefits Continue to Fall
At the peak of the last economic cycle in 2007, applications were low, but increased rapidly in the recession to over 2 million in 2010. In 2016, 2017 and 2018, with the economy still below the sustainable full-employment level, applications have dropped below the 2007 level.
Disability Incidence Rate Falls to Historic Lows

DI disabled worker incidence rate rose sharply in the recession, and has declined since the peak in 2010 to extraordinarily low levels for 2016, 2017 and 2018.
Fewer Disabled Worker Beneficiaries
Fewer now and in near term based on recent applications and incidence rates.

Disabled Worker Beneficiaries
In Current Payment Status at End of Year (in thousands)

2008 TR (no recession)
2018 TR
2019 TR
OASDI Annual Cost and Non-Interest Income as Percent of Taxable Payroll
Persistent Negative Annual Cash-Flow Balance Starting in 2010
80% of scheduled benefits still payable at trust fund reserve depletion
Annual deficit in 2093: 4.11 percent of payroll — 0.25 percent smaller than last year

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Historical</th>
<th>Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
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<td>2025</td>
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<td>2085</td>
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<tr>
<td>2095</td>
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Cost: Scheduled and payable benefits
Cost: Scheduled but not fully payable benefits
Non-interest Income

Payable benefits as percent of scheduled benefits:
2018-34: 100%
2035: 80%
2093: 75%

Expenditures: Payable benefits = income after trust fund depletion in 2035
Aging (change in age distribution) mainly due to drop in birth rates

Aged Dependency Ratio 2019 TR
Population 65+/20-64

- TFR remains at 3.0 after 1964
- TFR remains at 3.3 after 1964
Mortality Experience: All Ages
Reductions continue to fall short of expectations

Age-Sex-Adjusted Death Rates
(Total, All Ages)
## Principal Reasons for Actuarial Balance Change in 2019 Report

<table>
<thead>
<tr>
<th>Reason</th>
<th>Change</th>
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<tbody>
<tr>
<td>Valuation Period</td>
<td>-0.05%</td>
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<tr>
<td>Legislation etc.</td>
<td>0.00%</td>
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<tr>
<td>Lower recent birth data and lower assumed near-term total fertility rate</td>
<td>-0.02%</td>
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<tr>
<td>Higher recent mortality</td>
<td>+0.09%</td>
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<tr>
<td>Immigration assumptions and other data updates</td>
<td>-0.01%</td>
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<tr>
<td>Lower ultimate annual rate of change in labor productivity</td>
<td>-0.09%</td>
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<tr>
<td>Lower assumed price differential</td>
<td>+0.09%</td>
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<tr>
<td>Higher long-term real-wage differential</td>
<td>+0.03%</td>
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<tr>
<td>Lower ultimate real interest rate</td>
<td>-0.08%</td>
</tr>
<tr>
<td>Starting values and other near-term economic assumptions</td>
<td>+0.01%</td>
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<tr>
<td>Lower recent and near-term disability applications and incidence rates</td>
<td>+0.03%</td>
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<tr>
<td>Lower ultimate disability incidence rate</td>
<td>+0.04%</td>
</tr>
<tr>
<td>Other new data and methods improvements</td>
<td>+0.01%</td>
</tr>
</tbody>
</table>

**Net Change for All Reasons** +0.06%

Projected Federal Debt Held by the Public: CBO Baseline (Assuming OASDI & HI Unfunded Obligations Are Paid by Borrowing From the Public) vs. Assuming Current Law

- CBO Baseline July 2015
- Less OASDI Unfunded Obligations (CBO Dec 2015)
- Less OASDI (CBO Dec 2015) and HI (Trustees 2015) Unfunded Obligations
How to Eliminate the Social Security Long-Term Actuarial Deficit

Make choices addressing OASDI deficits 2035-2093:

• 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 and all prior OASDI Trustees Reports
  – Detailed single-year tables for recent reports
  – Our estimates for comprehensive proposals
  – Our estimates for the individual provisions
  – Actuarial notes; including replacement rates
  – Actuarial studies; including stochastic
  – Extensive databases
  – Congressional testimonies
  – Presentations by OCACT employees