U.S. Social Security: Scheduled Cost and Revenue as % of GDP

Cost rising from 4.3% to 6% of GDP by 2035—then stable!
Pay-as-you-go financing: no borrowing authority

- So **must** maintain a positive Trust Fund reserve

Should trust fund reserves become depleted:

- Would need to reduce or delay scheduled benefits
- This has never happened since benefits started in 1940

Congress has always acted to avoid reserve depletion

- Near certainty this will continue
U.S. Social Security: What If Congress Did Not Act?

Social Security Trust Fund Ratios
Assets as Percent of Annual Cost
Trustees Report Intermediate Projections

Historical

Estimated

OASDI 2019TR
OASDI 2018TR
OASI 2019TR
OASI 2018TR
DI 2019TR
DI 2018TR

Historical

Estimated

Tax Rate Reallocation

0%
100%
200%
300%
400%
450%
U.S. Social Security: 20% to 25% Shortfall in 2035 and Later

- **Cost**: Scheduled and payable benefits
- **Cost**: Scheduled but not fully payable benefits

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

Expenditures: Payable benefits = income after trust fund depletion in 2035
U.S. Social Security: Why the Rising Cost?

Aging: a familiar story

Is this all about longevity?

- No, mainly about birth rates – another familiar story!
- Immigration helps in the U.S.
- But the age distribution is the story: “macro aging”
U.S. Macro Aging: Level Shift Due to Drop in Birth Rates

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

Actual and TR Intermediate
TFR remains at 3.0 after 1964
TFR remains at 3.3 after 1964
U.S. Is Not Alone: TFR Below 2.1 Almost Everywhere
Adjusting for Expected Immigration Helps Many

Adjusted Total Fertility Rate--Adding Net Migration to Births

- Canada
- China
- Denmark
- Japan
- Sweden
- United States
U.S. Mortality Decline (Micro Aging) Almost Ceased Since 2009
Are our projections now too optimistic? More later this week!
How to Eliminate the U.S. Social Security Long-Term Actuarial Deficit

Make choices addressing OASDI deficits 2035-2093:

• Raise scheduled revenue after 2034 by about one-third
  (from 4.5% to 6% of GDP)

• Reduce scheduled benefits after 2034 by about one-fourth
  (from 6% to 4.5% of GDP)

• Or some combination of the two
One More Thing: Disability Incidence Declining Dramatically
Number Disabled Is *Far* Below Expected. Internationally?

![Graph showing Disabled Worker Beneficiaries in Current Payment Status at End of Year (in thousands)](image)

- **2008 TR (no recession)**
- **2018 TR**
- **2019 TR**
For More Information Go To
http://www.ssa.gov/oact/

There you will find:

• This and all prior Social Security 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