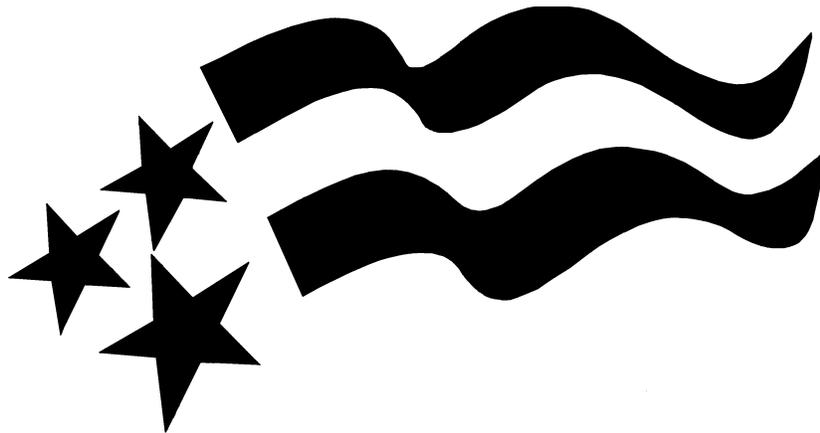


Revised



Status of the Social Security and Medicare Programs

**A SUMMARY OF THE
2000 ANNUAL REPORTS**

**Washington, D.C.
April 2000**

**Social Security and Medicare
Boards of Trustees**

Hypertext versions of the Social Security and Medicare Trustees Reports as well as this document are available on the Internet at the following addresses:

Social Security (OASDI): <http://www.ssa.gov/OACT/TR/TR00/index.html>
Medicare (HI and SMI): <http://www.hcfa.gov/pubforms/tr/>
Summary: <http://www.ssa.gov/OACT/TRSUM/trsummary.html>

A MESSAGE TO THE PUBLIC:

Each year we, the Trustees of the Social Security and Medicare trust funds, report in detail on their financial condition. The reports describe the funds' current and projected financial condition, within the next 10 years (the "short term") and over the next 75 years (the "long term"). This document is a summary of the 2000 Annual Reports.

The most important new information in this year's reports is that 1999 was a third consecutive year of substantial improvement in the financial status of the Medicare Hospital Insurance (HI) trust fund, which pays inpatient hospital expenses. The HI fund is now projected to be able to pay benefits until 2025, 10 years longer than projected in last year's report and 24 years longer than projected in the 1997 report. The projected long-term shortfall in the HI fund also has declined and is now 1.21 percent of taxable payroll, only 28 percent as large as projected in 1997. This improvement has occurred because income to the fund has exceeded expectations due to robust economic growth and expenditures have declined as a result of changes made by the Balanced Budget Act of 1997, slow increases in health care costs generally, and continuing efforts to combat fraud and abuse. Although this substantial improvement eases the urgency for immediate action, the long-term solvency of the HI program will require additional reforms and periodic review.

The Supplementary Medical Insurance (SMI) Trust Fund, which pays doctor's bills and other outpatient expenses, is expected to remain adequately financed into the indefinite future, but only because current law sets financing each year to meet the next year's expected costs. Although the rate of growth of SMI costs has moderated in recent years, outlays have still increased 38 percent over the past 5 years, or about 5 percent faster than the economy as a whole. As with HI, efforts on a recurring basis will be necessary to slow growth in SMI costs. Despite the significant improvement in the financial outlook for Medicare, the projected increases in medical care costs still make finding solutions to Medicare's financing problems more difficult than for Social Security.

The Social Security trust funds are now projected to be adequately financed 3 years longer than in last year's report, or until 2037. At that time, annual tax income to the combined trust funds is projected to equal about 72 percent of the cost of benefits payable. Individually, the Old-Age and Survivors Insurance (OASI) Trust Fund, which pays retirement and survivors benefits, is projected to be able to pay full benefits on time until 2039. The Disability Insurance (DI) Trust Fund, which pays disability benefits, is projected to be able to pay full benefits until

2023. Also, the long-term projected shortfall in the combined trust funds has decreased to 1.89 percent of taxable payroll, the lowest deficit since the 1993 report. The improvement this year in these measures, despite increases in projected life expectancy, can be attributed largely to better actual and projected economic performance and advances in projection methods.

The longer run financing of both Social Security and Medicare needs to be addressed in a timely way to allow for phasing in any necessary changes and for workers to adjust their plans to take account of those changes. With informed public discussion and timely legislative action, Social Security and Medicare will continue to play their critical role in the lives of virtually all Americans.

By the Trustees:

*Lawrence H. Summers,
Secretary of the Treasury,
and Managing Trustee*

*Alexis M. Herman,
Secretary of Labor,
and Trustee*

*Donna E. Shalala,
Secretary of Health
and Human Services,
and Trustee*

*Kenneth S. Apfel,
Commissioner of
Social Security,
and Trustee*

*Stephen G. Kellison,
Trustee*

*Marilyn Moon,
Trustee*

A SUMMARY OF THE 2000 ANNUAL SOCIAL SECURITY
AND MEDICARE TRUST FUND REPORTS

Who Are the Trustees? There are six Trustees: the Secretary of the Treasury, the Secretary of Labor, the Secretary of Health and Human Services, the Commissioner of Social Security and two members appointed by the President and confirmed by the Senate to represent the public. Currently, the Public Trustees are Marilyn Moon, an economist who has written extensively on Medicare, and Stephen G. Kellison, an actuary who has taught and consulted widely on social insurance. All trustees serve on the Boards of all of the trust funds described below.

What Are the Trust Funds? The trust funds are financial accounts in the U.S. Treasury. Social Security and Medicare taxes, premiums and other income are deposited in these accounts, and Social Security and Medicare benefits are paid from them. The only purposes for which these trust funds can be used are to pay benefits and program administrative costs.

The trust funds hold money not needed in the current year to pay benefits and administrative costs and, by law, invest it in special Treasury bonds that are guaranteed by the U. S. Government. A market rate of interest is paid to the trust funds on the bonds, and when those bonds reach maturity or are needed to pay benefits, the Treasury redeems them.

There are four separate trust funds. For Social Security, the Old-Age and Survivors Insurance (OASI) Trust Fund pays retirement and survivors benefits, and the Disability Insurance (DI) Trust Fund pays disability benefits. (The two trust funds are described together as OASDI.)

For Medicare, the Hospital Insurance (HI) Trust Fund pays for inpatient hospital and related care, and the Supplementary Medical Insurance (SMI) Trust Fund pays for physician and outpatient services. Medicare benefits are provided to most people age 65 and over and to workers who are receiving Social Security disability benefits.

What Were the Trust Fund Results in 1999? In December 1999, 38 million people were receiving OASI benefits, 6.5 million were receiving DI benefits, and about 39 million people were covered under Medicare. Trust fund operations, in billions of dollars, are shown below (totals may not add due to rounding).

	OASI	DI	HI	SMI
Assets (end of 1998)	\$681.6	\$80.8	\$120.4	\$46.2
Income during 1999	457.0	69.5	151.6	80.9
Outgo during 1999	339.9	53.0	130.6	82.3
Net increase in assets	117.2	16.5	21.0	-1.4
Assets (end of 1999)	798.8	97.3	141.4	44.8

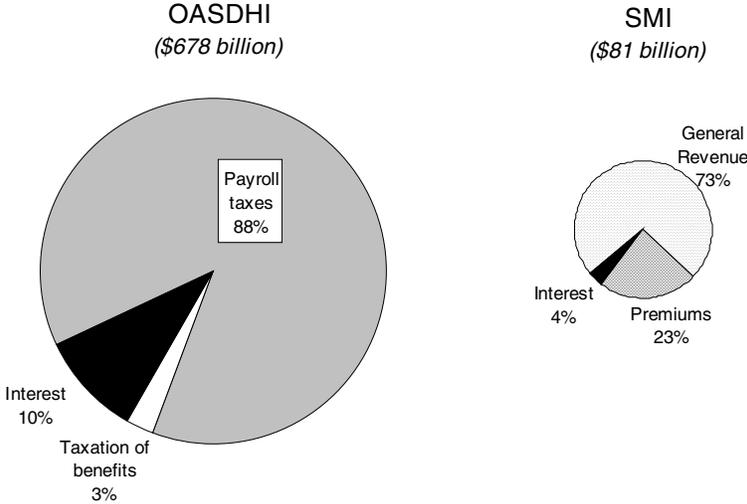
How Are Social Security and Medicare Paid for? For Social Security and the Hospital Insurance part of Medicare, the major source of financing is payroll taxes on earnings that are paid by employees and their employers, and by the self employed. People who are self employed are charged the equivalent of the combined employer and employee tax rates. In 1999, \$595 billion (88 percent) of total OASI, DI and HI income came from payroll taxes and small HI miscellaneous sources. The remainder was provided by interest earnings (\$65 billion or 10 percent) and revenue from taxation of OASDI benefits (\$18 billion or 3 percent).

The payroll tax rates are set by law and for OASI and DI apply to earnings up to a certain annual amount. This amount, called the earnings base, rises as average wages increase. In 2000, the earnings base for OASDI is \$76,200. HI taxes are paid on total earnings. The tax rates for employees and employers each under current law are:

Year	OASI	DI	OASDI	HI	Total
2000 and later . .	5.30	0.90	6.20	1.45	7.65

The Supplementary Medical Insurance part of Medicare is financed by monthly premiums charged beneficiaries (\$45.50 in 2000) and by payments from Federal general revenues. In 1999, premiums accounted for \$19 billion (23 percent) of SMI income and interest income was about \$3 billion (4 percent). The remainder, \$59 billion (73 percent), consisted of general revenue payments. Chart A shows sources of income in 1999 for OASDI and HI combined and for SMI.

Chart A—Sources of Income to Trust Funds in 1999



Note: Totals may not add to 100% due to rounding

What Were the Administrative Expenses in 1999? Administrative expenses, as a percentage of benefit payments, were:

	<u>OASI</u>	<u>DI</u>	<u>HI</u>	<u>SMI</u>
Administrative Expenses 1999	0.5	3.0	1.4	2.0

How Are Estimates of the Trust Funds’ Future Status Made?

Short-range (10-year) and long-range (75-year) estimates are reported for all funds. These estimates are based on assumptions about all of the factors that affect the income and outgo of each trust fund. They include economic growth, wage growth, inflation, unemployment, fertility, immigration, and mortality, as well as specific factors relating to disability incidence and the cost of hospital and medical services.

Because the future cannot be predicted with certainty, three alternative sets of economic and demographic assumptions are used to show a range of possibilities. The intermediate assumptions (alternative II) reflect the Trustees’ best estimate of future experience. The low-cost alternative I is more optimistic for trust fund financing, and the high-cost alternative III is more pessimistic; they show trust fund projections if economic and demographic conditions are more or less favorable than the best estimate.

The assumptions are reexamined each year in light of recent experience and new information about future trends, and are revised if warranted. In general, greater confidence can be placed in the assumptions and estimates for earlier projection years than for later years. While estimates of income and expenditures usually have been close to actual experience, any estimates for as long as 75 years into the future are inherently uncertain. Nonetheless, careful review and updating on an annual basis provides an indication of the range of future possibilities.

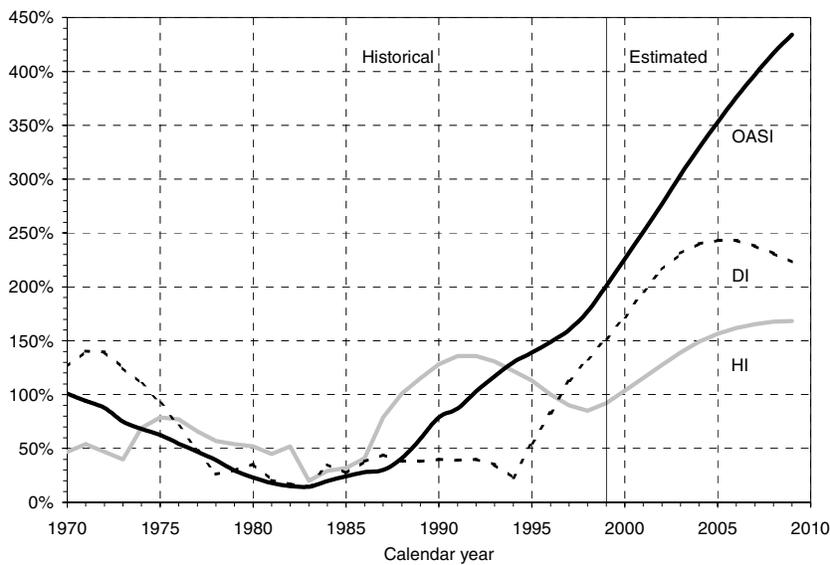
What is the Short-Range Outlook (2000-2009) for the Trust Funds?

For the short range, we measure the adequacy of the trust funds by comparing their assets at the beginning of a year to projected benefit payments for that year (the “trust fund ratio”). A trust fund ratio of 100 percent or more—that is, assets at the beginning of a year at least equal to projected benefit payments for that year—is considered a good test of a trust fund’s short-term adequacy. This level of assets means that even if no income were received for a year, the trust fund could pay full benefits, thereby allowing time for legislative action to restore financial adequacy.

By this measure, for the first time since 1991 the HI Trust Fund is considered to be financially adequate throughout the short-range period because assets of the fund are over the 100 percent level through the year 2009. The OASI and DI funds are also considered financially adequate

throughout the short range. Chart B shows the OASI, DI and HI “trust fund ratios” under the intermediate assumptions.

Chart B—OASI, DI, and HI Trust Fund Ratios
[Assets as a percentage of annual expenditures]



A less stringent “contingency reserve” asset test applies to SMI because its financing—provided by beneficiary premiums and Federal general revenue payments—is automatically adjusted each year to meet expected costs. SMI meets this test of short-range financial adequacy.

The table below shows the projected income and outgo, and the change in the balance of each trust fund over the next 10 years.

ESTIMATED OPERATIONS OF TRUST FUNDS
(In billions—totals may not add due to rounding)

Year	Income				Expenditures				Change in fund			
	OASI	DI	HI	SMI	OASI	DI	HI	SMI	OASI	DI	HI	SMI
2000	\$487	\$79	\$161	\$89	\$354	\$57	\$136	\$92	\$133	\$22	\$24	-\$3
2001	519	84	171	99	371	61	144	100	148	23	27	-2
2002	550	89	180	108	390	66	151	109	160	23	29	-1
2003	581	94	189	119	409	72	159	118	172	22	30	1
2004	613	99	199	126	430	79	169	126	184	21	31	0
2005	650	105	210	137	453	86	180	135	198	19	30	1
2006	688	110	221	147	478	94	193	145	210	16	29	1
2007	730	116	233	157	505	102	206	156	225	13	27	2
2008	774	122	246	169	535	111	220	168	239	10	26	2
2009	821	127	259	184	569	120	234	181	252	7	25	3

What is the Long-Range (2000-2074) Outlook for the Trust Funds?

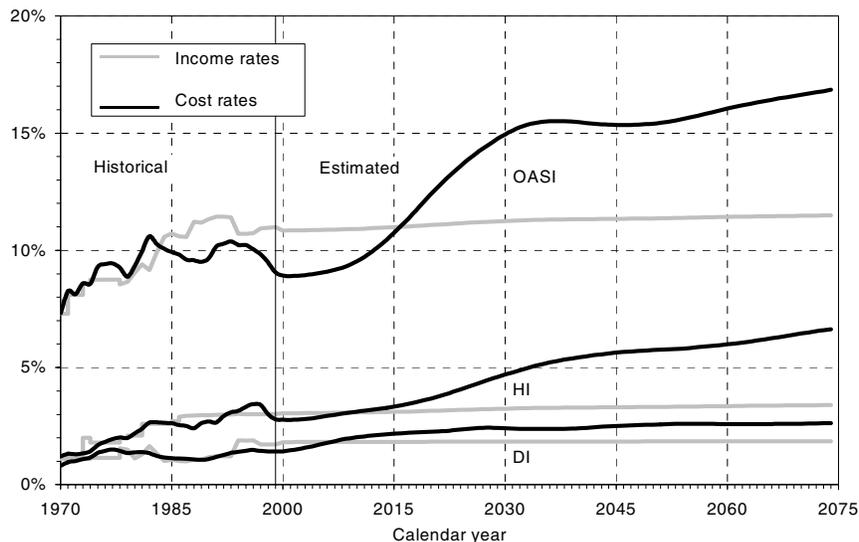
Over the long term neither the OASI, the DI nor the HI Trust Fund is projected to be in balance. Chart C compares, under the intermediate assumptions, the trends over the next 75 years in income and costs of these funds.

In Chart C the long-range income and cost of OASI, DI and HI are measured in percentage of taxable payroll rather than in dollars because the value of a dollar changes over time. (Taxable payroll is the portion of total wages and self-employment earnings taxed under the OASDI and HI programs.) Over the 75-year period, the income rates for OASI, DI and HI remain relatively constant, while the cost rates rise substantially.

For OASI, the income rate is projected to remain above the cost rate for 16 years. Starting in about 2010, however, the OASI cost rate will begin increasing rapidly as the leading edge of the “baby-boom” generation reaches retirement age. In 2016 and later, the cost rate for OASI will exceed the income rate by growing amounts—by the end of the 75-year projection period the cost rate for OASI will be almost 1½ times as large as the income rate.

The income rate for DI is higher than the cost rate only through 2006, after which the annual shortfall of tax income is projected to increase slowly over the 75-year period.

Chart C—Income and Cost Rates
[Percentage of taxable payroll]



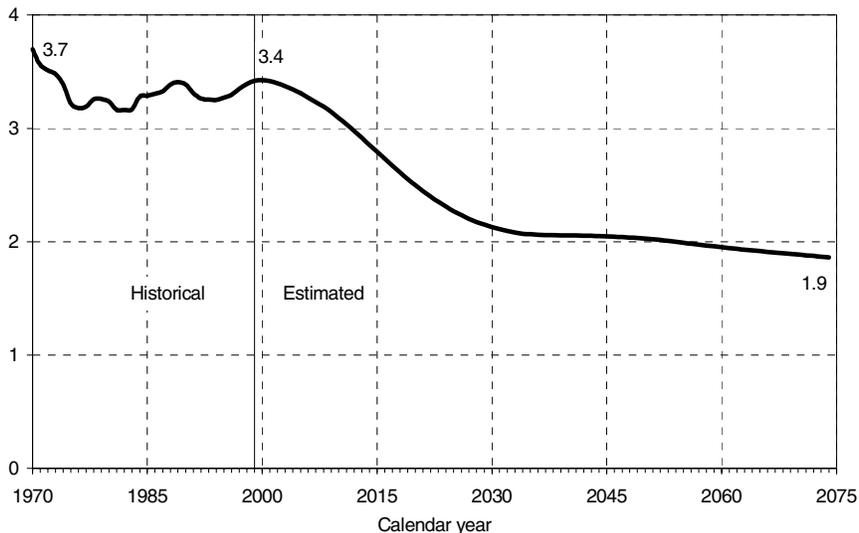
The cost rate for HI is lower than the income rate only through 2009, after which costs exceed income by growing amounts—by 2075, the HI cost rate is projected to be almost twice as large as the HI income rate.

The income rates in the future for OASI, DI and HI remain relatively constant in Chart C because the payroll tax rates for the programs are not scheduled to change. Income from taxation of OASDI benefits will rise gradually, primarily because a greater proportion of beneficiaries will become subject to taxation in future years, and this accounts for the slight upward trend in the income lines.

The cost rates increase much more rapidly, especially for OASI and HI. The cost rate for OASI rises slowly until 2010, increases rapidly for about the next 20 years, and then grows more moderately. The cost rate for HI increases throughout the 75-year period.

Why Do Costs Rise Faster Than Income? The primary reason that the OASI cost rate increases more steeply after 2010 is that the number of people receiving benefits will increase rapidly as the “baby-boom” generation retires, while the number of workers paying payroll taxes grows more slowly. The HI cost rate increases not only because of growth in the number of beneficiaries per worker, but also because of increases in both the use and cost of health care per person. Chart D shows the number of workers per OASDI beneficiary over the 75-year period. (The ratio of workers to HI beneficiaries is similar.)

Chart D—Number of Workers per OASDI Beneficiary



In addition to demographic changes, the other major factor in the long-range financing of OASDI and HI is the rate of increase in the wages on which workers pay Social Security and Medicare taxes. The rate of increase in workers' wages in turn depends on how workers are able to combine their skills and work tools to increase the amount they can produce. Thus, increases in workers' productivity can help offset some of the decline in the number of workers per beneficiary.

What is the Long-Range Actuarial Balance of Each Trust Fund?

Another useful way to view the outlook of the trust funds is in terms of their long-range actuarial balances over the full 75-year valuation period. The actuarial balance of a fund is the difference between annual income and costs, expressed as a percentage of taxable payroll, summarized over the 75-year projection period.

The OASI, DI and HI Trust Funds each have an actuarial deficit under the intermediate assumptions, as shown below. These actuarial deficit amounts can be interpreted as the percentage that would have to be added to the current law income rate in each of the next 75 years, or subtracted from the cost rate in each year, to bring the funds into actuarial balance.

ACTUARIAL DEFICIT OF THE OASI, DI AND HI TRUST FUNDS
(Deficit as a percent of taxable payroll—total does not add due to rounding)

	<u>OASI</u>	<u>DI</u>	<u>OASDI</u>	<u>HI</u>
Actuarial Deficit	1.53	0.37	1.89	1.21

What Are Key Dates in Long-Range OASI, DI and HI Financing?

The projected actuarial deficits in each of the trust funds means that at some point in the next 75 years the assets of each fund will be completely used to meet expenses. At that point, however, payroll taxes and other income will continue to flow into the fund. For example, in 2037 when the combined OASI and DI funds are projected to be exhausted, tax income to the combined funds is estimated to be sufficient to pay 72 percent of program costs; that ratio is projected to decline to about 2/3 by the end of the projection period.

Before a trust fund is exhausted, the cash flow of the fund changes in stages. When combined OASDI expenditures exceed current tax income beginning in 2015, a portion of annual interest income will be needed to meet expenditures in 2015 through 2024. Beginning in 2025 and continuing through exhaustion of the combined OASDI Trust Funds in 2037, a portion of the principal balance in the trust funds will also be needed to pay benefits. The comparable dates for HI for beginning use of interest income and of the fund's principal balance are 2010 and 2017.

These important points for each trust fund are projected to occur as shown below.

KEY DATES FOR THE TRUST FUNDS

	OASI	DI	OASDI	HI
First year outgo exceeds income excluding interest.	2016	2007	2015	2010
First year outgo exceeds income including interest.	2026	2012	2025	2017
Year trust fund assets are exhausted.	2039	2023	2037	2025

These key dates are 1 to 10 years later than those shown in the 1999 reports, due in large part to better actual and expected economic performance, and lower 1999 actual and projected future HI expenditures.

What Are Trust Fund Exhaustion Dates Under Alternative Assumptions? As noted earlier, the future cannot be predicted with certainty, and three sets of assumptions are used to project the range of possibilities. The year in which the trust funds are projected to be exhausted varies significantly under the three sets of assumptions. The table below shows this range.

YEAR OF TRUST FUND EXHAUSTION

Set of Assumptions	OASI	DI	OASDI	HI
Alternative I (Low Cost).	Never	Never	Never	Never
Alternative II (Best Estimate).	2039	2023	2037	2025
Alternative III (High Cost).	2029	2012	2026	2012

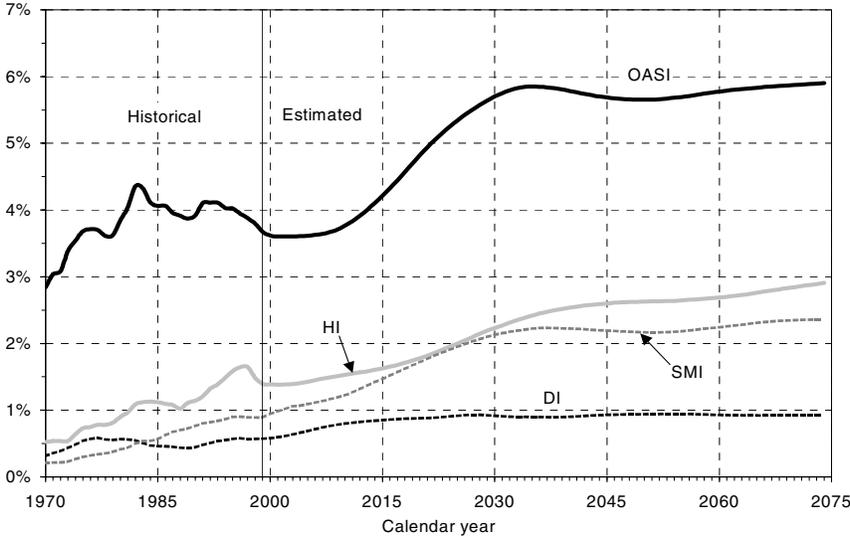
How Large Are Social Security and Medicare Compared to the Whole Economy? An additional way to view the outlook for the trust funds is in relation to the economy as a whole. The table below shows the estimated outgo from each trust fund as a percentage of estimated gross domestic product (GDP) from 2000 to 2074.

OASI, DI, HI AND SMI OUTGO AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT

Trust Fund	2000	2025	2050	2074	% Increase (2000-2074)
OASI.....	3.62	5.34	5.65	5.90	63
DI.....	0.58	0.92	0.94	0.92	59
HI.....	1.39	2.00	2.63	2.91	109
SMI.....	0.94	1.95	2.17	2.36	151

Chart E shows in graphic form the growth in the outgo as a percentage of GDP. OASI and DI outgo increases by about 60 percent over the full long-range period, while the increase in HI outgo is 109 percent and the increase in SMI outgo is an even larger 151 percent.

Chart E—OASI, DI, HI, and SMI Cost as a Percentage of GDP



Conclusions

Based on the Trustees' best estimates (alternative II):

The financial outlook for the Hospital Insurance (HI) Trust Fund, which pays inpatient hospital expenses, has improved dramatically over the last 3 years. The HI fund is now expected to be able to pay full benefits until 2025, but remains seriously out of financial balance in the long range even though the HI deficit is only a little more than one-fourth as large as it was prior to the Balanced Budget Act of 1997. The Supplementary Medical Insurance (SMI) Trust Fund, which pays doctor bills and other outpatient expenses, is financed on a year-by-year basis and trust fund income is projected to equal expenditures for all future years, but only because beneficiary premiums and Government general revenue contributions are automatically set to meet expected costs each year.

Finding good solutions to providing medical care for the elderly and disabled will be a continuing and difficult challenge as our population ages and medical care evolves. The legislative action taken in 1997 was a significant first step in meeting that challenge. It reaffirms the Trustees' strong belief that even though periodic adjustments will likely be necessary, good solutions to Medicare's financing problems can be found—and should be sought in the relatively near future.

The combined OASI and DI Trust Funds are projected to be adequately financed until 2037. At that time, annual tax income to the combined funds is projected to equal 72 percent of program costs. The Board of Trustees believes that the long-range financing problem facing Social Security should be addressed in a timely way. Extensive public discussion and analysis of the practical implications of alternatives is essential to developing the broad support needed to enact any Social Security reform legislation.

A MESSAGE FROM THE PUBLIC TRUSTEES:

These are the fifth annual trustees reports in which we have participated, and our extended terms end upon the signing of these reports. Our goal as Public Trustees has been to ensure the integrity of the process by which these reports are prepared and the credibility of the information they contain. We believe that the Public Trustees' role is important and strongly urge the President to nominate and the Senate to confirm new Public Trustees so that they can be full participants in next year's report.

As we sign these last annual reports as Public Trustees, the improvements in the financial outlook for Social Security, and more dramatically in the Part A-Hospital Insurance (HI) part of Medicare, since we began our terms astound us. Today's report projects that HI will not be exhausted until 2025 and the Social Security retirement fund until 2039. In 1996, by contrast, the Hospital Insurance trust fund was projected to be exhausted in early 2001—just over 4 years away! And the exhaustion date for the Social Security funds was continuing to creep closer each year. For the 1996 trust fund projections the major issue was whether assumptions about worker productivity should be further lowered in light of data indicating a sharp decline since 1973.

The answers to the issues raised in 1996 have unfolded in a very positive way. The Balanced Budget Act (BBA) of 1997 substantially improved the outlook for Medicare. Moreover, the United States has enjoyed a record period of economic growth and an apparent turnaround in many economic indicators, including productivity. But equally important for projecting the future, a number of changes in key economic statistical measures such as the CPI, the GDP deflator, and GDP itself have altered our view of the past as well as the outlook for the future. That outlook is distinctly brighter than when we began our terms 5 years ago. At the same time, however, the unexpected boom performance of the economy over the last several years and the revisions in economic indices underline how much uncertainty is inherent in the 75-year projections in these report.

Putting the Good News in Context

The demographic reality cannot be forgotten that the retirement of the "baby-boom" generation and rising life expectancy will increase Social Security and Medicare costs sharply beginning in about 10 years. But, as we have noted in previous reports, continued strong economic growth could make promised benefits more affordable as the number of

workers per retiree declines. In fact, the strong economy of the last several years has already increased the trust funds' balances significantly. Also, improvement in the financial outlook for both programs is shown in this report despite the assumption of a faster increase in life expectancy. But for the trustees' long-term (75-year) projections, the critical question is what economic performance and demographic change will prove to be over that much longer period. We cannot know in advance, of course, and any projections are just that—expert guesses—not predictions.

The last 5 years' experience reminds us that the rate of economic growth has always varied over time, and a few years or even decades of performance in one direction do not tell us what the future will be. For example, in the early 1990s many economists believed that the United States had after 1973 entered a future of much slower economic growth. Now, many think the current fast rate of growth may persist indefinitely. Our experience convinces us that for the Trustees' 75-year projections, the responsible approach is to make changes in the economic and demographic assumptions on an incremental basis. As the reports are updated each year, an incremental approach still allows new information or experience to be reflected relatively quickly when appropriate.

As we cannot know with certainty what the economic and demographic determinants of Social Security and Medicare costs and financing will be over the next 75 years, we cannot expect to fix the current programs in concrete for all time. Periodic change in these programs will continue to be necessary as it has been since they were enacted. We think for the public to recognize and accept the need for periodic change in Social Security and Medicare is perhaps the key to best fitting these programs to the needs and the resources of the nation in the next century. While immediate action is not required, it remains critical to address the financial issues in both programs well before any changes take effect in order to give workers time to adjust their retirement plans to take account of those changes.

Medicare

During our tenure as trustees we have noted—as did our predecessors—the financial challenges facing the Medicare program. Both Parts A and B of Medicare have grown rapidly in the 1980s and 1990s, and the Part A trust fund, until this year, has not met even the short-range (10-year) test of solvency since 1991. But as a result of the BBA, low increases in health care cost generally, and efforts to control fraud and abuse in the Medicare program, the rate of growth of spending on Medi-

care has slowed abruptly, with expenditures actually declining slightly in 1998 and 1999. The magnitude of these changes went well beyond what many expected from a set of incremental reforms. Combined with the strong economy of the last several years, these changes have brightened the short-term outlook for Medicare substantially, stretching the date of exhaustion of the HI fund to 25 years into the future.

Medicare has generally been viewed as a program in greater financial difficulty than Social Security because it will combine the rising costs of health care over time with the increase in beneficiaries as “baby boomers” become eligible. Just 3 years ago before the BBA, projections indicated that Medicare spending would surpass that on Social Security by 2025. Again, the picture has changed dramatically in just a few years. At present, Medicare spending in 2025 is projected to be slightly less than 2/3 of that for Social Security. And with the date of HI’s exhaustion now set at 2025, that program’s financing outlook, like Social Security’s, is driven in major part by the aging of the population.

Nonetheless, this good news does not mean that only minimal changes will be necessary to assure Medicare’s future. Many analysts expect spending levels to again rise in the future as new technology increases the demand for and costs of health care services. But, the contribution of these few years of slow growth will be to give the program some breathing room to introduce other changes as needed. This extra time is particularly welcome given the flux in our current health care delivery system. Many policymakers believe that recent innovations in the private sector, which have helped slow private health care spending substantially, could be effectively applied to the Medicare program. Others note, however, that such innovations now appear less promising: costs are again rising in the private sector and some of the cost containment strategies used by managed care are being challenged as too stringent. Consequently, caution is clearly needed in any major restructuring of Medicare. Making changes in increments may be a prudent approach for the future.

The approach of the last two decades, seeking improvements in the efficiency and effectiveness of health care delivery, will continue to be an important contributor to Medicare’s future. But it is hard to imagine that such efforts alone will allow us to expand coverage from one in every eight Americans to one in every five without additional resources. The challenge facing the future financing of this program is how we will as a society share the costs of health care for a much larger aging population.

Social Security

As trustees we were heartened by the debate that has occurred over the last 5 years about the future of Social Security because that debate did begin to focus on what kind of program would best provide necessary economic security for current workers and their children in old age. But often that debate has seemed to stall, as exaggerated claims are made by both sides. These issues are too important to be left to the vagaries of partisan politics. Also, the strong economy of the last 4 years has weakened the argument that Social Security must be radically changed because it is absolutely unaffordable. What needs to emerge from the debate is change that has broad support and that can restore confidence that Social Security will be there for future generations.

The improved financial projections mean that there are many ways to put Social Security back in fiscal balance. The task is to choose an approach on positive grounds rather than settling for a particular approach just because it will produce “enough” savings. But as we noted earlier, a few good years do not reduce the inherent uncertainty about the future. We sincerely hope that the debate about the future of Social Security continues and provides the information base for the public to decide soon what kind of changes they believe will serve them best.

Conclusion

We have been privileged to take part in the thorough and careful process by which the annual reports are prepared to provide this vital public accounting, and we have been impressed with the care and high degree of professionalism of the actuarial staffs who assist the trustees. We strongly believe that these reports serve as a nonpartisan early warning of the need for changes to ensure continuation of these programs and not as evidence of their failure to protect future generations. Working cooperatively, with informed public debate, we believe solutions can be found to the financial problems facing America as our population ages.

*Stephen G. Kellison
Trustee*

*Marilyn Moon
Trustee*

