# Social Security Trustees Report 2023:

Brief Update on Status

Bipartisan Policy Center

April 25, 2023

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SOCIAL SECURITY ADMINISTRATION USA

# Primary Change This Year

1. "Since the assumptions for last year's report were set, the Trustees have reassessed their expectations for the economy in light of recent developments, including updated data on inflation and output, and have revised down the levels of gross domestic product (GDP) and labor productivity by about 3 percent over the projection period."
2. These assumptions were set in December 2022 and include a period of slow growth in 2023
3. Assumptions for GDP and productivity were essentially the same in the 2020 and 2022 Trustees Reports
4. This reassessment therefore reflects the experience since the 2020 report, where neither the pandemic nor the brief 2020 recession were reflected

# Changes in Timing of Trust Fund Reserve Depletion in 2023 Report

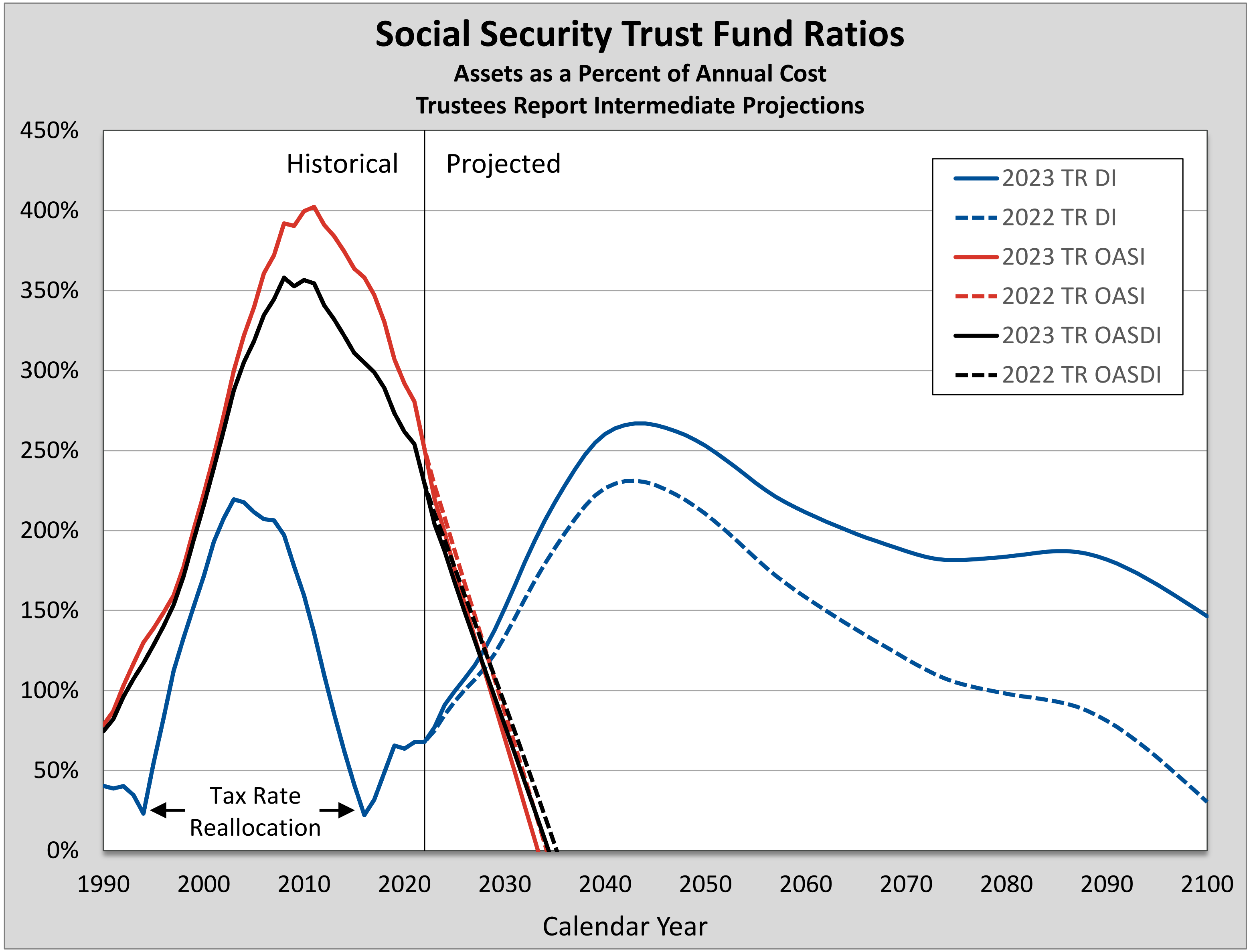
1. OASDI reserve depletion is 2034 - one year earlier than last year’s report
   a) Actuarial deficit *increased* by 0.19 percent of payroll versus expected *increase* of 0.05 percent from change in valuation period alone
   b) The change in the level of GDP and productivity alone increases the actuarial deficit by 0.13 percent of payroll
   c) Annual deficits are larger through 2097
2. OASI reserve depletion is 2033 - one year earlier than last year’s report
3. DI reserves do not become depleted over the 75-year long-range projection period - same as last year
   a) Applications and benefit awards remained at historically low levels in 2022
   b) Gradual increase in initial applications and incidence rates to their ultimate levels start 1 year later
   c) DI actuarial deficit of 0.01 percent of payroll is replaced by a positive actuarial balance of 0.01 percent

# Solvency: OASI+DI Trust Fund Reserve Depletion in 2034

(one year earlier than last year)

Reserve depletion date varied from 2029 to 2042 in reports over the past 30 years (1994-2023).

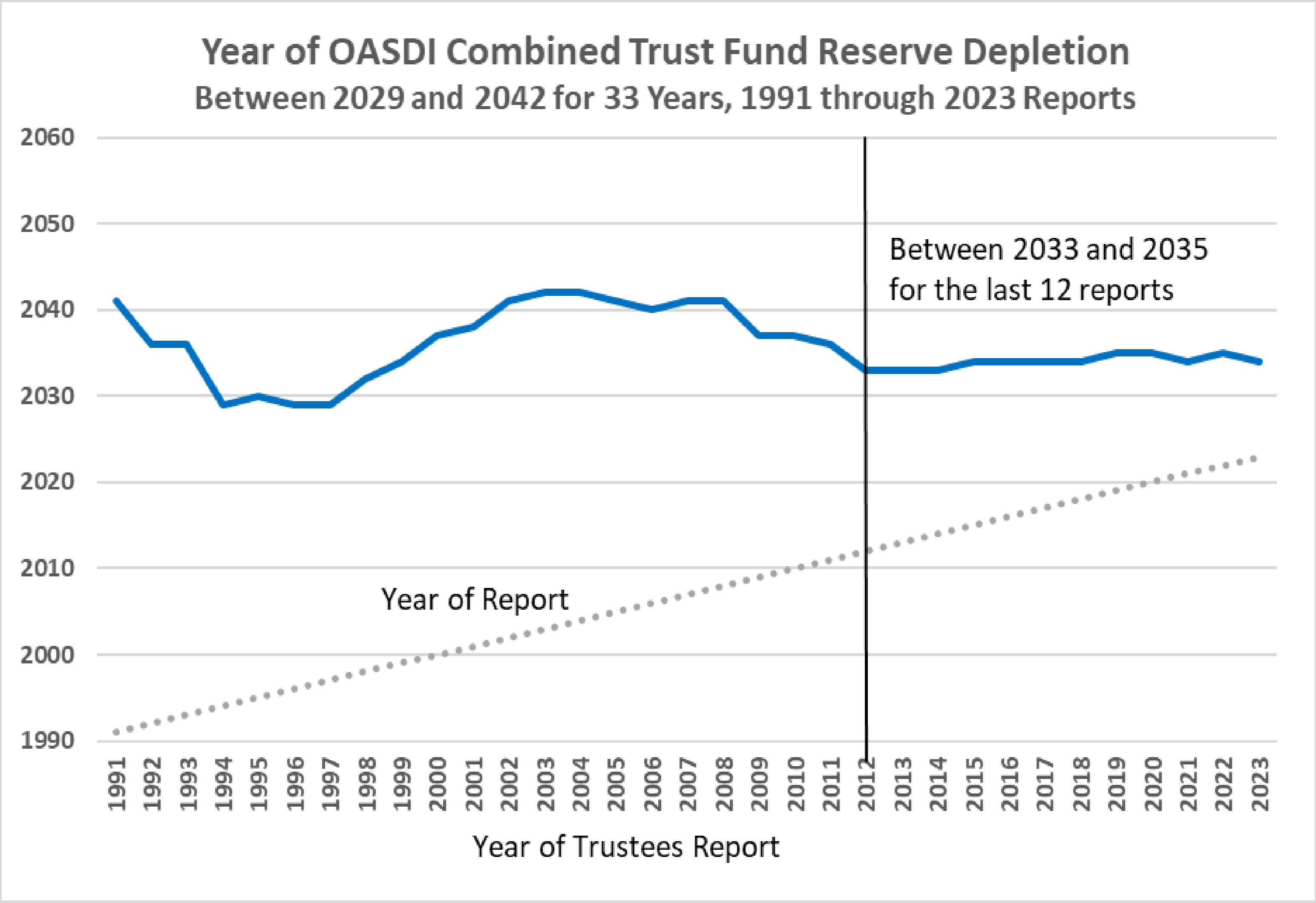
DI Trust Fund: reserves do not deplete, due largely to continued low recent and near-term disability applications and awards.



# Year of Reserve Depletion in the 1991-2023 Reports

The year of projected combined OASI and DI Trust Fund reserve depletion has been in the range of 2029 to 2041 in the last 33 annual reports…

and in the range of 2033 to 2035 in the last 12 reports.

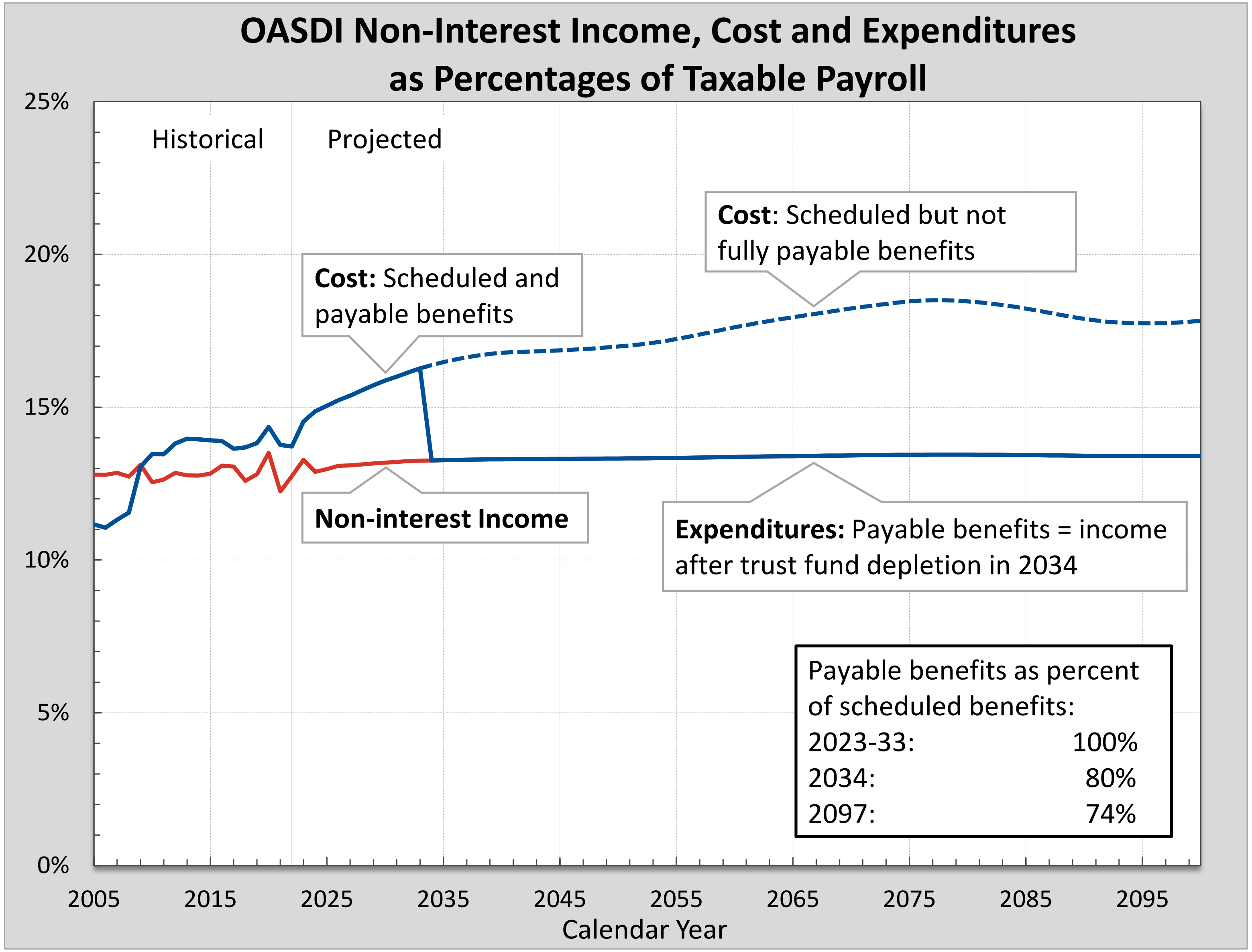


# OASDI Annual Cost and Non-Interest Income as Percent of Taxable Payroll

Persistent negative annual cash-flow balance starting in 2010.

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

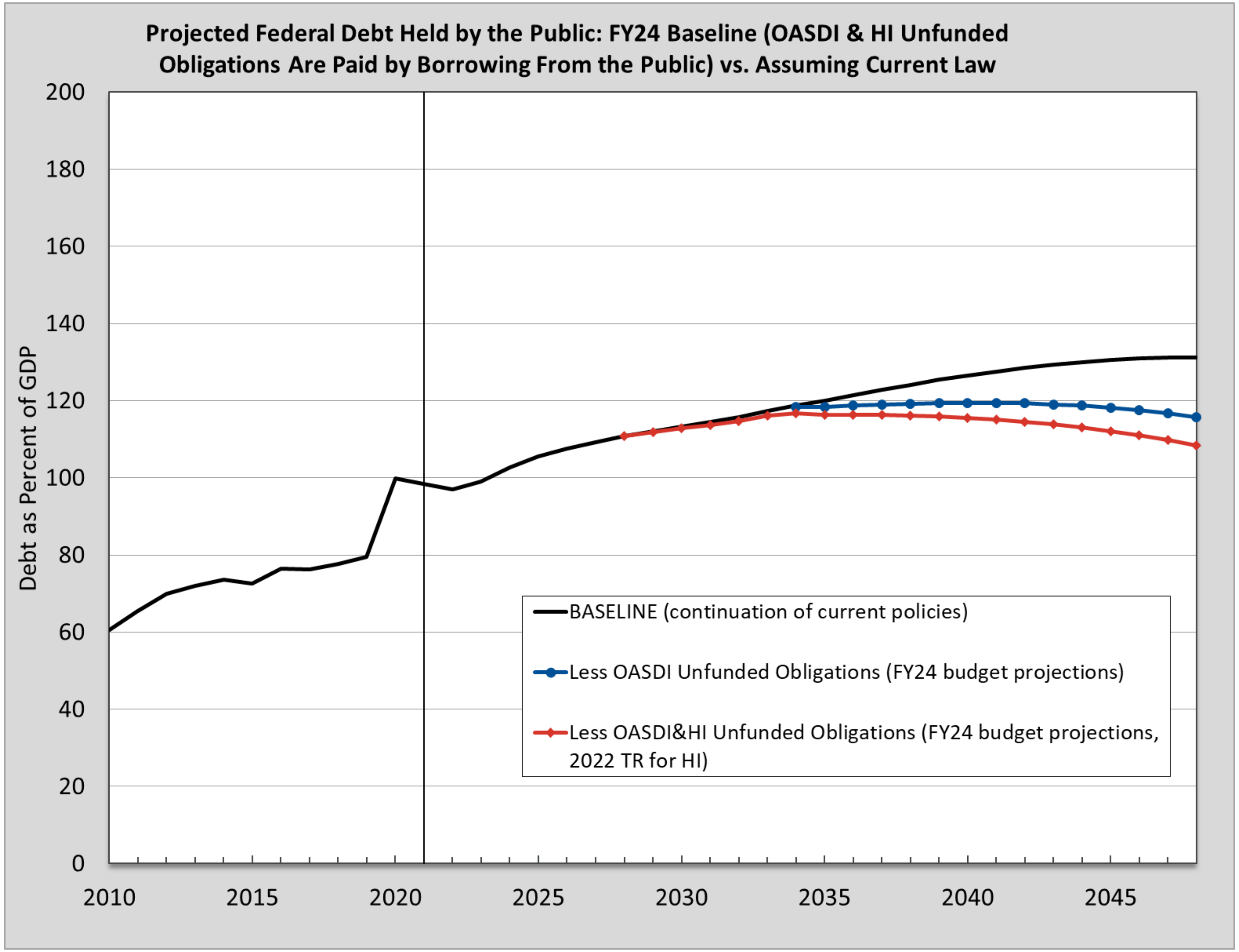
Annual deficit in 2097: 4.35 percent of payroll: 0.09 percent larger than last year.



# What Does This Mean for the Federal Debt? (PB24 version)

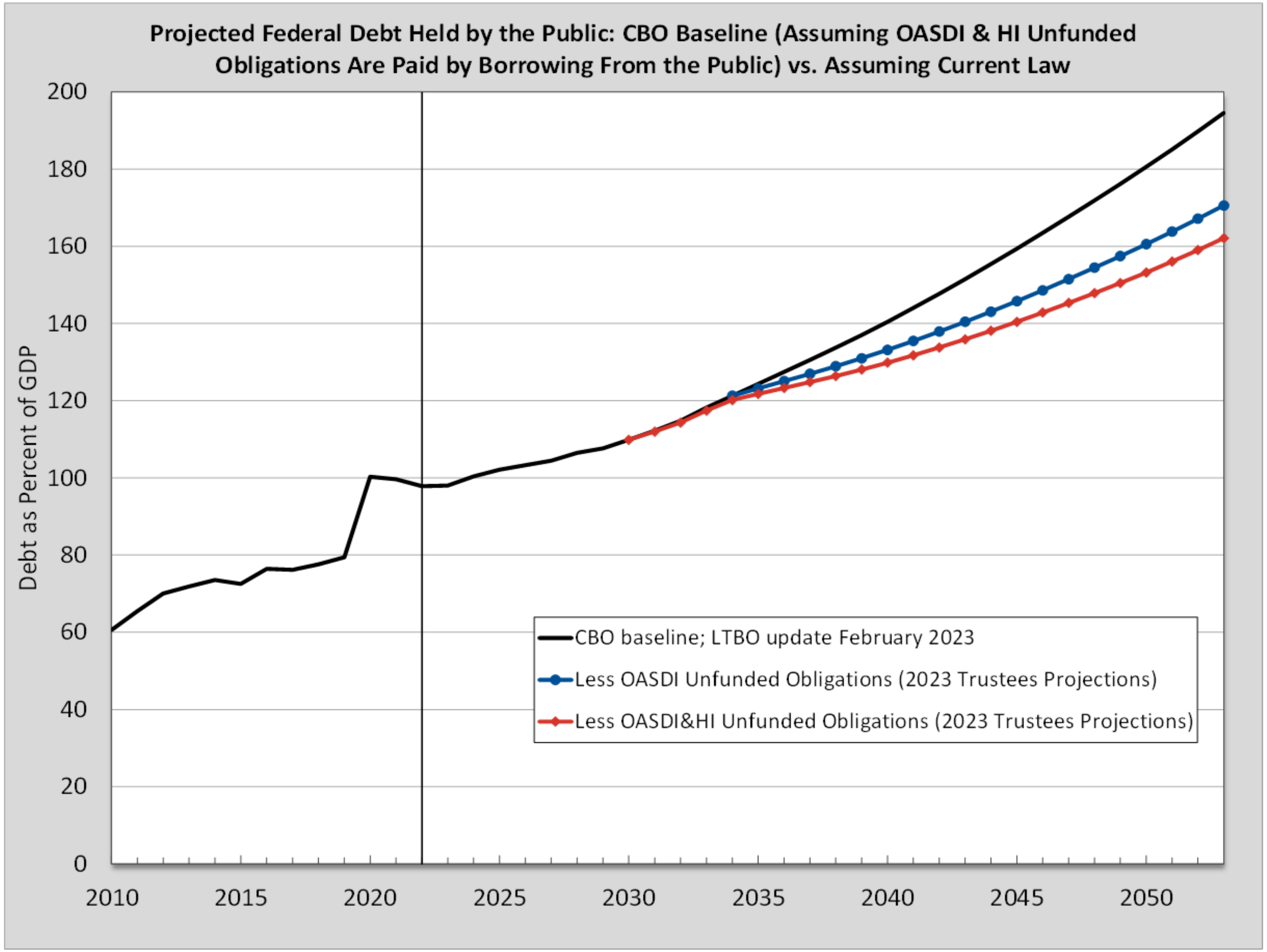
President's Budget and CBO both assume that current law will be changed in the future, requiring the General Fund to borrow from the public to cover any shortfalls after reserve depletion.

Graph shows publicly held debt as a percent of GDP with this assumed change in law, and also the debt levels that would actually occur under current law and policy.



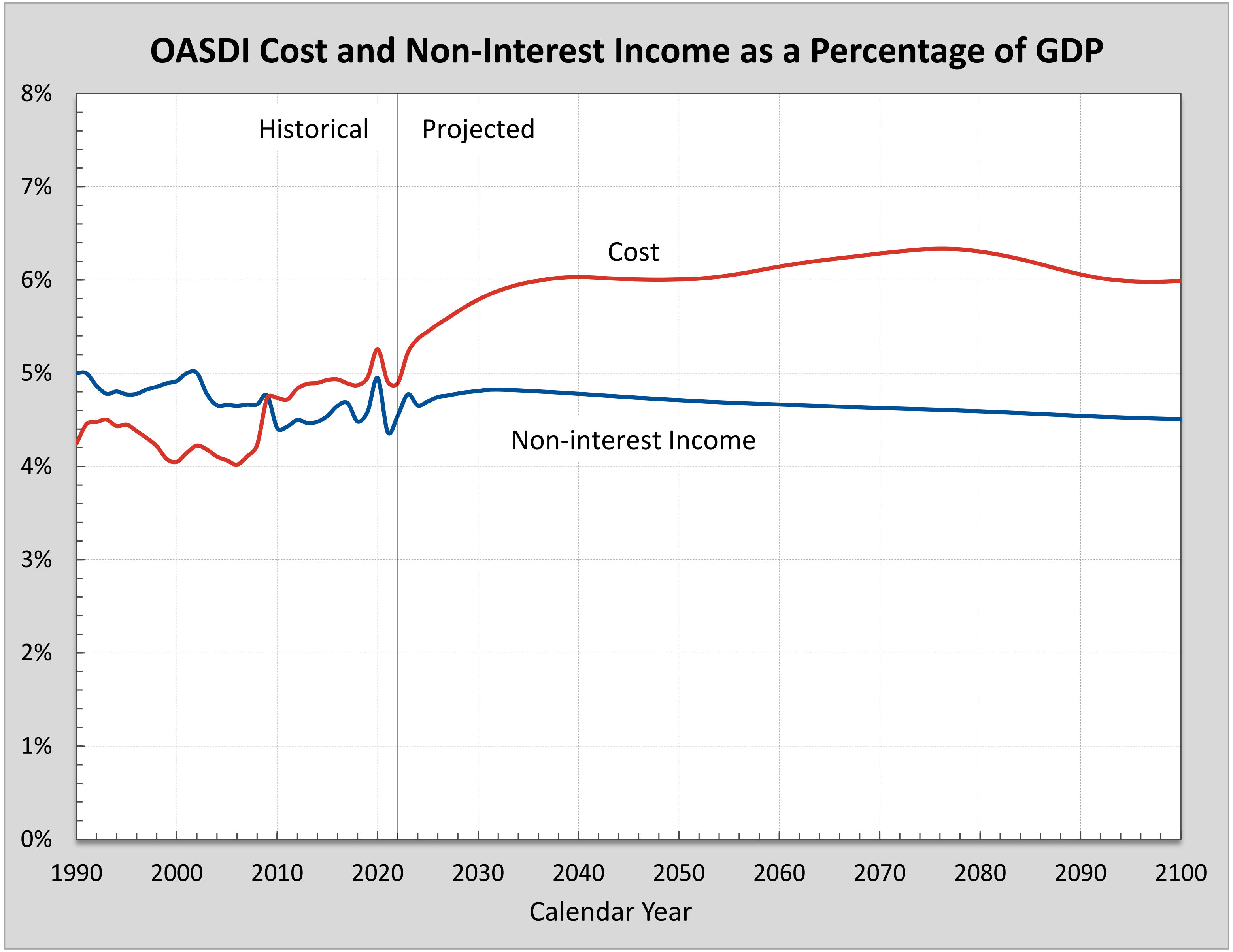
# What Does This Mean for the Federal Debt? (CBO version)

Note dramatically higher projections of debt, and different concavity, than in the President's Budget version.



# SUSTAINABILITY: Cost as percent of GDP

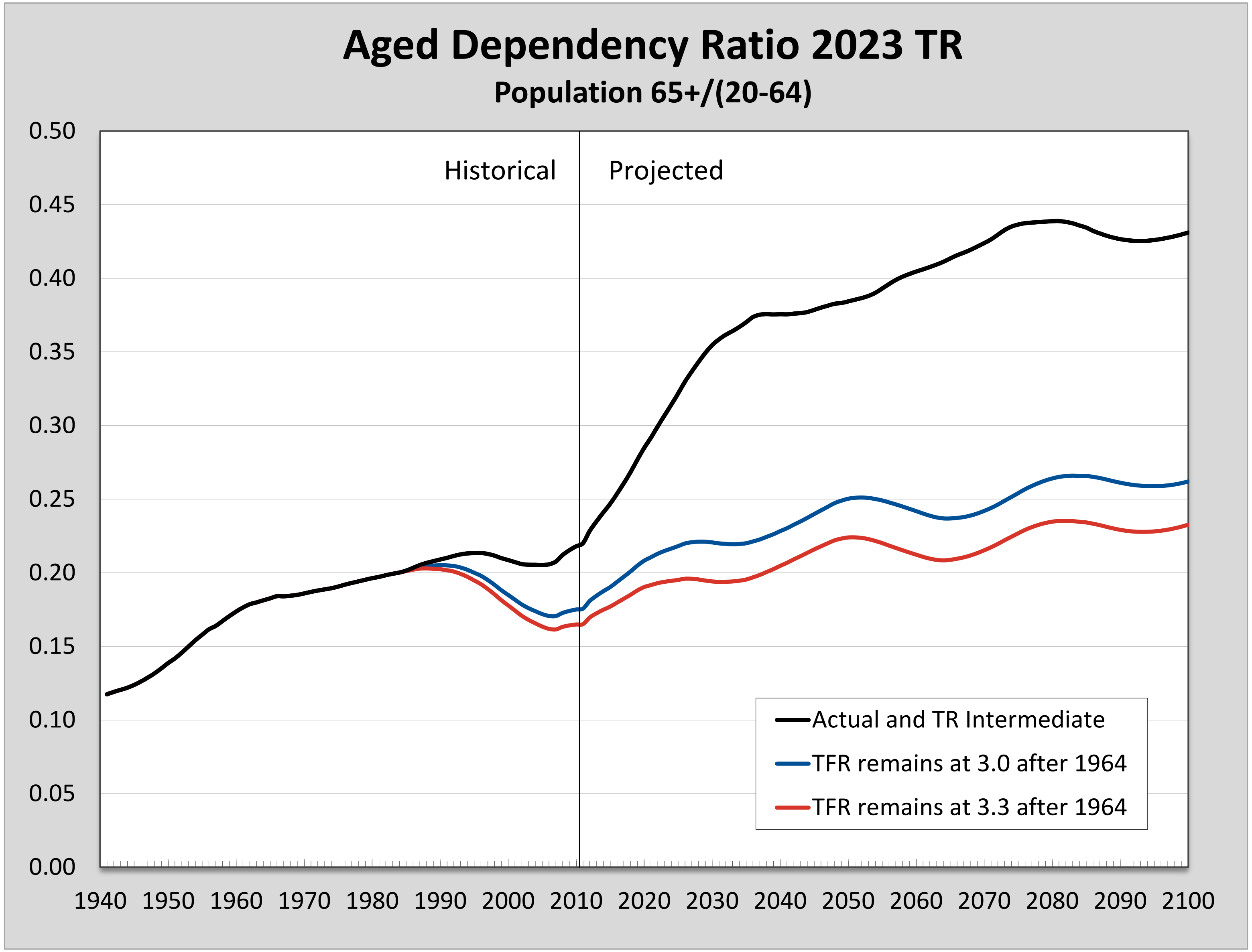
Rises from a 4.2 percent average in 1990-2008, to a peak of about 6.3 percent for 2076, and then declines to 6.0 percent by 2097.



# Aging – Change in Age Distribution

The primary reason for increasing cost relative to payroll and GDP.

Mainly due to drop in birth rates.

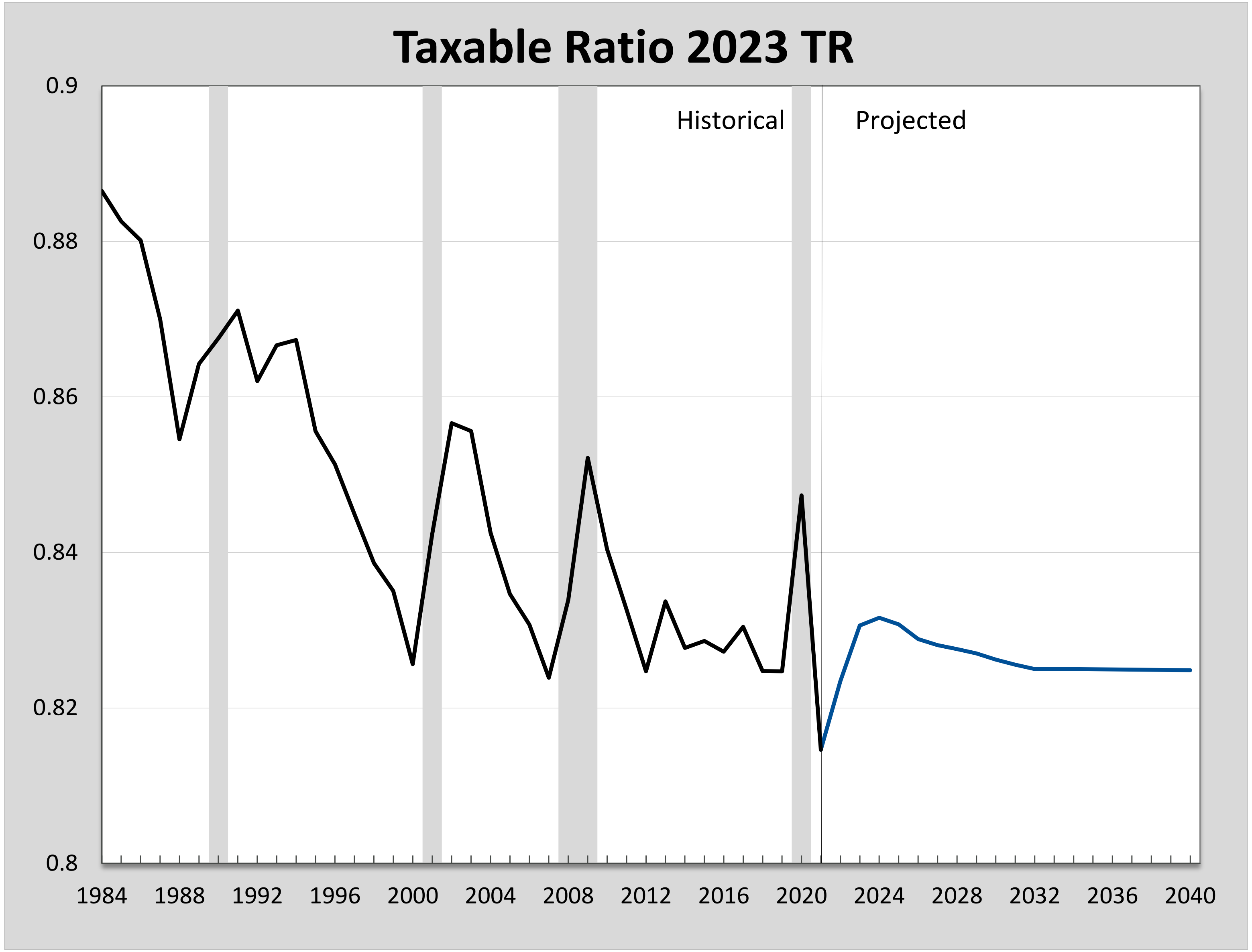


# Another Reason: Ratio of Taxable Earnings to All OASDI Covered Earnings

Declined since 1983 due to increasing concentration of earnings at the top of the distribution, particularly through 2000.

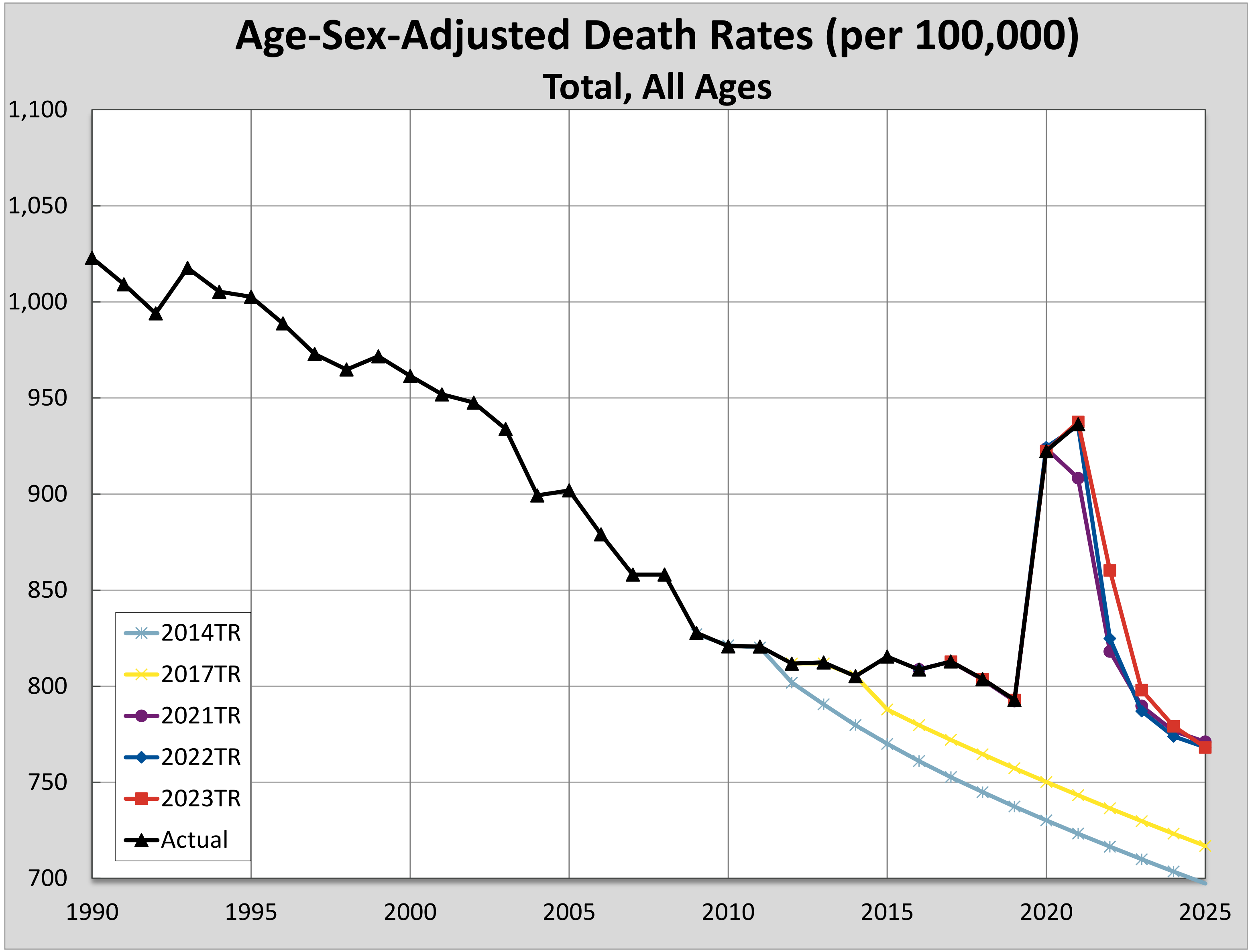
Fluctuation in 2020 and 2021 is due to variation in the average wage, as in past recessions.

The ratio is projected to rise through 2024, then gradually converge to 82.5 percent by 2032. Thereafter, it varies slightly due to changes in the share of covered earnings that is from self-employment income.



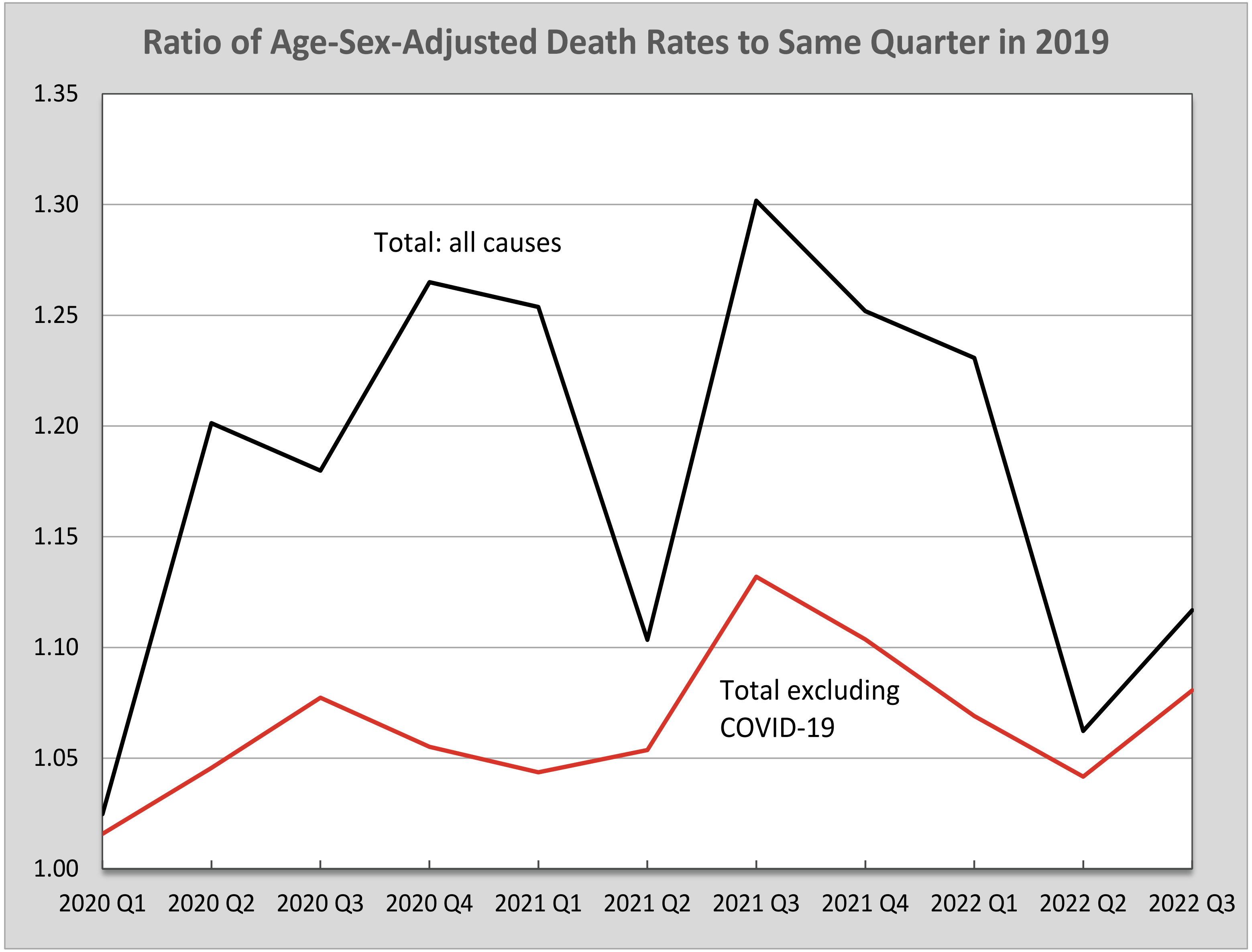
# Mortality Experience: All Ages

Increased mortality in the near-term to reflect the effects of the COVID-19 pandemic.



# Ratio of Age-Sex Adjusted Death Rates to Same Quarter in 2019

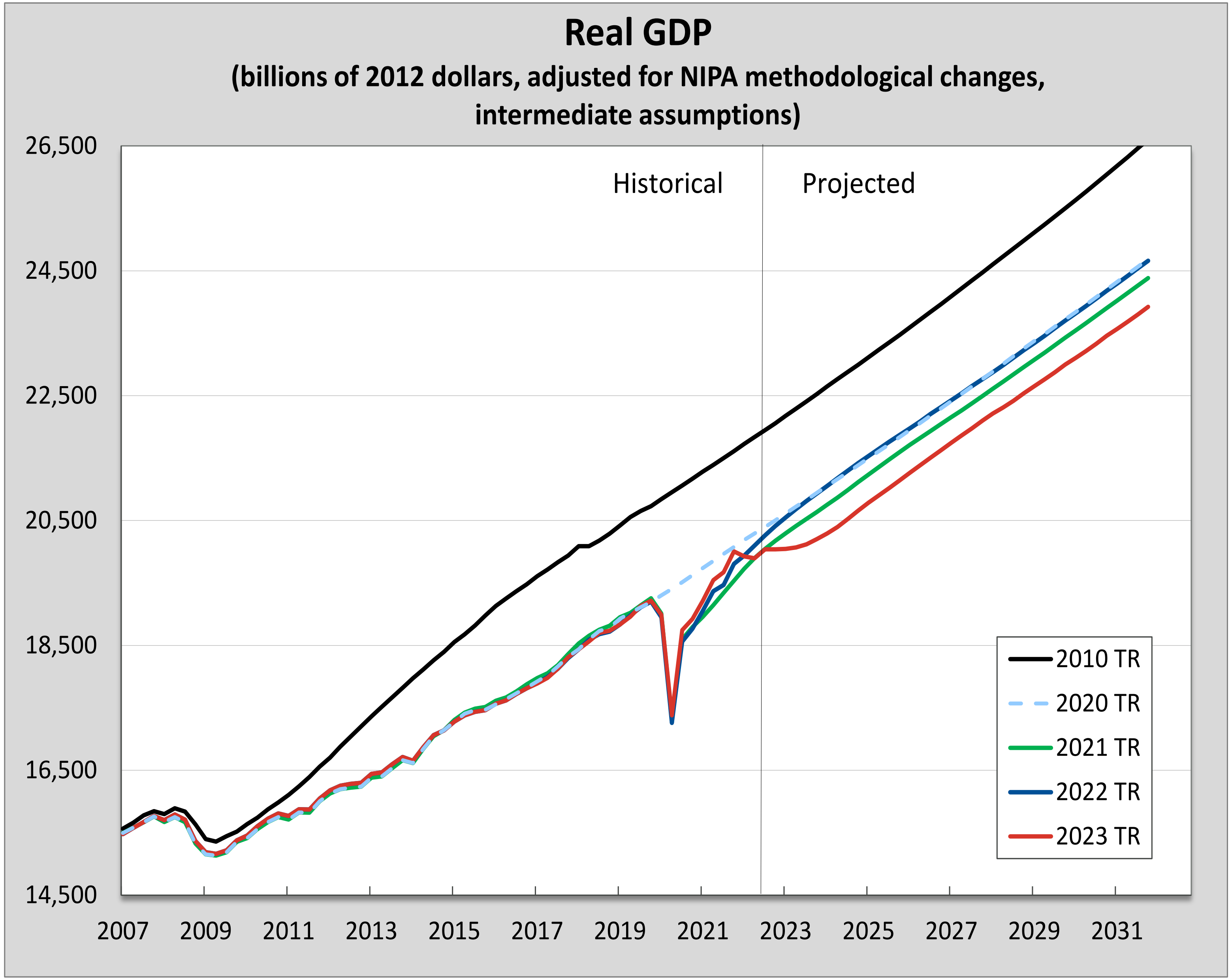
Death rates for causes other than COVID have been about 5% higher in the pandemic period through 2022 than they were in 2019.




Source: NCHS Quarterly Provisional Estimates as of March 20, 2023

# Lower Real GDP Trajectory in 2023 TR

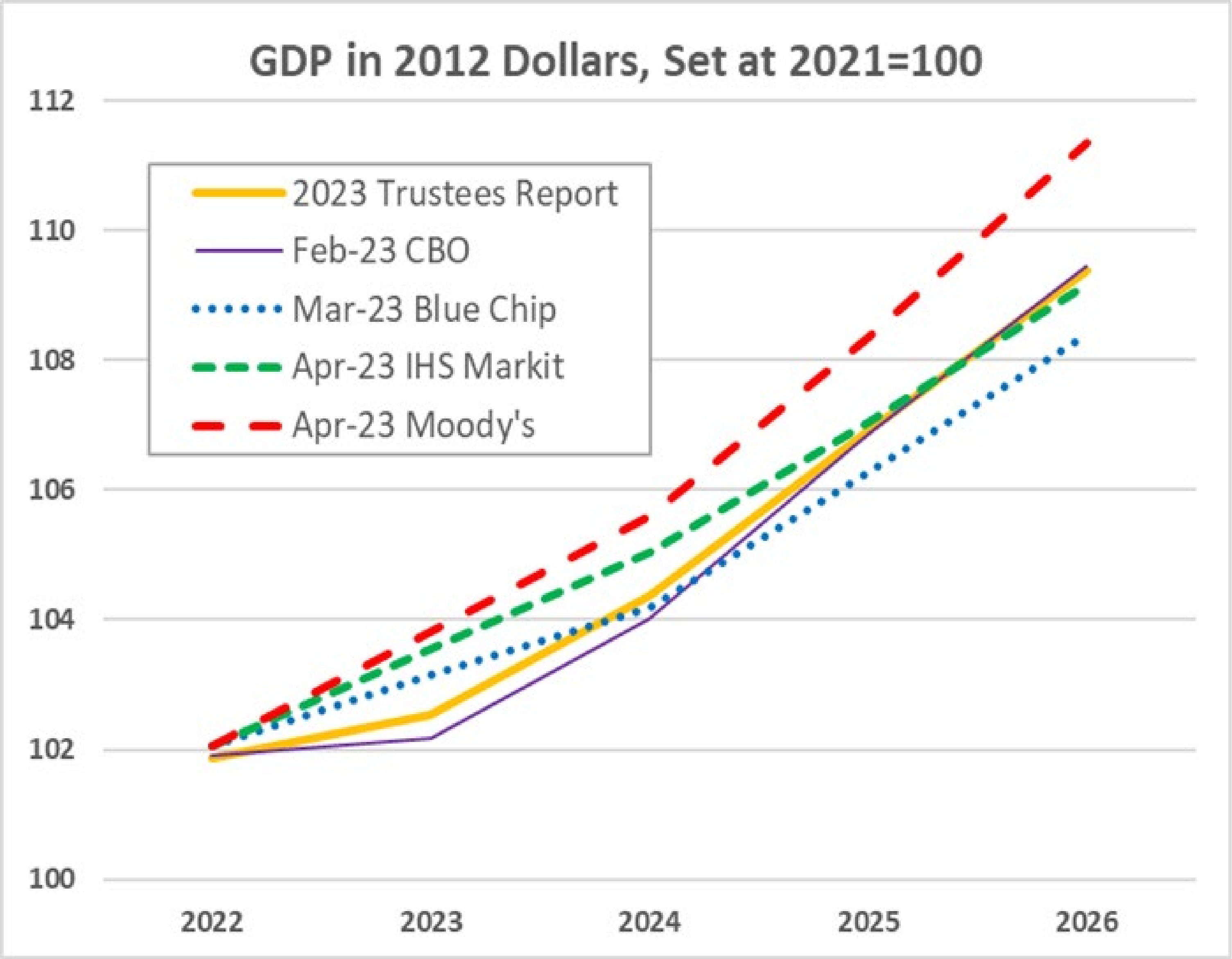
Starting with a slowing of growth in 2023, the level of real GDP is projected to be about 3 percent lower than the level projected in the 2020 and 2022 TRs over the projection period.



# However, for Now, the Economy Is Exceeding Expectations

Slowdown in 2023 appears less than assumed by Trustees and CBO.

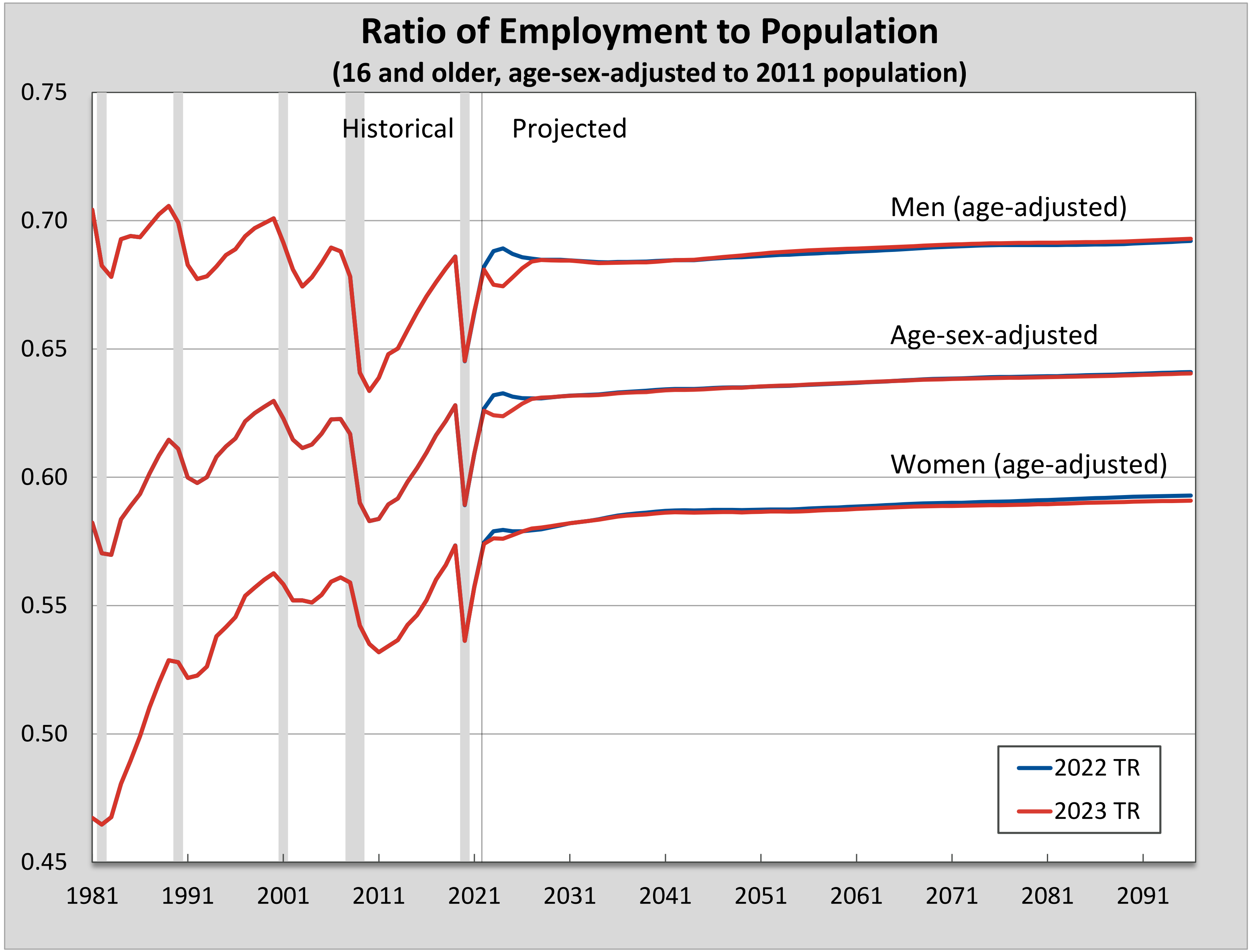
Private forecasters are now expecting better for 2023. Trustees and CBO in about the middle by 2026.



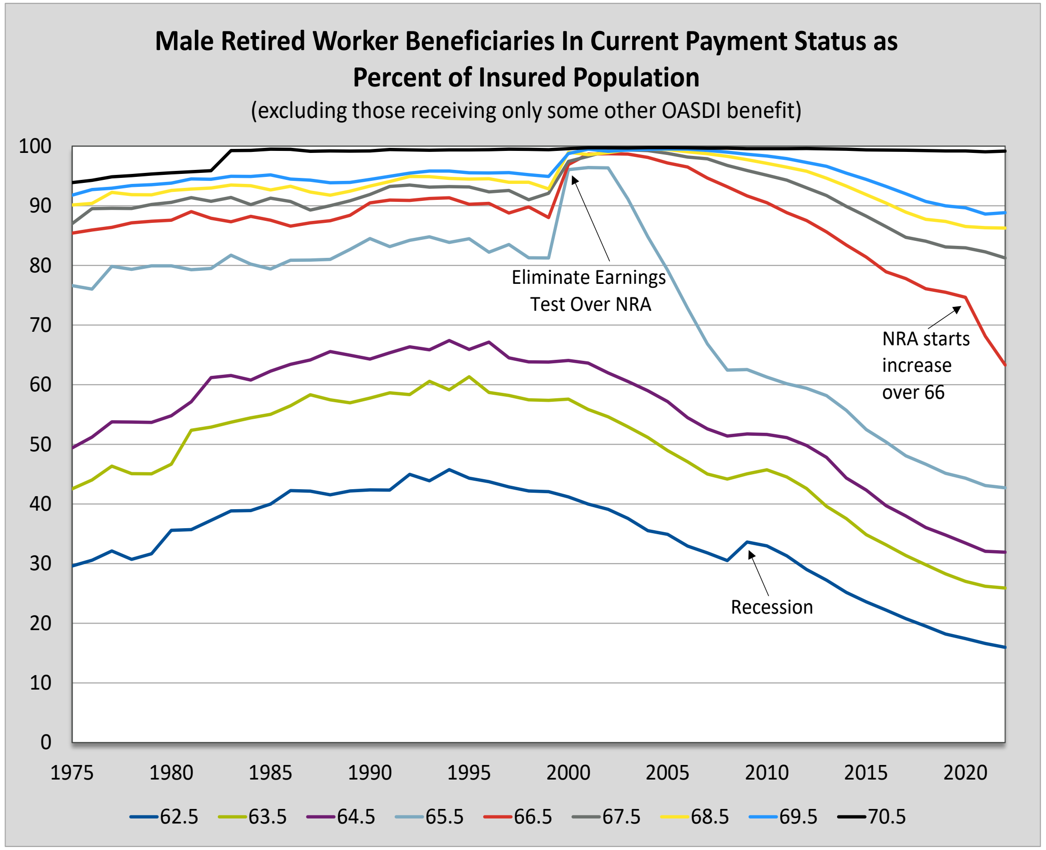
# Ratio of Employment to Population

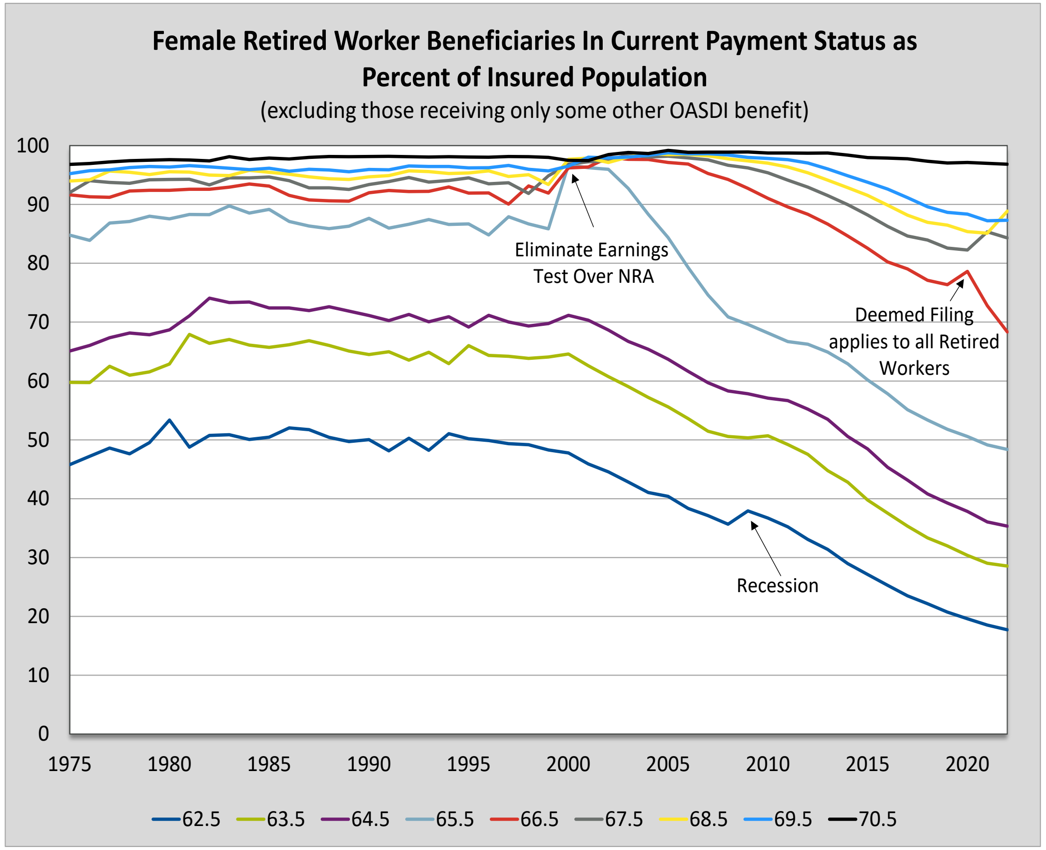
Recovered strongly from the brief but steep 2020 recession.

After the assumed slowdown in growth in 2023, the ratio is projected to return to about the peak level of 2019.



# Age of Starting Social Security Retirement Benefits

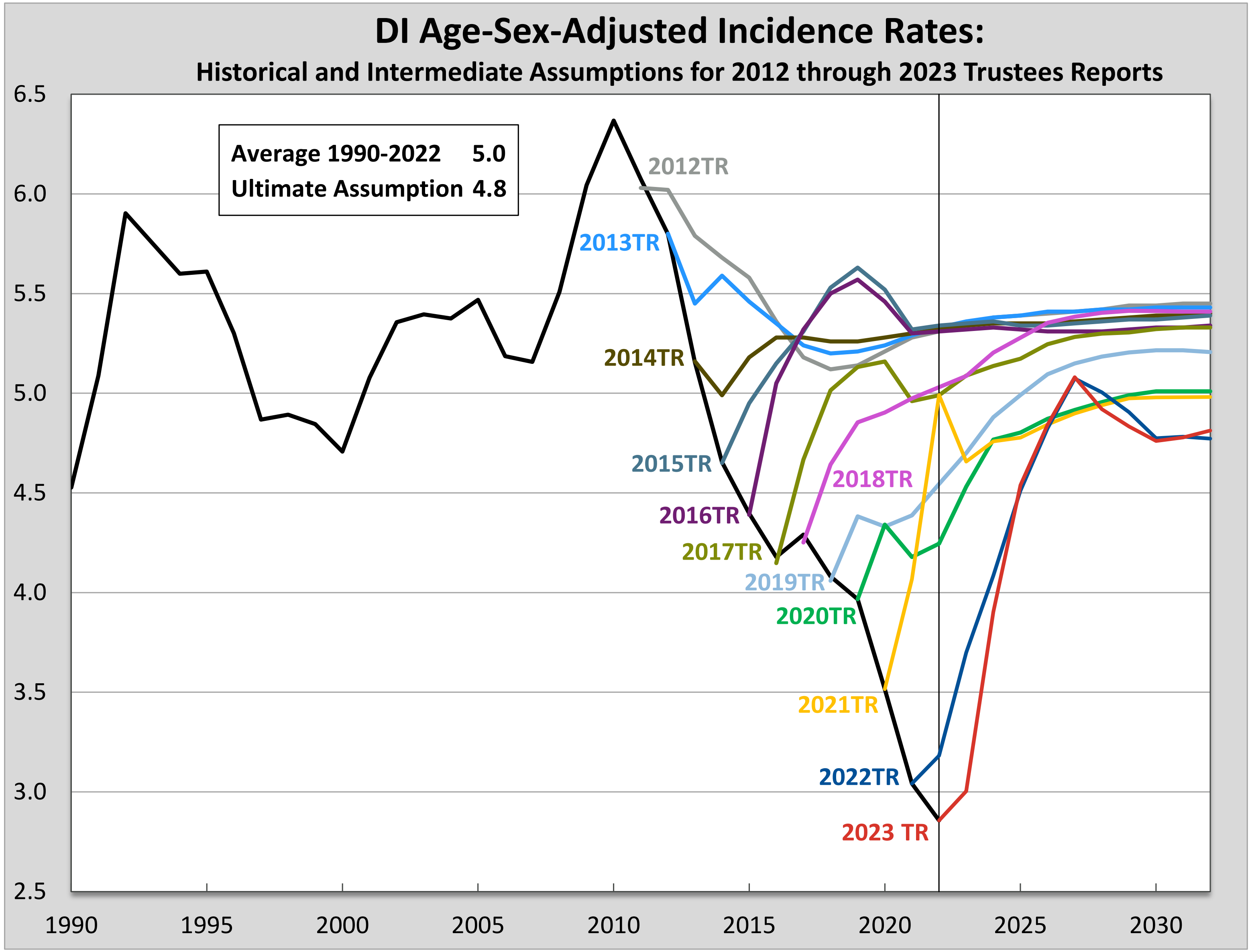


# Disability Incidence Rate Also Remains Historically Low

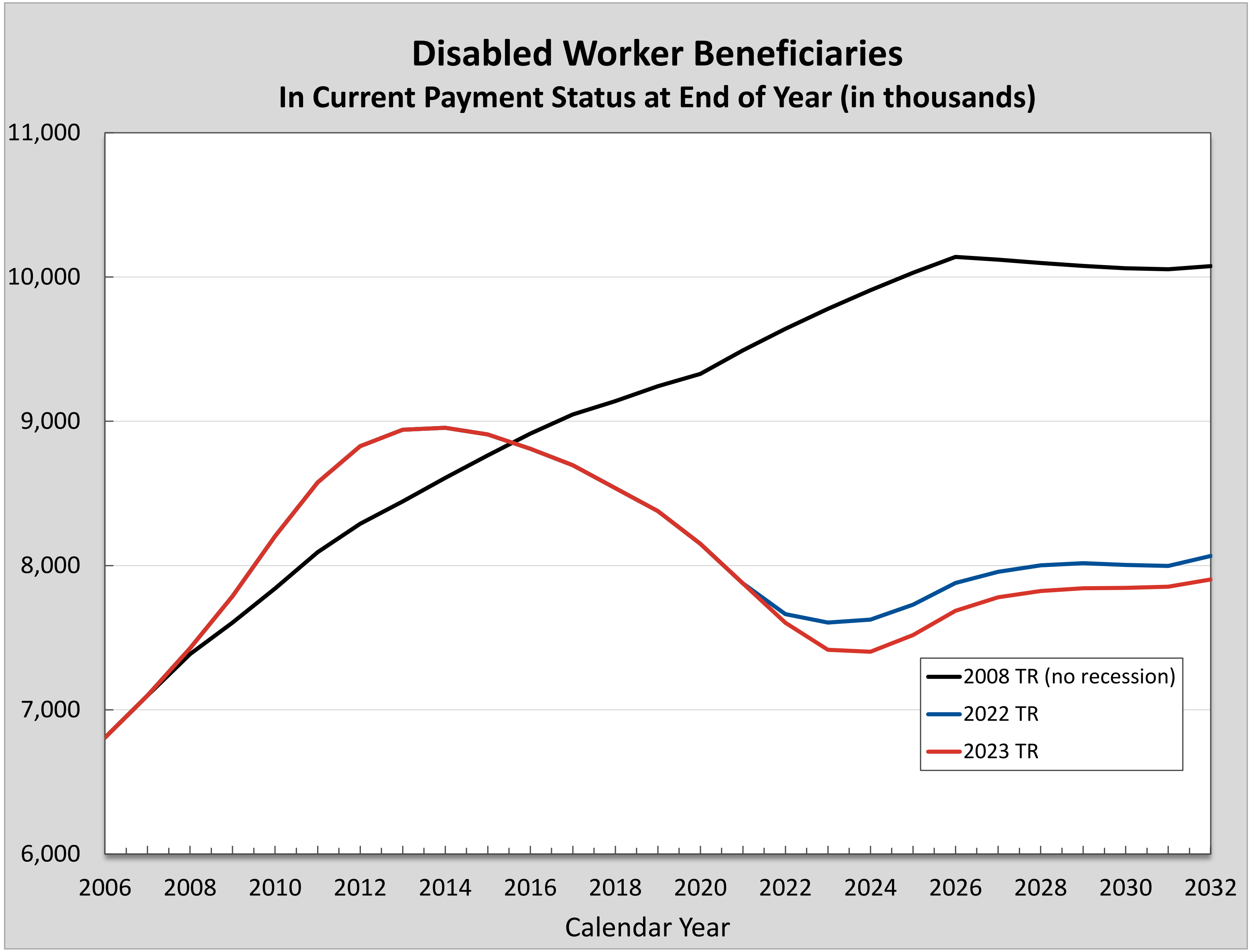
DI disabled worker incidence rate rose sharply in the 2008 recession, and has declined since the peak in 2010 to extraordinarily low levels in 2016 through 2022.

*What will be the NET effect of COVID and post-COVID conditions?*

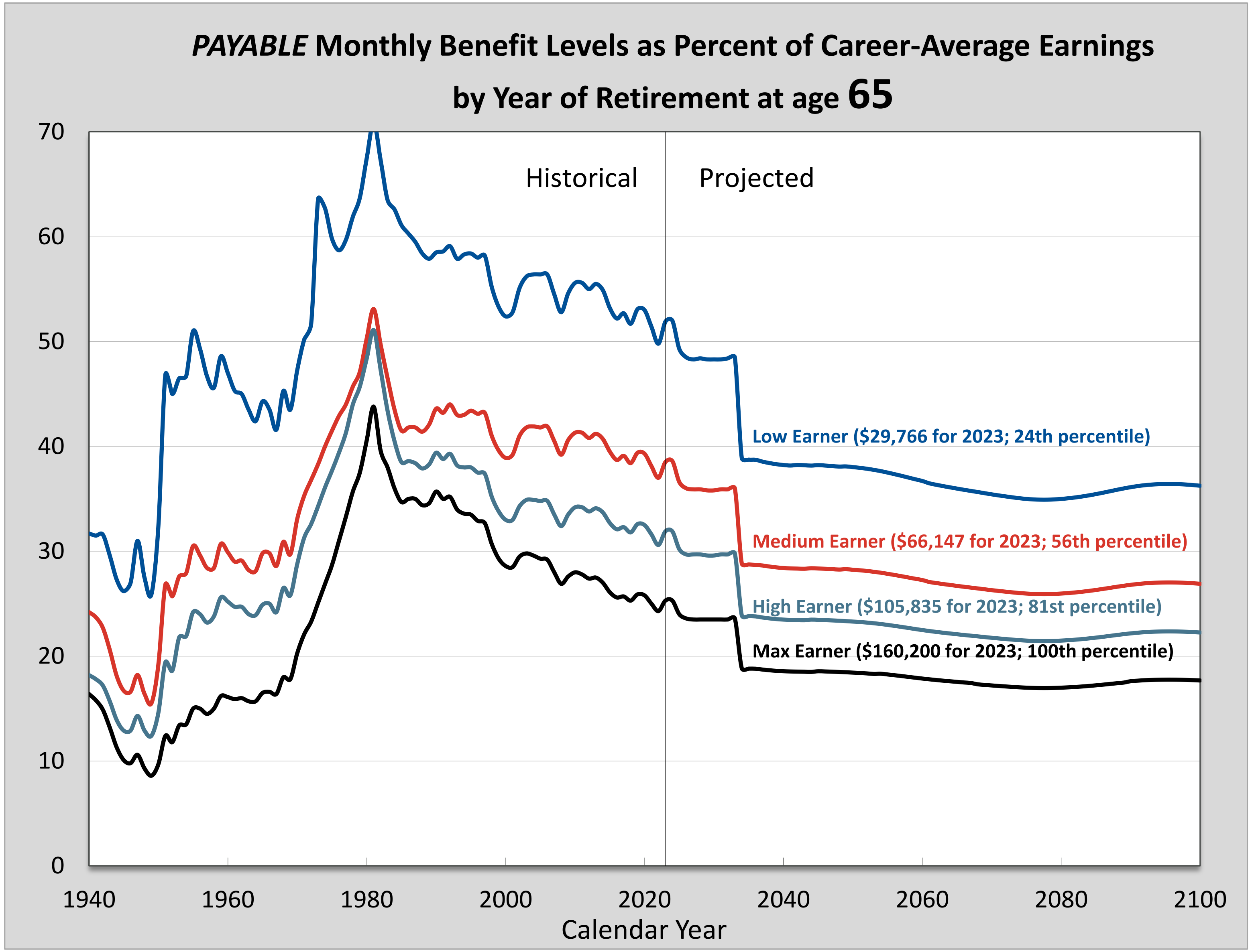


# Fewer Disabled Worker Beneficiaries

Fewer now and in near term based on recent applications and incidence rates, with assumed increases deferred another year.



# Payable Benefits Under the Law, After Trust Fund Reserves Are Depleted, Are Even Lower




Source: Annual Recurring Actuarial Note #9 at www.ssa.gov/oact/NOTES/ran9/index.html

# How to Eliminate the Social Security Long-Term Actuarial Deficit

Make choices addressing OASDI shortfall 2034-2097:

- Raise scheduled revenue by 2034 by about one-third
- Reduce scheduled benefits by 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:
  - Current and all prior OASDI Trustees Reports
  - Detailed single-year tables for recent reports
  - Our estimates for comprehensive proposals and individual provisions
  - Actuarial notes, including replacement rates
  - Actuarial studies
  - Extensive databases
  - Congressional testimonies
  - Presentations by OCACT employees