Social Security Actuarial Status

The 2021 Annual Report of the Board of Trustees of the OASI and DI Trust Funds

Key Results Under Intermediate Assumptions

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VIRTUAL BRIEFING: SOCIAL SECURITY 2021 TRUSTEES REPORT
AUGUST 31, 2021

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 would fall short under current law, indicating the size of legislative changes that will be needed

Primary Changes This Year

The projections in the 2021 Trustees Report include the Trustees' best estimates of the effects of the COVID-19 pandemic and ensuing recession, which were not reflected in last year's report (although see the next slide…)

1. OASDI reserve depletion is 2034, one year earlier than last year's report.
   a) Actuarial deficit increased by 0.32 percent of payroll versus expected increase of 0.06 percent from change in valuation period alone
   b) Annual deficits are larger through 2090
2. OASI reserve depletion is 2033 – one year earlier than last year's report.
3. DI reserve depletion is 2057 – 8 years earlier than last year's report.
   a) Less revenue projected in the near term
   b) Applications and benefit awards remained at historically low levels in 2020
   c) Gradual increase to ultimate incidence rate

Comparison to 11/24/2020 OCACT Update

On November 24, 2020, we published a memo with our preliminary estimates of the effects of the COVID-19 pandemic and ensuing recession. See details at https://www.ssa.gov/OACT/solvency/UpdatedBaseline_20201124.pdf.

	2020 Report	11/24/2020 OCACT Update	**2021 Report**
Actuarial status of the trust funds over the next 75 years			
Year of projected trust fund reserve depletion			
OASI and DI, combined	2035	2034	**2034**
OASI	2034	2033	**2033**
DI	2065	2059	**2057**
OASDI actuarial balance (percentage of taxable payroll)	-3.21%	-3.28%	**-3.54%**
Income rate	13.85%	13.85%	**13.78%**
Cost rate	17.06%	17.13%	**17.31%**
Percent of annual cost payable after reserve depletion			
OASI and DI, combined			
For year of reserve depletion	79%	79%	**78%**
For 75th projection year	73%	73%	**74%**

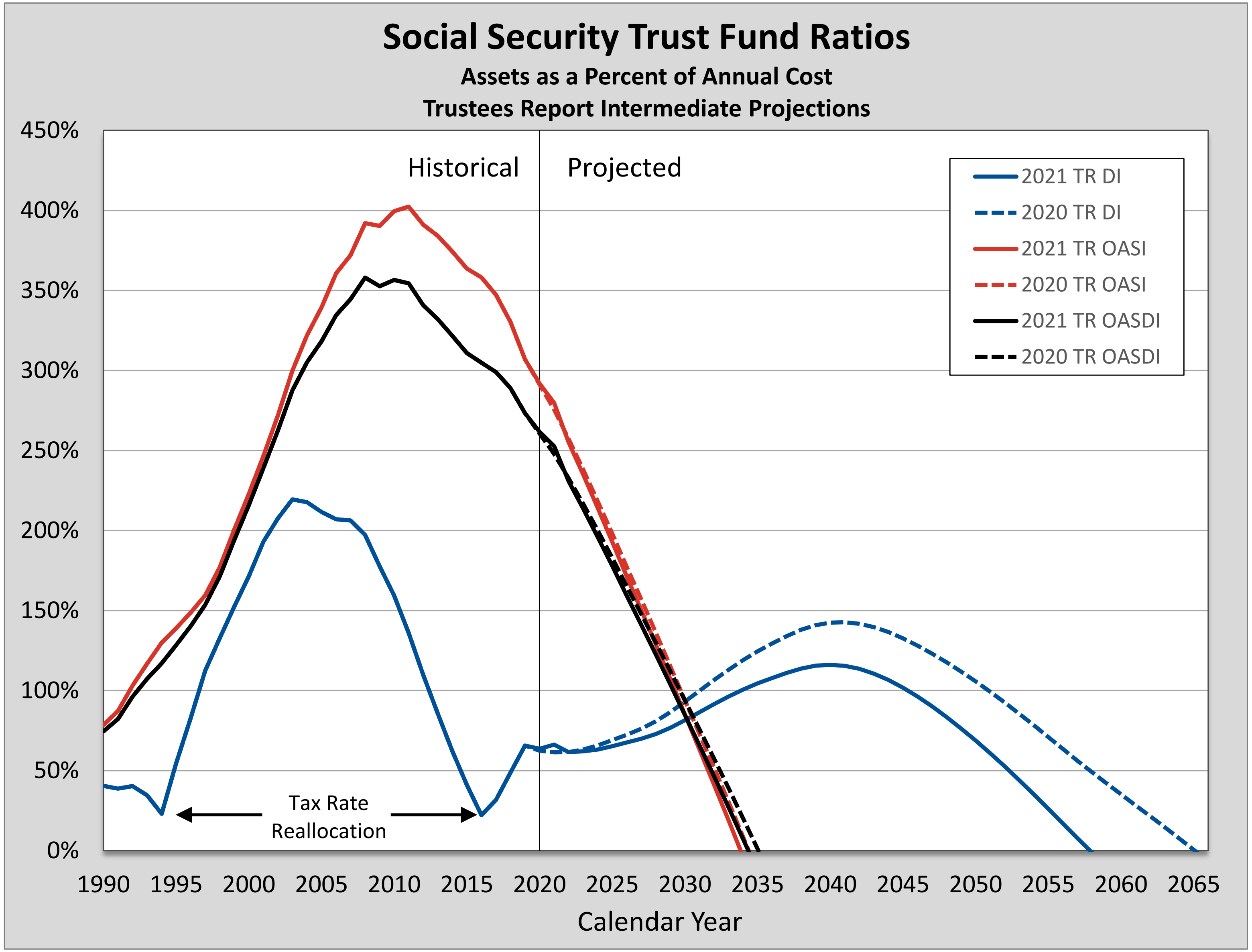
Solvency: OASDI Trust Fund Reserve Depletion in 2034

(one year earlier than last year)

Reserve depletion date varied from 2029 to 2042 in reports over the past 30 years (1992-2021).

DI Trust Fund – reserve depletion in 2057, eight years earlier than last year.

Due largely to less revenue being projected for the DI program in the near-term. DI program continues to have low recent and near-term disability applications and awards.

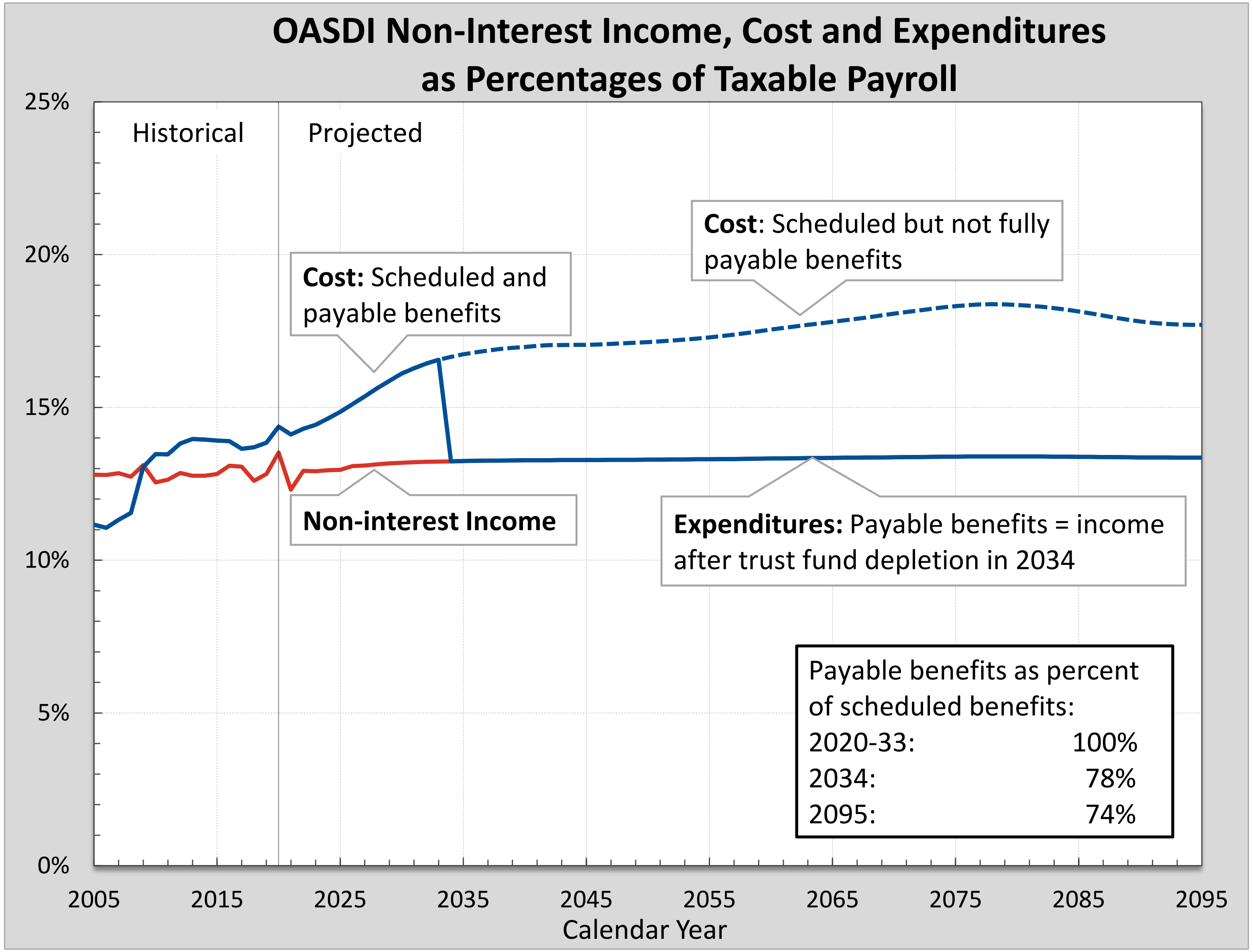


OASDI Annual Cost and Non-Interest Income as Percent of Taxable Payroll

Persistent negative annual cash-flow balance starting in 2010.

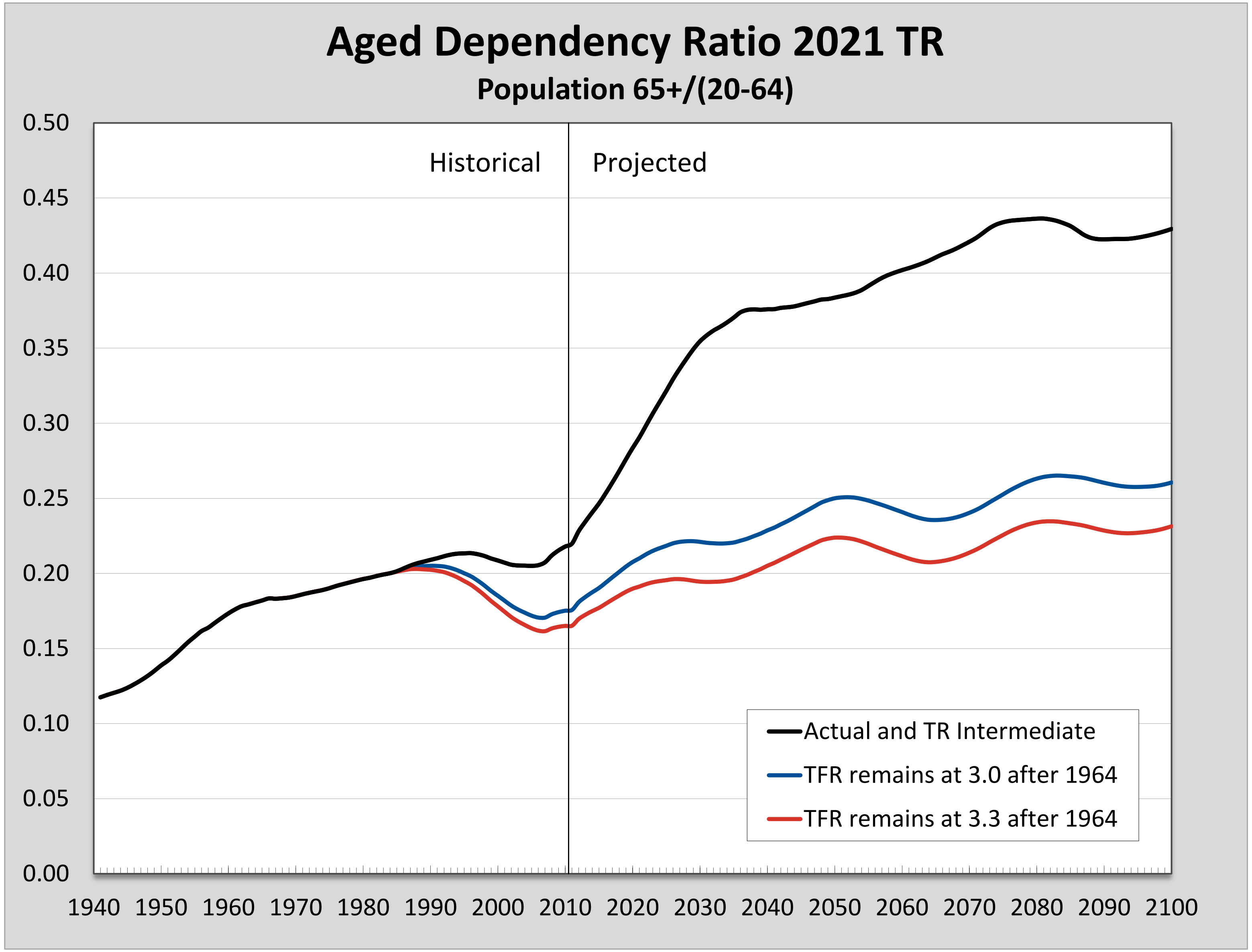
78 percent of scheduled benefits still payable at trust fund reserve depletion.

Annual deficit in 2095: 4.34 percent of payroll: 0.21 percent smaller than last year



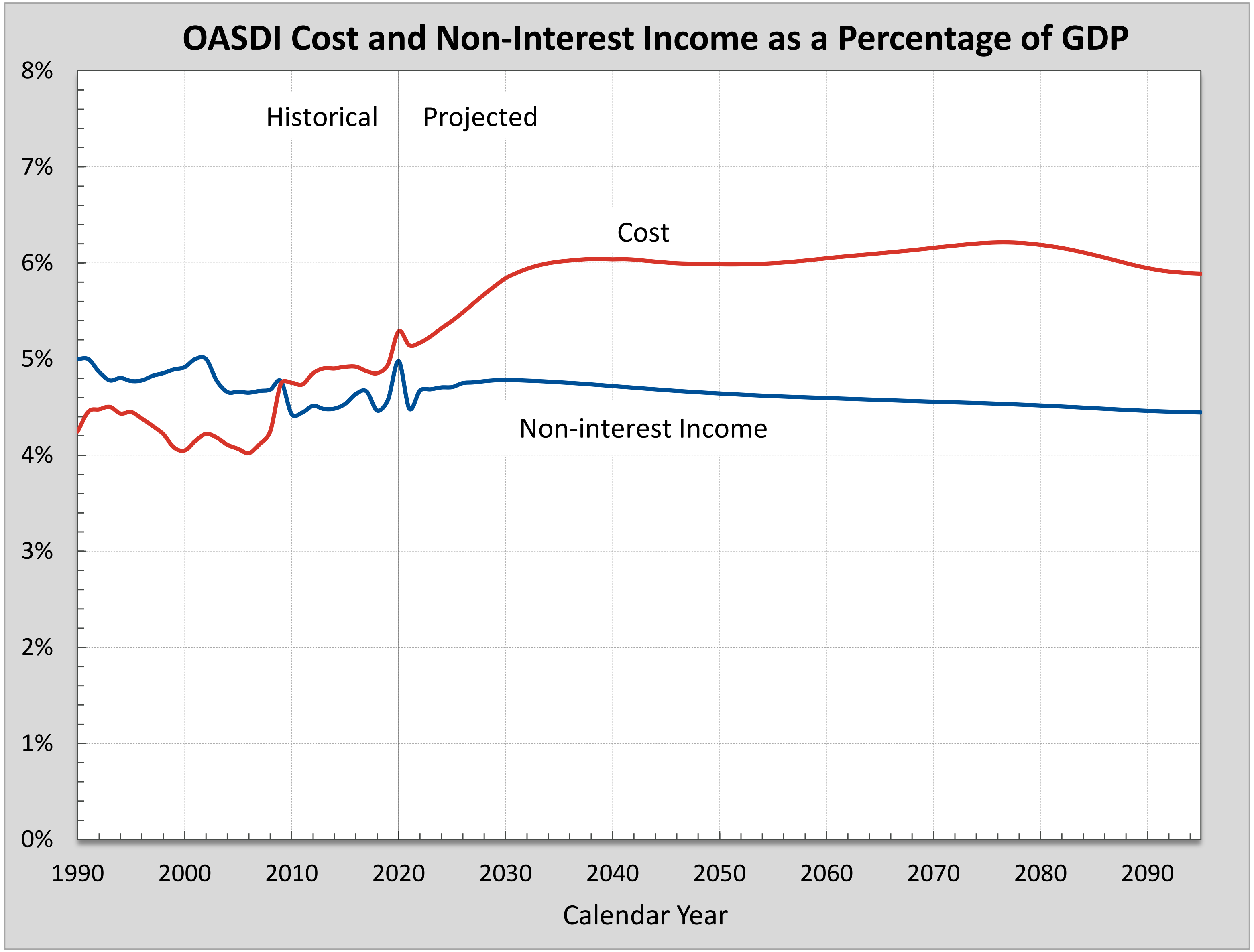
Aging - Change in Age Distribution

Mainly due to drop in birth rates



SUSTAINABILITY: Cost as percent of GDP

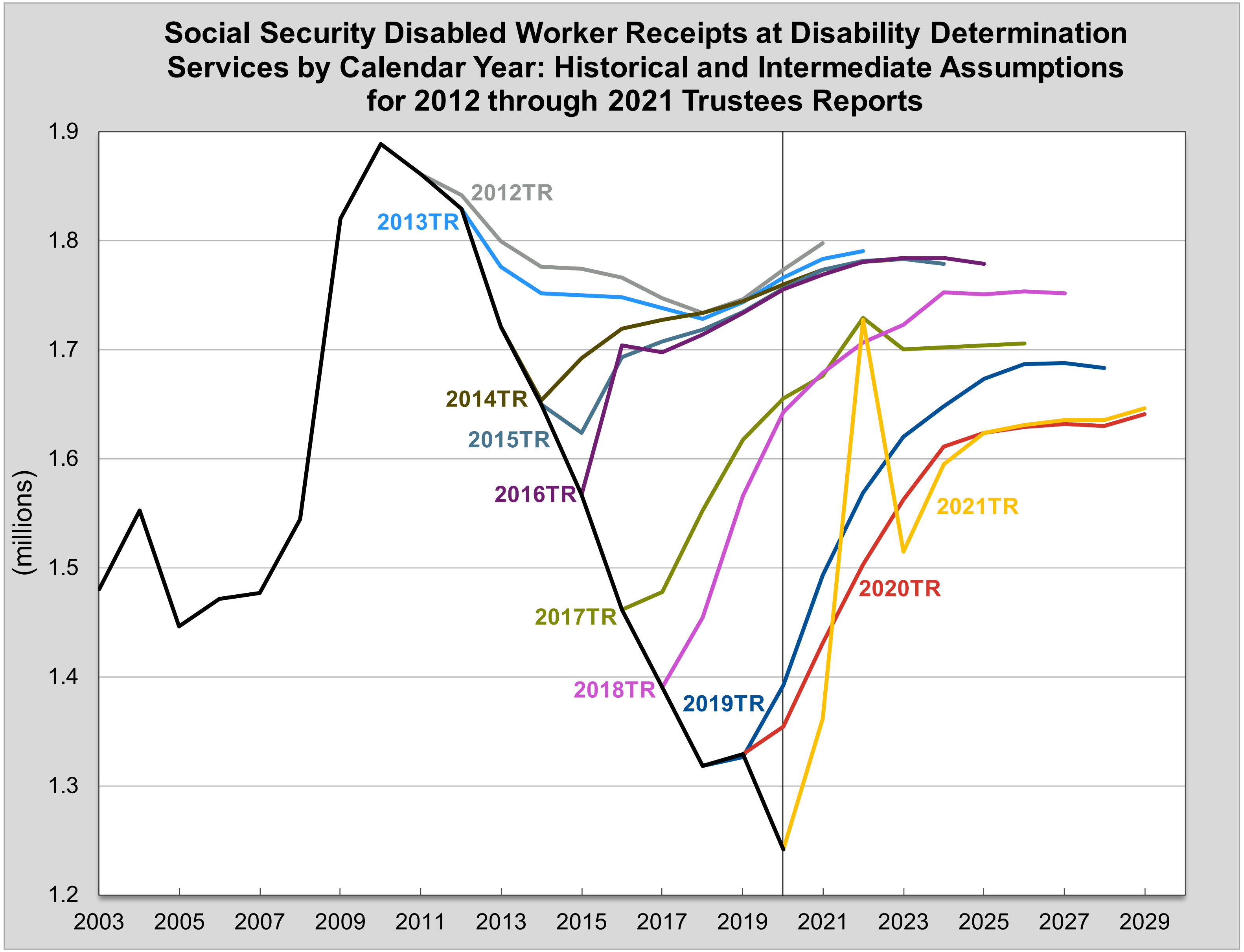
Rises from a 4.2 percent average in 1990-2008, to a peak of about 6.2 percent for 2077, and then decline to 5.9 percent by 2095.



Applications for Disability Benefits Remain Historically Low

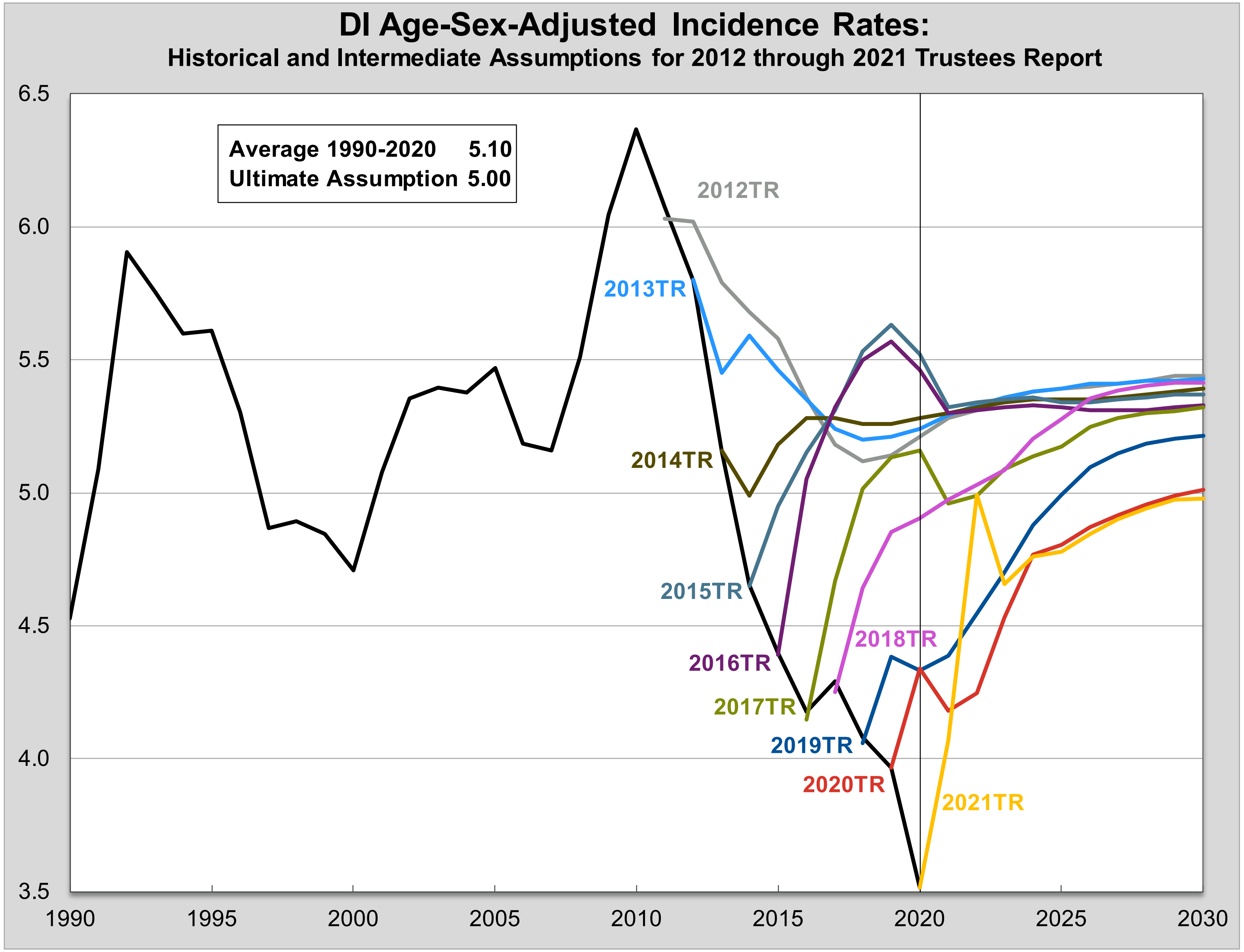
At the peak of the last economic cycle in 2007, applications were low, but increased rapidly in the 2008 recession from 1.5 million in 2007 to 1.9 million in 2010.

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



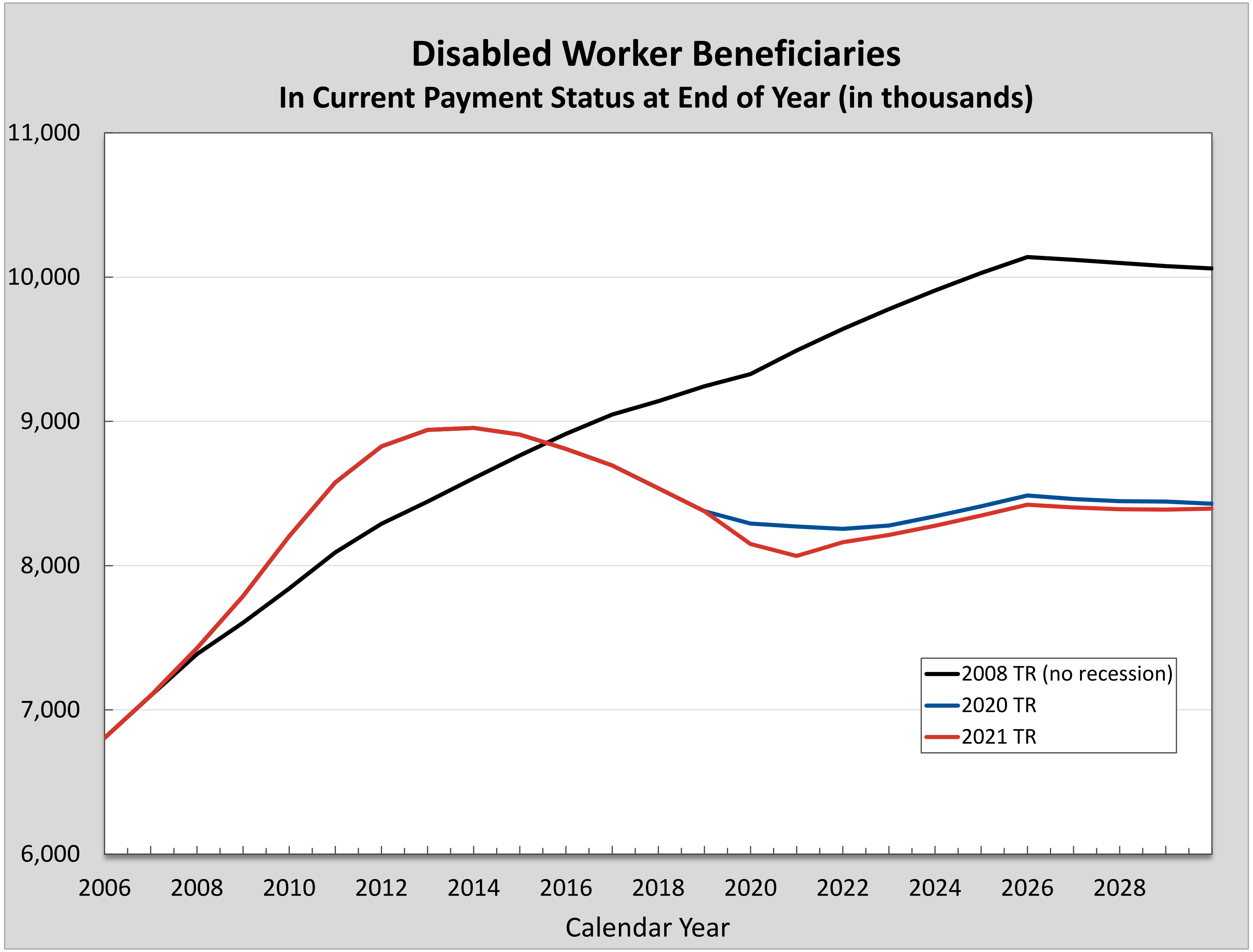
Disability Incidence Rate Also Remains Historically Low

DI disabled worker incidence rate rose sharply in the 2008 recession, and has declined since the peak in 2010 to extraordinarily low levels in 2016 through 2020.



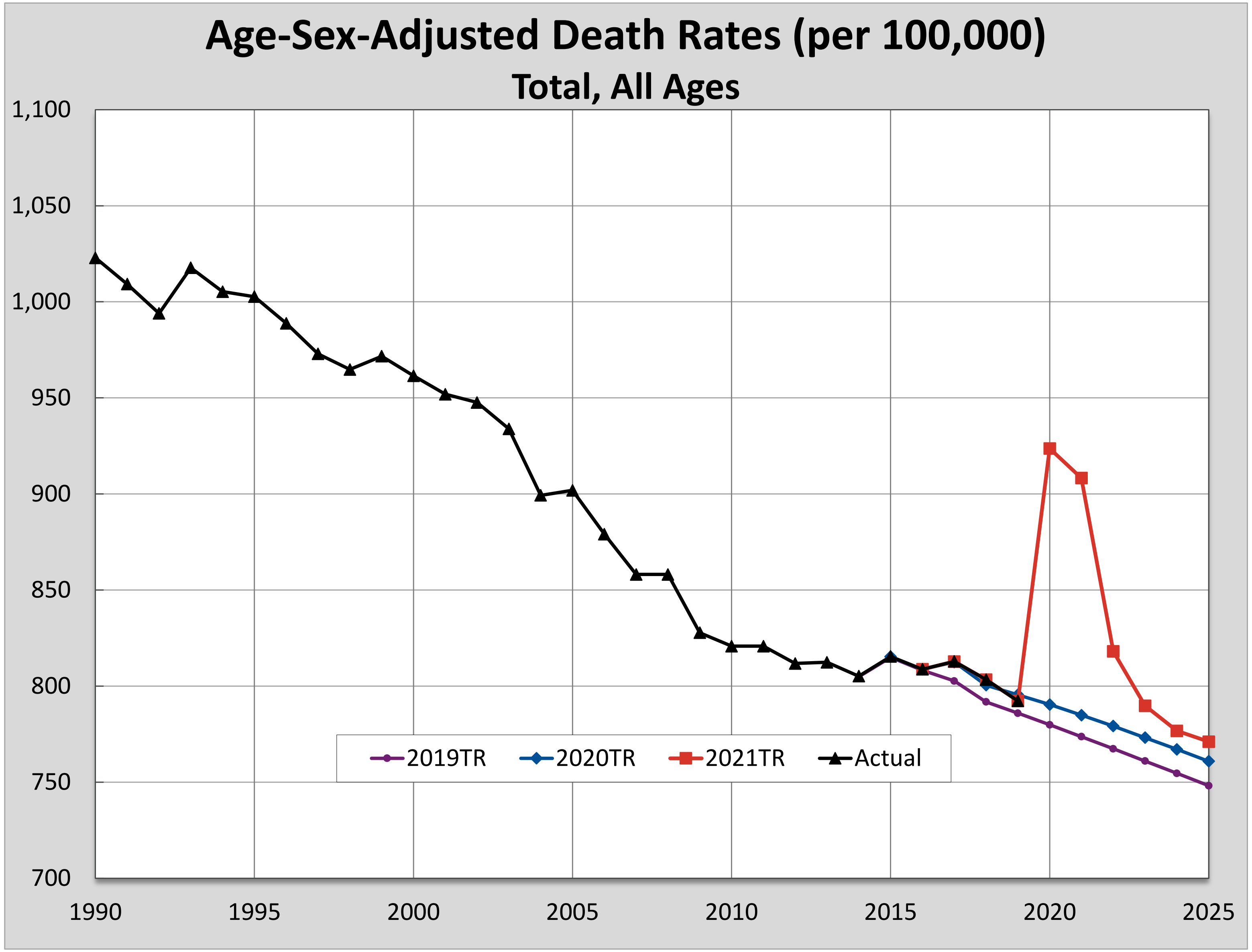
Fewer Disabled Worker Beneficiaries

Fewer now and in near term based on recent applications and incidence rates.



Mortality Experience: All Ages

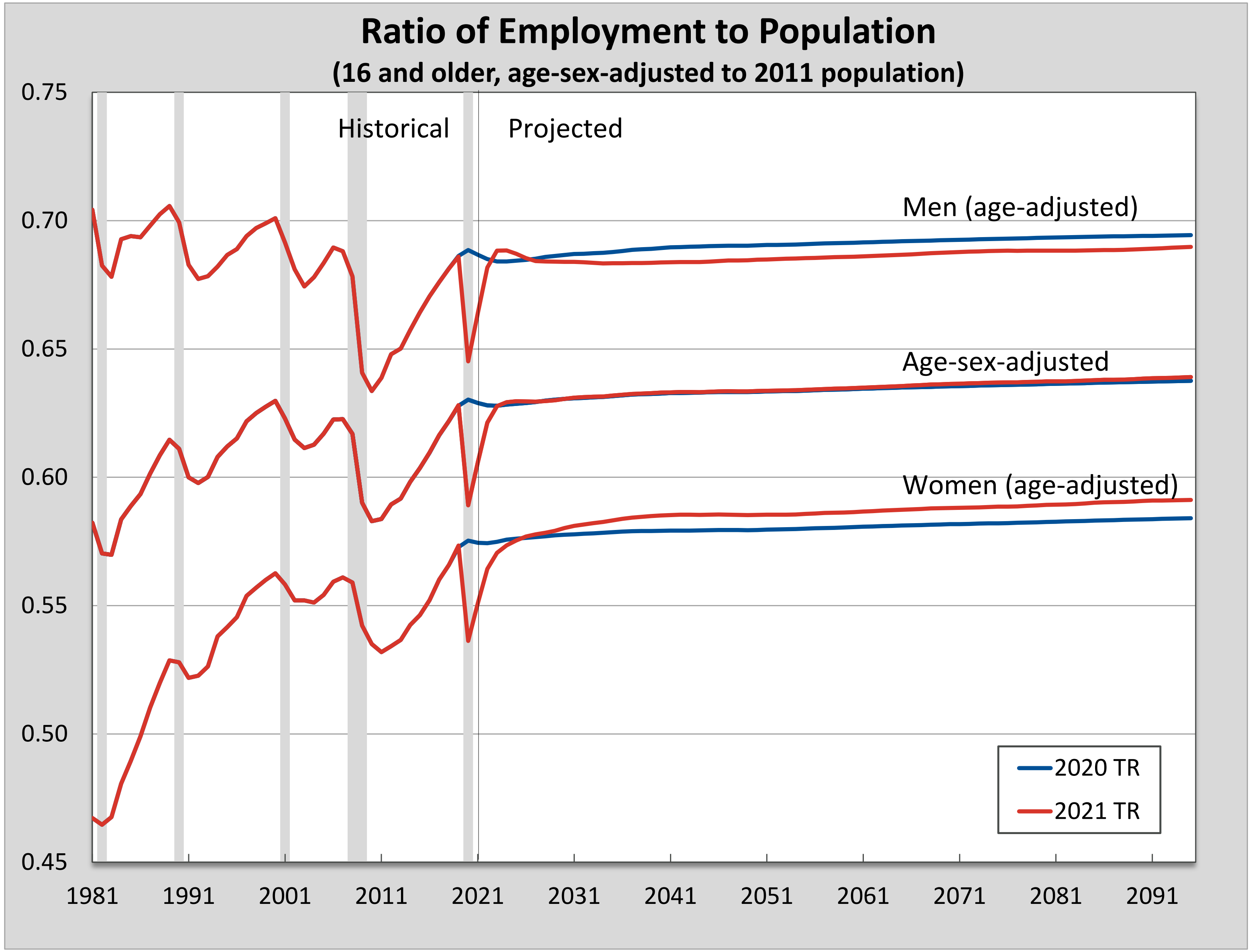
Increased mortality in the near-term to reflect the effects of the COVID-19 pandemic.



Ratio of Employment to Population

Expected to recover fully from the brief but steep recession.

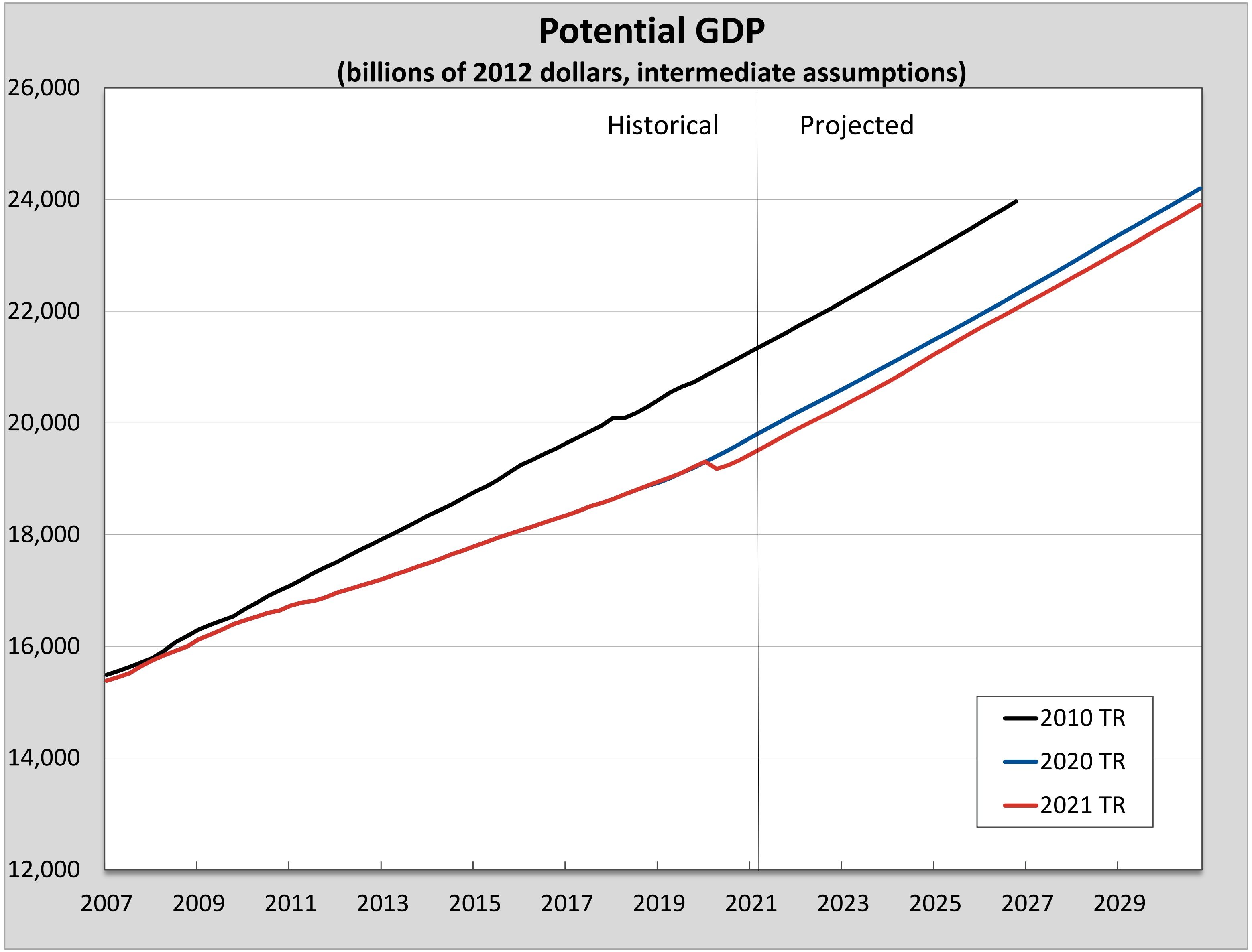
Expected to rise to same overall level as in the 2020TR. Under the new Labor Force model, difference between men and women narrowed somewhat. Slightly lower LFPR is offset by lower expected average unemployment rate, consistent with recent experience.



Lower Potential GDP in 2021 TR Compared to 2020 TR

Potential GDP is roughly 1 percent lower than the level in the 2020 TR.

Reflects expectation of a permanent level shift due to effects of the recession on total economy labor productivity and size of the population ages 16+.



Principal Reasons for Actuarial Balance Change in 2021 Report

• Valuation Period	- 0.06 percent
• Legislation (restore and maintain the DACA program)	- 0.01 percent
• Demographic data, assumptions and methods • New cohort fertility method and higher ultimate fertility rate (roughly offsetting cost effects) • New dementia cause of death category • Higher recent and projected near-term mortality due to COVID-19 pandemic	- 0.01 percent
• Economic data, assumptions and methods • Updated labor force projection model and lower ultimate unemployment rate • Slightly faster real growth in average wage levels • Lower near-term real interest rates • Level of productivity and GDP permanently lowered by 1 percent due to recession • Reduced level of revenue from taxation of benefits	- 0.09 percent
• Other new data and methods improvements	- 0.16 percent
Net Changes for All Reasons	**- 0.32 percent**

How to Eliminate the Social Security Long-Term Actuarial Deficit

Make choices addressing OASDI deficits 2034 -2095:

- Raise scheduled revenue after 2033 by about one-third.
- Reduce scheduled benefits after 2033 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 and individual provisions
  - Actuarial notes; including replacement rates
  - Actuarial studies; including stochastic
  - Extensive databases
  - Congressional testimonies
  - Presentations by OCACT employees