



Insight

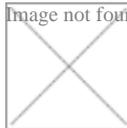
Social Security Trustees Report – Predicting the Predictable

GORDON GRAY | JUNE 30, 2014

The Social Security Act requires the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (OASDI), the 7 senior government officials nominally responsible for Social Security, to provide Congress with a report on the financial status of the program by the first of April. The current administration has seen fit to ignore this deadline every year, and has routinely released the Trustees report weeks, or even months, past the statutory deadline. This year is no different. Presumably, the reluctance of the administration owes to fact that the program upon which millions of retired and disabled Americans rely is going bankrupt. Without intervention by Congress, the disability insurance (DI) program will go broke in 2016 – prompting a 20 percent benefit cut.[1] Combined, the two Social Security Trust Funds will go broke in about 20 years, which is the shortest projected time to Fund exhaustion since the last major Social Security Reform in 1983.[2]

In the last 30 years, the program's finances have been sound only once—in 1983. Since 1983, the program's actuarial balance has been negative. The actuarial balance is, as the Trustees note, a summary measure of the program's financial status through the end of the 75-year valuation period. It reflects the difference in the present value of the program's income and expenditures, inclusive of the Treasury assets in the trust funds, over the long term. Since 1983, this value has been negative, which means that the program has been headed for eventual bankruptcy. What's more important is that in general, since 1983, this deficit has worsened. From year to year, the long run health of the program may look better or worse, but the general trend is striking – Social Security's finances have gotten worse and worse. The aging of the population and the structure of Social Security benefits are increasingly outstripping the program's finances. Absent meaningful reform, this picture will only worsen. So, while it is disappointing that the administration continues to sit on the most recent Trustees report, the report's findings won't surprise.

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[1] <http://americanactionforum.org/research/primer-the-social-security-disability-insurance-di-program>