



AMERICAN ACADEMY *of* ACTUARIES

THE BOTTOM LINE -ON- AN ACTUARIAL PERSPECTIVE ON THE SOCIAL SECURITY TRUSTEES REPORT

Each year, the Social Security Board of Trustees issues a report on the program's financial condition based on three sets of assumptions. An actuarial perspective on the Trustees Report is helpful in understanding the value and limitations of the trustees' assessment.

The American Academy of Actuaries' Committee on Social Insurance has published a new issue brief, *An Actuarial Perspective on the Social Security Trustees Report*, to provide background on and an analysis of the trustees' projections. Key findings in the paper include:

- Under the intermediate assumptions in the 2001 Trustees Report, benefits and administrative expenses will exceed tax income in 2016. To fill the gap, some interest income will have to be paid in cash.
- In 2025, benefits and administrative expenses will exceed tax income and interest on trust fund assets. As a result, the U.S. Treasury must pay all interest in cash.
- In 2038, according to the trustees' intermediate assumptions, the trust funds will be exhausted and income will be able to pay only 73 percent of benefits.
- In order to present a range of plausible future experience of the trust funds, the 2001 Trustees Report also presents projections based on low-cost and high-cost assumptions. Under the low-cost assumptions, the trust funds remain solvent over the entire 75-year projection period. Under the high-cost assumptions, the trust funds are exhausted in 2027.
- The projected financial picture of the Social Security program under the intermediate assumptions is quite similar to that shown in the 2000 report. The projected date of trust fund exhaustion has moved from 2037 to 2038, and the size of the long-term actuarial deficit has decreased slightly. In fact, since the 1992 Trustees Report, although financial projections have changed slightly, the program's overall financial picture remains the same.

For additional information, please see the Issue Brief on the Academy's web site (www.actuary.org) or contact Bridget Flynn, the Academy's Pension Policy Analyst, at (202) 223-8196.

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