



AMERICAN ACADEMY  
of ACTUARIES

# NEWS RELEASE

**Immediate Release**

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## **Actuaries: Trustees' Reports Warn of Looming Financial Challenges Facing Retirement Programs**

**Trust Funds Closer to Depletion According to Latest Projections**

**WASHINGTON – 12 May 2009** – The 2009 Social Security and Medicare trustees' reports issued earlier today highlight the imperative to act immediately to address the challenges facing Social Security and Medicare, according to the **American Academy of Actuaries**.

The financial condition of the nation's retirement programs has deteriorated further during the past year and inaction will only make future efforts to restore the programs' financial viability more extreme and burdensome to future generations. These findings should spur all stakeholders to reexamine their positions on reforms to these programs and to act in an objective, nonpartisan way to resolve these solvency concerns.

### **Medicare**

“Medicare's future is threatened by large and imminent financial challenges,” said **Cori Uccello**, the senior health fellow for the American Academy of Actuaries. “The actuarial profession urges President Obama and Congress to act now to restore Medicare's long-term solvency and sustainability.”

The actuaries said the most immediate concern is the looming insolvency of the Medicare trust fund used to cover in-patient hospital services. The fund is financed through dedicated payroll taxes, and these revenues will fall below spending levels this year. Trust fund assets are projected to be depleted by 2017, two years earlier than previous projections. At that point, payroll tax revenue is projected to cover only about 81 percent of costs and even less thereafter.

Additionally, increasing health care spending will cause Medicare to consume ever-growing shares of both the federal budget and the overall economy, threatening its long-term sustainability. Medicare spending was 3.2 percent of the nation's economy in 2008, accounting for about one in

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every six federal revenue dollars. According to the latest projections, Medicare’s share of the economy will triple by 2060 and could consume one in every two federal revenue dollars.

“The commitments made yesterday by the Obama administration and health care stakeholder groups to control overall spending growth in the U.S. health system are an important step in the right direction,” Uccello said. “Unless spending in the health system is addressed, implementing options to control Medicare spending may have limited long-term effectiveness. The focus should be on controlling overall spending and spending health care dollars more wisely, rather than shifting costs from the government to another payer.”

### **Social Security**

The 2009 Social Security trustees’ report projects that its trust fund will be depleted by 2037, four years earlier than previous estimates. This underscores the need for immediate reform, which should include increasing the retirement age, according to **Bruce Schobel**, the American Academy of Actuaries president-elect. He said that by acting now, policymakers could have a full range of options to choose from, be able to apply those options to multiple generations spread across a longer time span, and give people more time to appropriately plan for retirement. Tax increases could be phased in gradually, and reductions in benefit growth could be applied across a much larger population of beneficiaries, making individual reductions relatively smaller and less precipitous.

Schobel also said the program is facing an actuarial imbalance partially attributed to increasing longevity. He noted that according to Social Security Administration (SSA) actuaries, 65-year-old males in 1940 lived on average 11.9 additional years and 65-year-old females lived 13.4 additional years. By 2008 those figures had increased to an estimated 16.9 and 19.3 years, respectively. The SSA actuaries’ intermediate projections show that life expectancy at age 65 could increase even further— with males living on average 19 additional years by 2040, and females 21.1 more years.

“Demographic problems require demographic solutions,” Schobel said. “You just cannot have people living longer and longer with a frozen retirement age. At some point, the system cannot afford it. There are many options available to policymakers, and as actuaries, we believe that increasing the retirement age should be a part of any solution.”

For more information or to schedule an interview with Cori Uccello or Bruce Schobel, please contact Andrew Simonelli, assistant director of communications for the American Academy of

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Actuaries, at 202.785.7872. For more information on the American Academy of Actuaries, please visit: [www.actuary.org](http://www.actuary.org).

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