



SOCIETY OF ACTUARIES

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Does Social Security have a future?

by Robert J. Myers

A recent opinion survey by Third Millennium, an organization of persons in the "Generation X" (born after the baby boomers, which are the 1946-65 births) showed some surprising results with regard to the Social Security program (Old-Age, Survivors, and Disability Insurance). The proportion of respondents aged 18-34 who believed in unidentified flying objects (46%) exceeded the proportion who believed that the Social Security program will be in existence when they reach retirement age (26%). One must view this with some skepticism, because the UFO "believers" may have been merely trying to be funny.

It is true, however, that many younger people believe that Social Security will not be there when they retire. Probably, more realistically, they think that the benefits will not be as large or as adequate as those now, at least in purchasing power or, more significantly, in relation to their pre-retirement earnings.

Why this lack of confidence? Quite likely, they know that the ratio of the population of retirement ages to that of working ages will increase signifi-

cantly after 2010. Also, official sources have stated that, according to the intermediate cost estimate, the trust funds will be exhausted in 2029.

What are the answers to their fears? The Social Security program is not unchangeable. Both its benefits and financing provisions can be modified as necessary to assure its viability.

First, the relationship between the retired and working populations can be changed by defining "retirement ages" on a dynamic, rather than static, basis. In fact, present law already moves the lower end from 65 to 67 over the next three decades. Further movement would be even more stabilizing. Some argue that such a change really is a benefit reduction in terms of the relationship of the benefit for retirement at age 65 to the previous earnings level. However, this is not really so, when "retirement age" is considered dynamic relative to life expectancy at that age, any more than Cost-of-Living Adjustments represent "real" benefit increases.

Second, moderate gradual increases in the contribution rates over the long run (such as 1% or 2% on both the employer and employee) represent a



feasible, equitable way of partially solving the long-range financing problem. Increases of this magnitude (even if the employer portion is indirectly shifted to the employees through smaller-than-otherwise wage increases over the years) are viable and reasonable. Such increases can be borne without undue "pain" by utilizing a small portion of the "real wage" rises that result over the years from productivity gains.

To sum it up, I am confident that the Social Security program will outlive us all.

Robert J. Myers was chief actuary of the Social Security Administration from 1947 to 1970 and was the 1971-72 president of the Society of Actuaries.

SOA 1995 spring meeting in New Orleans



Barbara Ley Toffler
Keynote Speaker

The 1995 Society of Actuaries (SOA) first spring meeting will be held April 6 - 7, 1995, at the Sheraton New Orleans. This year's theme for all spring meetings is "Ethics and Professionalism for the Actuary," and this site's focus will be on product development and financial reporting.

Barbara Ley Toffler is the opening session keynote speaker. Considered one of the nation's leading experts on management ethics, Toffler is a founding principal of Resources for Responsible Management, a consulting

firm. Her presentation will focus on how management skills and organization policy reforms can emerge to create responsible management. She is the author of *Tough Choices: Managers Talk Ethics*. From 1992-93, Toffler was a lecturer at the Yale School of Organization and Management, and she has served eight years on the faculty of Harvard Business School.

For registration materials or more information, call the SOA Continuing Education Department, 708/706-3540.