



SOCIETY OF ACTUARIES

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U.S. Social Security Reform: A Diverse Issue for Actuaries

by Steven Siegel



We asked—you responded. In October 2005, the Pension Section Research Team issued a brief survey on the U.S. Social Security System to the actuarial community at large. The survey was motivated by the team's desire to engage actuaries in the ongoing debate on Social Security reform as well as encourage involvement and promote further education in this area. It was not intended to gather data for an official statement on behalf of actuaries nor should the results be interpreted that way. Rather, it was designed as a communication vehicle to help plan future SOA efforts in this area.

We had no need to doubt that actuaries feel actively engaged in this issue. We were overwhelmed by the response with nearly 2,400 actuaries sharing their opinion in over 60 pages of comments. And, clearly, actuaries are not a monolithic group. Suggested changes to the system ranged from complete abolition to significant expansion by requiring all workers to be covered. This article provides a summary of results from the survey as well as a list

of web sites that were suggested for those who would like to learn more.

Survey Questions

The first question posed in the survey asked respondents to rate on a scale of 1 to 5, their level of confidence in the long-term solvency of the current U.S. Social Security System. Overall, the responses were nearly evenly spread among the five possible choices. A few respondents contacted us to let us know that they felt the question could be interpreted in a couple of ways. Because of this potential ambiguity, whether the spread of responses to this question is due to the range of opinions on this question or if it was because of different interpretations, is not entirely clear. However, given the range of opinions expressed in the second survey question, we suspect it is just another indicator of the diversity of opinions among actuaries.

The second question asked what changes, if any, should be made to the current system. Respondents were free to choose more than one proposed change. Of the choices provided, "increasing the normal retirement age to qualify for benefits" received the greatest response with 74 percent of respondents favoring this for at least one of their suggested changes. The complete results are below:

What, if Any Changes, Would You Make to the Current System?

Change	Percent Response
Add Personal Retirement Accounts	29%
Increase Normal Retirement Age to Qualify for Benefits	74%
Reduce Benefits	38%
Increase Payroll Taxes	37%
Invest Part of Social Security Trust Fund in the Private Sector	29%
Other Changes	26%
No Changes	1%
Unsure	3%

Note: Percentages do not add to 100 because respondents could choose more than one change.

If a respondent chose "Other Changes," they were asked to describe the changes. Nearly 1,000 respondents took the time to convey their thoughts, with some writing a whole page of comments. The range of responses was quite startling. Some of the more representative suggestions included:

1. Make the system means-tested.
2. Remove or substantially raise the limitation on which salary/wages can be taxed.
3. Index initial benefits to the CPI, not wages.
4. Abolish the system completely or gradually phase it out.

As far as privatization, respondents to this question had a variety of opinions ranging from urging for complete privatization of the system to outright rejection of privatization in any form.

The SOA's Social Security and Pension Research Teams will use the complete set of responses to this question to help determine future related efforts.

Web Sites

The final question of the survey asked for respondents to provide their favorite Web sites for information about the U.S. Social Security System.

Below are the Web sites that were most frequently mentioned (in alphabetical order):

Web Site	Organization
www.aarp.org	AARP
www.actuary.org	American Academy of Actuaries
www.benefitslink.com	Benefits Link
www.cato.org	Cato Institute
www.irs.gov	Internal Revenue Service

www.ebri.org	Employee Benefits Research Institute
www.nasi.org/	National Academy of Social Insurance
www.soa.org	Society of Actuaries
www.socialsecurity.gov	Social Security Administration

We would encourage you to visit these sites to learn more.

Conclusion

The unmistakable message from this survey is that actuaries are very passionate about this topic. Although this survey was not intended to be scientific, but rather more as a way to provoke discussion among the actuarial community, it clearly demonstrates that actuaries can play an important role in the Social Security debate now and in the future. As a result, the Pension Section Research Team is planning as a follow-up to this survey, a Delphi or similar type of study to gather opinions of the leading Social Security actuaries. Look for results of this study sometime in the future.

We wish to express our thanks to all of you who participated and took the time to share your views! Please feel free to contact me if you have any thoughts about future efforts for research in this area or other ideas. ♦



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