
FINANCE COMMITTEE CONSULTANTS

JUNE 26, 1974.—Ordered to be printed

Mr. LONG, from the Committee on Finance,
submitted the following

REPORT

[To accompany S. Res. 350]

The Committee on Finance, reports favorably an original resolution and recommends that the resolution do pass.

GENERAL STATEMENT

On May 31, 1974, the Board of Trustees of the social security trust funds submitted to the Congress the report on the status of those funds which they are required by law to make each year. In preparing this year's report, the Trustees utilized a revised set of assumptions with respect to a number of the factors which affect the estimates of future income to and outgo from the funds. Even with the revised assumptions, the report indicates no cause for concern as to the immediate soundness of the social security system. On a long-range basis, however, the new assumptions used by the Trustees this year result in estimates of income and outgo which indicate a need for significant additional financing in order to maintain the future actuarial soundness of the program. In addition, the report indicates that even within the next 5 years certain adjustments may be required in order to maintain the relationship between the income, outgo, and balance of the funds which has traditionally been considered appropriate. It thus seems certain that within the next year or two Congress will have to carefully examine the status of the social security system and very possibly enact significant amendments with respect to the financing of that system.

The social security cash benefit programs represent a very substantial portion of the total Federal budget (amounting to \$66 billion at present). The soundness of the trust funds involves the economic security of the 30 million current beneficiaries and the many millions of others who count on its benefits being available in the future. Financing social security is based on an earmarked payroll tax which directly affects the weekly or monthly paychecks of 90 percent of all workers in this country.

In view of this, it is imperative that there be available to the Congress, to guide it in whatever action it may find necessary to take, the best and most complete information which can be obtained concerning the actuarial status of the system. For this reason, the Committee on Finance has approved a resolution authorizing the committee to obtain an expert independent analysis of the actuarial status of the social security system.

The Committee on Finance has great confidence in the expertise and integrity of the actuarial office of the Social Security Administration whose findings formed the basis of the recent trustees' report. However, in view of the very substantial long-range deficit now projected and the importance of the social security program for the economic security of the country, the committee felt, as a matter of prudence, that it could not place its reliance upon only a single source of information. This is particularly true since the financial status of the program is greatly affected by future trends in inflation, wage levels, and birth rates. These are factors with respect to which differing methodologies can produce significant differences in estimates as is most dramatically illustrated by the significant change in the actuarial status of the trust funds reported in the current trustees' report. This change results not from any legislative change in the program but rather from a change in the estimates with respect to these factors and, in particular, with respect to birth rates.

Accordingly, the committee has approved a resolution which would authorize the Committee on Finance to expend up to \$30,000 with the aim of obtaining an expert, independent evaluation of the status of the social security system.

The evaluation will involve the various demographic, actuarial, and economic assumptions which underlie estimates of the financial status of the social security trust fund, with a view toward providing the committee the best possible estimate of that status together with information as to the extent to which variations from that estimate may be anticipated if actual experience does not completely bear out the various underlying assumptions. In addition to examining the current situation with respect to the social security trust funds, it is also anticipated that the evaluation will address itself to the somewhat broader question of what improvements, if any, should be made in the methodologies employed on a continuing basis for the examination and presentation of the actuarial status of the social security system.

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