

**Statement
of the
Social Security Advisory Board
on the
Congressional Budget Office Social Security Projections**

On June 14, 2004, the Congressional Budget Office (CBO) released a report presenting a projection of the long-range financial status of the Social Security trust funds using its new microsimulation model of the program. This CBO model, which has been in development for the past few years, provides important new capabilities particularly with respect to understanding the distributional impact on different categories of beneficiaries of the social security programs and of proposals for changes to them. The need for better information about distributional impact has long been recognized and was, in fact, specifically urged by the technical panel appointed last year by the Social Security Advisory Board to study the methods and assumptions used in projecting the status of the Social Security funds. We commend CBO for undertaking this important project.

During the development of the CBO model, the Social Security Advisory Board has met on several occasions with CBO executives and staff to learn the capabilities and objectives of that model. Most recently, we met late last month with the Director of CBO and the Chief Actuary of the Social Security Administration to discuss the impending release of the report that CBO has now issued. We greatly appreciate the willingness of both agencies to share information with us and with each other towards the common goal of making available to the Congress and the public the most complete and accurate information possible about these vital programs including their impact on beneficiaries and their financial status.

The Board believes it is important that CBO and the Office of the Chief Actuary of the Social Security Administration should continue to work together, as they have been doing, to provide as complete and open an explanation as possible of the ways in which their assumptions and methodologies differ. Such interaction will contribute to better public understanding of the status of the program and will likely also result in improving the capabilities of both agencies.

The Board is aware that the new CBO model shows a long-range deficit in the social security programs that differs from the deficit shown in the most recent annual report of the Trustees of the Social Security trust funds. This is neither surprising nor remarkable. Although attention is usually focused on the intermediate projections, the reports of the Trustees always present a range of possible outcomes. In the past two years, the Trustees' reports have begun showing additional displays of the financial status of the program including projections based on stochastic models as recommended by past technical panels including the panel we appointed in 1999. The panel of technical experts that we appointed in 2003 devoted an entire chapter of its report to pointing out that making projections over the long-range future of 75 or 100 years, or even into

perpetuity, necessarily involves considerable risk and uncertainty, and the panel urged increased efforts to increase public understanding of the uncertainty inherent in such projections.

Although the just released CBO report shows a different level of long-range deficit than that shown in the 2004 Trustees report, it confirms the core finding of the Trustees' reports over the past several years that there is a significant long-range shortfall in the financing of the Social Security programs of Old-Age, Survivors, and Disability Insurance. In July 1998 and again in July 2001, we issued a report: *Social Security: Why Action Should Be Taken Soon*. In that report, we pointed out the importance of acting promptly to address the long-range deficit in the Social Security program. We said, in part: "Prompt action is essential if we are to restore confidence in the future of Social Security and enable today's workers to plan for a secure retirement." And we pointed out the importance of acting sooner rather than later because delay will only serve to give policymakers fewer and more difficult choices. We continue to believe that action to address these problems needs to be taken promptly.

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