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Social Security: Why Action Should be Taken Soon
September 2005
A Report by the Social Security Advisory Board

The Social Security Advisory Board is issuing this report (in a revised and updated edition) for the third time in the past seven years. When we first issued it in 1998, we pointed out the many reasons why it is important for policymakers to act sooner rather than later to make the changes that are needed to restore to a state of solvency this program that plays a foundational role in assuring retirement security to the working men and women of America and to their families. Those reasons apply today even more urgently than they did seven years ago. The most significant challenge to the program's financial soundness is the demographic changes that we are facing as the baby-boom generation enters its retirement years. These changes will inexorably bring a substantial decline in the size of the workforce relative to the size of the beneficiary population. In 1998, the oldest of the baby-boomers were still ten years away from Social Security eligibility; now they are but three years from eligibility. Although Social Security will still be building its Trust Fund for a while, we are just a dozen years away from the point where program costs will exceed tax revenues. From that point we will have to rely on interest payments and eventually on drawing down the assets of the program to continue meeting the full costs of the system. Within the retirement years of those now well into their 40s (and below), the program is projected to reach a point of being able to meet only 70 to 75 percent of its benefit obligations.

This report, like its two previous editions, reflects the unanimous view of the members of the Advisory Board, who are appointed on a bipartisan basis by the President and by the Majority and Minority leadership of the House and Senate. The Board recognizes that there are significant differences of opinion as to how best to restore the Social Security program to financial solvency. In this report, we do not endorse any specific proposal or set of proposals. However, we do point out and describe many individual provisions from which policymakers could craft a solution. We also list some 25 comprehensive proposals already put forth by members of Congress and other authors representing a wide variety of viewpoints. Variations on the proposals described in our report and entirely different proposals are also possible.

Earlier this year, the Board issued another report, *Retirement Security: The Unfolding of a Predictable Surprise*. In that report, we took a broader view of Social Security in the context of private pensions, savings, employment, and health programs—all of which must work together to meet the objective of enabling the citizens of this Nation to enjoy an adequate standard of living in their retirement years.

We hope that these two reports will prove helpful to Members of Congress and their staffs and also to the public at large as the Nation moves towards finding the consensus that will enable it to restore confidence in the financial soundness of the Social Security program. We are encouraged by the fact there has been increasing attention paid to this important task in recent months and, as previously noted, that many comprehensive proposals have been put forth. We believe our report demonstrates that the problem is not a lack of options. The time for bold action is upon us.