

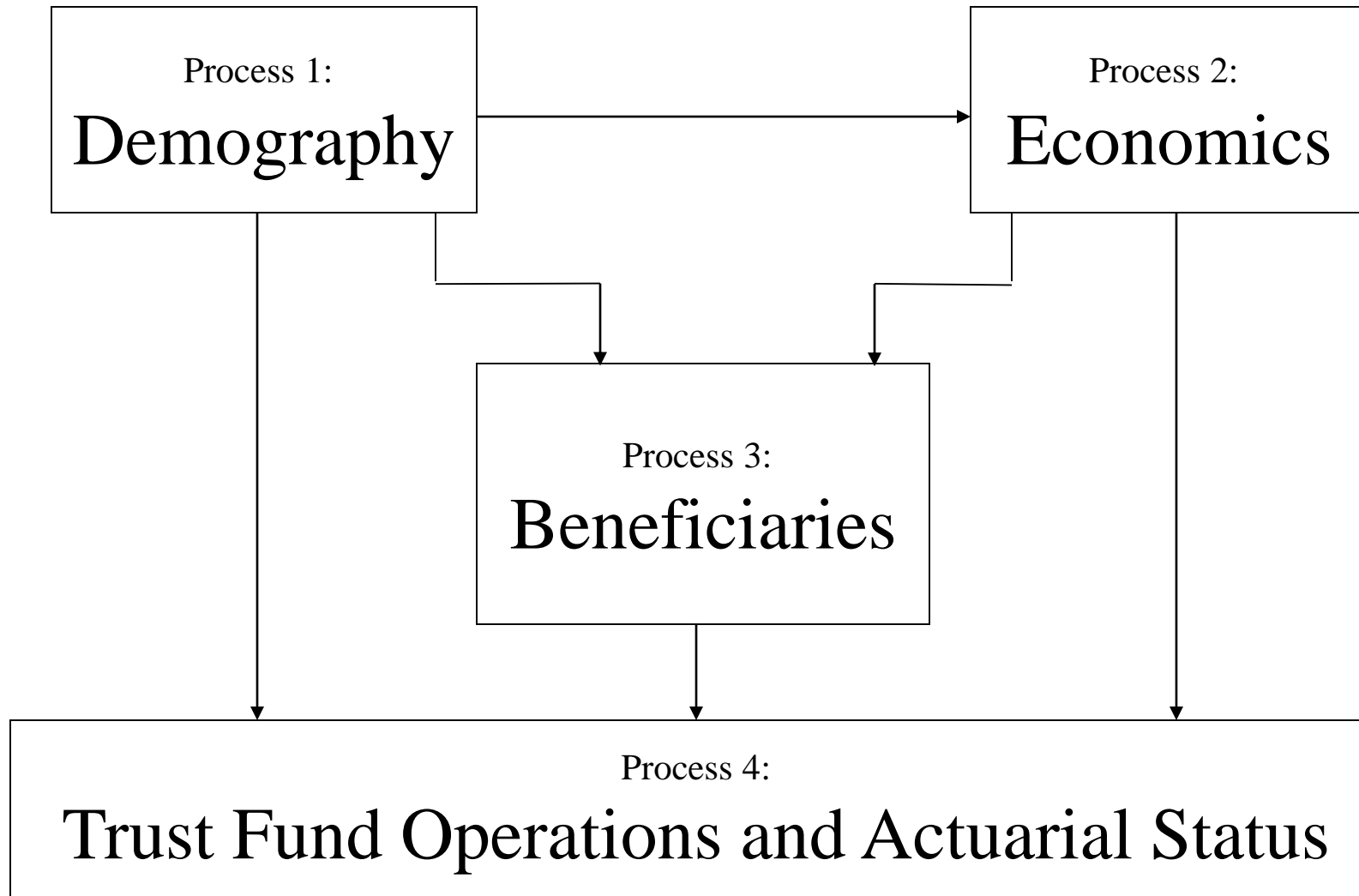
Projection Methods for the Annual Trustees Reports

Office of the Chief Actuary
Technical Panel on Assumptions and Methods
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Overview

- The long-range programs used to make projections for the annual OASDI Trustees Report are grouped into four major processes:
 - Demography
 - Economics
 - Beneficiaries
 - Trust Fund Operations and Actuarial Status
- Each major process consists of a number of subprocesses

Overview: Flowchart



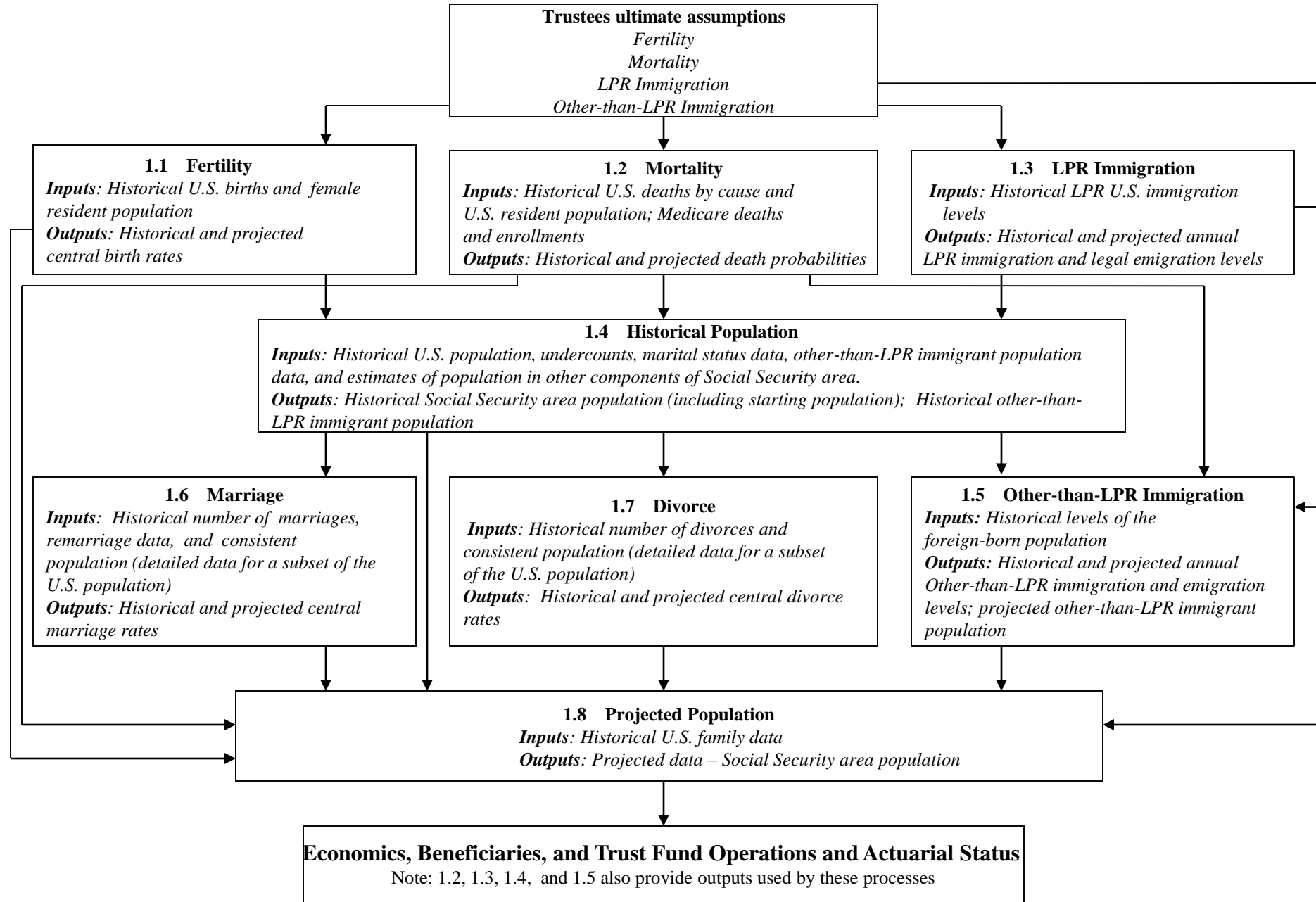
Demography – Process 1

- The Demography Process provides estimates of the projected Social Security area population for each year of the 75-year projection period
- Input data is received mainly from other government agencies
- Output data is provided to the Economics, Beneficiaries, and Trust Fund Operations & Actuarial Status Processes

Demography – Process 1

- The Demography Process is composed of eight subprocesses:
 - FERTILITY
 - MORTALITY
 - LPR (Lawful Permanent Resident) IMMIGRATION
 - HISTORICAL POPULATION
 - OTHER-THAN-LPR IMMIGRATION
 - MARRIAGE
 - DIVORCE
 - PROJECTED POPULATION

Demography – Process 1: Flowchart



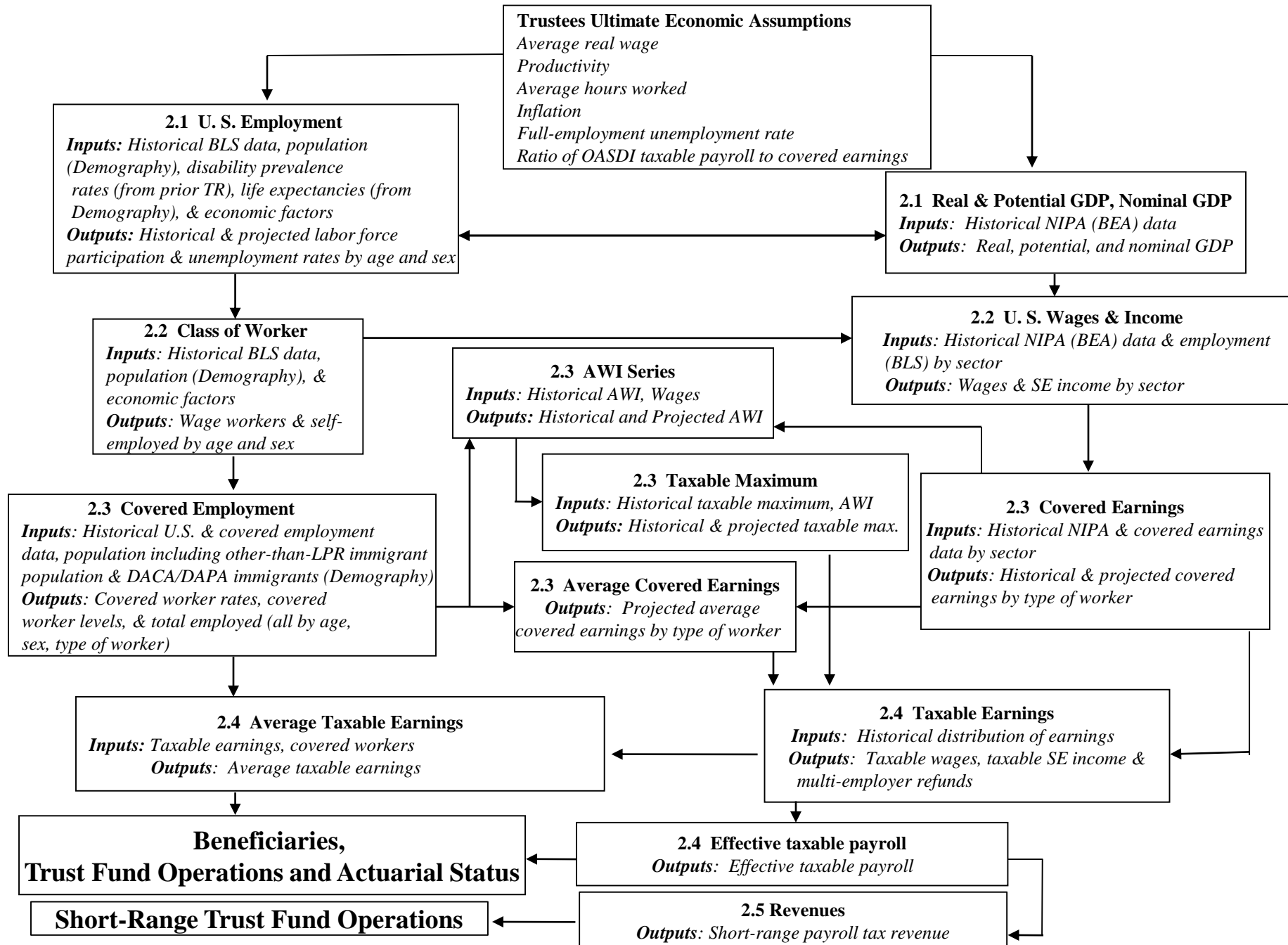
Economics – Process 2

- The Economics Process projects OASDI employment and earnings-related variables, such as the average wage for indexing and the effective taxable payroll
- Input data is received mainly from the Demography Process and other government agencies
- Output data is provided to the Beneficiaries and the Trust Fund Operations & Actuarial Status Processes

Economics – Process 2

- The Economics Process is composed of five subprocesses:
 - U.S. EMPLOYMENT
 - U.S. EARNINGS
 - COVERED EMPLOYMENT AND EARNINGS
 - TAXABLE PAYROLL
 - REVENUES

Economics – Process 2: Flowchart



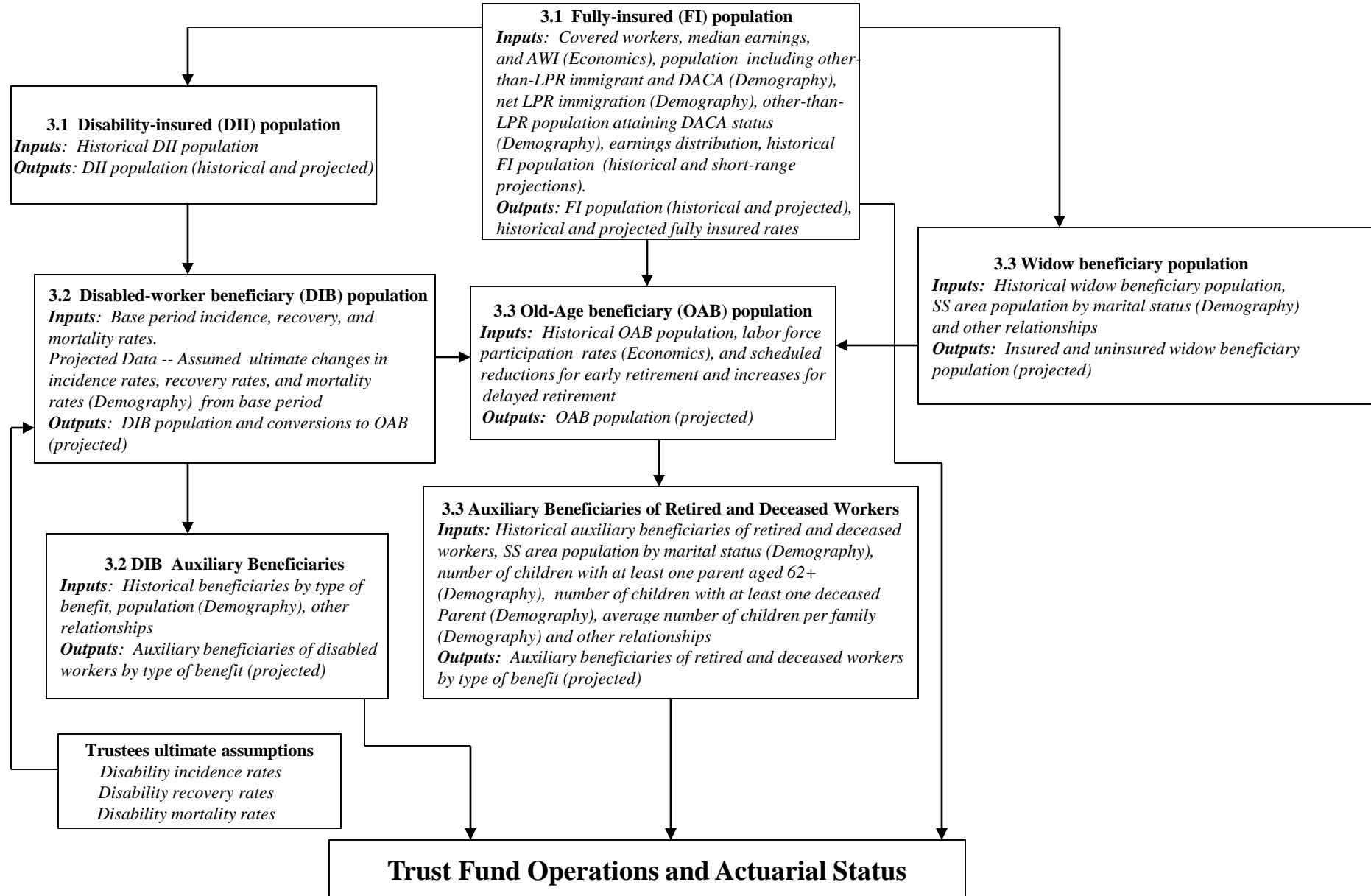
Beneficiaries – Process 3

- The Beneficiaries Process projects the fully insured and disability insured population, the number of disabled workers and their dependent beneficiaries, the number of retired workers and their dependent beneficiaries, and the number of dependent beneficiaries of deceased workers
- Input data is received mainly from the Demography and Economics Processes, the Social Security Administration, and other government agencies
- Output data is provided to the Economics and Trust Fund Operations and Actuarial Status Processes

Beneficiaries – Process 3

- The Beneficiaries Process is composed of three subprocesses:
 - INSURED
 - DISABILITY
 - OLD-AGE AND SURVIVORS

Beneficiaries – Process 3: Flowchart



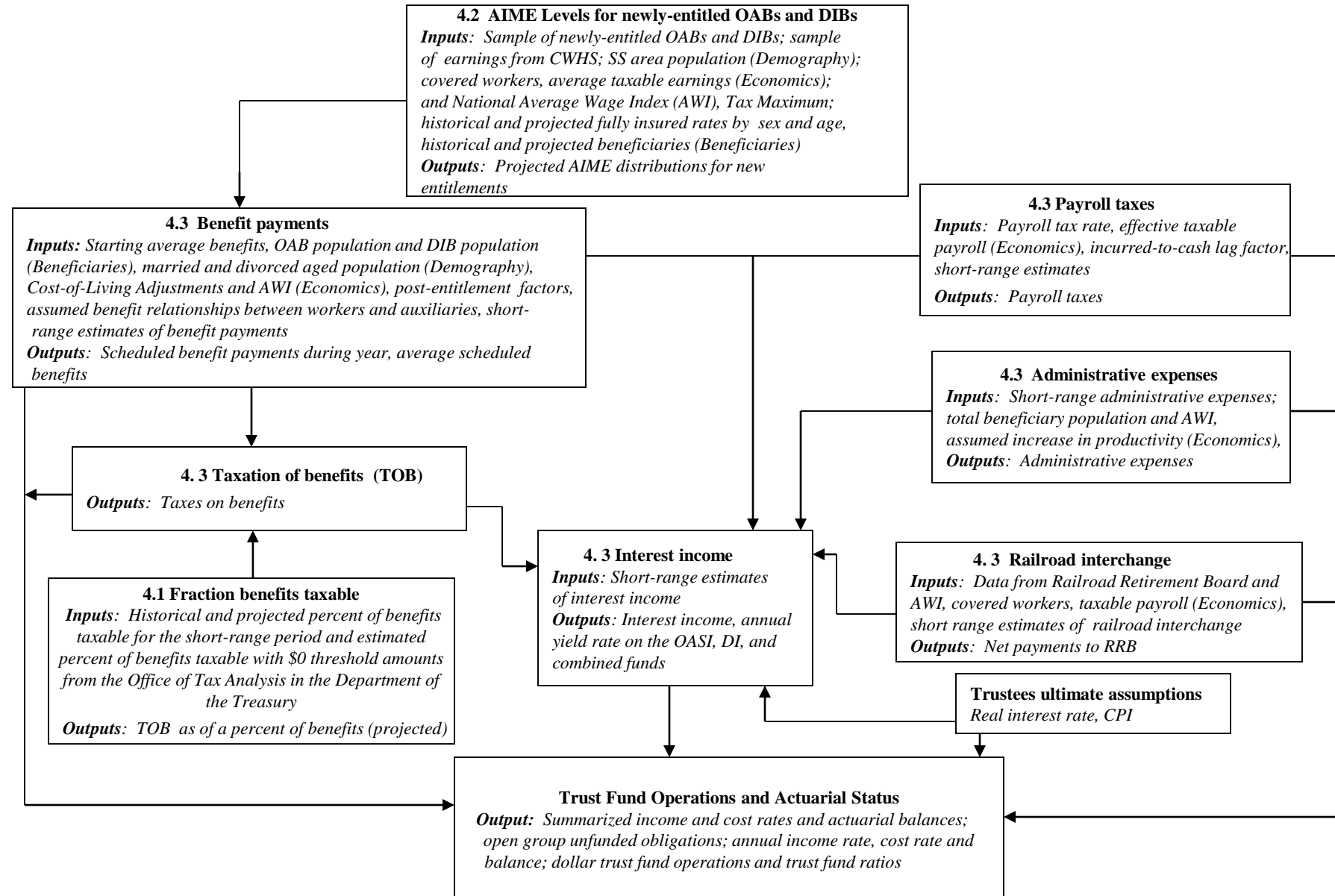
Trust Fund Operations and Actuarial Status – Process 4

- Trust Fund Operations and Actuarial Status Process projects:
 - Average benefits, using a 10% sample of newly entitled worker beneficiaries
 - The annual flow of income from payroll taxes, taxation of benefits, and interest on assets in the trust fund
 - The annual flow of cost from benefit payments, administration of the program, and railroad interchange
- In addition, this Process produces annual and summarized values to help assess the financial status of the Social Security program

Trust Fund Operations and Actuarial Status – Process 4

- The Trust Fund Operations and Actuarial Status Process is composed of three subprocesses:
 - TAXATION OF BENEFITS
 - AWARDS
 - COST

Trust Fund Operations and Actuarial Status – Process 4: Flowchart



Model Documentation

Descriptions of the methods used in each of the subprocesses, including detailed equations, can be found in the model documentation at:

https://www.ssa.gov/OACT/TR/2018/2018_LR_Model_Documentation.pdf