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TRUSTEES' REPORT GROSSLY UNDERESTIMATES SOCIAL SECURITY LIABILITIES

NCPA Report Shows Entitlement Liabilities Are Far Greater Than Trustees' Report Claims

DALLAS, TX (May 13, 2009) — The unfunded liabilities of Social Security may be much greater than yesterday's report by the program's Trustees' reveals, according to a new analysis by the National Center for Policy Analysis (NCPA).

“The Trustees’ appear to be underestimating the value of Social Security’s unfunded liabilities because they’re not taking into account the riskiness of tax payments that have not been received, benefits that have not yet been earned, and the certainty of benefit payments to seniors who are already retired,” said Laurence J. Kotlikoff, NCPA Senior Fellow and author of the study. “Banks are supposed to use this type of mark-to-market accounting, but Social Security Trustees’ are not held to the same standard.”

Kotlikoff goes on to say that if the Federal Government forced its own agency to use the same mark-to-market accounting that banks are required to use, the Social Security unfunded liability in 2005 would, it appears, have been at least \$10.4 trillion or 23 percent higher than the amount they reported. “The Trustees may be understating the market value of Social Security’s net liabilities by more than \$2 trillion!”

“If the Trustees’ were to give the market value of Social Security’s liabilities and assets, they would likely show a net liability that is higher by almost one-fourth, Kotlikoff says. In reality, we’d have to pay somebody a lot more to assume this debt today than what’s being reported by the Trustees.”

According to Kotlikoff, the numbers that the Trustees released for the Social Security liability paint an extremely bleak future for the program, but as bad as those projections are, the reality of the situation may much worse.

Click here to view the full report: <http://www.ncpa.org/pub/ba658>.

To arrange an interview with Dr. Kotlikoff, please contact Leah Gipson via the information above.

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