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## **Academy Looks at Means Testing as Means to Improve Social Security Solvency**

**WASHINGTON – 11 Dec. 2012** – While Social Security received scant attention in the election campaigns this year, the government program still faces long-term funding issues. One approach sometimes suggested to help Social Security’s outlook calls for reducing or eliminating payments to more affluent beneficiaries. The American Academy of Actuaries today released an issue brief, [Means Testing for Social Security](#), that examines proposals designed to limit Social Security benefits to high-income retirees, including how that change could affect both the solvency and underlying principles of the program.

Social Security’s Old-Age and Survivors & Disability Insurance trust fund assets are projected to be exhausted and the system will revert to a pay-as-you-go system in 2033. To improve Social Security’s long-term financial outlook, many have proposed reform options, and means testing is one of those approaches to reduce costs. Several methods of means testing, each with its own set of advantages and disadvantages, have been suggested, including:

- An income test that could take into account all income or only “wealth-related” income, such as investment or business income;
- An asset test to include all assets or exclude commonly or widely held assets such as residential property and cars;
- A test similar to provisions in the 2003 Medicare reform that increased the Part B premium for high-income retirees and based the costs to the participant of the Part D drug benefit in part on current income and assets.

(more)

“Reducing payments to more affluent retirees could save significant money for Social Security, but consideration needs to be given to this because it would fundamentally change the program that promises to pay benefits to those who contributed into Social Security while working,” said Donald Fuerst, senior pension fellow at the American Academy of Actuaries. “Another factor to consider is the design of the specific proposal: savings from lower benefit payments would be partially offset by higher administrative costs and indirect costs, such as legal and illegal methods to avoid benefit reductions.”

For more information or to arrange an interview with an actuary, contact Doug Abrahms at 202-785-7886. For more information on the Academy, please visit: [www.actuary.org](http://www.actuary.org).

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The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.