



SOCIAL SECURITY

October 27, 2015

The Honorable John Boehner
Speaker of the House of Representatives
Washington, D.C. 20510

Dear Speaker Boehner:

Several provisions in Title VIII of H.R. 1314, the “Bipartisan Budget Act of 2015,” introduced today, will have direct effects on the actuarial status of the Federal Old-Age and Survivors Insurance (OASI) and Federal Disability Insurance (DI) Trust Funds. Under the intermediate assumptions of the 2015 Trustees Report, enactment of these provisions is projected to reduce the long-range 75-year OASDI actuarial deficit by 0.04 percent of taxable payroll, from 2.68 percent of taxable payroll under current law to 2.65 percent of payroll under the proposal. The projected year of trust fund reserve depletion for the DI Trust Fund would be extended from 2016 to 2022. For the OASI Trust Fund and for the combined OASI and DI Trust Funds, the years of projected reserve depletion would remain unchanged at 2035 and 2034, respectively. Please note that these estimates are preliminary and are subject to change as we refine our methods and our understanding of the precise implementation of various provisions.

The Bill includes a temporary reallocation of a portion of the OASDI payroll tax rate from OASI to DI. The point of order that the House adopted at the beginning of the 114th Congress prohibits consideration of any legislation that reduces the actuarial balance of the OASI Trust Fund by at least 0.01 percent of the present value of future taxable payroll (about \$42 billion in net present value) for the 75-year long-range period. However, the point of order may be waived if the legislation improves the actuarial balance of the combined OASI and DI Trust Funds for the 75-year period. This Bill does in fact provide a significant improvement in the overall financial status of the OASDI program.

Over the short-term period 2015 through 2025, we estimate that OASDI program cost will be reduced by between \$5 billion and \$9 billion, depending on the speed of implementation of the various provisions. We are assuming relatively rapid implementation consistent with the intent of the provisions. The attached Table 1 provides our estimates of the changes in annual OASDI cost and income expressed as a percentage of taxable payroll for the combined OASI and DI Trust Funds over the next 75 years.

The following provisions are projected to change the cost or income of the OASDI program by at least the equivalent of \$10 million per year once fully implemented. Many other provisions would have smaller effects.

Provisions of the Bill with Significant Direct Effects on Social Security Actuarial Status

Section 811. Expansion of cooperative disability investigations (CDI) units. This section requires the establishment of CDI units to cover each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Northern Mariana Islands, the Virgin Islands, and American Samoa by 2022. The additional units established under this provision would roughly double CDI capacity and will enhance the Social Security Administration's (SSA) efforts to reduce fraud and overpayments.

Section 824. Use of electronic payroll data to improve program administration. Access to more timely data on earnings from commercial databases will allow SSA to reduce improper payments.

Section 831. Closure of unintended loopholes. This provision would eliminate (1) the ability to receive only a worker benefit or a spouse benefit when eligible for both, and (2) the ability of a family member other than a divorced spouse to receive a benefit based on the earnings of a worker with a suspended benefit. This provision is expected to have essentially no net cost effect through 2025, with cost reductions increasing thereafter. This provision alone will reduce the long-range OASDI actuarial deficit by 0.02 percent of taxable payroll.

Section 832. Requirement for medical review. This section requires that the medical portion of the case review and any applicable residual functional capacity assessment for an initial disability determination be completed by an appropriate physician, psychiatrist, or psychologist. Based on program experience, this provision is projected to reduce DI program cost, and will reduce the long-range OASDI actuarial deficit by 0.02 percent of taxable payroll.

Section 833. Reallocation of payroll tax revenue. For earnings in calendar years 2016 through 2018, increase from 1.80 percent to 2.37 percent the portion of the total 12.40 percent OASDI payroll tax that is directed to the DI Trust Fund. This reallocation of the payroll tax rates is projected to change the date for DI reserve depletion from the fourth quarter of 2016 to approximately the third quarter of 2022.

Section 834. Access to financial information for waivers and adjustments of recovery. This provision would provide for access to information that would allow SSA to better determine an individual's ability to repay any past overpayment.

We hope these estimates will be helpful. Please let us know if we may provide further assistance.

Sincerely,



Stephen C. Goss
Chief Actuary

Enclosure

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio

Preliminary Estimated Effects of Enactment of Title VIII-Social Security of the "Bipartisan Budget Act of 2015" (H.R. 1314)

Year	Proposal			Trust Fund Ratio 1-1-year	Change from Present Law		
	Expressed as a percentage of present-law taxable payroll				Expressed as a percentage of present-law taxable payroll		
	Cost Rate	Income Rate	Annual Balance		Cost Rate	Income Rate	Annual Balance
2015	14.13	12.82	-1.31	308	0.00	0.00	0.00
2016	13.88	12.88	-1.00	298	0.00	0.00	0.00
2017	13.89	12.91	-0.98	280	0.00	0.00	0.00
2018	13.97	12.94	-1.03	264	0.00	0.00	0.00
2019	14.08	12.95	-1.13	249	-0.01	0.00	0.01
2020	14.22	12.96	-1.25	233	-0.01	0.00	0.01
2021	14.33	12.98	-1.35	219	-0.01	0.00	0.01
2022	14.51	13.01	-1.49	204	-0.01	0.00	0.01
2023	14.71	13.03	-1.68	189	-0.01	0.00	0.01
2024	14.94	13.06	-1.88	173	-0.01	0.00	0.01
2025	15.15	13.08	-2.06	158	-0.02	0.00	0.02
2026	15.34	13.10	-2.24	143	-0.02	0.00	0.02
2027	15.53	13.11	-2.42	127	-0.02	0.00	0.02
2028	15.72	13.13	-2.60	111	-0.03	0.00	0.03
2029	15.90	13.14	-2.76	95	-0.03	0.00	0.03
2030	16.07	13.15	-2.91	79	-0.03	0.00	0.03
2031	16.21	13.17	-3.05	61	-0.03	0.00	0.03
2032	16.34	13.18	-3.17	43	-0.03	0.00	0.03
2033	16.44	13.18	-3.26	25	-0.03	0.00	0.03
2034	16.52	13.19	-3.33	6	-0.04	0.00	0.03
2035	16.58	13.20	-3.39	----	-0.04	0.00	0.03
2036	16.64	13.20	-3.44	----	-0.04	0.00	0.04
2037	16.68	13.21	-3.47	----	-0.04	0.00	0.04
2038	16.69	13.21	-3.48	----	-0.04	0.00	0.04
2039	16.69	13.21	-3.48	----	-0.04	0.00	0.04
2040	16.67	13.21	-3.46	----	-0.04	0.00	0.04
2041	16.65	13.21	-3.43	----	-0.04	0.00	0.04
2042	16.62	13.21	-3.41	----	-0.04	0.00	0.04
2043	16.60	13.21	-3.38	----	-0.04	0.00	0.04
2044	16.57	13.21	-3.36	----	-0.04	0.00	0.04
2045	16.55	13.21	-3.34	----	-0.04	0.00	0.04
2046	16.53	13.21	-3.32	----	-0.04	0.00	0.04
2047	16.52	13.22	-3.30	----	-0.04	0.00	0.04
2048	16.50	13.22	-3.29	----	-0.04	0.00	0.04
2049	16.49	13.22	-3.28	----	-0.04	0.00	0.04
2050	16.50	13.22	-3.28	----	-0.04	0.00	0.04
2051	16.51	13.22	-3.29	----	-0.04	0.00	0.04
2052	16.53	13.22	-3.31	----	-0.05	0.00	0.04
2053	16.56	13.22	-3.33	----	-0.05	0.00	0.04
2054	16.60	13.23	-3.37	----	-0.05	0.00	0.04
2055	16.64	13.23	-3.41	----	-0.05	0.00	0.04
2056	16.69	13.23	-3.46	----	-0.05	0.00	0.04
2057	16.75	13.24	-3.51	----	-0.05	0.00	0.04
2058	16.80	13.24	-3.56	----	-0.05	0.00	0.04
2059	16.85	13.25	-3.61	----	-0.05	0.00	0.04
2060	16.91	13.25	-3.66	----	-0.05	0.00	0.04
2061	16.96	13.25	-3.70	----	-0.05	0.00	0.05
2062	17.01	13.26	-3.75	----	-0.05	0.00	0.05
2063	17.06	13.26	-3.80	----	-0.05	0.00	0.05
2064	17.11	13.26	-3.85	----	-0.05	0.00	0.05
2065	17.17	13.27	-3.90	----	-0.05	0.00	0.05
2066	17.22	13.27	-3.95	----	-0.05	0.00	0.05
2067	17.28	13.28	-4.01	----	-0.05	0.00	0.05
2068	17.34	13.28	-4.06	----	-0.05	0.00	0.05
2069	17.40	13.28	-4.11	----	-0.05	0.00	0.05
2070	17.45	13.29	-4.17	----	-0.05	0.00	0.05
2071	17.50	13.29	-4.21	----	-0.05	0.00	0.05
2072	17.55	13.29	-4.25	----	-0.05	0.00	0.05
2073	17.58	13.29	-4.29	----	-0.05	0.00	0.05
2074	17.61	13.30	-4.32	----	-0.05	0.00	0.05
2075	17.63	13.30	-4.34	----	-0.05	0.00	0.05
2076	17.65	13.30	-4.35	----	-0.05	0.00	0.05
2077	17.65	13.30	-4.35	----	-0.05	0.00	0.05
2078	17.66	13.30	-4.35	----	-0.05	0.00	0.05
2079	17.66	13.30	-4.36	----	-0.05	0.00	0.05
2080	17.66	13.30	-4.36	----	-0.05	0.00	0.05
2081	17.66	13.30	-4.36	----	-0.05	0.00	0.05
2082	17.68	13.30	-4.37	----	-0.05	0.00	0.05
2083	17.70	13.30	-4.39	----	-0.05	0.00	0.05
2084	17.72	13.30	-4.42	----	-0.05	0.00	0.05
2085	17.76	13.31	-4.45	----	-0.05	0.00	0.05
2086	17.79	13.31	-4.49	----	-0.05	0.00	0.05
2087	17.83	13.31	-4.52	----	-0.05	0.00	0.05
2088	17.88	13.31	-4.56	----	-0.05	0.00	0.05
2089	17.92	13.32	-4.60	----	-0.05	0.00	0.05
2090	17.96	13.32	-4.64	----	-0.05	0.00	0.05

Summarized Rates: OASDI			
	Cost Rate	Income Rate	Actuarial Year of reserve depletion ¹
2015 - 2089	16.51%	13.86%	-2.65% 2034

Summarized Rates: OASDI		
Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
-0.04%	0.00%	0.04%

Based on Intermediate Assumptions of the 2015 Trustees Report

¹ Under present law the year of Trust Fund reserve depletion is 2034