OIG Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Informational Report

Disability Insurance Trust Fund

A-15-15-15024 | December 2014

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: December 1, 2014 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Disability Insurance Trust Fund (A-15-15-15024)

The attached final informational report presents the results of our review. Our purpose was to review various proposals for addressing the pending depletion of the Disability Insurance Trust Fund.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

Patrick P. O'Carroll, Jr.

Attachment

Disability Insurance Trust Fund
A-15-15-15024

SOCIAL SECURITY ADMINISTRATION
OIG

December 2014 **Office of Audit Report Summary**

Purpose

To review various proposals for addressing the pending depletion of the Disability Insurance (DI) Trust Fund.

Background

The Old-Age, Survivors and Disability Insurance (OASDI) program makes monthly income available to insured workers and their families at retirement, death, or disability. The OASDI program consists of two parts. Retired workers, their families, and survivors of deceased workers receive monthly benefits under the Old-Age and Survivors Insurance (OASI) program. Disabled workers and their families receive monthly benefits under the DI program. Benefits under both programs are paid from the Social Security Trust Funds.

The Board of Trustees of the Social Security Trust Funds 2014 Annual Report projected that the reserves of the DI Trust Fund, which have been declining since 2009, will continue declining until they are depleted in 2016. When reserves are depleted, continuing income to the DI Trust Fund will be sufficient to pay 81 percent of scheduled DI benefits.

We reviewed various proposals to identify how several scenarios would affect the DI Trust Fund.

Summary

The 2014 Trustees' Annual Report has projected that the DI Trust Fund reserves will be depleted in the fourth quarter of 2016, and the combined OASI and DI Trust Funds would be depleted in 2033. Although the DI Trust Fund is estimated to be depleted in the fourth quarter of 2016, the Trustees have recommended that lawmakers address the projected Trust Fund shortfalls for the combined OASI and DI Trust Funds in a timely way to phase in necessary changes and give workers and beneficiaries time to adjust to them. Implementing changes soon would allow more generations to share in the needed revenue increases or reductions in scheduled benefits.

SSA's Office of the Chief Actuary (OCACT) has responded to several congressional requests and issued estimates for various proposals addressing changes that would affect the financial position of the Social Security Trust Funds. These proposals offer various options for Congress to consider to address the long-range actuarial status of the OASDI programs and the looming depletion of the DI Trust Fund. While we are providing no opinion as to the merits of each option, we do believe some action needs to be taken to permit beneficiaries to receive their full benefit payments.

Absent another act of Congress, the *Social Security Act* does not permit further inter-Fund borrowing. The *Social Security Act* also specifies that benefit payments shall be made only from the Trust Funds (that is, accumulated Trust Fund assets and current tax income). Consequently, if the Social Security Trust Funds become depleted—that is, if current tax income and accumulated assets are not sufficient to pay the benefits to which people are entitled—current law would effectively prohibit full Social Security benefits from being paid on time. The Agency would then have to decide whether to pay disabled beneficiaries 81 percent of their scheduled benefits on time, delay benefit payments until enough funds are available, or determine another alternative. The Agency reviewed the draft report and provided technical comments, which we incorporated, as appropriate.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
COLA	Cost-of-Living Adjustment
CPI-E	Consumer Price Index for the Elderly
CPI-W	Consumer Price Index for Urban Wage Earners and Clerical Workers
CY	Calendar Year
DI	Disability Insurance
EEA	Earliest Eligibility Age
NRA	Normal Retirement Age
OCACT	Office of the Chief Actuary
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
U.S.C.	United States Code

PURPOSE

Our purpose was to review various proposals for addressing the pending depletion of the Disability Insurance (DI) Trust Fund.

BACKGROUND

The Old-Age, Survivors and Disability Insurance (OASDI) program makes monthly income available to insured workers and their families at retirement, death, or disability.[1] The OASDI program consists of two parts. Retired workers, their families, and survivors of deceased workers receive monthly benefits under the Old-Age and Survivors Insurance (OASI) program. Disabled workers and their families receive monthly benefits under the DI program. Benefits under both programs are paid from the two Social Security Trust Funds. The OASI Trust Fund pays benefits to retired workers and their families and to families of deceased workers. The DI Trust Fund pays benefits to disabled workers and their families.

The *Social Security Act* established a Board of Trustees[2] to oversee the OASI and DI Trust Funds' financial operations.[3] The *Social Security Act* requires that, among other duties, the Board annually report to Congress on the Trust Funds' actuarial status and financial operations. Each year, the Trustees of the Social Security Trust Funds issue an Annual Report on their financial status, including projections of future revenue and expenditures. See Appendix A for a breakout of the revenues and expenditures for the OASI and DI Trust Funds for the past 10 years. The Trustees issue Annual Reports based on calendar year (CY) data for the previous year. For example, the 2013 Trustees' Report was based on the CY 2012 data. The *Social Security Act* also specifies that benefit payments be made only from the Trust Funds (that is, accumulated Trust Fund assets and current tax income) and does not permit inter-Fund borrowing.[4]

Financial Adequacy of the Trust Funds

The Board of Trustees' 2014 Annual Report projected that the DI Trust Fund asset reserves, which have been declining since 2009, will continue declining until they are depleted in the fourth quarter of 2016. At the end of 2013, the OASDI program was providing benefit payments

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[1] The *Social Security Act* § 201, et. seq., 42 U.S.C. § 401, et seq.

[2] The Board of Trustees currently comprises six members; four automatically serve because of their positions in the Government. These four are the Secretary of the Treasury (Managing Trustee); Secretary of Labor; Secretary of Health and Human Services; and Commissioner of Social Security. The remaining two members are appointed by the President and confirmed by the Senate.

[3] The *Social Security Act* § 201(c), 42 U.S.C § 401(c).

[4] The Social Security Act § 201(h) and (l)(1), 42 U.S.C. § 401(h) and (l)(1); *see also*, The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Section VI, Appendices Subsection I. Glossary, Inter-fund borrowing, p. 227.

to about 58 million people. From the OASI Trust Fund, the Social Security Administration (SSA) paid 41 million retired workers and their dependents and 6 million survivors of deceased workers. From the DI Trust Fund, SSA paid 11 million disabled workers and their dependents. In 2013, an estimated 163 million people had earnings covered by Social Security and paid payroll taxes. Total expenditures in 2013 were $823 billion. Total income was $855 billion: $752 billion in non-interest income[5] and $103 billion in interest earnings. See Appendix B for a breakout of 2013 expenditures and income for each program.

In 2013, Social Security's cost for the OASDI program continued to exceed the tax income[6] and non-interest income,[7] as it has since 2010. The Trustees project this relationship to continue throughout the short-range[8] period and beyond. The 2013 deficit of tax income relative to cost, was $76 billion.[9] The 2013 deficit of non-interest income relative to cost was $71 billion. Recently, OASDI tax income and non-interest income have differed because the Social Security payroll tax was temporarily reduced in 2011 and 2012 resulting in reimbursements from the General Fund of the Treasury to the Social Security Trust Funds that totaled $103 billion in 2011, $114 billion in 2012, and $5 billion in 2013. For 2014, the Trustees project the deficit of tax income (and non-interest income) will be approximately $80 billion.

The Trustees project that the asset reserves of the OASI Trust Fund and the combined OASI and DI Trust Funds will be adequate to pay benefits over the next 10 years under the intermediate assumptions.[10] However, the projected reserves of the DI Trust Fund declined steadily at the beginning of 2014 from 62 percent of annual cost and will continue to decline until the Trust Fund reserves are depleted in the fourth quarter of 2016. When reserves are depleted, continuing income to the DI Trust Fund would be sufficient to pay 81 percent of scheduled DI benefits.

[5] Non-interest income for a given year is the sum of tax revenue on a cash basis (payroll tax contributions and income from the taxation of scheduled benefits) and reimbursements from the General Fund of the Treasury, if any.

[6] The total tax income for 2013 included $726 billion in payroll tax contributions and $21 billion in taxation of benefits, totaling $747 billion.

[7] The total non-interest income of $752 billion for 2013 includes $726 billion in payroll tax contributions, $5 billion in reimbursements from the General Fund of the Treasury, and $21 billion in taxation of benefits.

[8] Short-range is defined as the next 10 years, 2014 through 2023. The Trustees prepare short-range actuarial estimates for this period because of the short-range test of financial adequacy.

[9] The $76 billion deficit does not account for the $5 billion reimbursement from the General Fund of the Treasury or $103 billion in earned interest.

[10] The Trustees present three sets of demographic, economic, and program-specific assumptions. Alternative II is the intermediate set of assumptions, and represents the Trustees' best estimates of likely future demographic, economic, and program-specific conditions. Alternative I is a low-cost set of assumptions—it assumes relatively rapid economic growth, high inflation, and favorable demographic and program-specific conditions. Alternative III is a high-cost set of assumptions—it assumes relatively slow economic growth, low inflation, and unfavorable demographic and program-specific conditions.

Causes for the Decline in the DI Trust Fund

Overall, OASDI costs will rise over the next 20 years as baby boomers retire and lower-birth-rate generations born after 1965 replace the population at working ages. The lower birth rates after 1965 caused a permanent shift in the population's age distribution, with fewer workers supporting more retirees. Additionally, the baby boomer generation has moved from less disability-prone ages (25 to 44) to more disability prone ages (45 to 64). See Figure C–1 in Appendix C. This, along with other issues, has resulted in the flat projected number of workers per DI beneficiary for the future.

The number of disabled worker beneficiaries increased 187 percent from 2.9 million in 1980 to 8.2 million in 2010 while the number of workers increased by just 39 percent. In addition, incidence rates[11] have increased more in younger people than older people. In 1980, the incidence rates for ages 25 to 44 were about 20 percent as large as the incidence rate at ages 45 to 64. By 2010, the incidence rate for ages 25 to 44 rose to 28 percent as high as the rate for ages 45 to 64. Incidence rates tend to increase temporarily in bad economic times. Some individuals who could readily qualify for DI benefits based on the severity of their medically determinable impairment may be able to work at a level in excess of substantial gainful activity[12] given the opportunity. However, with elevated unemployment rates in recent years, many of these individuals lost employment and sought DI benefits. As a result, the number of applications for disability benefits under the OASDI program increased starting in 2009. See Figure C–3 in Appendix C.

Recent News

Recent news articles have discussed the looming depletion of the DI Trust Fund. However, Congress has not taken any permanent steps to resolve the issue. In September 2013, Representative Sanchez introduced H.R. 3118, *Strengthening Social Security Act of 2013*,[13] to institute several items that would address the long-range solvency of the OASDI program and the looming depletion of the DI Trust Fund. Although this bill was introduced in September, the House has not passed it. We reviewed various proposals submitted to the Chief Actuary by

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[11] The disability incidence rate is the ratio of the number of new beneficiaries awarded benefits each year to the number of individuals who meet insured status requirements but are not yet receiving benefits.

[12] SSA defines substantial gainful activity as work activity that is both substantial and gainful. Substantial work activity is work activity that involves doing significant physical or mental activities, even if done on a part-time basis. Gainful work activity is work activity usually done for pay or profit, whether or not profit is realized. *See,* 20 C.F.R. §404.1572.

[13] This bill was referred to the House Committee on Education and Workforce and the House Committee on Ways and Means. Senator Harkin introduced the identical bill in the Senate, S. 567, *Strengthening Social Security Act of 2013.* It was referred to the Senate Committee on Finance. No action has been taken on the bill. A related bill is S. 2382, *Fair Raises for Seniors Act*, introduced by Senator Merkley. Referred to the Senate Committee on Finance, no action has been taken on the bill.

Congress as well as provisions in the *Strengthening Social Security Act of 2013* to identify how these scenarios would affect the overall Social Security actuarial status and the DI Trust Fund.

PROPOSALS EVALUATED BY SSA'S OFFICE OF THE CHIEF ACTUARY

SSA's Office of the Chief Actuary (OCACT) has responded to several congressional requests and issued estimates for various proposals addressing changes that would affect the financial position of the Social Security Trust Funds. These proposals offer various options for Congress to consider to address the long-range actuarial status of the OASDI programs and the looming depletion of the DI Trust Fund. For our report we reviewed various OCACT products that summarized "Proposals Affecting Trust Fund solvency," dating back to 2012. With respect to Trust Fund Solvency, the OCACT products we summarized had a common theme of Cost-of-Living Adjustment, Payroll Taxes, and Retirement Age. Additional information can be found on http://www.ssa.gov/oact/solvency/index.html. While we are providing no opinion as to the merits of each option, we do believe some action needs to be taken to permit beneficiaries to receive their full benefit payments.

Cost-of-Living Adjustment

An annual cost-of-living adjustment (COLA) applies to benefits after initial eligibility. The purpose of the COLA is to ensure that inflation does not erode the purchasing power of Social Security benefits. The COLA is based on the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). It is measured from the third quarter of the last year a COLA was determined to the third quarter of the current year.

In August 2012, Senator Hutchison requested that OCACT provide estimates of the financial effects on Social Security of a proposal to restore 75-year solvency[14] for Social Security.[15] Part of the proposal was an adjustment to the computation of the COLA. The proposal stated, ". . . the annual COLA for all OASDI benefits will be computed for each year starting December 2012 exactly as specified in current law and will then be reduced by 1 percentage point, but not to less than zero. When the COLA is reduced by less than 1 percentage point for any year, the remaining potential reduction will not be carried over to a subsequent year."

Based on that proposal, OCACT noted that SSA would compute the COLA for each December in a two-step process. First, SSA would compute a preliminary COLA exactly as if the provision in this proposal had never been enacted. Second, the Agency would reduce the preliminary COLA by 1 percentage point, but not to less than zero. According to OCACT, this provision

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[14] A program is solvent at a point in time if it is able to pay scheduled benefits when due with scheduled financing. The proposal was developed by Staff of Sen. Hutchison working closely with the OCACT.

[15] See SSA OCACT response at, http://www.socialsecurity.gov/OACT/solvency/KHutchison_20120912.pdf.

alone would reduce the long-range OASDI actuarial deficit[16] by 1.62 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2086) by 2.14 percent of payroll.[17]

Additionally, in March 2013, OCACT responded to a request from Senator Harkin for an estimate of the financial effects on Social Security from the *Strengthening Social Security Act of 2013*,[18] which was referred to the Senate Committee on Finance on March 14, 2013.[19] This bill includes a provision that will compute the COLA using the Consumer Price Index for the Elderly (CPI-E) starting December 2014 instead of the CPI-W, as stated in current law. The Bureau of Labor Statistics developed the CPI-E to reflect the spending patterns of consumers over age 62. OCACT estimated this provision would increase the long-range OASDI actuarial deficit by 0.37 percent of taxable payroll and increase the annual deficit for the 75th projection year (2086) by 0.51 percent of payroll.

Payroll Taxes

Under current law, payroll taxes totaling 12.4 percent apply to covered earnings in a year up to the contribution and benefit base, or taxable maximum. This taxable maximum was $113,700 in 2013 and $117,000 in 2014, and future increases will be in line with increases in the national average wage average.

In addition to the COLA provision noted in the *Strengthening Social Security Act of 2013*,[20] the bill included a provision to eliminate the taxable maximum earnings by 2018. Under this provision, all covered earnings in excess of the present-law taxable maximum would be subject to some payroll tax starting in 2014. Covered earnings in excess of the maximum would be taxed at a 2.48-percent rate in 2014, a 4.96-percent rate in 2015, a 7.44-percent rate in 2016, and a 12.4-percent rate in 2018 and later. Therefore, all covered earnings above and below the present-law taxable maximum would be taxed at the full 12.4 percent payroll tax rate for 2018 and later. OCACT estimated this provision would reduce the long-range OASDI actuarial deficit by 2.11 percent of taxable payroll and reduce the annual deficit for the 75th year projection year (2086) by 2.21 percent of payroll.

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[16] A negative difference between the summarized income rate and the summarized cost rate over a given valuation period.

[17] At the time of this proposal, under current law, the long-range OASDI actuarial balance was estimated at negative 2.67 percent of taxable payroll and the 75th year annual balance was negative 4.50 percent of taxable payroll.

[18] S. 567, 113th Congress (2013).

[19] See SSA OCACT response at, http://www.socialsecurity.gov/OACT/solvency/THarkin_20130318.pdf.

[20] Id.

Additionally, OCACT published a memorandum[21] in May 2013 providing information on a potential reallocation of the payroll tax rate between the DI and OASI programs. The actuaries presented the following table containing one option for temporarily reallocating payroll taxes for 2014 through 2025. Under this option, the projected dates the OASI and DI Trust Fund reserves would be depleted would occur in the same year. Table 1: Social Security Payroll Tax Rates Under a Potential Reallocation[22]

Calendar Years	Employees and Employers Each			Self-Employed		
	OASDI	OASI	DI	OASDI	OASI	DI
2013	6.2	5.3	0.9	12.4	10.6	1.8
2014-15	6.2	4.8	1.4	12.4	9.6	2.8
2016	6.2	5.0	1.2	12.4	10.0	2.4
2017-19	6.2	5.1	1.1	12.4	10.2	2.2
2020-25	6.2	5.2	1.0	12.4	10.4	2.0
2026+	6.2	5.3	0.9	12.4	10.6	1.8

Projections under this provision of the change in tax rates showed the financial status of the combined OASI and DI Trust Funds is essentially the same as under present law. The combined asset reserves of the OASI and DI Trust Funds will deplete in 2033. After reserve depletion in 2033, tax income will cover 77 percent of cost. This will decrease to 72 percent in 2087.

If viewing the Trust Funds individually,

- The asset reserves of the OASI Trust Fund deplete in 2033. After reserves deplete in 2033, tax income will cover 75 percent of cost. This will decrease to 71 percent in 2087.
- The asset reserves of the DI Trust Fund will deplete in 2033. After reserves deplete in 2033, non-interest income cover 87 percent of cost. This will decrease to 81 percent in 2087.

Retirement Age

Under current law, the normal retirement age (NRA) will increase 2 months per year beginning with individuals attaining age 62 in 2017 until they reach age 67. Thus, the NRA for individuals who attain age 62 in 2022 and later will be age 67. The earliest eligibility age (EEA) under current law does not change; it remains at age 62.

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[21] SSA OCACT, *Potential Reallocation of the Payroll Tax Rate Between the DI Program and the OASI Program,* May 31, 2013, available at http://www.socialsecurity.gov/OACT/solvency/NA_20130531.pdf.

[22] Id.

OCACT's response to Senator Hutchison's August Senate request also analyzed a provision to increase the NRA by 3 months per year beginning with individuals who attain age 62 in 2016 until the NRA reaches age 70. Thus, the NRA for individuals who attain age 62 in 2031 and later would be age 70. This provision also increases the EEA for retirement benefits from age 62 to 64. The EEA would increase 3 months per year starting with individuals attaining age 62 in 2016 and stopping with individuals who attain age 62 in 2023. For individuals who attain age 62 after 2023, the EEA would be age 64. OCACT estimated this provision would reduce the long-range OASDI actuarial deficit by an estimated 1.20 percent of taxable payroll and would reduce the annual deficit for the 75th projection year (2086) by 1.84 percent of payroll.[23]

SUMMARY

The 2014 Trustees' Annual Report has projected that the reserves of the DI Trust Fund will deplete in the fourth quarter of 2016 and the combined OASI and DI Trust Funds will be depleted in 2033. Although the DI Trust Fund is estimated to be depleted in the fourth quarter of 2016, the Trustees have recommended that lawmakers address the projected Trust Fund shortfalls for the combined OASI and DI Trust Funds in a timely way to phase-in necessary changes and give workers and beneficiaries time to adjust to them. Implementing changes soon would allow more generations to share in the needed revenue increases or reductions in scheduled benefits.

With the prospect of the future depletion of the DI Trust Fund, action needs to be taken to permit beneficiaries to receive their full benefit payments. Absent another act of Congress, the *Social Security Act* does not permit further inter-Fund borrowing.[24] The *Social Security* Act also specifies that benefit payments shall be made only from the Trust Funds (that is, accumulated Trust Fund assets and current tax income).[25] Consequently, if the Social Security Trust Fund reserves become depleted—that is, if current tax income and accumulated assets are not sufficient to pay the benefits to which people are entitled—current law would effectively prohibit full Social Security benefits from being paid on time. The Agency would then have to decide whether to pay disabled beneficiaries 81 percent of their scheduled benefits on time, delay benefit payments until enough funds are available, or determine another alternative. SSA reviewed the draft report and provided technical comments, which we incorporated, as appropriate.

[23] Supra, note 15, at p. 5.

[24] The *Social Security Act* § 201(l)(1), 42 U.S.C. § 401(l)(1); *see also*, The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Section VI, Appendices Subsection I. Glossary, Inter-fund borrowing, p. 227.

[25] The *Social Security Act* § 201(h), 42 U.S.C. § 401(h).

APPENDICES

Appendix A – Trust Fund Revenues and Expenditures

The Tables below summarize the revenues and expenditures over the last 10 years for the Disability Insurance (DI) and Old-Age and Survivors Insurance (OASI) Trust Funds.[1]

Table A–1: DI Trust Fund, 2004-2013 (in millions)[2]

Calendar Year	Total Receipts	Total Expenditures	Net Increase in Assets During Year	Assets at End of Year
2004	91,380	80,597	10,783	186,217
2005	97,423	88,018	9,405	195,623
2006	102,641	94,456	8,185	203,808
2007	109,854	98,778	11,076	214,884
2008	109,840	108,951	889	215,773
2009	109,283	121,506	-12,223	203,550
2010	104,017	127,660	-23,643	179,907
2011	106,276	132,332	-26,056	153,850
2012	109,115	140,299	-31,184	122,666
2013	111,228	143,450	-32,221	90,445

[1] Note – there may be some differences in amounts due to rounding.

[2] The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Section VI, Appendices Subsection A. Operations of the DI Trust Funds, Calendar Years 1957 – 2013,Table VI.A2, pgs. 151 - 152. Also, see http://mwww.ba.ssa.gov/OACT/STATS/table4a2.html.

Table A–2: OASI Trust Fund, 2004-2013 (in millions) [3]

Calendar Year	Total Receipts	Total Expenditures	Net Increase in Assets During Year	Assets at End of Year
2004	566,338	421,047	145,292	1,500,622
2005	604,335	441,920	162,415	1,663,037
2006	642,231	460,965	181,266	1,844,304
2007	675,035	495,723	179,312	2,023,616
2008	695,462	516,192	179,270	2,202,886
2009	698,208	564,295	133,912	2,336,798
2010	677,111	584,866	92,245	2,429,043
2011	698,781	603,750	95,031	2,524,075
2012	731,075	645,482	85,593	2,609,668
2013	743,793	679,475	64,317	2,673,985

[3] Id., Operations of the OASI Trust Fund, Calendar Years 1937-2013,Table VI.A1, p. 150. Also, see http://mwww.ba.ssa.gov/OACT/STATS/table4a1.html.

Appendix B – 2013 TRUST FUND FINANCIAL OPERATIONS

Figure B–1: 2013 Trust Fund Financial Operations (in billions)[1]

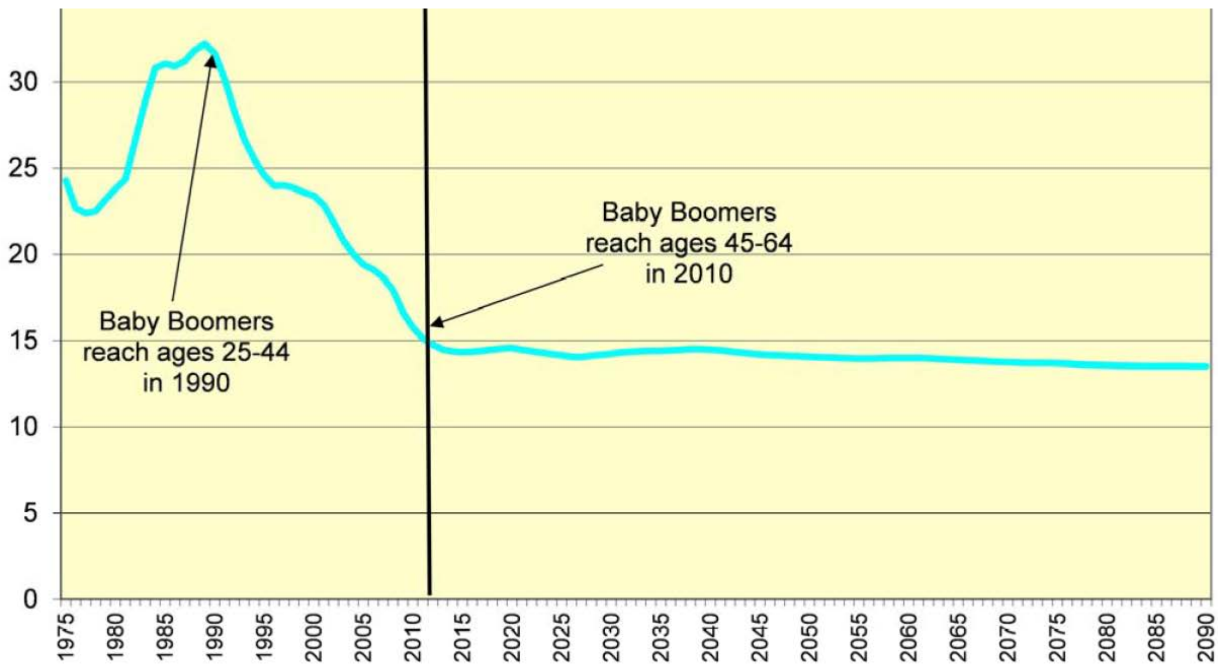
	OASI	DI	OASDI
Asset reserves at the end of 2012	$2,609.7	$122.7	$2,732.3
Total income in 2013	743.8	111.2	855.0
Net payroll tax contributions	620.8	105.4	726.2
Reimbursement from General Fund of the Treasury	4.2	.7	4.9
Taxation of benefits	20.7	.4	21.1
Interest	98.1	4.7	102.8
Total expenditures in 2013	679.5	143.4	822.9
Benefit payments	672.1	140.1	812.3
Railroad Retirement financial interchange	3.9	.6	4.5
Administrative expenses	3.4	2.8	6.2
Net increase in asset reserves in 2013	64.3	-32.2	32.1
Asset reserves at the end of 2013	2,674.0	90.4	2,764.4

Note: Totals do not necessarily equal the sums of rounded components.

[1] The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Section II, Overview, Subsection B. Trust Fund Financial Operations in 2013, Table II.B1, p. 6.

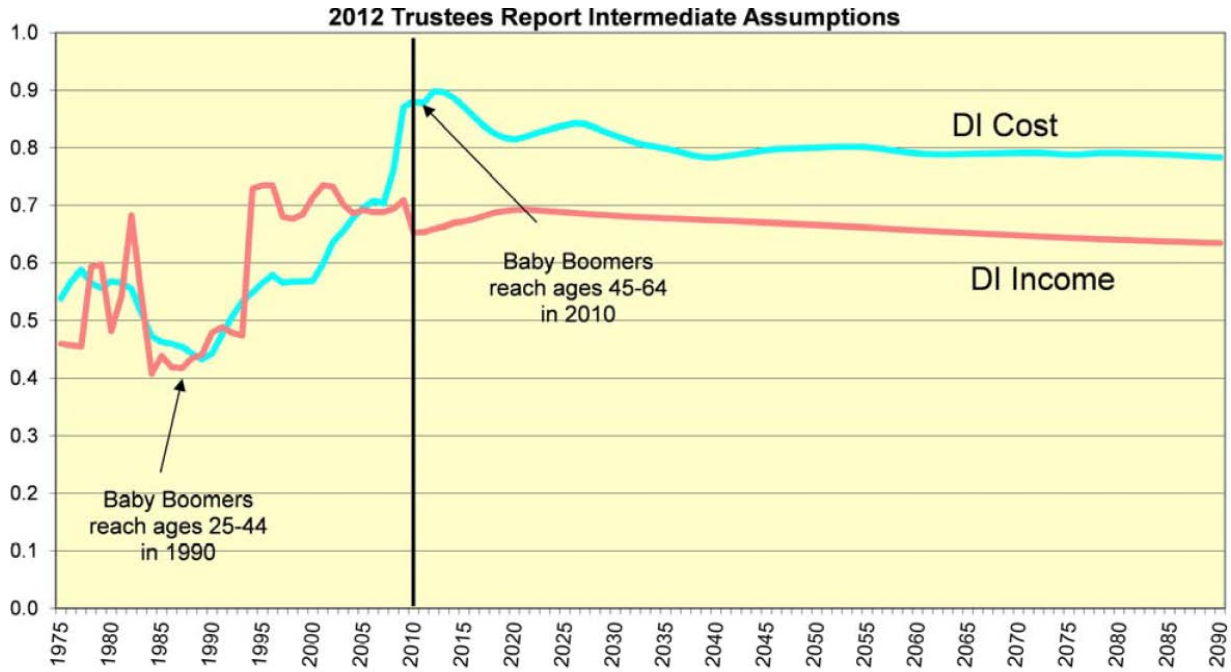
Appendix C – TRUST FUND GRAPHS

Figure C–1: Workers per Disability Insurance Beneficiary[1]



[1] *The Financing Challenges Facing the Social Security Disability Insurance Program: Hearing before the House Committee on Ways and Means, Subcommittee on Social Security*, 113th Cong. (March 14, 2013, Statement of Stephen G. Goss, Chief Actuary, Social Security Administration Figure 3, p. 3).

Figure C–2: Disability Insurance Cost and Income as Percent of Gross Domestic Product 1975-2090[2]



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[2] Id., Figure 4, at p. 4.

Figure C–3: Old-Age, Survivors and Disability Insurance Disability Determination Services Applications: Disabled Workers, Children and Widows (thousands)[3]

Note: TR means Trustees Report

[3] Id., Figure 7, at p. 7.

Appendix D– SCOPE AND METHODOLOGY

To accomplish our purpose we:

- Reviewed the 2013 and 2014 Trustees Reports.
- Reviewed relevant news articles relating to the sustainability of the Disability Insurance Trust Fund.
- Reviewed applicable proposals issued by the Office of the Chief Actuary. Specifically, we reviewed various OCACT products that summarized "Proposals Affecting Trust Fund solvency," dating back to 2012. With respect to Trust Fund Solvency, the OCACT products we summarized had a common theme of Cost-of-Living Adjustment, Payroll Taxes, and Retirement Age. Additional information can be found on http://www.ssa.gov/oact/solvency/index.html.
- Reviewed applicable testimony presented by the Office of the Chief Actuary.

The performance period for this review was from July to August 2014 in Baltimore, Maryland. This review was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation.*

Appendix E – MAJOR CONTRIBUTORS

Victoria Vetter, Financial Audit Division, Audit Director

Judith Kammer, Audit Manager

Kelly Stankus, Senior Auditor

MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

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