



SOCIAL SECURITY
Office of the Chief Actuary

July 22, 2015

The Honorable Xavier Becerra
Ranking Member, Subcommittee on Social Security
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Becerra:

I am writing in response to your request for analysis of the effects on Social Security of the “One Social Security Act,” which you introduced today. This Bill would combine the current separate Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds into a single Social Security Trust Fund, effective January 1, 2016. We have enjoyed working closely with Kathryn Olson and Morna Miller of your staff in reviewing this Bill.

The primary financial effect of enactment of the Bill would be to eliminate the possibility of OASI or DI Trust Fund reserve depletion affecting some Social Security beneficiaries when sufficient reserves are available in the combined OASI and DI Trust Funds to maintain payment of all Social Security benefits in full on a timely basis. Specifically, under present law and the intermediate assumptions of the 2014 Trustees Report, the reserves of DI Trust Fund are projected to become depleted in December of 2016. At that time, DI benefits would be reduced by 19 percent. However, reserves in the OASI Trust Fund are not projected to become depleted until 2034. Enactment of this Bill would consolidate the reserves of the OASI and DI Trust Funds, as well as future income and obligations for the separate programs, as of January 1, 2016. As a result, the consolidated Social Security Trust Fund would be projected to be adequately financed with all OASI and DI benefits payable in full on a timely basis until consolidated reserves become depleted in 2033. The projected reserve depletion date for the consolidated Social Security Trust Fund is 17 years later than projected for the separate DI Trust Fund and 1 year sooner than projected for the separate OASI Trust fund under current law.

The 2014 Trustees Report provides projections for the theoretical combined OASI and DI Trust Funds. For calendar years 2016 and later, the financial operations and the actuarial status of the new Social Security Trust Fund would be essentially the same as shown in that report for the theoretical combined trust funds. The financial operations of the Social Security program would be simplified under the Bill, as all transactions would be made from a single trust fund with no need to separately identify income, obligations, or expenditures in the course of administering the program. The Bill would not change scheduled benefits or income in the law.

Section 3 of the Bill (Required Actuarial Analysis) indicates that the annual Trustees Report “shall also include actuarial analysis of the benefit cost with respect to disabled beneficiaries and their auxiliaries, to retired beneficiaries and their auxiliaries, and to survivor beneficiaries.” We interpret this section to require that the Trustees Report continue to present separately the cost of benefit obligations for disabled worker beneficiaries and their auxiliary beneficiaries up to attainment of normal retirement age, or NRA. The distinction between disabled worker benefit status up to NRA and conversion to retired worker benefit status at NRA would be maintained. In addition, the Bill would require the Trustees Report to provide benefit cost separately for obligations to (1) retired worker beneficiaries and their auxiliary beneficiaries and (2) survivor beneficiaries. This separation is not currently provided in the Trustees Report, but could easily be added.

We note that section 201(c) of the Social Security Act currently requires that the cost of benefits from the OASI Trust Fund for disabled beneficiaries be separately shown in the Trustees Report. This analysis is provided in the 2014 Trustees Report in Appendix H and would be continued in future reports, identified as benefit disbursements with respect to disabled beneficiaries other than disabled worker beneficiaries and their auxiliary beneficiaries.

We hope this analysis will be helpful. Please let me know if we may provide further assistance.

Sincerely,

A handwritten signature in black ink that reads "Stephen C. Goss". The signature is written in a cursive, flowing style.

Stephen C. Goss
Chief Actuary