The 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds

Testimony by Stephen C. Goss, Chief Actuary, Social Security Administration House Committee on Ways and Means, Subcommittee on Social Security July 14, 2017

Chairman Johnson, Ranking Member Larson, and members of the subcommittee, thank you very much for the opportunity to speak to you today about the 2017 Social Security Trustees Report. This report has been produced and submitted to the Congress every year starting in 1941, the year after monthly benefits were first paid from a Social Security trust fund.

By law, the Trustees are required to report annually on the financial operations of the trust funds for the immediate past year, the projected operations of the trust funds over the next 5 years, and the actuarial status of the trust funds.

2017 Report

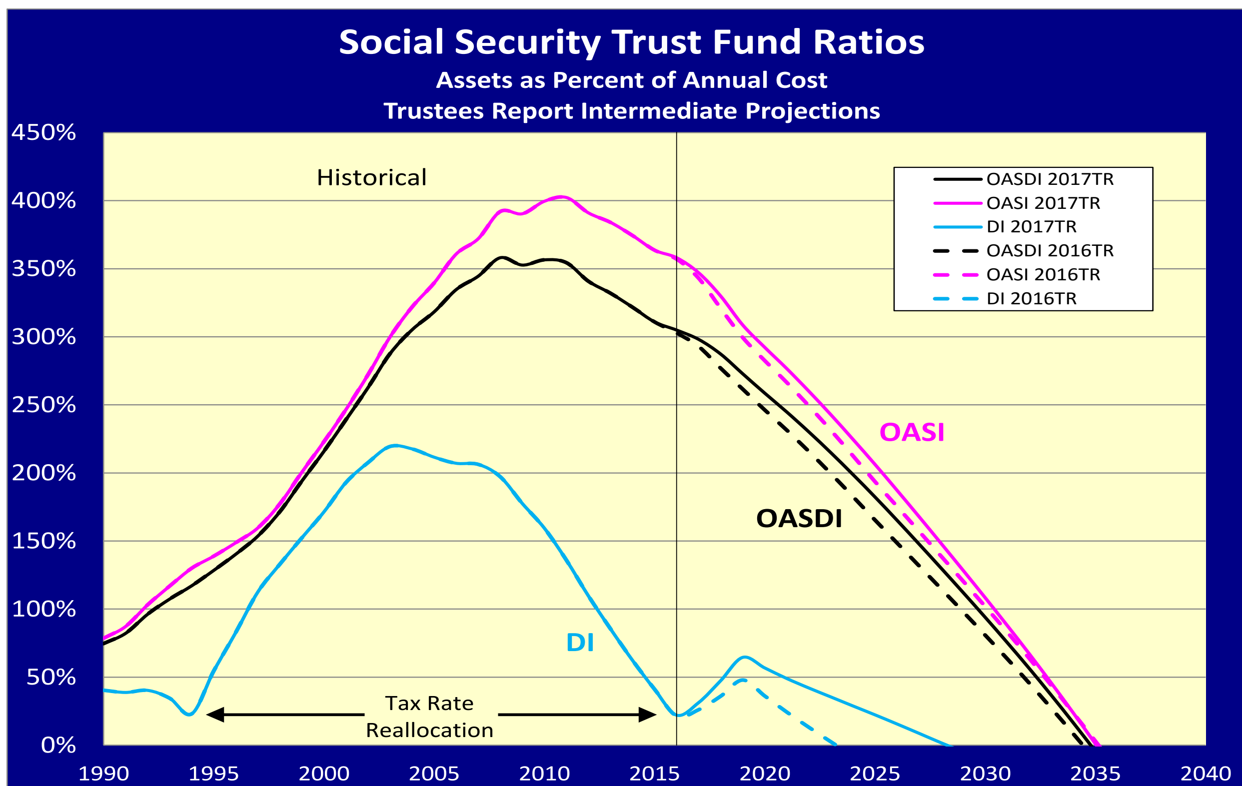
For the 2017 Trustees Report, we have two main changes from a year ago. First, based on continuing lower-than-expected disability application and incidence rates, the projected reserve depletion date for the DI Trust Fund is extended an additional 5 years, from 2023 in last year's report to 2028 in this report. Second, the long range (75-year) actuarial deficit is increased from 2.66 percent to 2.83 percent of payroll. The principal reasons for the increase in the deficit are the change in the valuation period, recent data for several demographic factors, and an assumption for a slightly lower level of worker productivity for the future.

During calendar year 2016, the Old-Age and Survivors Insurance (OASI) Trust Fund reserves increased by $21 billion, nearly $13 billion more than projected in last year's report. The Disability Insurance (DI) Trust Fund reserves increased by $14 billion, about $6 billion more than projected in last year's report. At the beginning of 2017, the combined OASI and DI Trust Fund reserves were close to $2.85 trillion, about three times the annual cost of the program.

Over the next 5 years, the combined reserves will grow steadily, reaching $3.00 trillion at the beginning of 2022. However, combined reserves will begin to decline in 2022. The decline is projected to be $18 billion in 2022, but increases thereafter as the baby-boom generations continue to move into retirement ages and are replaced at working ages by the lower-birth-rate generations born after 1964. The OASI and DI Trust Funds, individually and combined, are

projected to be fully solvent through the next 10 years, thanks, in part, to the enactment in November 2015 of the payroll tax rate reallocation included in Bipartisan Budget Act of 2015. At the time of enactment, we estimated that the date of trust fund reserve depletion for DI would be extended 6 years from 2016 to 2022. In the 2016 Trustees Report, we projected that DI reserves would not deplete until 2023, largely due to the lower-than-expected recent level of benefit expenditures. For this year's report, we are projecting an additional 5-year extension of the DI reserve depletion date, to 2028. Applications for disability benefits have been declining steadily since 2010, and have continued to be below our prior projections. The total number of beneficiaries paid from the DI Trust Fund has now been falling since 2013.

Actuarial status of the trust funds is assessed on the basis of the projected ability of the trust funds to pay benefits scheduled in the law in full and on time. Under the law, all income is invested in trust fund reserves on a daily basis, and benefit obligations and administrative costs are paid on the basis of redeeming bonds held by the trust funds as needed. The law provides no ability for the trust funds to borrow or receive revenue from other than specified taxes and interest on the reserves. Thus, should reserves become depleted with continuing tax revenue less than needed to meet current obligations, benefits scheduled in the law would not be payable in full on a timely basis.



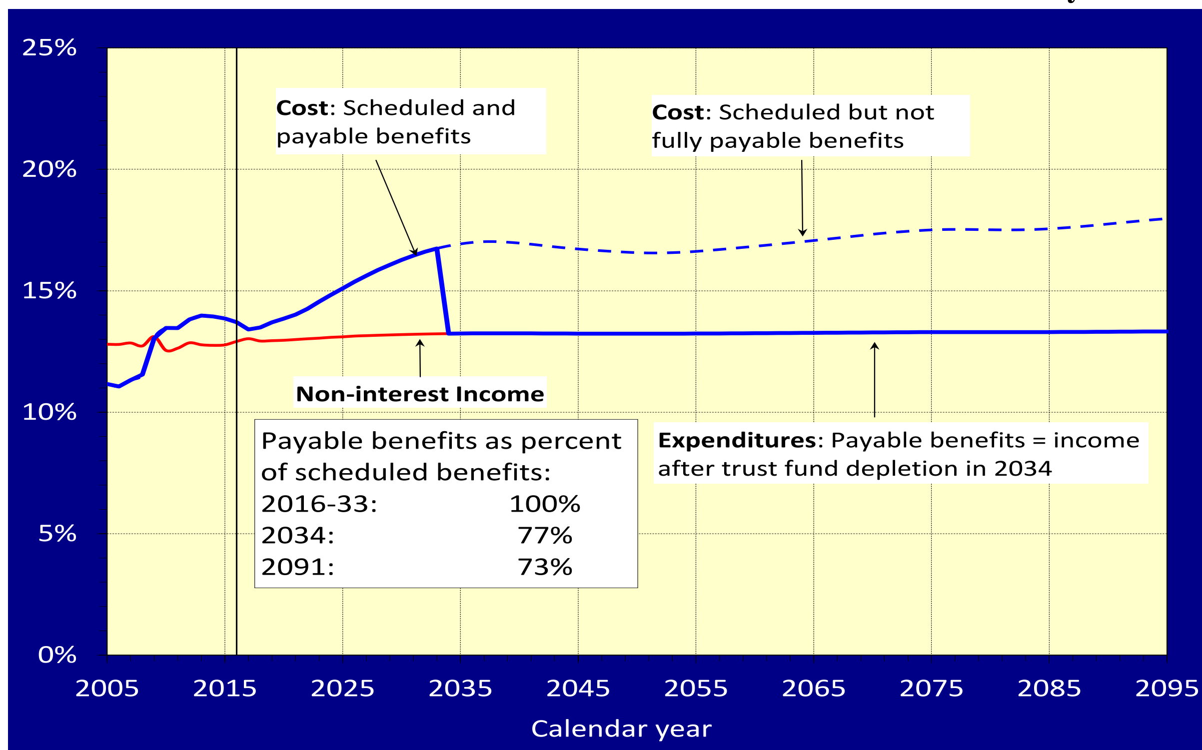
Fortunately, in the entire 82-year history of the program, the Congress has always made timely adjustments in the law to avoid reserve depletion and any sudden reduction in benefits paid. The

real purpose of our reporting on the actuarial status of the trust funds is to illustrate to the Congress any expected shortfall in financing of scheduled benefits so that further adjustments to the law can be made on a timely basis.

Under the intermediate assumptions used for the 2017 report, we project that the combined reserves will be depleted in 2034, the same year as in the last report, with continuing income under current law equal to 77 percent of program cost at the time of depletion. By the end of the 75-year projection period, income under current law is projected to equal 73 percent of the cost of the program, slightly less than the projected 74 percent payable in last year's report. The projected revenue for the OASDI program for 2091 is now projected to fall short of scheduled revenue by 4.48 percent of taxable payroll, somewhat more than the 4.39 percent shortfall projected for 2091 last year.

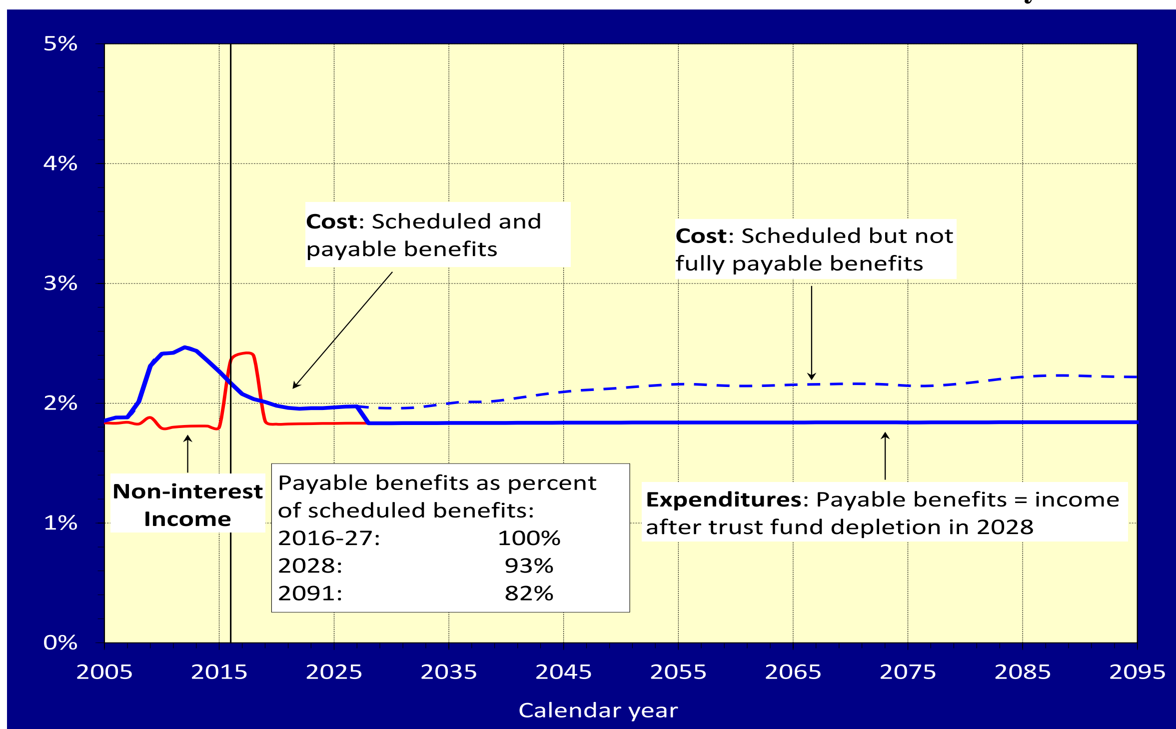
In essence, this means that by 2034 we will need adjustments in the law so that (1) the scheduled revenue for the OASDI program will be increased by about 33 percent, (2) scheduled benefits will be reduced by about 25 percent, or (3) some combination of these adjustments is enacted. Enacting changes well before reserve depletion, even if with delayed effective dates, will allow more options to be considered, more advance warning for those affected, and a more gradual phase-in of adjustments. Over the past 25 years, Trustees Reports have projected reserve depletion as early as 2029 and as late as 2042.

OASDI Annual Cost and Non-Interest Income as Percent of Taxable Payroll



Considered alone, the separate DI Trust Fund will require some adjustment before 2034. Even with the changes in the BBA 2015 and the financially favorable recent experience, DI reserves are projected to become depleted in 2028, at which time continuing income would be equal to 93 percent of scheduled cost. By the end of the 75-year period, scheduled income is projected to be sufficient to cover 82 percent of scheduled cost.

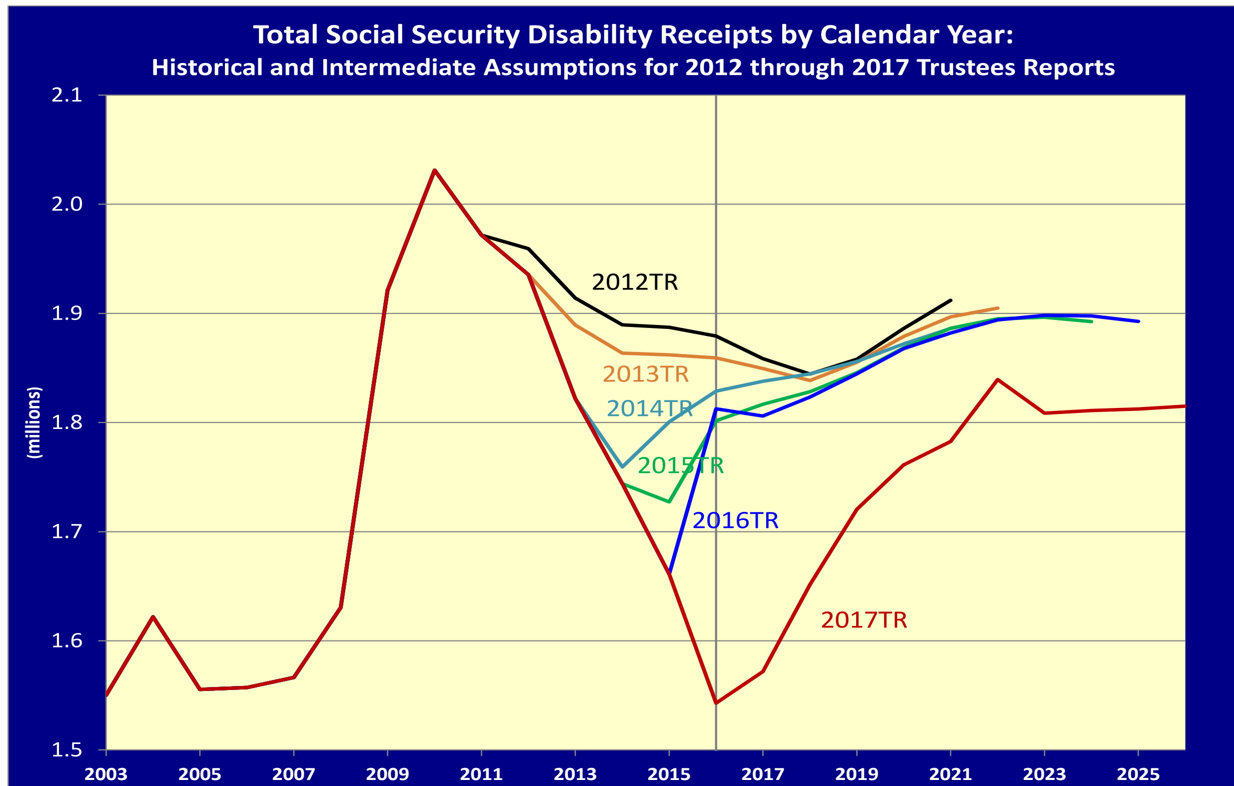
DI Annual Cost and Non-Interest Income as Percent of Taxable Payroll



The 5-year extension of the reserve depletion date for the DI Trust Fund in this year's report reflects:

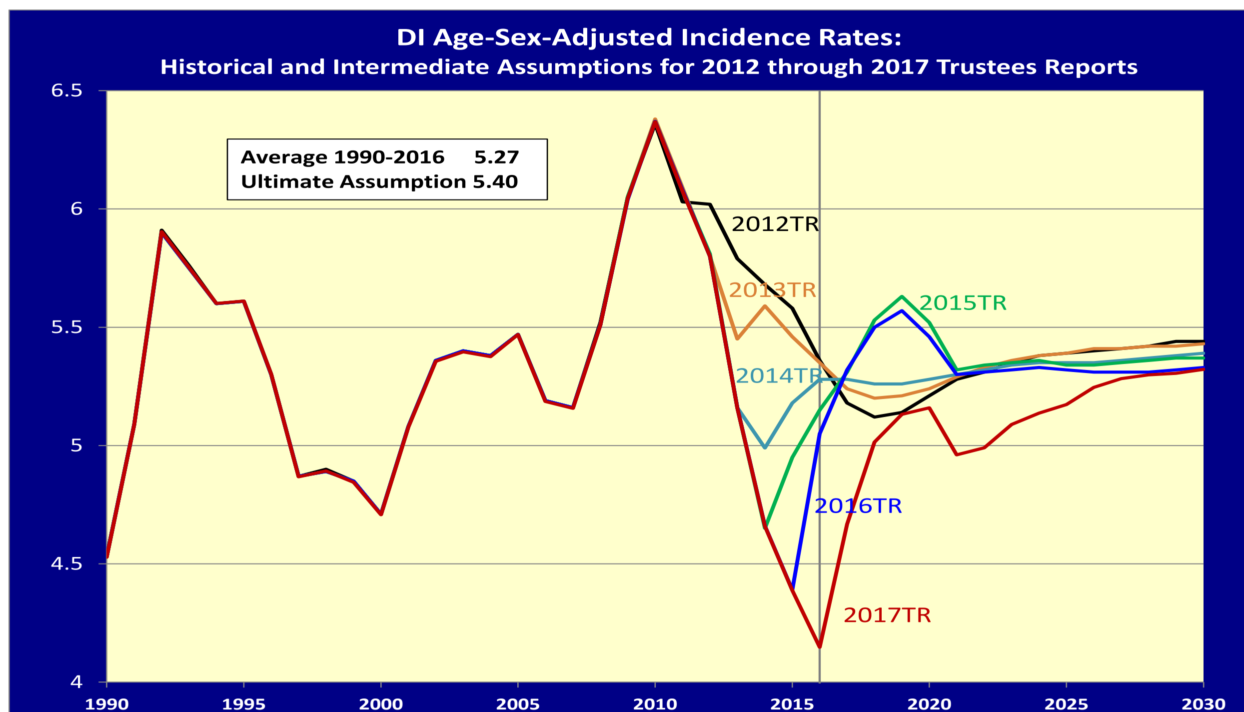
a) Another year, 2016, with disability applications and incidence rates falling well below our expectations. The number of applications for 2016, when the economy had not yet risen to the sustainable full employment level, was below the annual level at the peak of the last economic cycle (2007), and
b) An extension by several years of the period over which disability incidence rates will rise to the ultimate assumed levels.

The figure below shows the continued decline in Social Security disability applications received at the state Disability Determination Services through 2016, falling well short of expectations for several years now.



Given the degree of decline in applications through 2016 in an economy that is still well short of full recovery even to the sustainable full employment level, we are now projecting that applications will rise gradually to a level somewhat lower than in recent past reports. However, we and the Trustees believe it is too early to lower the ultimate level for disability incidence based on this recent experience.

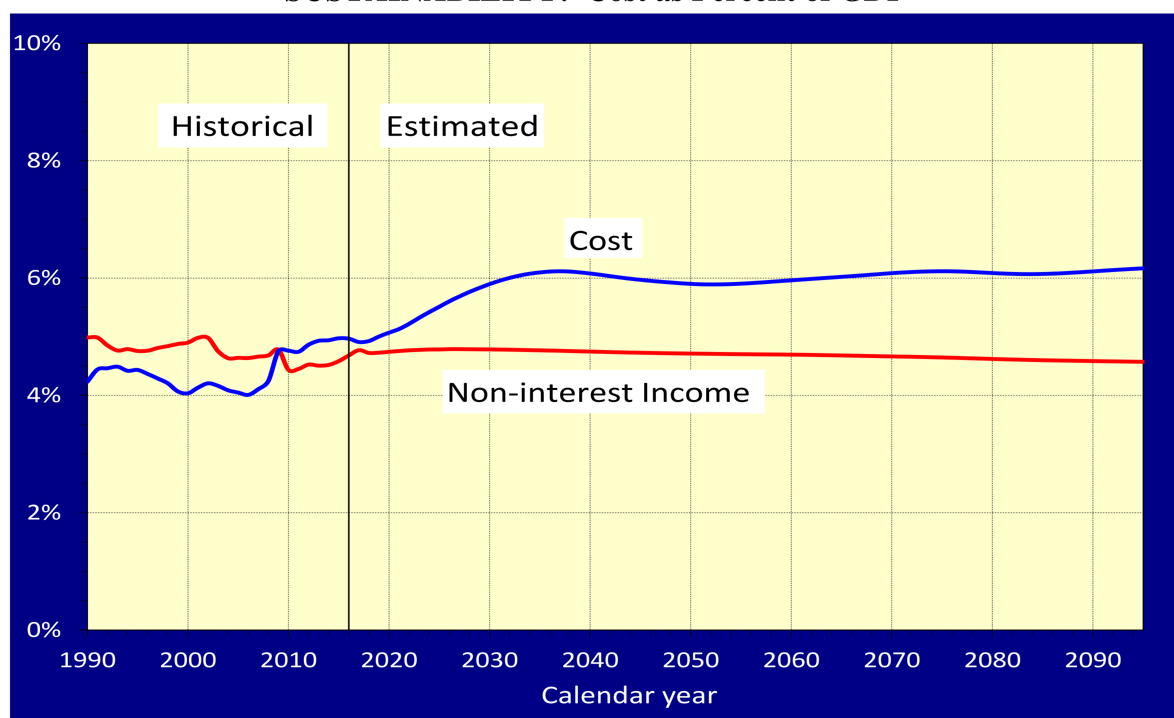
The figure below shows the more gradual rise to the ultimate incidence rate assumed for this year's report.



For the last several reports, we have assumed that the age-sex-adjusted disability incidence rate would rise quickly back to the expected ultimate rate of 5.4. This rate represents the number of newly disabled workers per 1,000 insured workers exposed to the risk of becoming disabled. Because actual incidence rates have continued to fall even with the economy still well short of full recovery, we have extended the period over which incidence rise to the ultimate assumed level. The temporary elevated levels of incidence in years through about 2021 in recent reports reflects the expectation that the backlog of disability cases awaiting a determination from an administrative law judge will be eliminated in the next 3 to 4 years.

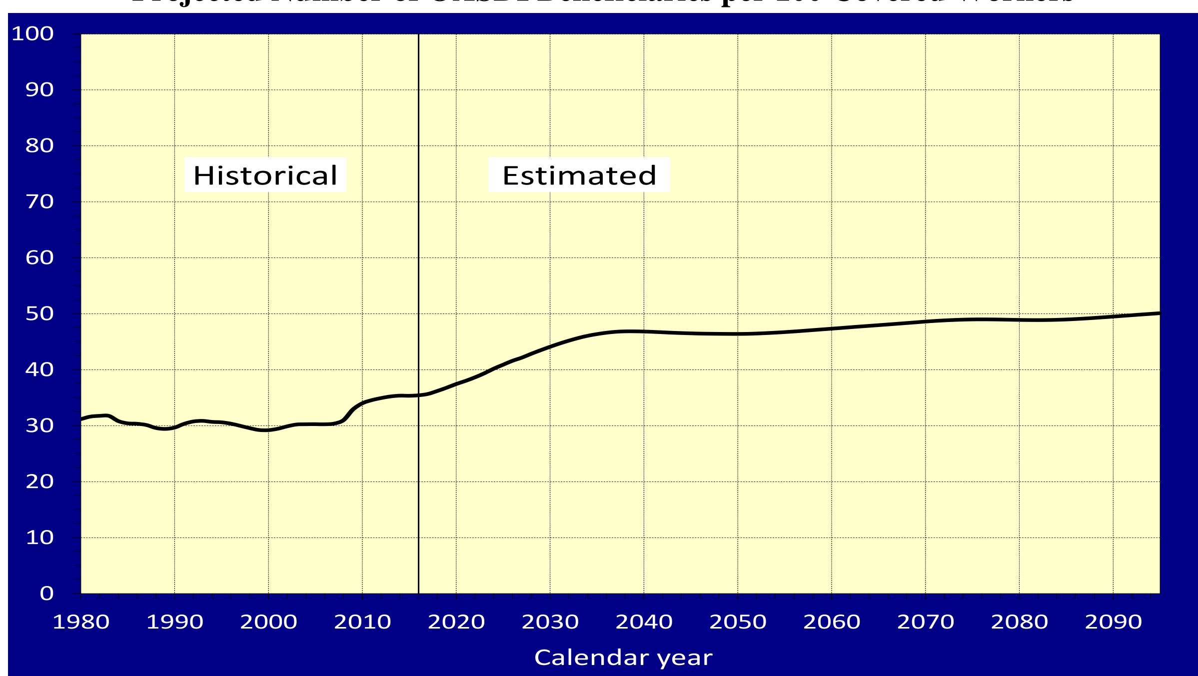
Expressed as a percent of the total Gross Domestic Product (GDP) of the United States, the scheduled cost of the OASDI program is projected to rise from 4.9 percent in 2017 to about 6 percent for 2035 and later. Projected scheduled revenue is lower over this period, between 4.5 and 4.8 percent of GDP. The fact that scheduled annual non-interest income, largely the 12.4 percent payroll taxes paid by employees and employers, is no longer sufficient to cover annual program cost is primarily due to the changing age distribution of the adult population. The fact that projected OASDI cost as a percent of GDP is basically stable after 2035 speaks to the sustainability of the program's benefit and revenue structure. The changing age distribution will simply require adjustments in scheduled income and/or cost.

SUSTAINABILITY: Cost as Percent of GDP

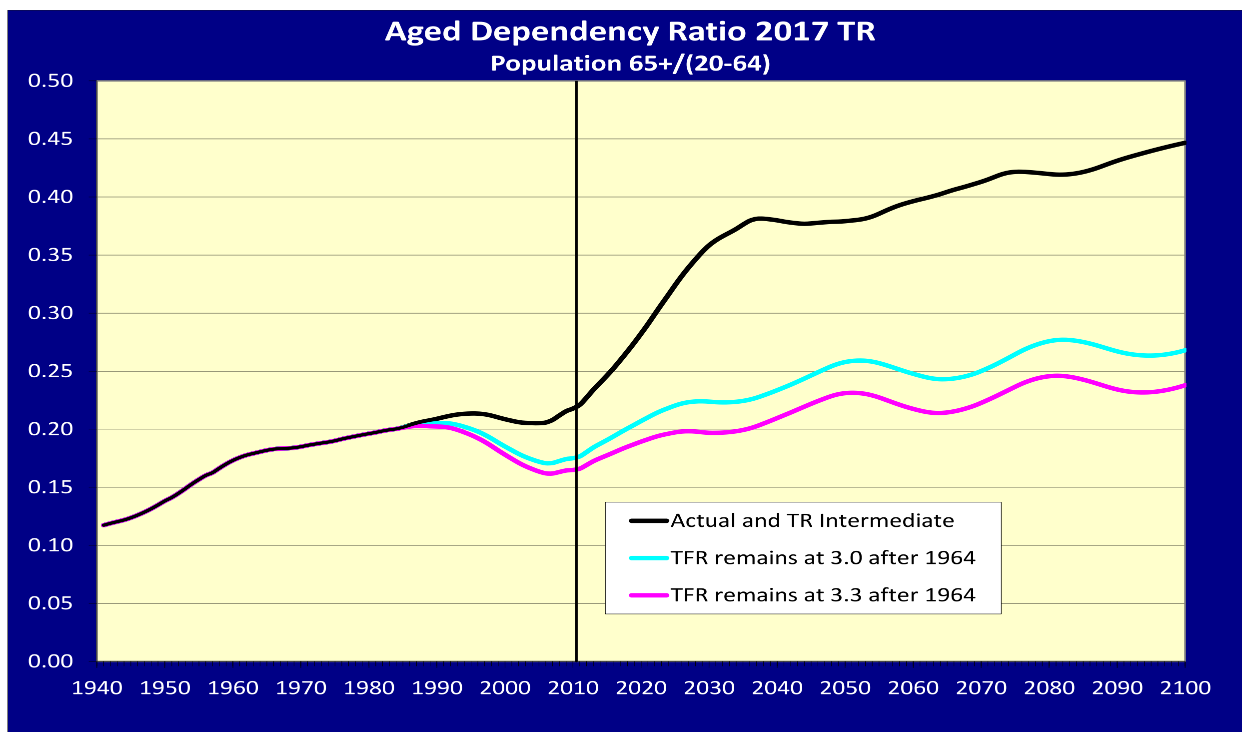


The cost as percent of GDP closely follows the ratio of beneficiaries to covered workers, because the average benefit under the program is designed to rise at about the same rate as average earnings.

Projected Number of OASDI Beneficiaries per 100 Covered Workers



The ratio of beneficiaries to covered workers in turn follows closely the "aged dependency ratio" (population age 65 and over as a percent of the working age population age 20 through 64). The figure below illustrates that the large increase in this ratio between 2010 and 2035 is due primarily to the drop in birth rates from about 3 children per woman historically (3.3 during the baby-boom years) to about 2 children per woman in recent years.



Changes in longevity through declines in death rates play a more gradual but steady role in the trend of the aged-dependency ratio. Changes in death rates over age 65 are important for the actuarial status of the OASDI program. Fortunately, mortality projections used in the Trustees Reports have provided a sound basis for evaluating the actuarial status of the program in the past. While some have suggested assuming dramatically faster mortality improvement, the track record for the Trustees Reports, plus the very substantial deceleration in mortality improvement since 2009 suggest that projections in the 2017 report represent a sound basis for evaluating prospects for the future.

Summary Measures of Actuarial Status

The Trustees Report uses several summary measures and tests to indicate the actuarial status of the trust funds from different perspectives. The actuarial deficit for the OASDI program as a whole increased from a 75-year shortfall of 2.66 percent of taxable payroll in last year's report to 2.83 percent of payroll in this report. The actuarial deficit is the excess of the cost for full scheduled benefits over the next 75 years, including the cost of having a reserve at the end of the

period equal to 100 percent of annual cost, over the scheduled income for the program over the next 75 years, including the starting trust fund reserve level, all expressed as a percent of payroll.

Another summary measure is the unfunded obligation of the program. This is the difference between projected program cost in the next 75 years over the projected revenue (plus starting reserves). For the 2017 report, the unfunded obligation increased in present value dollars and as a percent of GDP over the 75-year period.

Unfunded Obligation through 2091		
Estimate for 2016 Trustees Report	**\$11.4 trillion PV**	**0.89% of GDP**
Change valuation date only	**\$11.9 trillion PV**	**0.91% of GDP**
Estimate for 2017 Trustees Report	**\$12.5 trillion PV**	**0.95% of GDP**

Changes in Assumptions and Methods

On balance, changes in legislation, assumptions, recent experience, and methods had a small negative effect on the actuarial status of the OASDI program. The table below highlights the main factors in the change in the actuarial balance for this year.

Principal Reasons for Change in 2017 OASDI Trustees Report	
Actuarial Balance – Net change of -0.17 percent of payroll	
Valuation period	**-0.05 percent**
Legislation/Regulation ***(non-implementation of 2014 DAPA/DACA)***	**+0.00 percent**
Demographics ***(lower recent fertility and immigration; higher recent mortality)***	**-0.03 percent**
Economics ***(including lower level of labor productivity and potential GDP)***	**-0.08 percent**
Disability ***(recent experience and assumptions)***	**+0.03 percent**
Other program data and methods improvements	**-0.04 percent**

The change in the valuation period, effectively adding a year to the end of last year's 75-year period, increases the actuarial deficit because of the relatively large annual deficits at the end of the period.

For this report, we assumed that the 2014 executive actions establishing the Deferred Action for Parents of Americans (DAPA) program and expanding the Deferred Action for Childhood Arrivals (DACA) program would not be implemented. Recent directives from the Department of Homeland Security have confirmed this assumption. The net effect on the combined OASDI Trust Funds is negligible.

Lower recent experience for both birth rates and net immigration contribute toward an increase in the actuarial deficit. Continued higher-than-expected death rates and lower-than-expected disability application and incidence rates have significant but offsetting effects. Also, during the recent recession and partial recovery, productivity (economic output per hour worked) has not increased as fast as previously expected. For the 2017 report, we have accepted that a portion of this loss in labor productivity will be permanent, thus increasing the actuarial deficit. Finally, several changes were made in projection methods, the most significant being better recognition of earnings late in career for future generations that are assumed to start receipt of retirement benefits at older ages.

The Trustees apply a short-range test of financial adequacy that requires that reserves remain at or grow to at least 100 percent of annual cost over the next 10 years. The OASI Trust Fund as well as the combined OASI and DI Trust Funds satisfy this test. The DI Trust Fund once again does not.

Section 709 of the Social Security Act also requires that the Trustees report to Congress when a Trust Fund is projected to have reserves below 20 percent of annual cost in the future. In order to give Congress ample time to consider necessary adjustments, the Trustees make such reports when the reserve ratio is projected to be below 20 percent within the next 10 years. Again this year, the Trustees have submitted this notice to the Congress for the DI Trust Fund. The DI Trust Fund reserve ratio was 31 percent at the beginning of this year and will rise to 65 percent at the beginning of 2019, due in part to the tax rate reallocation enacted last year. The ratio will then decline and will fall below 20 percent by the beginning of 2026, and without Congressional action, reserves will become depleted in 2028.

The Trustees also report on the long-range test for close actuarial balance. This test requires that the program satisfy the short-range test of financial adequacy and, in addition, maintain a positive reserve throughout the remainder of the 75-year projection period, indicating the ability to pay all scheduled benefits in full on a timely basis. At this time, neither the OASI nor DI Trust Funds individually or combined meet this long-range test. While the financial and benefit structure of the OASDI program is sound, adjustments are needed to accommodate the changing age distribution of the population over the next 20 years that is largely the result of persistent lower birth rates after 1964.

Actuarial Opinion

The Social Security Act requires a statement of actuarial opinion from the Chief Actuary of the Social Security Administration regarding the reasonableness of assumptions and methods used in the report. I am happy to indicate that the actuarial opinion for the OASDI Trustees Report has never included a qualification of the assumptions and methods used to project the actual cost and operations of the trust funds under current law. However, starting with the 2014 report, the actuarial opinion has included a caveat regarding a reference in the OASDI report to an appendix on federal budget accounting in the Medicare report. This appendix, first introduced in 2004, describes the implications of projected OASDI and Medicare Trust Fund operations under the customary budget scoring convention. This caveat warns the reader that discussion of the trust funds in relation to the overall federal budget and implications for federal debt held by the public are distorted and misleading because of use of this budget scoring convention. This convention presumes that OASDI obligations scheduled in the law that cannot be paid in full and on time after Trust Fund reserve depletion, will nonetheless be paid at the expense of the General Fund of the Treasury. The General Fund is presumed to borrow from the public as needed to pay full scheduled benefits after reserve depletion. The problems with this convention are: (1) the law does not permit such general fund transfers, either before or after trust fund reserve depletion; (2) there has never been a precedent for a change in the law providing such transfers; and (3) results presented in the budget scoring context do not provide clear disclosure that they are hypothetical projections presuming a change in law that would allow for the indicated general revenue transfers to the trust funds after reserve depletion.

Please note that the 2017 and all prior years' Trustees Reports are available at https://www.ssa.gov/oact/pubs.html, along with a wide variety of additional actuarial analyses related to the reports and to changes policymakers have considered for making adjustments to the program.

Conclusion

Based on the experience of the past year and the intermediate assumptions of the 2017 Trustees Report, there are two main points I would like to make. First, the date of DI Trust Fund reserve depletion has been extended 5 years to 2028. Second, the actuarial status of the combined OASI and DI Trust Funds is slightly worsened compared to last year's report, with a slightly larger actuarial deficit over the long-range period. The long-known and understood shift in the age distribution of the United States population will continue to increase the aged dependency ratio, and in turn increase the cost of the OASDI program as a percentage of taxable payroll and GDP. Once this shift, reflecting the drop in the birth rate after 1964, is complete around 2035, the cost of the program will be relatively stable at around 6 percent of GDP. We look forward to working

with this Committee and others in developing the adjustments to the law that will be needed to keep the program in good financial order providing retirement, disability, and survivor benefits for future generations.

Again, thank you for the opportunity to talk about the 2017 Trustees Report. I will be happy to answer any questions you may have.

SOCIAL SECURITY

Office of the Chief Actuary

August 14, 2017

The Honorable Sam Johnson
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, DC 20515

Dear Mr. Johnson:

Thank you again for the opportunity to testify before the Committee on Ways and Means, Subcommittee on Social Security, at the July 14, 2017, hearing on "Social Security's Solvency Challenge: Status of the Social Security Trust Funds." It is always a pleasure working with you, Amy Shuart, and everyone associated with the Subcommittee. I hope the information that I provided at the hearing will be helpful. Below I have restated the nine questions you sent to me on July 28, 2017 on behalf of yourself and Representative Renacci, and have provided answers.

1. **A Trust Fund ratio of 100 means that reserves are sufficient to pay one year's worth of benefits. What is the advantage of having reserves of this amount?**

   Having a "contingency" reserve in the trust funds for OASI and DI is essential to provide the Congress sufficient time to consider necessary actions when revenues fall short or costs exceed expectations. This is true because these programs are financed on a basically pay-as-you-go basis, and they lack any significant borrowing authority. Historically, economic recessions have reduced revenue to a significant extent and increased near-term cost to a lesser extent, resulting in reduced reserve levels on the order of 50 percent of annual program cost on average within 5 years. The most recent recession, which started at the end of 2007, was more severe than average. That recession caused the combined OASI and DI reserves at the beginning of 2013 to fall to 332 percent of annual program cost, or 62 percentage points below the reserve ratio of 394 percent projected for 2013 in the 2008 Trustees Report, the last such projection before the recession was recognized. The drop for the DI Trust Fund was more critical. The reserves for the DI fund dropped to 86 percent of annual program cost by the beginning of 2013, or 68 percentage points below the reserve ratio of 154 percent projected for 2013 in the 2008 Trustees Report. Therefore, maintaining a trust fund reserve ratio significantly below 100 percent of annual program cost increases the risk that Congress might need to take precipitous action to avoid reserve depletion should a recession occur.

2. **The Disability Insurance (DI) Trust Fund ratio has been under 100 since 2013 and is projected to reach single digits in 2027. How large of an economic shock would be needed to cause the DI Trust Fund to be unable to pay benefits in 2019? What about in 2027 or 2028?**

   The DI Trust Fund ratio did drop to 86 percent of annual program cost at the beginning of 2013, and continued to decline thereafter. In the 2015 Trustees Report, the ratio was projected to reach just 18 percent by the beginning of 2016, and to reach depletion later that year. However, with the temporary payroll tax rate reallocation for 2016 through 2018 enacted in the Bipartisan Budget Act of 2015, we then projected that the reserves would not deplete in 2016, but would continue to be positive until 2022. The unexpected continued decline in DI applications and incidence rates since the 2015 Trustees Report have caused us to project in the 2017 Trustees Report that the reserve ratio will rise to a peak of 65 percent at the beginning of 2019, and to then drop to 57 percent at the end of that year, with reserve depletion not occurring until 2028. As with all projections, there is uncertainty, and for this reason we include alternative scenarios in the Trustees Reports. For the “high cost” alternative scenario in the 2017 Trustees Report, we assumed both a weakening economy, including a recession early in 2018, and higher disability applications and incidence rates than in our intermediate assumptions. Even with these pessimistic assumptions, the high cost alternative scenario still suggests DI reserves at 53 percent of annual cost at the beginning of 2019, dropping to 36 percent at the end of the year, with reserve depletion late in 2021. Therefore, it would require a very severe economic recession starting immediately, even worse than the recession that started late in 2007, for DI reserves to become depleted by the end of 2019. The likelihood of this is extremely low. However, a relatively small economic shock or a somewhat more rapid rise in disability applications and incidence rates could shift the DI depletion year from 2028 to 2027.

3. **When you testified before this Subcommittee last year, you emphasized the importance of making incremental changes to assumptions. This year the exhaustion date for the DI Trust Fund shifted out by five years due to a reduction in the projected number of DI applications and awards. Is the change to this assumption temporary or permanent? Why?**

   As indicated in testimony for this hearing, we have been surprised for the past several years at the extent and persistence of declines in disability applications and in disability incidence rates. The 5-year extension of the year of projected DI reserve depletion was entirely due to these declines, plus an assumption for the 2017 report that the applications and incidence rates will not rise back to expected ultimate levels immediately. In fact, for the 2017 report, we retained the same ultimate disability incidence rates as in the last several reports. So the change in the reserve depletion date for the 2017 report did not reflect any assumption that disability incidence rates will be permanently lower. At this time, we are studying this recent experience in the context of the overall economy and Social Security Administration policy. We hope that by the next Trustees Report we will have a better understanding of why applications and incidence rates have dropped so

much, and allowing us to make a reasoned judgment as to whether the ultimate incidence rates should be lowered. But for now, we believe staying with the long-term average incidence rates, as was done for the 2017 report, is appropriate.

4. **Your office regularly produces memos on Social Security plans introduced by Members of Congress and others. After the discussion at last year's Trustees and Congressional Budget Office (CBO) hearing, your office added a new tax table to these memos. What do these new tables show? How can policymakers use this new Table T to understand the lifetime tax implications for given policy change?**

   Over many years, we have continued to evolve the content we provide in our reports on the implications of comprehensive Social Security proposals. For example, in 2010, in response to the development of minimum benefit provisions for the commissions chaired by Simpson/Bowles and Rivlin/Domenici, we expanded our Table B, which shows effects on annual benefit levels for individuals with different career earnings levels and different numbers of years with earnings. We added a new Table T in our April 5, 2017 letter to Representative Larson, evaluating his comprehensive proposal. This table was added after extensive discussion with several Congressional staffers regarding a way to illustrate the implications of comprehensive proposals for active workers (by way of change in their annual tax contributions), in addition to what we already illustrate for beneficiaries in Table B (by way of changes in their monthly benefit levels). The new Table T shows the change in payroll taxes in selected future years for workers with a range of earnings levels, including an example of a worker earning twice the amount of our current-law taxable maximum level ($127,200 for 2017). The effect on payroll taxes over the lifetime of any worker depends on the level of earnings for each year. The majority of proposals with a change in the OASDI payroll tax rate have increased the tax rate only for earnings above the current-law taxable maximum. For such proposals, a change is shown in the Table T only for workers with earnings above the current maximum. At the time we added Table T, we also expanded our Table B to include a hypothetical worker who always earns twice the current-law taxable maximum. As a result, our tables now show both the percentage increase in annual payroll tax contributions and in the annual benefit for a hypothetical worker earning twice the taxable maximum.

5. **There are six Trustees, four Administration Trustees – the Secretaries of Treasury, Health and Human Services, and Labor, and the Commissioner of Social Security – and two Public Trustees. Social Security has had an Acting Commissioner since 2013, some of the other Trustees were only recently confirmed, and there are still no Public Trustees. Given all this, how did this year's report development process work? Did it differ from previous years?**

   Generally, over the history of annual Trustees Reports, the assumptions and methods used in the first report issued under a new Administration are little changed from the last report issued during the prior Administration. This stability is due largely to the fact that assumptions and methods must be essentially finalized by January of the year of the report in order to complete the calculations and report drafting in a timely manner. Thus,

any changes based on the expectations of new Trustees generally are seen in the second or third report issued under a new Administration. Changes that do occur in the first report under a new Administration are based on updated data and experience, such as the unexpected further decline in disability incidence rates that occurred between last year's report and this year's report. The new experience did not change the ultimate assumption for the disability incidence rate, but it did change the path from the last data point to the ultimate assumption for the disability incidence rate.

6. **Every CBO publication includes a list of all staff who contributed and what areas each person was responsible for. Why doesn't the Trustees Report have a similar list that includes your office's staff and the members of the Trustees Working Group?**

   The Trustees Reports are required by law to be produced by the Board of Trustees. As a result, the reports only directly identify the members of the Boards, who are ultimately responsible for the submission of these reports. We appreciate that the Members of your Committee recognize the work of our office, where every member of our team participates in developing the assumptions and methods and drafting the report. In addition, the Trustees Working Group, which includes career and political staff of each of the four cabinet-level members of the Board of Trustees, plays an instrumental role in the development and oversight of the reports. However, when a Bill is introduced, we provide our analysis and estimates in a letter to the member who introduced the Bill, and in that identify the primary individuals in our office who have worked on that proposal.

7. **At one of last year's hearings, we learned that labor force participation assumptions are one of the big drivers of the differences between the Trustees and CBO. I understand the Social Security Advisory Board Technical Panel on Labor Force Participation recently concluded its work. The panel recommended some changes to the Trustees' labor force participation model. Who determines whether or not to accept these recommendations?**

   We, and the Trustees and the Trustees Working Group, are in frequent contact with experts in fields related to the demographic and economic assumptions used in the Trustees Report. Our Social Security Advisory Board has convened technical panels on various topics in recent years. The comprehensive technical panels reporting in 2011 and 2015 recommended that the Trustees increase their ultimate labor force participation rate assumptions. In last year's hearing, we explored the differences in Trustees' and CBO assumptions in several areas. I am glad to point out that CBO has materially altered some of their major assumptions, coming much closer to the levels assumed for the Trustees Reports. Since the hearing, CBO has increased their ultimate assumed labor force participation rates, closing more than one-half of the gap between them and the Trustees. The most recent technical panel was focused specifically on labor force participation rates. We have provided our perspectives on some of their observations in a written response, which you can find posted on the Social Security Advisory Board website. Our largest point of disagreement is over the prospect for further recovery in participation rates from the drop experienced in the recent recession. The panel indicated

they do not expect further recovery. We believe that because the economy is still not fully recovered, there is room for a return to previous higher levels of labor force participation and employment. The Trustees Working Group reviewed this matter in depth in 2014, and the Trustees maintained our projected participation rates. Ultimately, the Trustees determine when to make changes in any assumptions, based on the recommendations of the Trustees Working Group. We will continue to review all new data and views with the Trustees of the new Administration, who will have the opportunity make any changes deemed appropriate.

Questions from Rep. Jim Renacci

1. **How often do the Trustees meet as a group? For this year's report, you had two sets of Trustees to work with – Obama Administration Trustees and Trump Administration Trustees. How did that affect this year's process? Are you able to make the minutes from these meetings available to the public?**

   Because this was the first Trustees Report issued in a new Administration, we did work with Trustees and staff from the prior Administration in developing assumptions and methods for the report, even though the report itself would be delivered and signed by members of the new Administration. As has been the case over at least the last few decades, the members of the outgoing Administration decided to make no substantial changes in assumptions and methods, and the incoming Administration was satisfied with the findings of the report. The only significant changes for the 2017 report were changes to reflect specific new data and experience available since the prior report was developed. The Trustees meet formally twice each year, as required by law. The minutes from the Trustees meetings are not made public. However, the meetings are generally brief and provide an opportunity for a discussion of recent experience during the Fall meeting, and of the findings in the annual reports during the Spring meeting. The Spring meeting is followed by a formal press conference at which the Trustees summarize the findings of the annual report.

2. **We've previously heard mention of the Trustees Working Group. I'm trying to get a better understand of who this group is and what exactly it does. How big is the working group and who participates? Does each Trustee have an equal number of participants?**

   The Trustees Working Group consists of one representative of each of the four ex-officio Trustees, the two public Trustees, and the chief actuaries of the Social Security Administration and the Centers for Medicare and Medicaid Services. The Trustees' representatives are generally political appointees who report directly to the Trustee. Additional staff members from each Trustee's office and the actuarial offices attend Trustees Working Group meetings. Typical attendance is somewhere between 20 and 40 individuals. At these meetings, we discuss assumptions, methods, and presentational issues in depth. The members of the group make tentative decisions on the topics discussed, but any significant decision points are taken to the Trustees themselves for approval and discussion where appropriate. Each year, our office develops extensive

analysis in the context of these discussions and presents it on our website along with the Trustees Report itself. This analysis documents the assumptions and methods, going well beyond what can be included in the Trustees Reports.

I hope this further information will be helpful. If you have any additional questions or need assistance in any way, please let me know.

Sincerely,

Stephen C. Goss, ASA, MAAA
Chief Actuary

Enclosures

cc: Amy Shuart

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July 28, 2017

Stephen C. Goss
Chief Actuary
Office of the Chief Actuary
Social Security Administration
6401 Security Boulevard
Room 700 Altmeyer Building
Baltimore, MD 21235

Dear Mr. Goss:

Thank you for your testimony before the Committee on Ways and Means at the July 14, 2017 Social Security Subcommittee hearing entitled, "Social Security's Solvency Challenge: Status of the Social Security Trust Funds." In order to complete our hearing record, we would appreciate your responses to the following questions:

1. A Trust Fund ratio of 100 means that reserves are sufficient to pay one year's worth of benefits. What is the advantage of having reserves of this amount?

2. The Disability Insurance (DI) Trust Fund ratio has been under 100 since 2013 and is projected to reach single digits in 2027. How large of an economic shock would be needed to cause the DI Trust Fund to be unable to pay benefits in 2019? What about in 2027 or 2028?

3. When you testified before this Subcommittee last year, you emphasized the importance of making incremental changes to assumptions. This year the exhaustion date for the DI Trust Fund shifted out by five years due to a reduction in the projected number of DI applications and awards. Is the change to this assumption temporary or permanent? Why?

4. Your office regularly produces memos on Social Security plans introduced by Members of Congress and others. After the discussion at last year's Trustees and Congressional Budget Office (CBO) hearing, your office added a new tax table to these memos. What do these new tables show? How can policymakers use this new Table T to understand the lifetime tax implications for a given policy change?

5. There are six Trustees, four Administration Trustees – the Secretaries of Treasury, Health and Human Services, and Labor, and the Commissioner of Social Security – and two Public Trustees. Social Security has had an Acting Commissioner since 2013, some of the other Trustees were only recently confirmed, and there are still no Public Trustees. Given all this, how did this year's report development process work? Did it differ from previous years?

6. Every CBO publication includes a list of all staff who contributed and what areas each person was responsible for. Why doesn't the Trustees Report have a similar list that includes your office's staff and the members of the Trustees Working Group?

7. At one of last year's hearings, we learned that labor force participation assumptions are one of the big drivers of the differences between the Trustees and CBO. I understand the Social Security Advisory Board Technical Panel on Labor Force Participation recently concluded its work. The panel recommended some changes to the Trustees' labor force participation model. Who determines whether or not to accept these recommendations?

Question from Rep. Jim Renacci

1. How often do the Trustees meet as a group? For this year's report, you had two sets of Trustees to work with – Obama Administration Trustees and Trump Administration Trustees. How did that affect this year's process? Are you able to make the minutes from these meetings available to the public?

2. We've previously heard mention of the Trustees Working Group. I'm trying to get a better understanding of who this group is and what exactly it does. How big is the working group and who participates? Does each Trustee have an equal number of participants?

We would appreciate your responses to these questions by **August 11, 2017**. Please send your response to the attention of Amy Shuart, Staff Director, Subcommittee on Social Security, Committee on Ways and Means, U.S. House of Representatives, 2018 Rayburn House Office Building, Washington, DC 20515. In addition to a hard copy, please submit an electronic copy of your response in Microsoft Word format to MM.Russell@mail.house.gov.

Thank you for taking the time to answer these questions for the record. If you have any questions concerning this request, you may reach Amy at (202) 225-9263.

Sincerely,

Sam Johnson
Chairman
Subcommittee on Social Security