

# Current State of Social Security Operations and the Trust Funds

Friday, May 10<sup>th</sup>

4:00pm-5:00pm

Steve Perrigo, J.D.

Stephen Goss, ASA, MAAA

# Agenda

## **Current State of the Social Security Administration**

- SSA in the News
- Staffing
- Key Performance Metrics

## **Social Security Trust Funds**

- What are the Trust Funds
- Trust Fund Mechanics
- Historical and Current Numbers
- Myths
- Potential Solutions

# SSA In The News

United States House Committee on  
**Ways & Means**

## Social Security Subcommittee Hearing on One Million Claims and Growing: Improving Social Security's Disability Adjudication Process

october 26, 2023 — HEARING

*"Meanwhile, **pending levels and wait times** for determinations on initial disability claims and disability reconsiderations are at **all-time highs**. For the first time since the programs began, pending initial disability claims have exceeded 1 million. Applicants are waiting on average 7 months for a decision. **This is simply not acceptable – to the public, to you, or to us.***

*These delays are due to several issues, ultimately tied to **funding challenges**. The DDSs are experiencing record **high employee attrition**, and difficulty hiring qualified examiners to replace them. They were also challenged with **reduced access to medical evidence**, which began with the COVID-19 public health emergency and was compounded by a **shortage of consultative examination providers**.*

- Linda Kerr-Davis, Acting Assistant Deputy Commissioner of Operations



# SSA In The News



FULL COMMITTEE HEARING

## Keeping Our Promise to Older Adults and People with Disabilities: The Status of Social Security Today



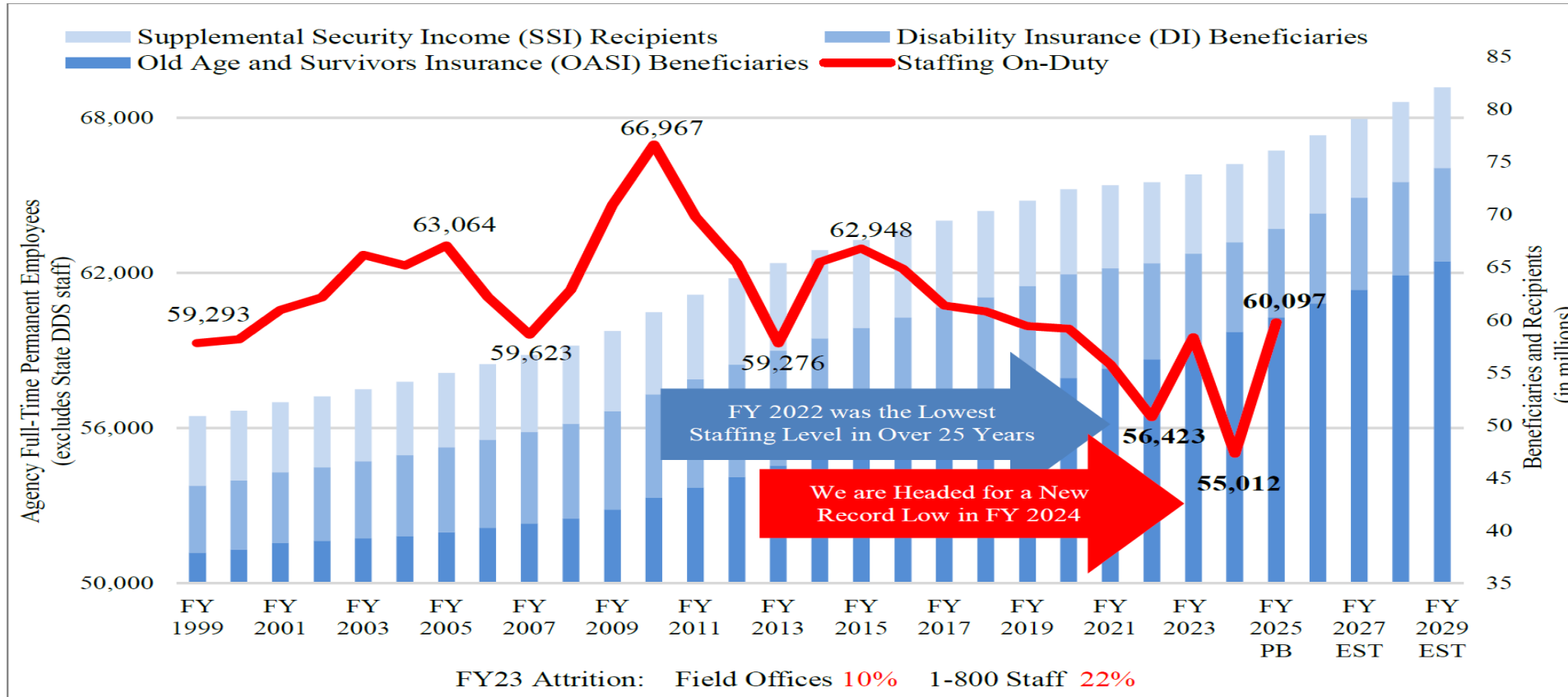
**Social Security Is Serving More Customers Than Ever Before with Fewer Staff Than Ever Before.**

*“By the end of FY 2024, SSA will serve **over 7 million more beneficiaries** with about 7,000 fewer full-time permanent staff when compared to FY 2015. While modernization and other efficiencies have helped for some things, there is **no way around the fact that the agency cannot keep doing more with less.**”*

*SSA’s budget was essentially level from FY 2018 through FY 2021, while costs continued to increase. We had to make difficult decisions to **cut funding in certain areas, such as staffing and overtime.** As a result, we ended FY 2022 with **our lowest staffing level in 25 years.**”*

**- Martin O’Malley, Commissioner of Social Security, March 20, 2024**

# SSA Staffing v. Beneficiaries



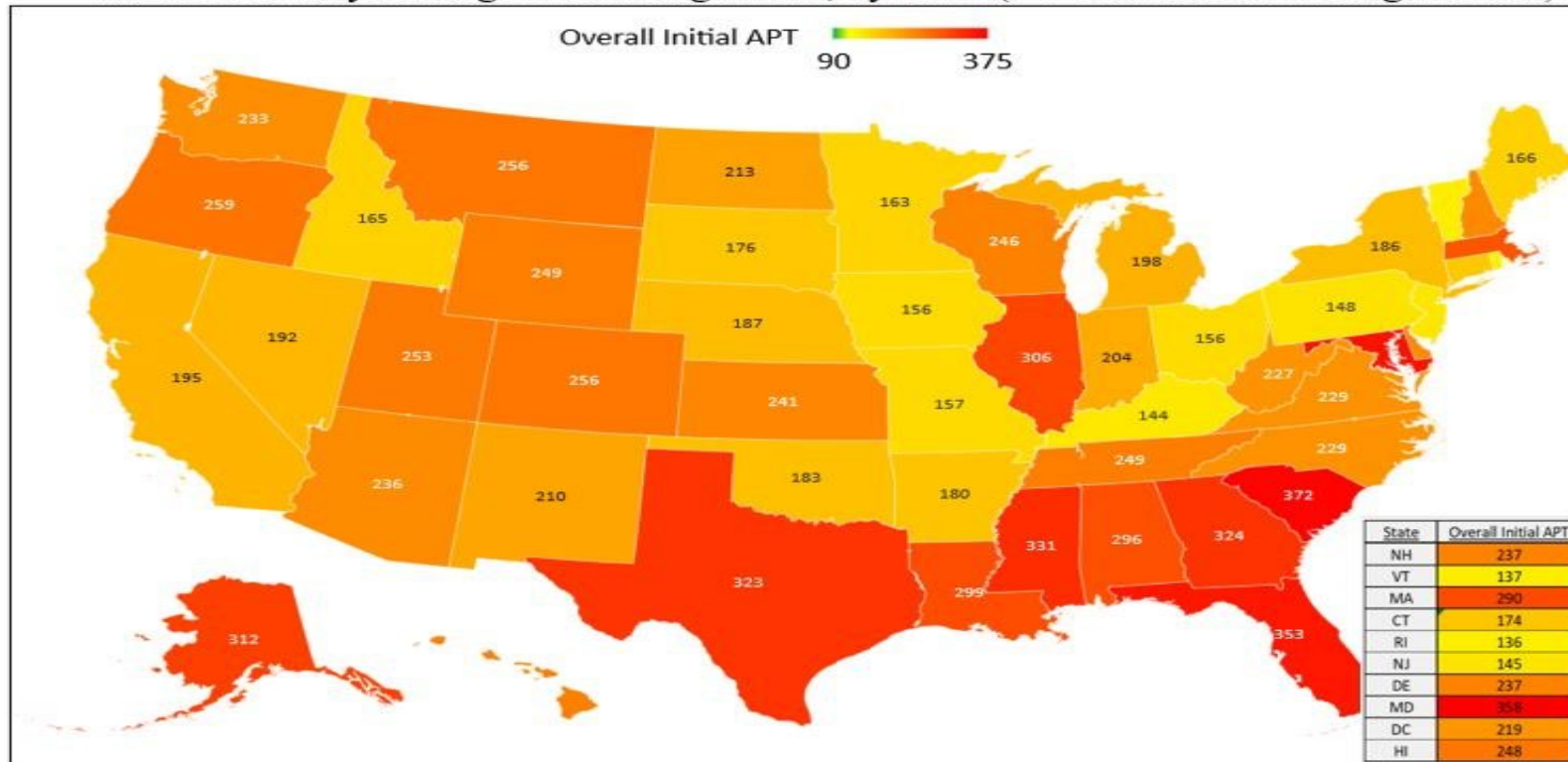


# Nationwide Initial Claim Activity

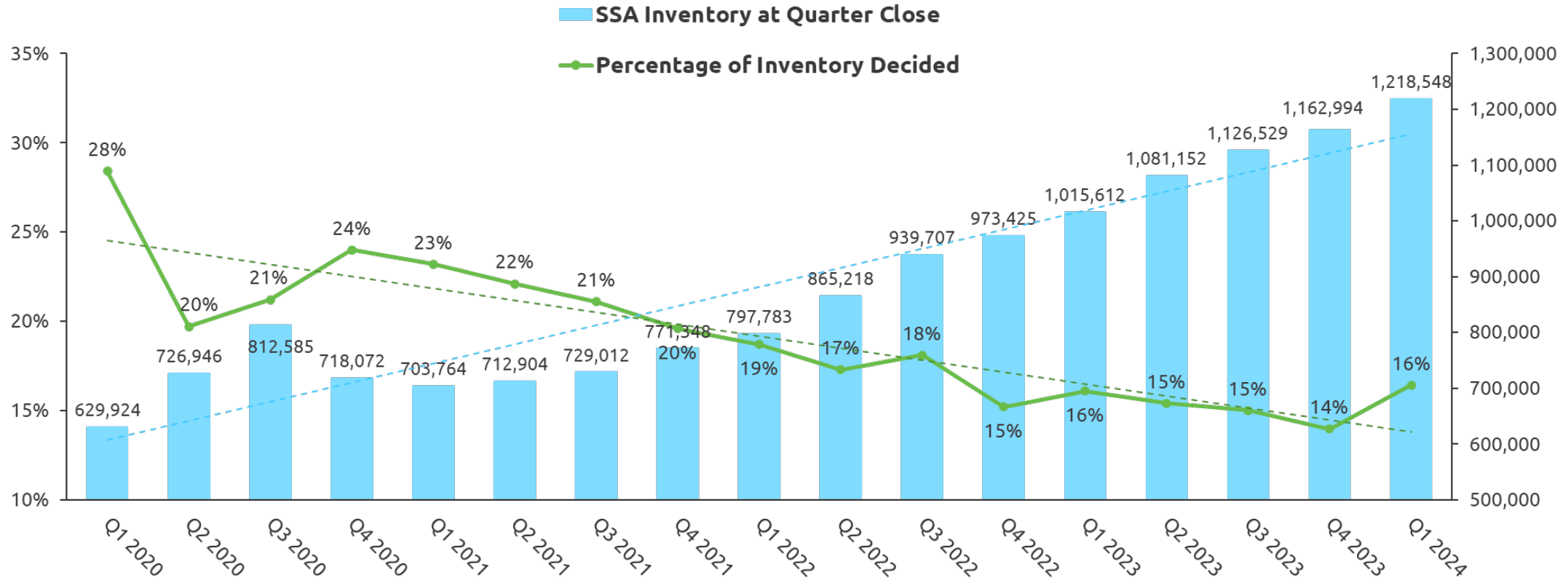
Quarter	Business Days	Decisions	Allowances	Allowance Rate	Decisions Per Day	Allowances Per Day
2020 Q1	62	523,414	200,687	38.3%	8,442	3,237
2020 Q2	64	409,558	186,568	45.6%	6,399	2,915
2020 Q3	63	503,282	190,097	37.8%	7,989	3,017
2020 Q4	61	538,638	178,547	33.7%	8,830	2,927
2021 Q1	62	491,243	182,863	37.2%	7,923	2,949
2021 Q2	63	470,906	177,116	37.6%	7,475	2,811
2021 Q3	63	457,419	175,849	38.4%	7,261	2,791
2021 Q4	61	443,915	170,177	38.3%	7,277	2,790
2022 Q1	62	438,347	170,603	38.9%	7,070	2,752
2022 Q2	63	435,420	171,503	39.4%	6,911	2,722
2022 Q3	63	491,791	189,242	38.6%	9,481	3,660
2022 Q4	61	436,490	168,543	38.6%	7,156	2,763
2023 Q1	64	475,113	183,766	38.7%	7,424	2,871
2023 Q2	62	480,470	187,925	39.1%	7,750	3,031
2023 Q3	63	495,398	194,011	39.2%	7,863	3,080
2023 Q4	62	471,849	183,051	38.8%	7,610	2,952
2024 Q1	62	597,921	197,023	39.5%	8,045	3,178
<b>17 Quarter Avg.</b>	<b>62</b>	<b>474,178</b>	<b>182,798</b>	<b>38.6%</b>	<b>7,598</b>	<b>2,929</b>

# Average Processing Times

Initial Disability Average Processing Times, by State (FY 2024 to date through 3/9/24)

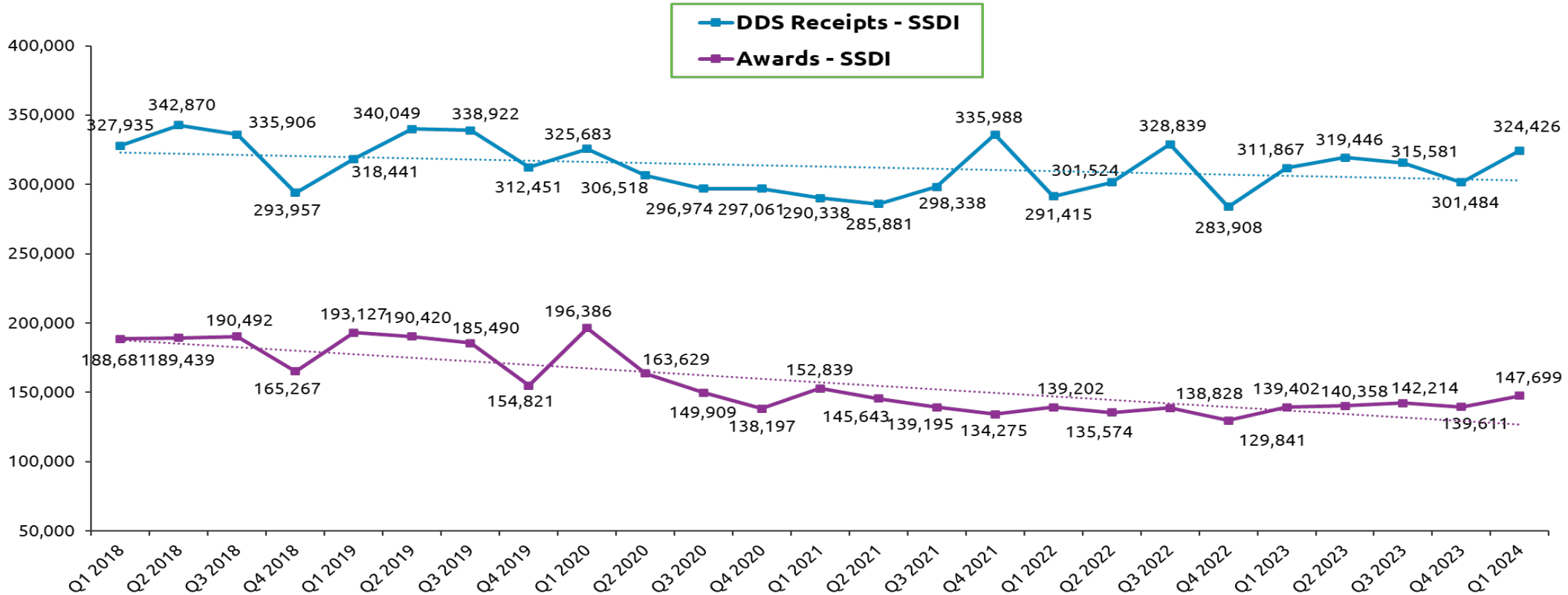


# Initial Level Inventory





# SSDI Applications v. Awards



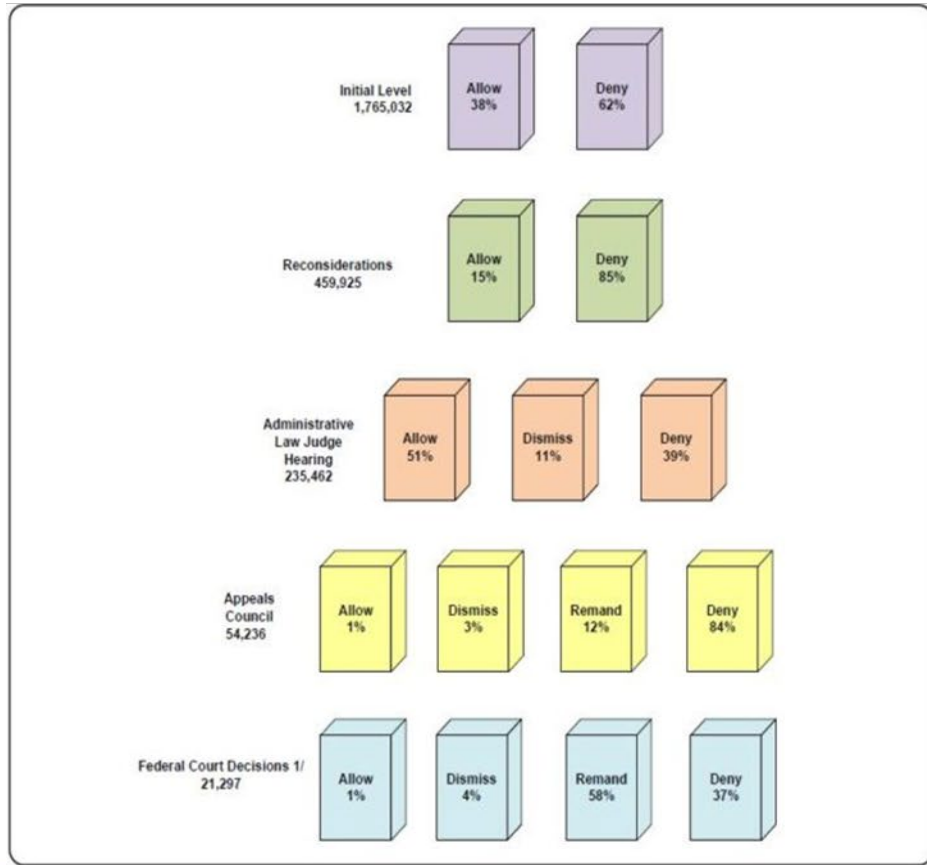
# Initial and Reconsideration Key Metrics

Initial Claims	2017	2018	2019	2020	2021	2022	2023	2024 EST	2025 EST
Applications	2,442,592	2,353,970	2,345,615	2,212,858	2,009,254	2,141,612	2,185,209	2,254,000	2,211,000
Decisions	2,455,000	2,306,570	2,310,057	2,037,356	2,011,298	1,842,588	1,973,641	2,205,000	2,390,000
Pending	522,869	565,013	593,944	763,747	739,745	940,886	1,127,881	1,166,000	987,000
Processing Time (days)	111	111	120	131	165	184	218	230	215

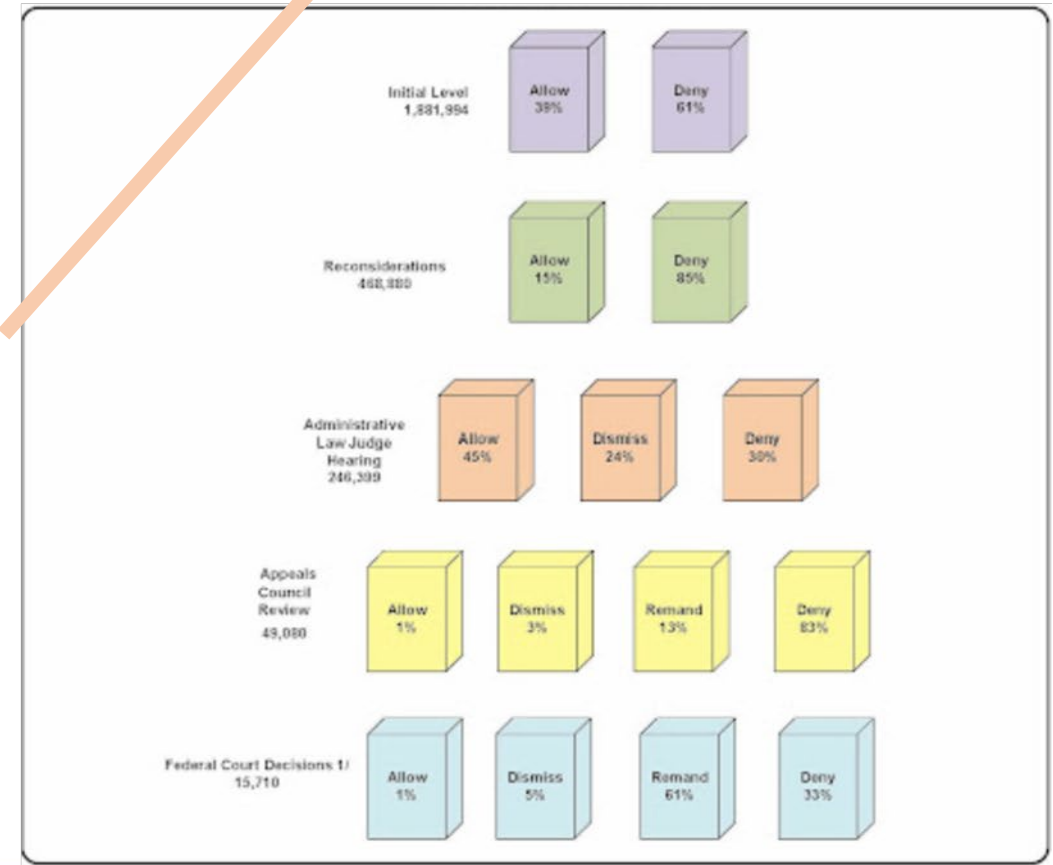
Reconsideration	2017	2018	2019	2020	2021	2022	2023	2024 EST	2025 EST
Appeals Filed	582,935	552,755	566,462	567,800	571,291	542,376	545,937	618,000	669,000
Decisions	595,588	541,806	544,148	552,601	515,698	483,217	483,148	578,000	684,000
Pending	105,022	115,028	133,503	143,781	192,892	233,919	289,890	325,000	310,000
Processing Time (days)	101	103	109	122	147	183	213	225	215

# Award Rates by Level

Hearing Level decision rate includes dismissals. Excluding dismissals award rate moved from 57% to 60% YOY.



	2022	2023
Initial Level	38%	39%
Reconsiderations	15%	15%
Administrative Law Judge Hearing	51%	45%
Appeals Council	1% allow 12% remand	1% allow 13% remand
Federal Court Decisions	1% allow 58% remand	1% allow 61% remand

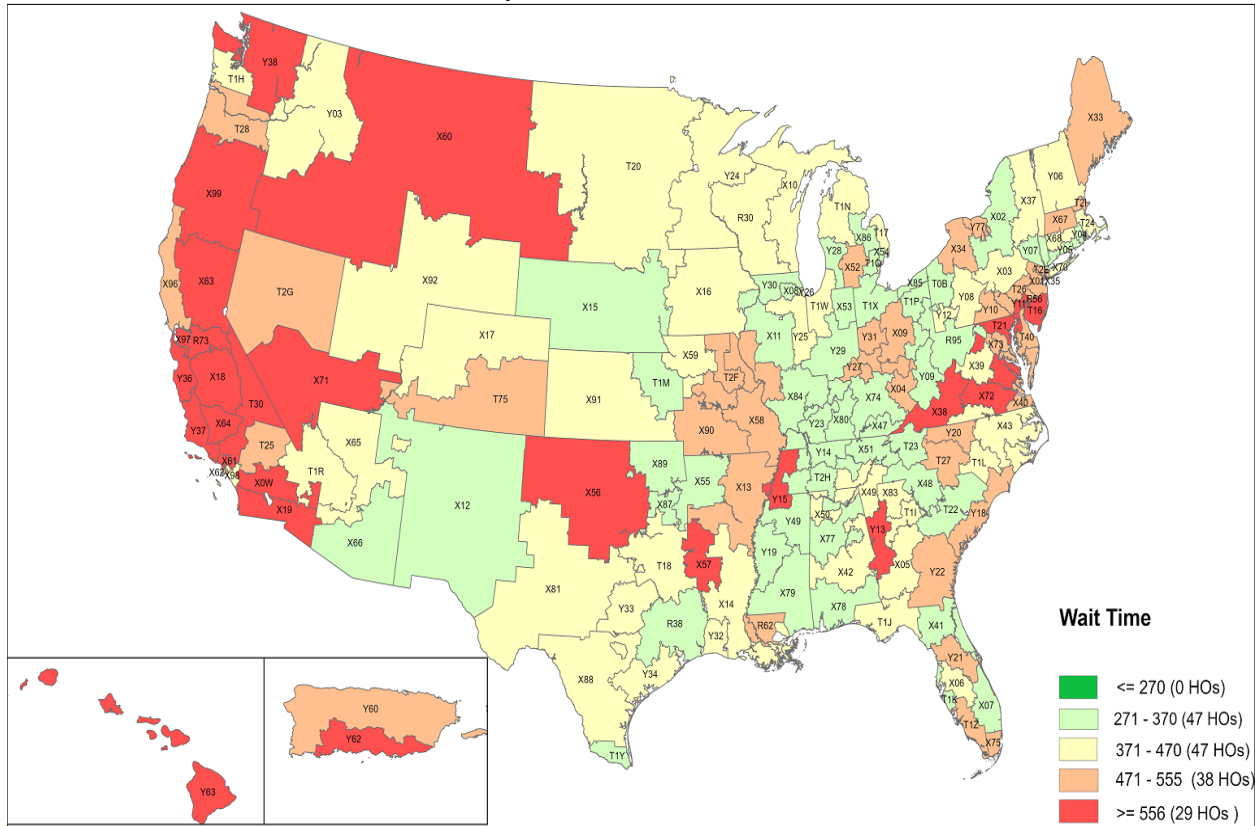


# Hearing Level Activity

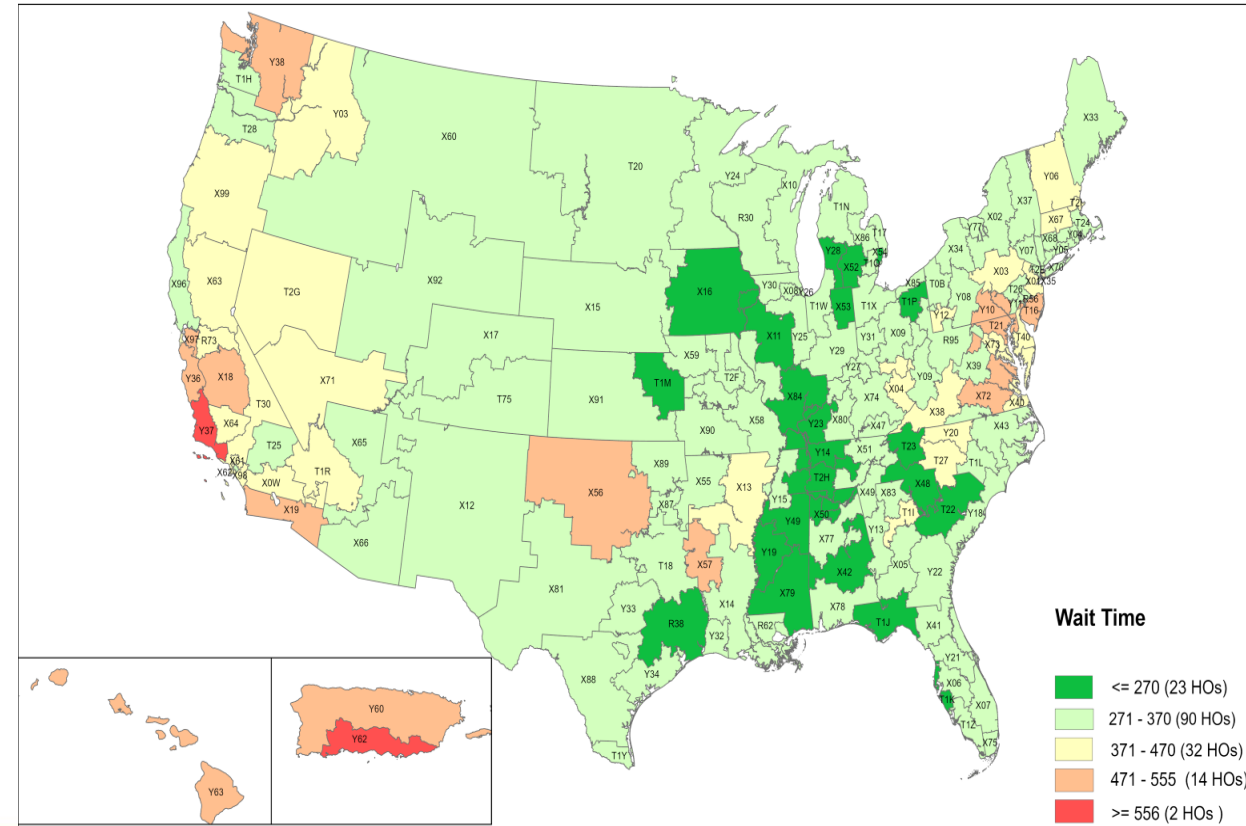
	Receipts (avg/month)	Decisions (avg/month)	Available ALJs	Decisions Per Day Per ALJ	Pending Hearings	Processing Time (days)
<b>FY 2015</b>	62,192	55,261	1,266	2.10	1,060,907	480
<b>FY 2016</b>	59,404	54,353	1,340	1.90	1,121,519	545
<b>FY 2017</b>	51,680	57,138	1,430	1.92	1,056,026	605
<b>FY 2018</b>	47,326	63,796	1,487	2.06	858,383	595
<b>FY 2019</b>	42,575	66,155	1,420	2.25	575,421	506
<b>FY 2020</b>	35,734	48,827	1,315	1.78	418,313	386
<b>FY 2021</b>	31,906	37,587	1,235	1.47	350,137	326
<b>FY 2022</b>	29,111	29,408	1,132	1.25	346,567	333
<b>FY 2023</b>	29,630	31,474	1,088	1.39	321,819	450
<b>Q1 2024</b>	28,503	29,850	1,095	1.34	317,778	364
<b>Q2 2024</b>	30,141	37,569	1,084	1.68	295,493	347
<b>April 2024</b>	28,710	37,367	1,078	1.73	286,836	337

# Hearing Level Processing Times

September 2023



April 2024





# Past and Potential Future Claims Pending—Staffing Is Critical

Figure E.—Scenario 1: Disability Claims Pending (OASDI and/or SSI) Under Current Policy at End of Year Initial Claims as in PB25, Maintain DDS and ALJ Staffing with Increased Disability Examiner Retention and Increased ALJ Productivity

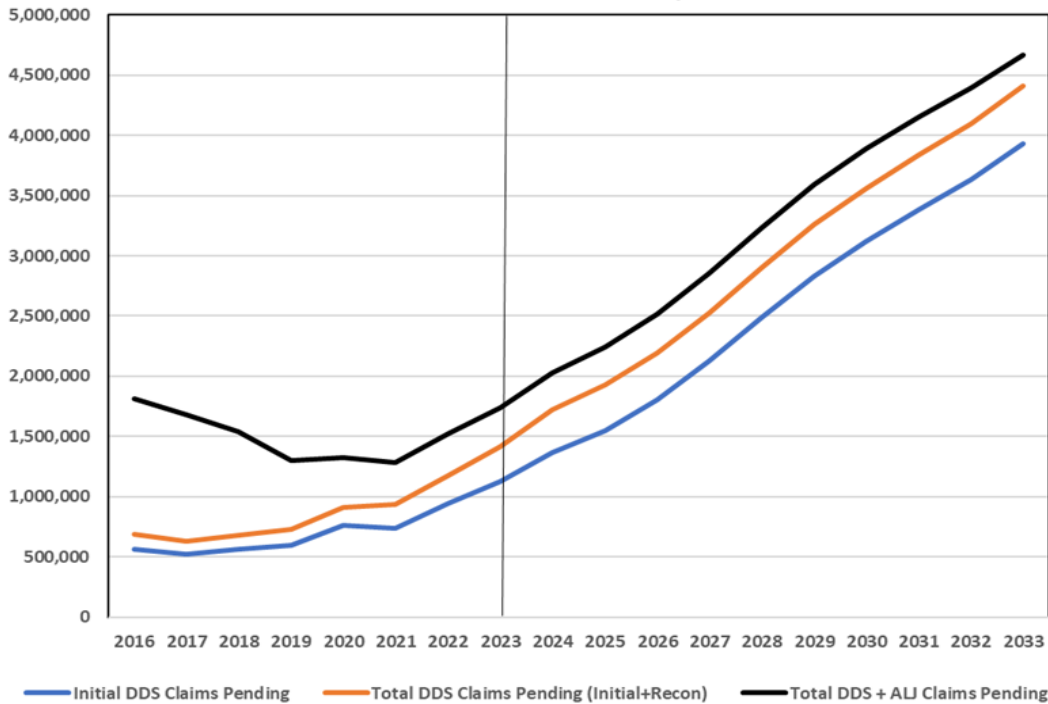
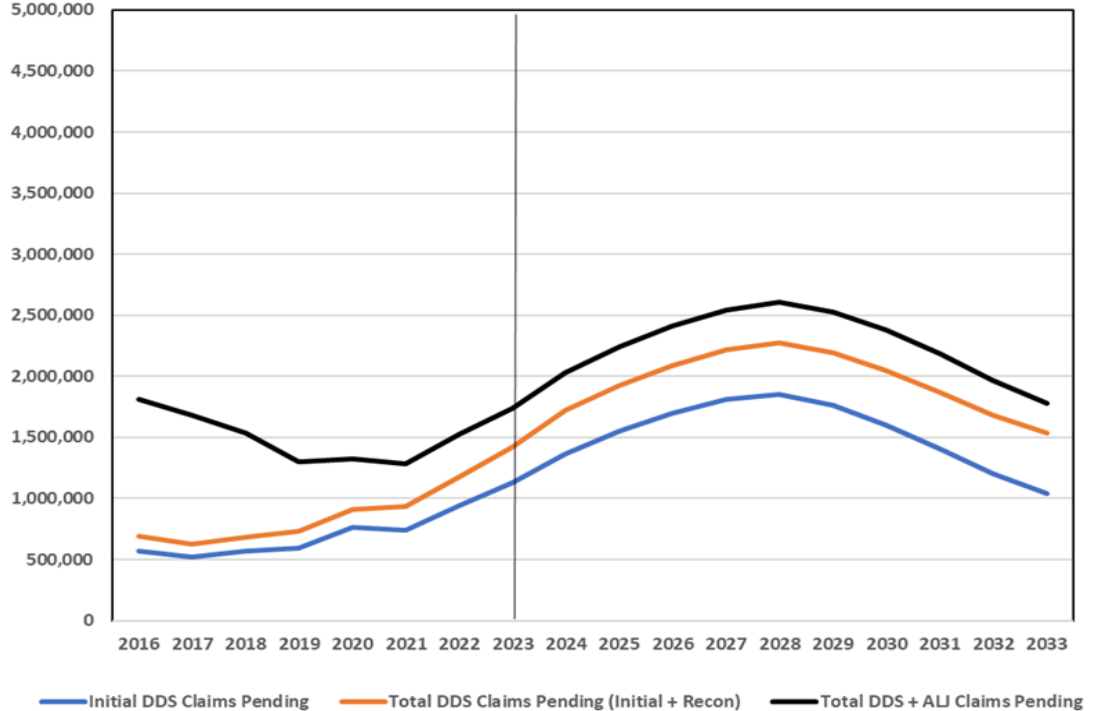


Figure G.—Scenario 3: Disability Claims Pending (OASDI and/or SSI) Under Current Policy at End of Year Initial Claims as in PB25, Increase DDS and ALJ staffing 20% by 2029 with Increased Disability Examiner Retention and Increased ALJ Productivity



See Actuarial Note 163 at [www.ssa.gov/OACT/NOTES/n2020s.html](http://www.ssa.gov/OACT/NOTES/n2020s.html)

# What Are The Trust Funds

The Social Security Trust Funds include:

- The Old-Age and Survivors Insurance (OASI) Trust Fund (since 1937)
- The Disability Insurance (DI) Trust Fund (since 1957)

Managed by the Department of the Treasury, trust fund assets are the sole source available to:

- Pay current (and retroactive) benefits
- Pay administrative expenses
- All revenue credited is immediately invested in interest-bearing obligations of the United States. These special obligations, issued exclusively to the Trust Funds, pay interest equal to the prevailing rate on outstanding marketable federal securities at the time the special obligation is issued

# What Are The Trust Funds

- Two legally distinct funds: OASI and DI
- Overseen by Social Security Board of Trustees
- Basically “pay-as-you-go”
- Current workers provide for current beneficiaries – Social Security cannot borrow from the General Fund of the Treasury, and never has
- Trust Fund reserves are intended to provide a “contingency reserve”
- Social Security cannot “run out of money”
- Even if Congress allowed Trust Fund reserves to become depleted, the large majority of scheduled benefits would still be payable on time, and the obligation to make the scheduled payments in full would not change
- Over 80+ years, Congress has always acted timely: scheduled benefits have always been paid in full and on time

# What Are The Trust Funds

Every dollar of income is invested by law in interest bearing securities backed by the full faith and credit of the United States

By law, income to the trust funds must be invested, on a daily basis, in securities guaranteed as to both principal and interest by the Federal government. All securities held by the trust funds are "special issues" of the United States Treasury. Such securities are available only to the trust funds.

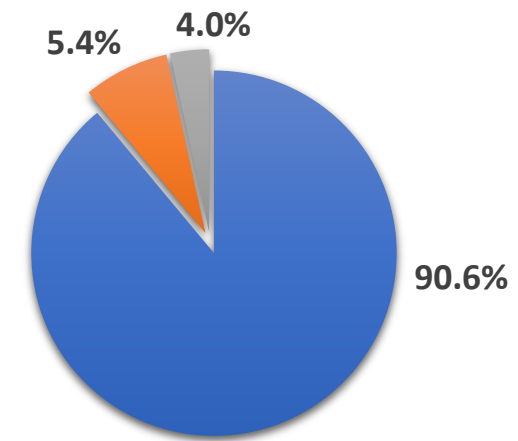
In the past, the trust funds have held marketable Treasury securities, which are available to the general public. Unlike marketable securities, special issues can be redeemed at any time at face value. Marketable securities are subject to the forces of the open market and may suffer a loss, or enjoy a gain, if sold before maturity. Investment in special issues gives the trust funds the same flexibility as holding cash.

- Not “worthless IOUs”
- Securities are issued at market yield rates
- Securities held by the Trust Funds have always been honored, as have all other Treasury issues

# Trust Fund Mechanics

## Trust Fund Receipts

- **Payroll Taxes**
  - Employees and Employers each pay 6.2%, Self-employed pay 12.4%
  - Current allocation of 6.2% split: 5.3% OASI and 0.9% to DI Trust Fund
  - Paid on covered earnings up to \$168,600
  - Medicare tax rate 1.45%, no limit
  - Total tax:
    - 7.65% Employees and Employers
    - 15.3% Self-employed
- **Taxes on Social Security benefits**
  - High income beneficiaries pay federal income tax on their benefits
- **Interest on Trust Fund reserves**
  - Invested in interest-bearing securities of the US government
  - The effective interest rate for 2023 was 2.4 percent.



- Workers' and employers' Social Security contributions
- Interest on reserves
- Income taxes on benefits



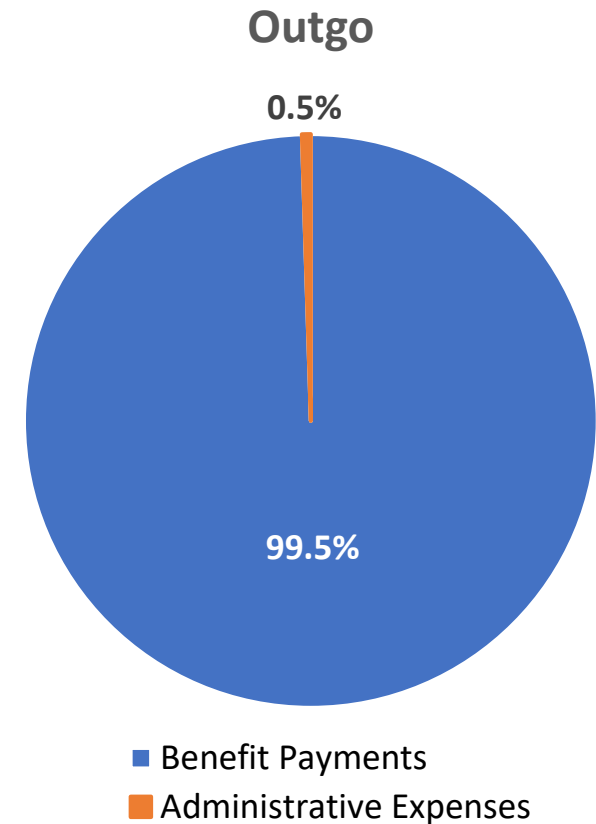
# Trust Fund Mechanics

## WHO PAYS?

- **95% of workers contribute: 180 million in 2023**
  - 25% of state and local gov't employees are not in Social Security
  - 6% of all workers make more than the taxable maximum of \$168,600

## WHO BENEFITS?

- **67 million retirement, survivor, disability beneficiaries in 2023**
  - 53 million retirees and their dependent beneficiaries (spouses and children)
  - 6 million survivors
  - 9 million disabled workers and their dependents
- **160 million workers are insured against disability/death**
- **SSI payments do not come out of the Trust Funds**



# Trust Fund Status as of May 6, 2024: 2024 Trustees Report

- What has Changed
- Historical and Current Balances
- Receipts and Disbursements
- Projections

# 2024 Trustees Report Issued on May 6!

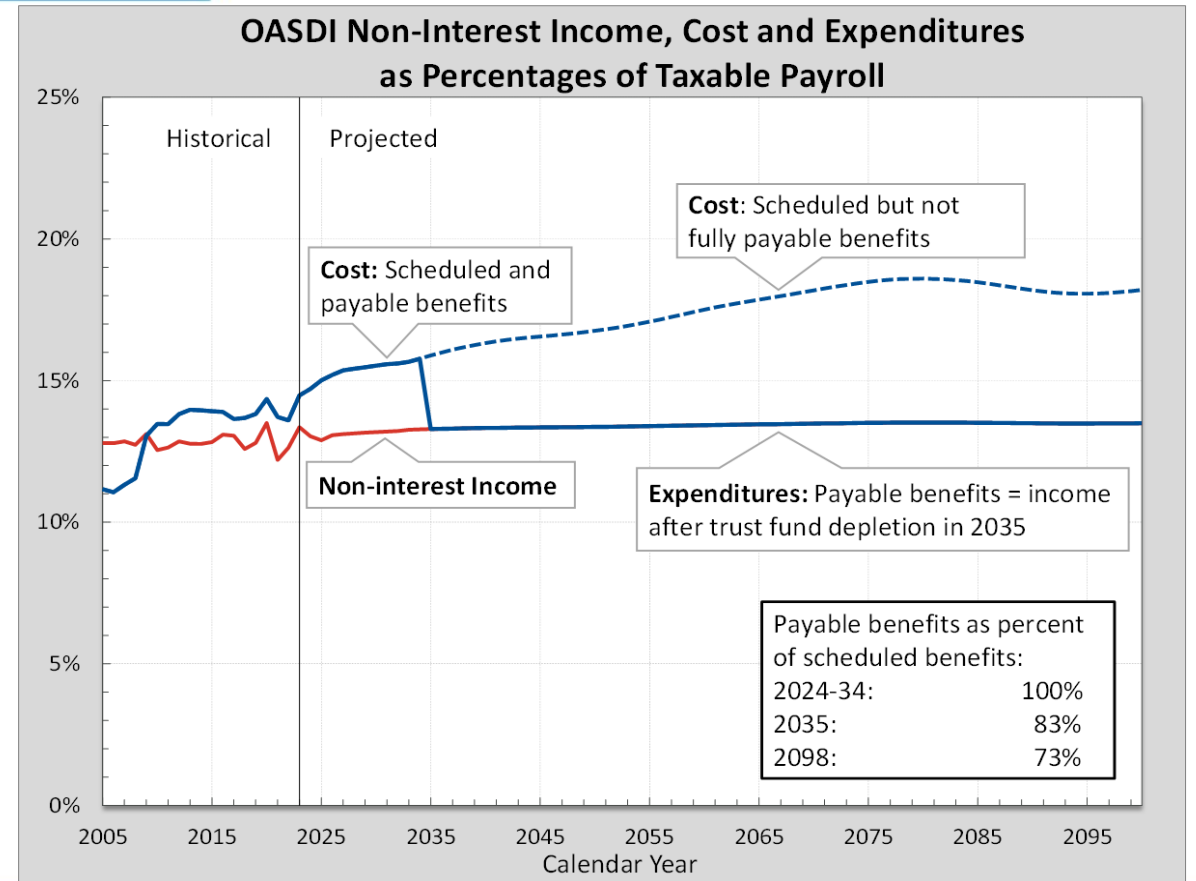
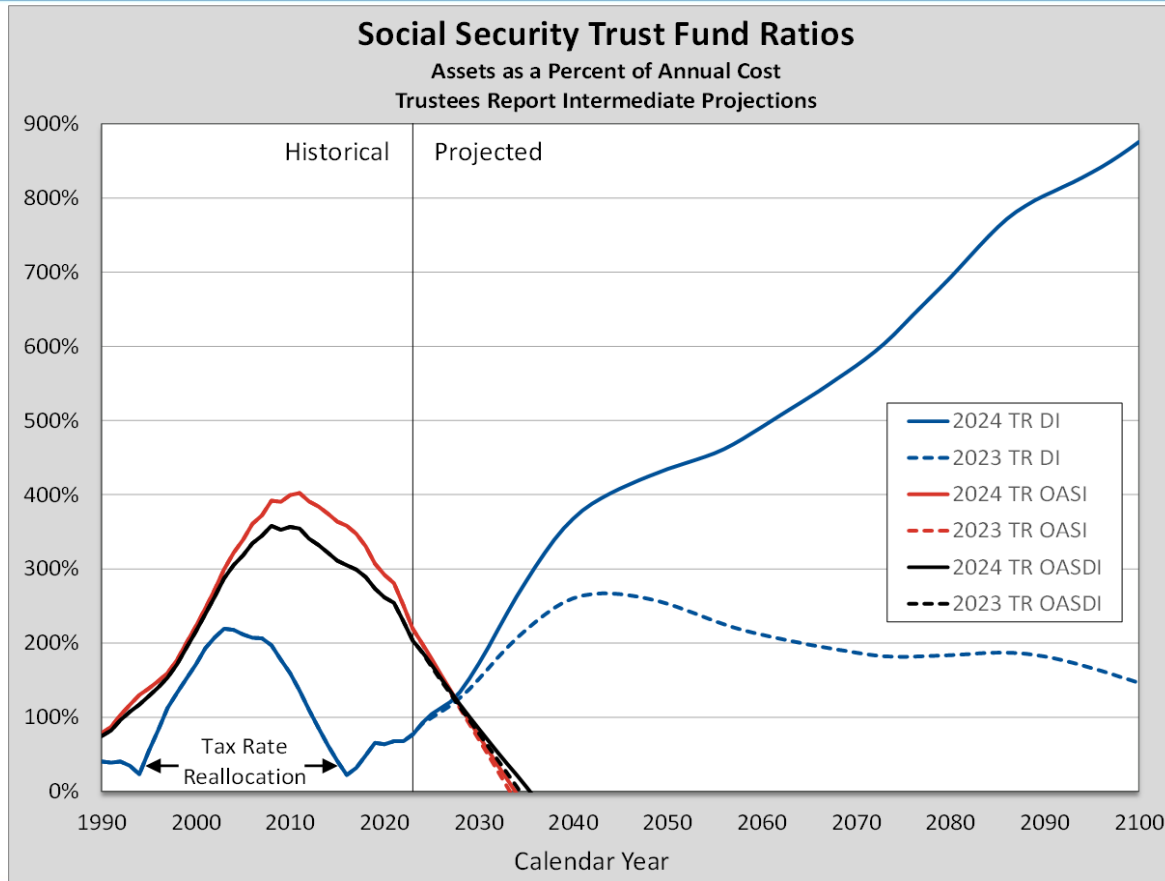
## 3 Primary Changes This Year

1. **Economic:** Given the unanticipated strength of the economy through 2023, the Trustees increased the level of labor productivity and the employment rate over the projection period. This offset the 3-percent permanent drop in the level of labor productivity and GDP assumed in last year's report.
2. **Disability:** The assumed ultimate disabled worker incidence rate was lowered from 4.8 to 4.5 per thousand, as applications for and awards of disability benefits have continued at low levels.
3. **Demographic:** The assumed ultimate total fertility rate (TFR) was lowered from 2.0 children per woman reached in 2056 to 1.9 children per woman reached in 2040, given continued low level of the TFR in recent years.

# Changes in Timing of Trust Fund Reserve Depletion in 2024 Report

1. OASDI reserve depletion is 2035: 13 months later than last year's report
  - a) Actuarial deficit *decreased* by 0.11 percent of payroll versus expected *increase* of 0.06 percent from change in valuation period alone
  - b) Annual deficits are smaller through 2077 and then larger thereafter
2. OASI reserve depletion is again 2033: but 7 months later than in last year's report
3. DI reserves do not become depleted over the 75-year long-range projection period: same as last year
  - a) Applications and benefit awards are both near historically low levels in 2023
  - b) Reduced ultimate incidence rate
  - c) Gradual increase in initial applications to their ultimate levels
  - d) Positive DI actuarial balance increases from 0.01 percent of payroll to 0.14 percent

# 2024 Trustees Report Issued on May 6! Improved Actuarial Status for OASDI

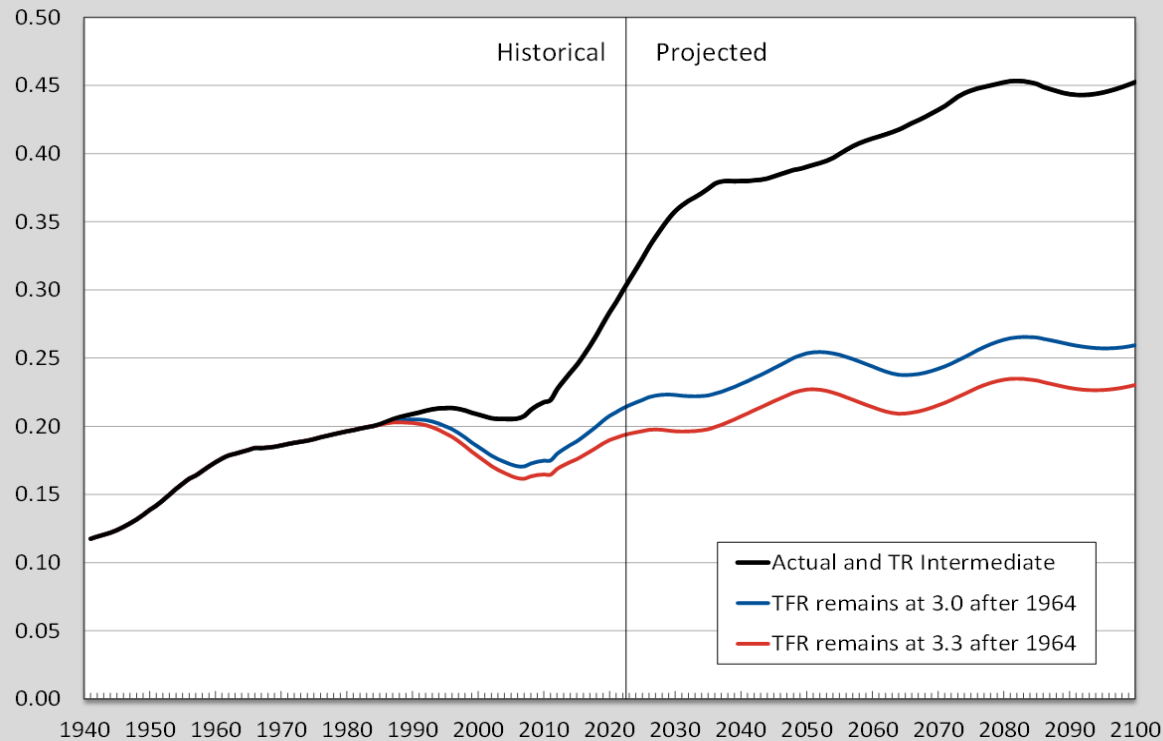




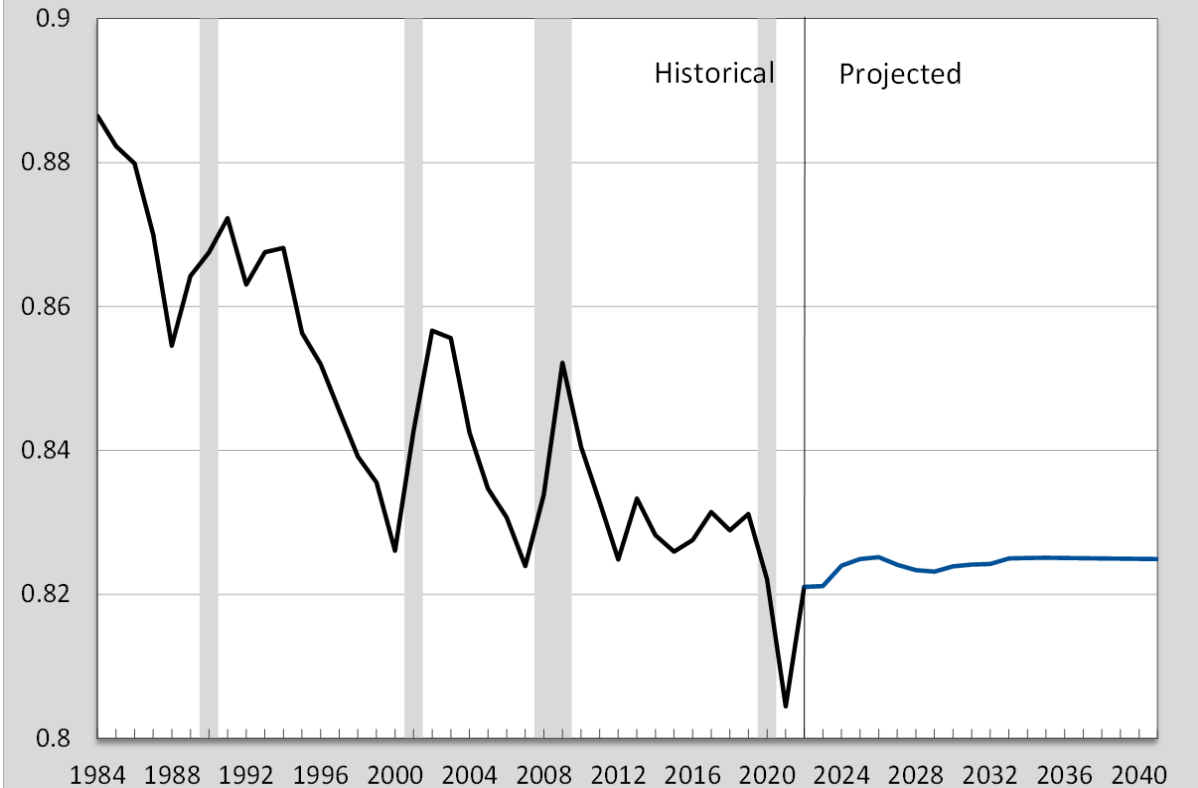
# But Challenges Remain: Changing Age Distribution and Insufficient Revenue

Aging from lower birth rates was known in 1983, but the shift of earnings to the highest 6% of workers between 1983 and 2000 was not anticipated.

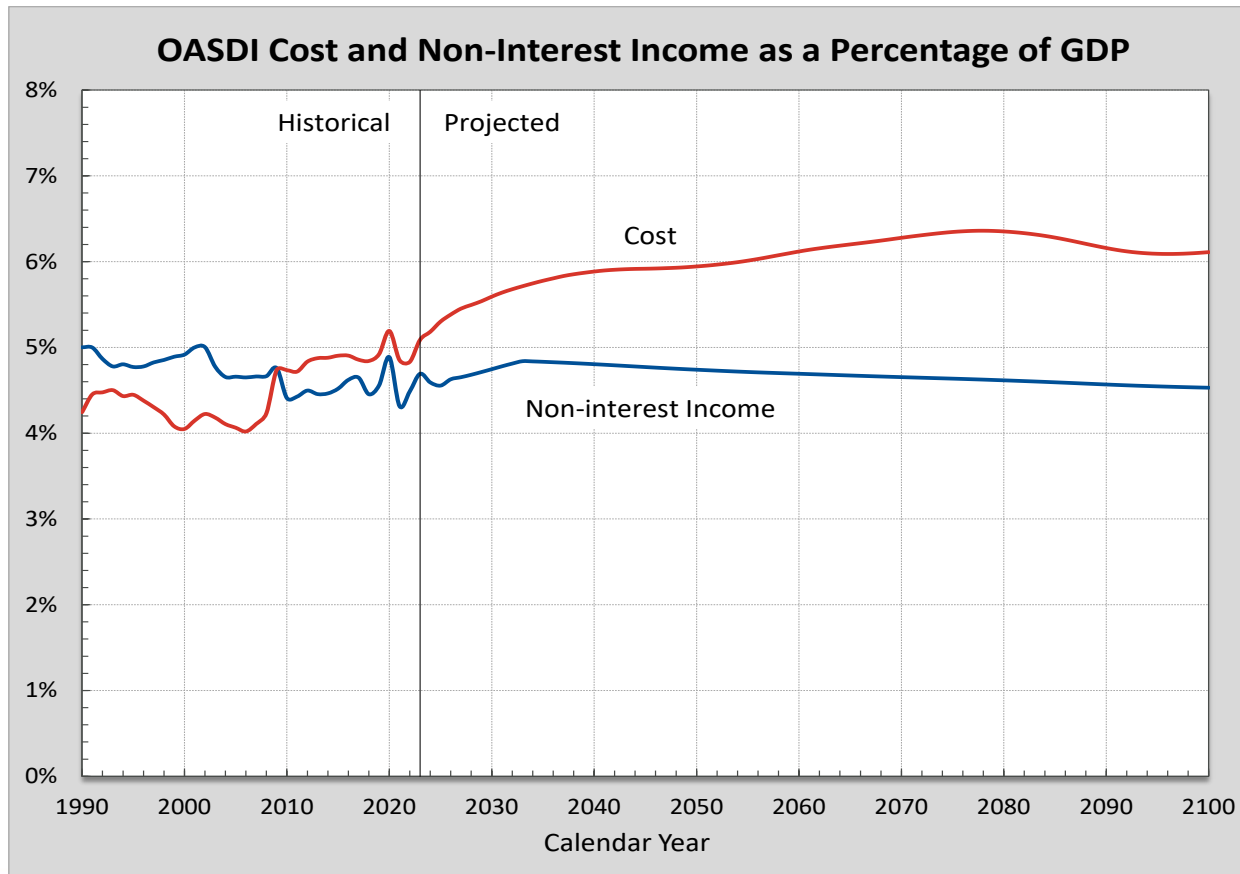
**Aged Dependency Ratio 2024 TR**  
Population 65+/(20-64)



**Taxable Ratio 2024 TR**



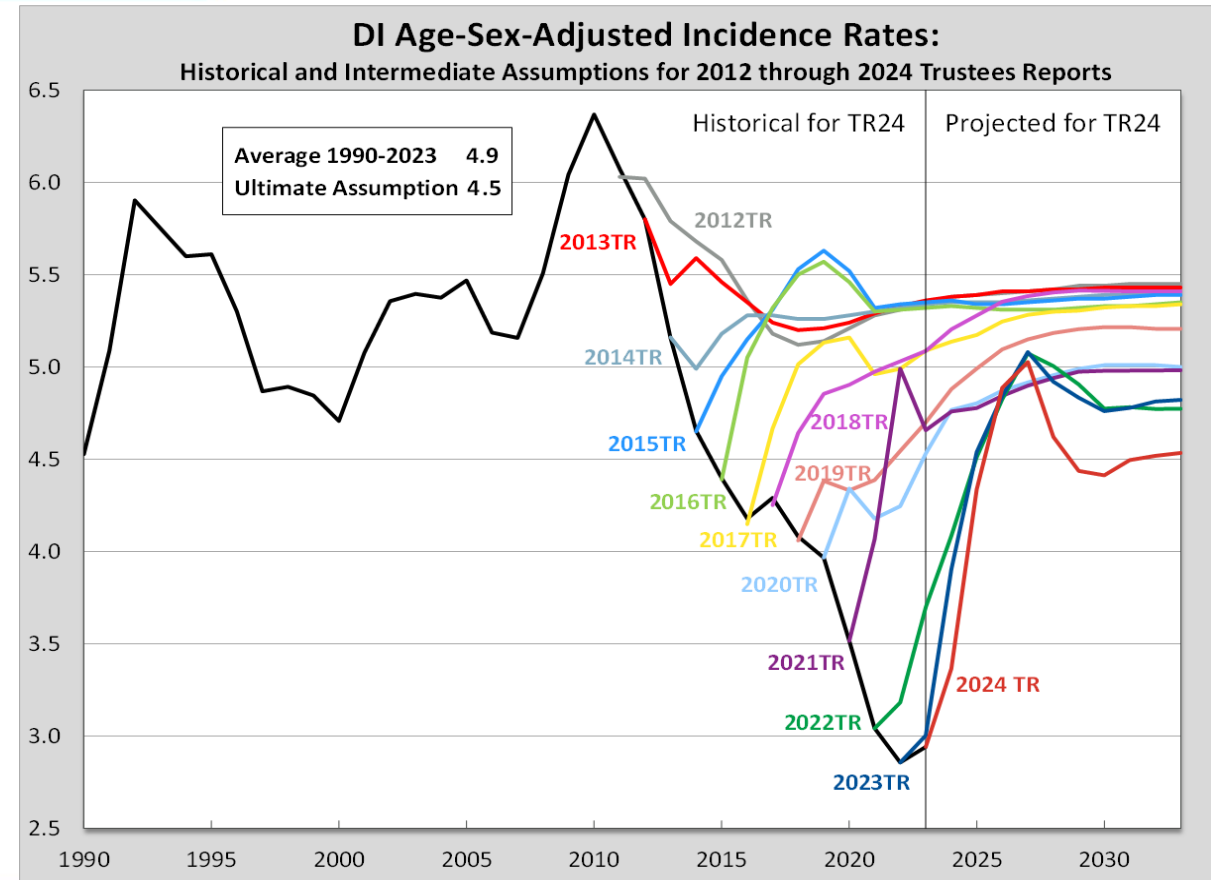
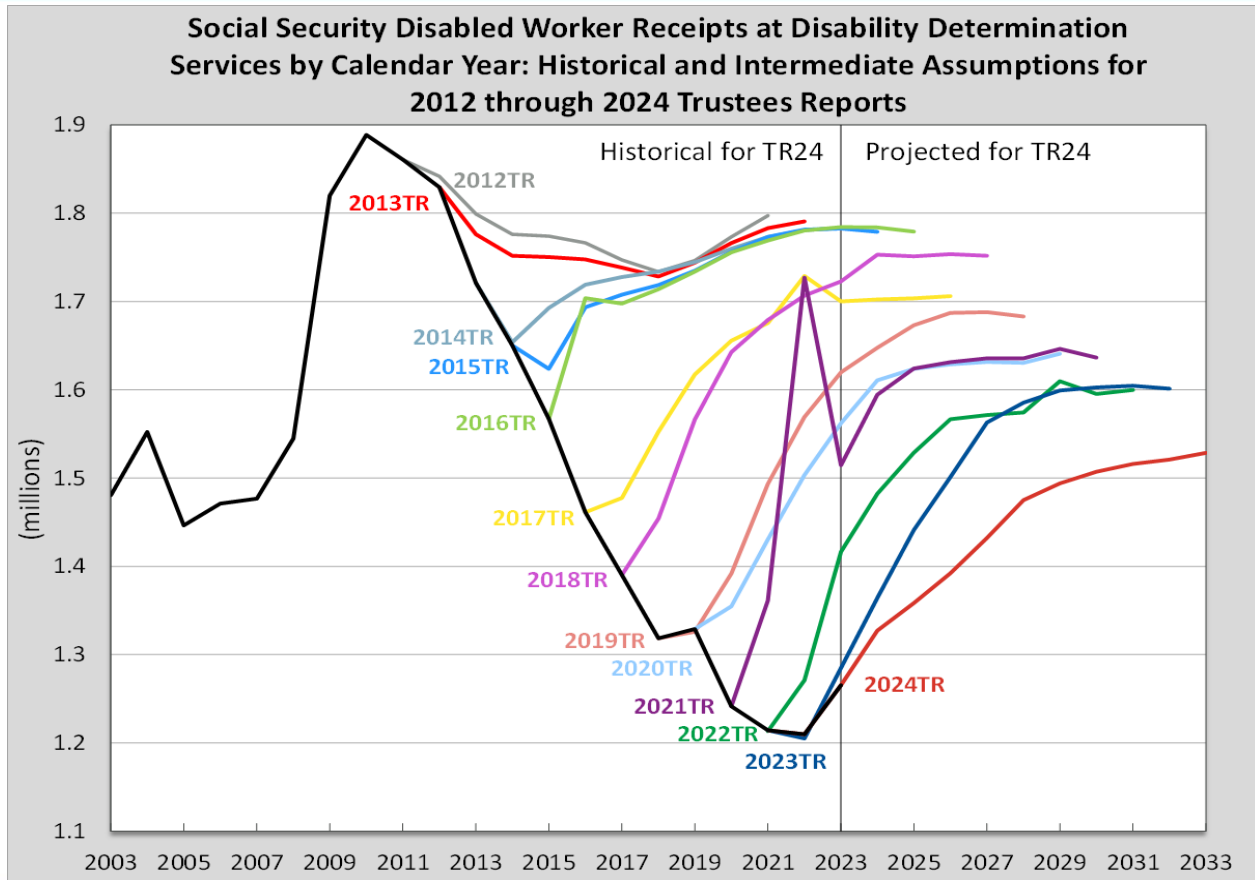
# Sustainability of Social Security—Choice Is to Raise Revenue and/or Lower Cost



Due to the changing age distribution from lower birth rates, cost as a percent of GDP will rise from a 4.2 percent average in 1990-2008 to a peak of about 6.4 percent for 2078; then declines to 6.1 percent by 2098.

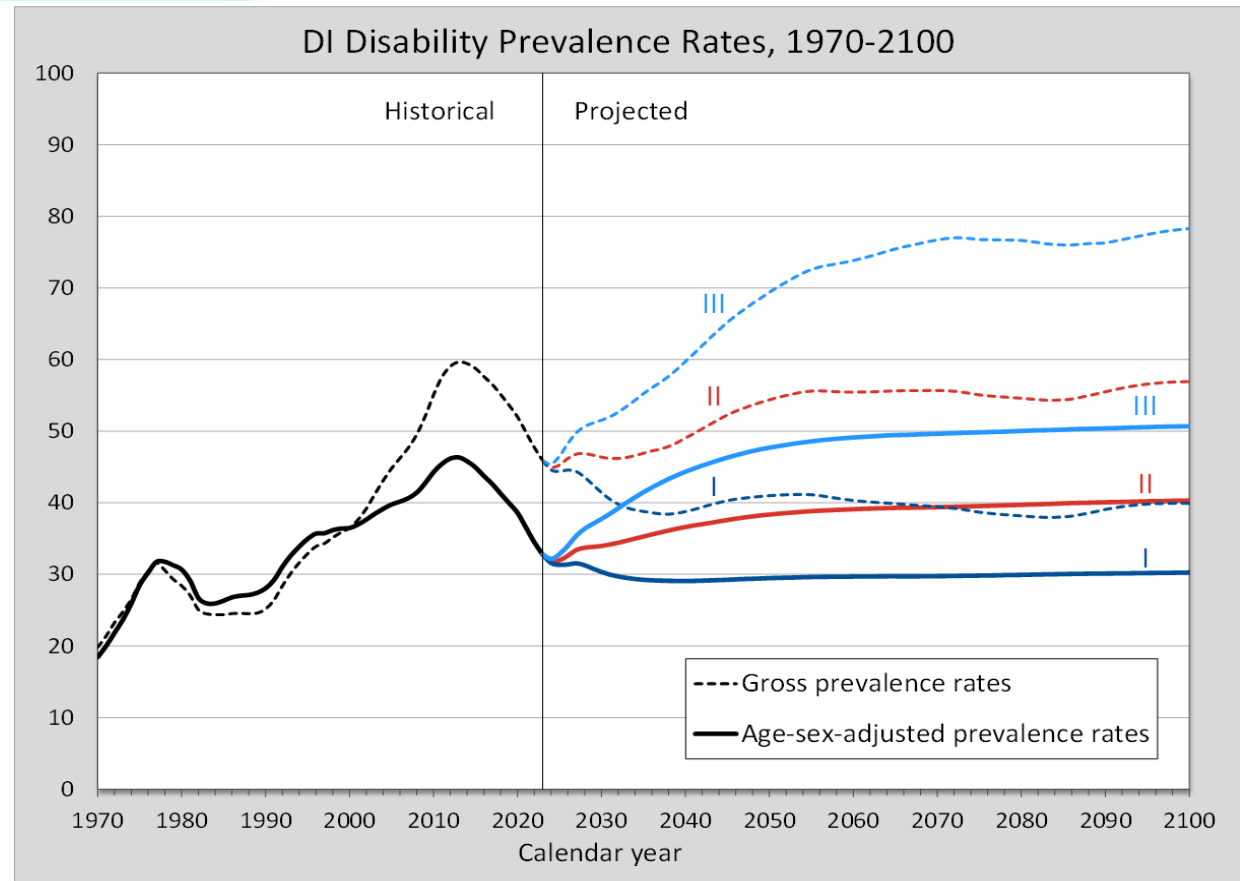
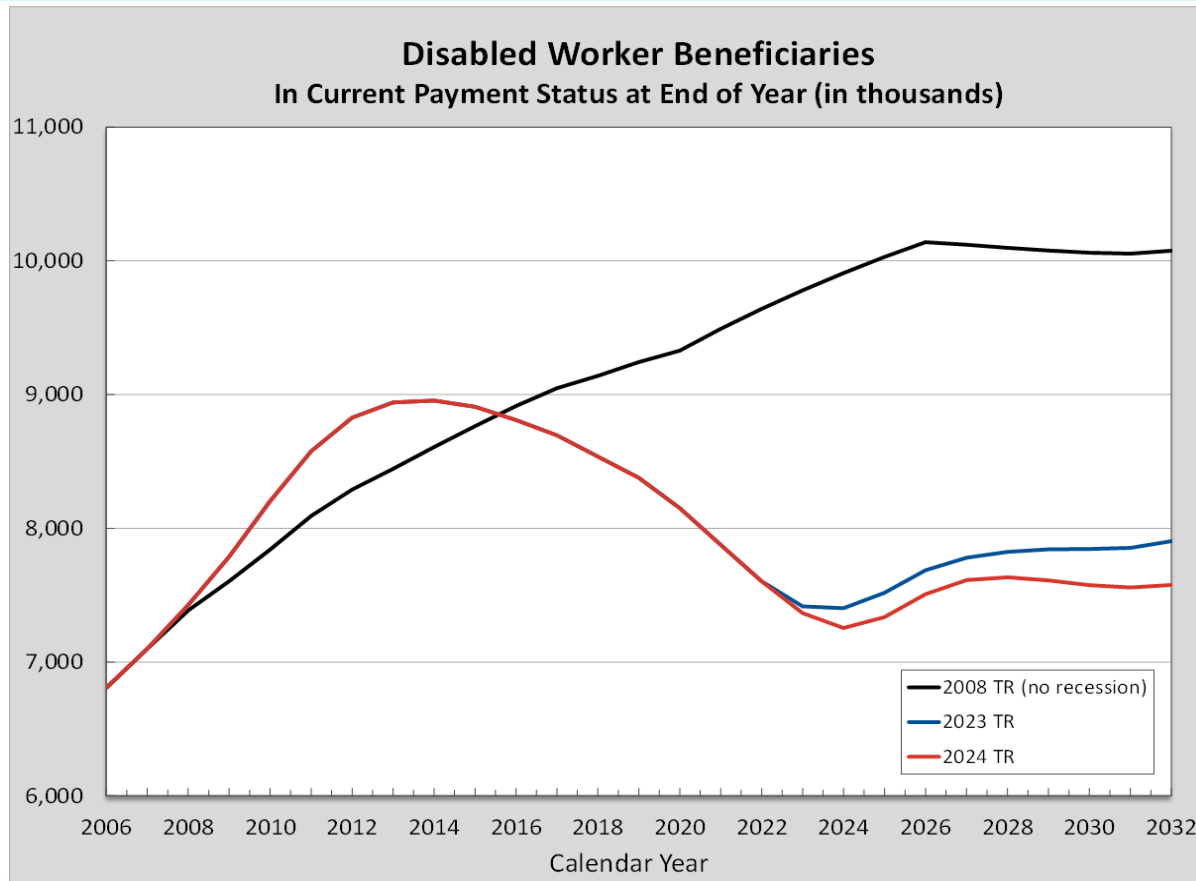
# Disability Insurance Experience Past and Projected—Applications and Incidence

Vast decline since 2010 to unprecedented low levels by 2019 and lower in pandemic. Rise started in 2023 but expected to remain lower than before 2008.



# Disability Insurance Experience Past and Projected—Beneficiaries and Prevalence

Disabled worker DI beneficiaries are far below expectations in 2008, before the “great recession”; prevalence rates (age-sex-adjusted) are projected to rise to 2005-8 level.



## Myth #1: Social Security is bankrupt, insolvent, running out of money, and COVID made it much worse

### Facts:

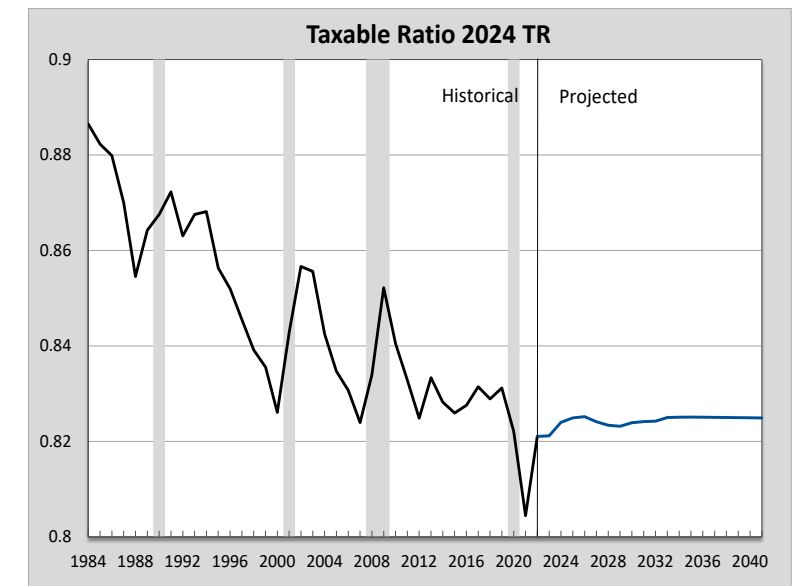
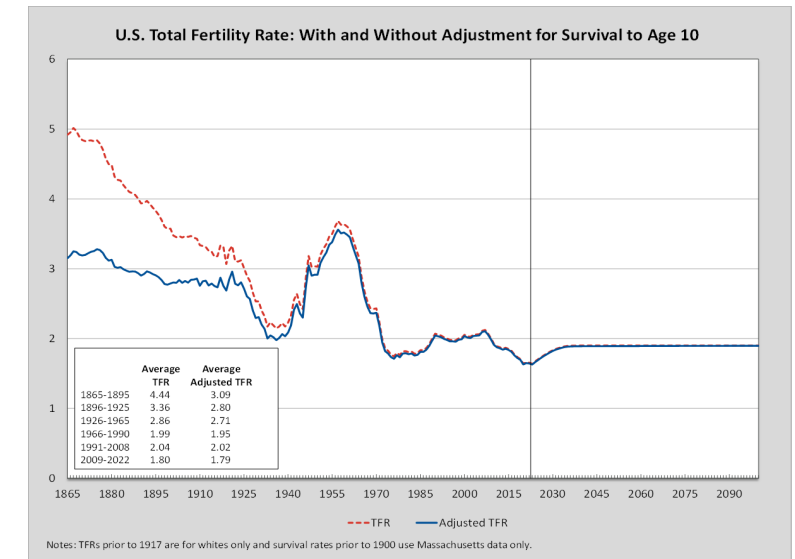
- a) Social Security cannot run out of money
- b) Even if Congress allowed the combined OASDI Trust Fund reserves to deplete...
  - Continuing income would cover 83% of scheduled benefits in 2035
  - And 73% of scheduled benefits in 2098
- c) Over 80+ years, Congress has always acted timely
  - Scheduled benefits have always been paid in full
- d) COVID being temporary has had a modest effect, and little NET effect for the future
  - Mortality rate projections for Trustees Reports have been very accurate



## Myth #2: Increasing longevity and disability are the problem

### Facts:

- a) The age distribution of the population is the most important factor in Social Security cost
  - Population “aging” through 2040 is mainly due to birth rates
- b) Shifting earnings levels have reduced income
  - Declined since 1983 due to increasing concentration of earnings at the top of the distribution, particularly through 2000; between 1983 and 2000, the top 6% of earners increased annual real earnings by 62%; the rest of workers saw only a 17% increase
- c) Disability costs have matured, and are dropping
  - Incidence rates are historically low



## Myth #3: The money in the trust funds has been spent

### Facts:

- a) Every dollar of income is invested by law in interest-bearing securities backed by the full faith and credit of the United States
  - These are not “worthless IOUs”!
- b) Securities are issued at market yield rates
- c) Securities held by the Trust Funds have always been honored, as have all other Treasury issues

## Myth #4: I should start benefits as soon as I can

### Facts:

- a) Social Security retirement benefits are designed to provide about the same lifetime value regardless of when you start, on average
- b) When to start is personal—you might want to wait if you are in average or better health
- c) If you delay by working or using other assets, Social Security increases your monthly life annuity payments, but you will receive them for fewer months!

## Myth #5: My tax contributions have been saved up for me

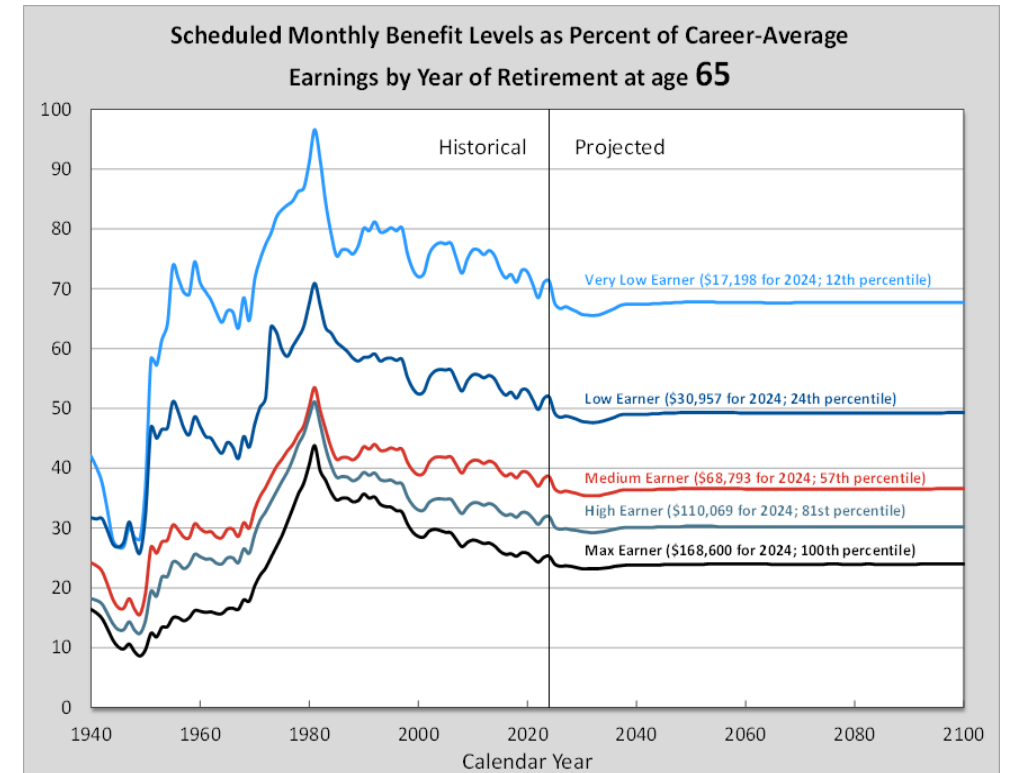
### Facts:

- a) Social Security is a “social contract”
- b) Basically, benefits paid today are financed from contributions by recent workers
- c) This is why the age distribution of the population is fundamental—the workers of the day share with the retirees, survivors, and disabled of the day
- d) This is *really* true for advance-funded systems as well

## Myth #6: Benefits scheduled in the law would be all I need

### Facts:

- Recall the 3-legged stool: 75-80% in retirement
- Social Security provides about 40% of career average earnings (varies from 25% to over 80%)
- So the other legs of the stool—personal savings and private pensions—are needed
- But increasingly, Social Security is the primary source of lifetime income



Source: Annual Recurring Actuarial Note #9 at [www.ssa.gov/oact/NOTES/ran9/index.html](http://www.ssa.gov/oact/NOTES/ran9/index.html)

## Myth #7: Social Security is responsible for the Federal debt

### Facts:

- a) OASI, DI, HI Trust Funds do not add to the debt
- b) In fact, these trust funds finance part of the debt
- c) If trust fund reserves ever become depleted, the programs cannot borrow under current law
- d) Thus, the common “budget scoring convention” is misleading and inconsistent with the law

## Myth #8: “Fixing” the Social Security shortfall will be hard

### Facts:

- a) Need to adjust the benefits or revenue given the shift in the age distribution
- b) By 2034, lower scheduled benefits by 1/4, or raise revenue by 1/3, or some combination
- c) Question: what do the American people want?
- d) Many options are already under consideration



# Potential Revenue Increase

- Raise the 12.4 percent OASDI payroll tax rate?
- Raise tax on highest earners?
  - Increase taxable maximum amount
  - Some tax on all earnings above the maximum
- Tax employer group health insurance premiums?
  - Affects only middle class if taxable maximum remains
- Tax investment income?
  - Or potentially a wealth tax?

# Potential Cost Reduction

- Lower benefits for retirees – not disabled?
  - Increase normal retirement age (lowers OASI cost, but increases DI cost)
  - Can exempt long-career low earners
- Lower benefits mainly for high earners?
  - Reduce PIA above some level
  - Often combined with increasing PIA below some level, subject to work year requirements
- Lower benefits mainly for the oldest old?
  - Reduce the COLA by using the chain-weighted CPI-U
  - But some say increase it with the CPI-E (based on purchase of consumers over age 62)

# Thank You!

Steve Perrigo, J.D.

Stephen Goss, ASA, MAAA