



SOCIAL SECURITY

February 5, 2015

The Honorable Shaun Donovan
 Director, Office of Management and Budget
 Washington, D.C. 20503

Dear Director Donovan:

The Board of Trustees of the Federal Old-Age and Survivors Insurance (OASI) and Federal Disability Insurance (DI) Trust Funds released the 2014 Annual Report on July 28, 2014. Under the intermediate assumptions, the Trustees project that the OASI Trust Fund reserves will become depleted and unable to pay scheduled benefits in full on a timely basis starting in 2034. However, the Trustees project that the DI Trust Fund reserves will become depleted much sooner, in the fourth quarter of 2016. The reserves of the combined OASI and DI Trust Funds are projected to become depleted in 2033 under the intermediate assumptions of the 2014 Trustees Report.

This letter presents our estimates of the effects on the OASI and DI Trust Funds of enacting the temporary reallocation of the payroll tax rate proposed in the President's Fiscal Year 2016 Budget. We estimate this reallocation will equalize the projected years of reserve depletion for the two trust funds to 2033. We base these estimates on the intermediate assumptions of the 2014 Trustees Report.

The President's proposal would increase the total (employee plus employer) payroll tax rate for the DI Trust Fund by 0.9 percentage points, from 1.8 to 2.7 percent, for calendar years 2016 through 2020. The payroll tax rate for the OASI Trust Fund would be reduced by an equal amount so that the total OASDI payroll tax rate for these years would be unchanged.

The table below shows Social Security payroll tax rates for years 2015 and later under present law and under the President's proposal.

Social Security Payroll Tax Rates							
Calendar Years	Employees and employers each			Self-employed			
	OASDI	OASI	DI	OASDI	OASI	DI	
<i>Rates scheduled under present law</i>							
2015+	6.2%	5.3%	0.9%	12.4%	10.6%	1.8%	
<i>Rates proposed in the President's FY2016 Budget</i>							
2015	6.2%	5.3%	0.9%	12.4%	10.6%	1.8%	
2016-20	6.2	4.85	1.35	12.4	9.7	2.7	
2021+	6.2	5.3	0.9	12.4	10.6	1.8	

Note: Rates for 2015 and years after 2020 are unchanged under the proposal.

Under the President's proposed reallocation of tax rates, we project the following:

- 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 would become depleted in 2033. After reserve depletion in 2033, tax income would be sufficient to cover 77 percent of cost. This percent drops to 72 by 2088.
- The asset reserves of the OASI Trust Fund would become depleted in 2033. After reserve depletion in 2033, tax income would cover 75 percent of cost. This percent drops to 70 by 2088.
- The asset reserves of the DI Trust Fund would become depleted in 2033. After reserve depletion in 2033, non-interest income would cover 88 percent of cost. This percent drops to 80 by 2088.

The table below shows Trust Fund ratios (the amount of trust fund asset reserves at the beginning of the year expressed as a percent of annual program cost for the year) for the OASI and DI Trust funds under current law and under the President's proposed reallocation schedule, as well as those of the combined OASDI Trust Fund.

Calendar Year	Trust Fund Ratios				
	OASI		DI		OASDI Combined
	Current Law	Proposal	Current Law	Proposal	
2014	373	373	62	62	320
2015	359	359	39	39	306
2016	345	345	18	18	292
2017	329	322	---	37	277
2018	313	299	---	61	262
2019	297	276	---	88	248
2020	281	254	---	117	233
2021	265	232	---	147	219
2022	249	216	---	138	203
2023	232	199	---	127	187
2024	214	182	---	115	171
2025	196	165	---	103	154
2026	178	147	---	91	137
2027	159	129	---	78	119
2028	140	110	---	66	101
2029	120	90	---	55	83
2030	100	70	---	43	64
2031	79	48	---	32	44
2032	57	26	---	21	23
2033	34	4	---	11	2
2034	11	---	---	---	---
2035	---	---	---	---	---

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

Sincerely,

Handwritten signature of Stephen C. Goss in cursive script.

Stephen C. Goss, Chief Actuary

Handwritten signature of Alice H. Wade in cursive script.

Alice H. Wade, Deputy Chief Actuary

Handwritten signature of Chris Chaplain in cursive script.

Chris Chaplain, Supervisory Actuary