

**CONTENTS**

**APPROPRIATION LANGUAGE..... 13**

**GENERAL STATEMENT..... 14**

    Annual Appropriation ..... 14

    Permanent Indefinite Authority ..... 14

**BUDGETARY RESOURCES ..... 16**

    Analysis of Changes..... 17

    Budget Authority and Obligations by Activity ..... 18

    Obligations by Object Class..... 20

**BACKGROUND ..... 21**

    Authorizing Legislation ..... 21

    Appropriation History ..... 22

**PENSION REFORM..... 24**

    Purpose and Method of Operation ..... 24

    Rationale for Budget Request ..... 25

**UNNEGOTIATED CHECKS..... 26**

    Purpose and Method of Operation ..... 26

    Rationale for Budget Request ..... 27

**COAL INDUSTRY RETIREE HEALTH BENEFITS ..... 28**

    Purpose and Method of Operation ..... 28

    Progress to Date ..... 29

**MILITARY SERVICE WAGE CREDITS ..... 30**

    Purpose and Method of Operation ..... 30

**Payments to Social Security Trust Funds**

**TABLES**

Table 1.1—Annual Appropriation and Obligations.....	14
Table 1.2—Amounts Available for Obligation .....	16
Table 1.3—Summary of Changes.....	17
Table 1.4—New Budget Authority & Obligations, Current Authority .....	18
Table 1.5—Budget Authority and Obligations, Permanent Indefinite Authority.....	19
Table 1.6—Obligations by Object .....	20
Table 1.7—Authorizing Legislation .....	21
Table 1.8—Appropriation History Table.....	22
Table 1.9—Pension Reform: Budget Authority .....	24
Table 1.10—Pension Reform: Obligations.....	26
Table 1.11—Receipts from Pension Coverage Reports .....	26
Table 1.12—Unnegotiated Checks: Budget Authority .....	27
Table 1.13—Unnegotiated Checks: Obligations .....	27
Table 1.14—Direct Deposit Participation Rate .....	27
Table 1.15—Unnegotiated Checks: Budget Authority by Trust Fund .....	27
Table 1.16—Coal Industry Retiree Health Benefits: Obligations .....	28
Table 1.17—Military Service Wage Credits: Budget Authority .....	30

**APPROPRIATION LANGUAGE**

**PAYMENTS TO SOCIAL SECURITY TRUST FUNDS**

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For payment to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, as provided under sections 201(m), 217 (g), 228(g), and 1131(b)(2) of the Social Security Act, [\$16,400,000] \$20,400,000. (*Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2015.*)

## GENERAL STATEMENT

The Payments to Social Security Trust Funds (PTF) account provides federal fund payments to the Social Security trust funds for several distinct activities. The purpose of each requested payment is to put the trust funds in the same financial position they would have been in had they not borne the cost of certain benefits or administrative expenses chargeable to general revenues. This account includes payments requiring an annual appropriation and payments made to the trust funds under permanent indefinite authority.

### ANNUAL APPROPRIATION

The annual PTF appropriation provides reimbursement to the Social Security trust funds for non-trust fund activities. These activities include pension reform, interest on unnegotiated checks, and a quinquennial adjustment for military service wage credits.<sup>1</sup> Listed below is the estimated annual appropriation and resulting obligations for FY 2016.

**Table 1.1—Annual Appropriation and Obligations**

	<b>FY 2014 Actual</b>	<b>FY 2015 Enacted</b>	<b>FY 2016 Estimate</b>	<b>FY15 to FY16 Change</b>
<b>Appropriation</b>	\$ 16,400,000	\$ 16,400,000	<b>\$ 20,400,000</b>	<b>\$ 4,000,000</b>
<b>Obligations</b>	\$ 3,708,978	\$ 17,450,000	<b>\$ 21,450,000</b>	<b>\$ 4,000,000</b>

### PERMANENT INDEFINITE AUTHORITY

Amounts not subject to the annual appropriation include: (1) receipts from federal income taxation of Social Security benefits, (2) Federal Insurance Contribution Act (FICA) and Self-Employment Contribution Act (SECA) tax credits, (3) reimbursement for federal employee union administrative expenses, (4) transfers to offset the financial effects of the Food, Conservation, and Energy Act of 2008, and (5) reimbursements for the loss in FICA tax revenue resulting from the payroll tax holiday provided by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and extended by the Temporary Payroll Tax Cut Continuation Act of 2011. The permanent appropriation provides that the trust funds are credited for each of these revenue items.

#### **Taxation of Social Security Benefits**

The Social Security Amendments of 1983 provide for taxation of up to one-half of Social Security benefits in excess of certain income thresholds. The Omnibus Reconciliation Act of 1993, P.L. 103-66, amended this provision so that up to 85 percent of benefits could be subject to

<sup>1</sup> The quinquennial adjustment for military service wage credits is authorized to be appropriated every 5 years, if it is determined necessary. Appropriations are needed to effectuate transfers from the general funds to the trust funds, but not from trust funds to general funds.

taxation. The additional amounts collected from this 1993 provision are paid to the Hospital Insurance Trust Fund; no additional income is due the Social Security trust funds as a result of the enactment of the 1993 law.

The taxes are collected as federal income taxes; subsequently, an equivalent payment to the Social Security trust funds is made from the general funds of the Treasury. Transfers of estimated aggregate tax liabilities arising from Social Security benefits of U.S. citizens are made quarterly and then adjusted as actual receipts are known. The estimated income from these taxes is \$30,461 million in FY 2015 and \$35,566 million in FY 2016 from U.S. citizens; the monthly transfer of taxes imposed on aliens are transferred monthly and will generate estimated income of \$197 million in FY 2015 and \$209 million in FY 2016. The estimates for taxation of benefits reflect normal growth related to benefit levels and the beneficiary population.

### **FICA and SECA Tax Credits**

The Social Security Amendments of 1983 also provided for the granting of FICA and SECA tax credits to individuals. The tax credits are granted at the time the individual is taxed and are funded by the general funds of the Treasury through reimbursement to the trust funds. The FICA tax credit applies only to wages earned in calendar year 1984. The SECA tax credit applies from calendar year 1984 through calendar year 1989. There are small periodic adjustments made due to tax credits being applied retroactively.

### **Reimbursement for Employee Union Expenses**

In addition to taxation of benefits and tax credits, the PTF account includes reimbursement to the trust funds from general funds, including interest, for certain administrative expenses incurred in support of federal employee union activities. This \$11 million reimbursement is included in SSA's Limitation on Administrative Expenses appropriation.

### **Transfers to Offset Two Coverage Provisions**

Section 15361 of P.L. 110-246, the Food, Conservation, and Energy Act of 2008, provides for annual transfers from the general fund of the Treasury to the OASDI trust funds in FYs 2009 through 2017 to roughly offset the financial effects of the law's two coverage provisions. Section 15301 of P.L. 110-246 excludes Conservation Reserve Program payments from SECA coverage for OASDI beneficiaries, and Section 15352 increases the limit for the optional method for computing earnings from self-employment. The transfers will be \$8 million in FY 2015 and \$6 million in FY 2016.

### **Reimbursement for Payroll Tax Holiday**

P.L. 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, reduced employees' payroll contributions from 6.2 percent to 4.2 percent for calendar year 2011. P.L. 112-78, the Temporary Payroll Tax Cut Continuation Act of 2011, amended P.L. 111-312 to extend the reduced payroll contributions through February 29, 2012. On February 22, 2012, a new law, the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) extended the reduced rate through December 31, 2012. The general funds continue to reimburse the trust funds for this loss in tax revenue. The estimated reimbursement from the general fund for the payroll tax holiday is \$333 million in FY 2015 and \$154 million in FY 2016. We expect additional adjustments will occur for several years as a result of the payroll tax holiday.

## BUDGETARY RESOURCES

The PTF annual appropriation request for FY 2016 is \$20,400,000. SSA expects to make \$35,967,450,000 in payments to the trust funds in FY 2016, including amounts appropriated under permanent indefinite authority.

**Table 1.2—Amounts Available for Obligation**

	FY 2014 Actual	FY 2015 Enacted	FY 2016 Estimate
<b>Annual Appropriation</b>	<b>\$ 16,400,000</b>	<b>\$ 16,400,000</b>	<b>\$ 20,400,000</b>
<b>Permanent Appropriation</b>	<b>\$ 25,803,025,709</b>	<b>\$ 31,010,000,000</b>	<b>\$ 35,946,000,000</b>
Total Appropriation	\$ 25,819,425,709	\$ 31,026,400,000	\$ 35,966,400,000
Unobligated Balance, Start-of-Year	\$ 12,860,736	\$ 12,852,343	\$ 11,802,343
<b>Subtotal Budgetary Resources</b>	<b>\$ 25,832,286,445</b>	<b>\$ 31,039,252,343</b>	<b>\$ 35,978,202,343</b>
<b>Obligations</b>	<b>(\$ 25,806,743,080)</b>	<b>(\$ 31,027,450,000)</b>	<b>(\$ 35,967,450,000)</b>
Unobligated Balance, End-of-Year	\$ 12,852,343	\$ 11,802,343	\$ 10,752,343
Unobligated Balance, Lapsing	\$ 12,691,022	\$ 0	\$ 0

The unobligated balances represent funds appropriated for the Coal Industry Retiree Health Benefits Act (CIRHBA) in FY 1996 and FY 1997 and made available until expended. The lapsed unobligated balances represent the amount of the annual appropriation not obligated in the current year.

**ANALYSIS OF CHANGES**

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The FY 2016 annual appropriation request is \$4,000,000 higher than the FY 2015 enacted level. The obligations reported below include CIRHBA activity, funded from unobligated balances carried forward from prior years. These funds, provided in FY 1996 and FY 1997, remain available until expended.

**Table 1.3—Summary of Changes**

	<b>FY 2015 Enacted</b>	<b>FY 2016 Estimate</b>	<b><i>FY15 to FY16 Change</i></b>
<b>Appropriation</b>	<b>\$ 16,400,000</b>	<b>\$ 20,400,000</b>	<b>\$ 4,000,000</b>
<b>Obligations</b>	<b>\$ 17,450,000</b>	<b>\$ 21,450,000</b>	<b>\$ 4,000,000</b>

**BUDGET AUTHORITY AND OBLIGATIONS BY ACTIVITY**

The table below displays the budget authority and obligations for each of the PTF activities funded by the annual appropriation. Coal Industry Retiree Health Benefit obligations are funded from prior year unobligated balances.

**Table 1.4—New Budget Authority & Obligations, Current Authority  
(In thousands)**

	<b>FY 2014 Actual</b>	<b>FY 2015 Enacted</b>	<b>FY 2016 Estimate</b>
<b><u>Appropriation</u></b>			
Pension Reform	\$ 6,400	\$ 6,400	\$ 6,400
Unnegotiated Checks	\$ 10,000	\$ 10,000	\$ 5,000
Quinquennial Adj. for Military Wage Credits	\$ 0	\$ 0	\$ 9,000
Coal Industry Retiree Health Benefits	\$ 0	\$ 0	\$ 0
<b>Total Annual Appropriation</b>	<b>\$ 16,400</b>	<b>\$ 16,400</b>	<b>\$ 20,400</b>
<b><u>Obligations</u></b>			
Pension Reform	\$ 1,011	\$ 7,400	\$ 7,400
Unnegotiated Checks	\$ 2,698	\$ 10,000	\$ 5,000
Quinquennial Adj. for Military Wage Credits	\$ 0	\$ 0	\$ 9,000
Coal Industry Retiree Health Benefits	\$ 8	\$ 50	\$ 50
<b>Total Obligations</b>	<b>\$ 3,717</b>	<b>\$ 17,450</b>	<b>\$ 21,450</b>

The table below displays budget authority and obligations for the PTF activities not subject to the annual appropriation. This includes taxation of benefits, FICA and SECA tax credits, reimbursement for certain union administrative expenses, transfers to offset the financial effects of the Food, Conservation, and Energy Act of 2008, and reimbursements for the employee payroll tax holiday. The actual amount appropriated for these activities is determined by the actual amount collected from, or to be reimbursed for, each activity.

**Table 1.5—Budget Authority and Obligations,  
Permanent Indefinite Authority  
(In thousands)**

	FY 2014 Actual	FY 2015 Enacted	FY 2016 Estimate
<b><u>Appropriation</u></b>			
Reimb. for Union Administrative Expenses	\$ 9,767	\$ 11,000	\$ 11,000
Food, Conservation, and Energy Act, 2008 <sup>1</sup>	\$ 8,000	\$ 8,000	\$ 6,000
Employee Payroll Tax Holiday <sup>2</sup>	\$ 121,607	\$ 333,000	\$ 154,000
Taxation of Benefits, U.S.	\$ 25,476,616	\$ 30,461,000	\$ 35,566,000
Taxation of Benefits, Nonresident Alien	\$ 187,000	\$ 197,000	\$ 209,000
FICA Tax Credits	\$ 0	\$ 0	\$ 0
SECA Tax Credits	\$ 36	\$ 0	\$ 0
<b>Total Permanent Appropriation</b>	<b>\$ 25,803,026</b>	<b>\$ 31,010,000</b>	<b>\$ 35,946,000</b>
<b><u>Obligations</u></b>			
Reimb. for Union Administrative Expenses	\$ 9,767	\$ 11,000	\$ 11,000
Food, Conservation, and Energy Act, 2008	\$ 8,000	\$ 8,000	\$ 6,000
Employee Payroll Tax Holiday	\$ 121,607	\$ 333,000	\$ 154,000
Taxation of Benefits, U.S.	\$ 25,476,616	\$ 30,461,000	\$ 35,566,000
Taxation of Benefits, Nonresident Alien	\$ 187,000	\$ 197,000	\$ 209,000
FICA Tax Credits	\$ 0	\$ 0	\$ 0
SECA Tax Credits	\$ 36	\$ 0	\$ 0
<b>Total Obligations</b>	<b>\$ 25,803,026</b>	<b>\$ 31,010,000</b>	<b>\$ 35,946,000</b>

<sup>1</sup> P.L. 110-246, the Food, Conservation, and Energy Act of 2008 (H.R. 6124) provided that SSA’s trust funds would be reimbursed for lost income resulting from enacted changes to the reporting of self-employment income (SECA taxes). The bill established that SSA would be reimbursed from FY 2009 to FY 2017.

<sup>2</sup> P.L. 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (H.R. 4853), reduced employees’ payroll contributions from 6.2 percent to 4.2 percent for calendar year 2011. P.L. 112-78, the Temporary Payroll Tax Cut Continuation Act of 2011 (H.R. 3765) amended P.L. 111-312 to extend the reduced payroll contributions through February 29, 2012. On February 22, 2012, a new law, the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) extended the reduced rate through December 31, 2012. The general funds reimburse the trust funds for the loss in tax revenue (Title VI, Sec 601).

**OBLIGATIONS BY OBJECT CLASS**

The table below displays the obligations by object class for the total PTF account (annually and permanently appropriated funds).

**Table 1.6—Obligations by Object  
(In thousands)**

	<b>FY 2014 Actual</b>	<b>FY 2015 Enacted</b>	<b>FY 2016 Estimate</b>
<b>Other Services</b>	\$ 21,520	\$ 35,450	\$ 37,450
<b>Financial Transfers</b>	\$ 25,663,616	\$ 30,659,000	\$ 35,776,000
<b>Financial Transfers: Employee Payroll Tax Holiday</b>	\$ 121,607	\$ 333,000	\$ 154,000
<b>Total Obligations</b>	<b>\$ 25,806,743</b>	<b>\$ 31,027,450</b>	<b>\$ 35,967,450</b>

**BACKGROUND**

**AUTHORIZING LEGISLATION**

The PTF account is authorized by the sections of the Social Security Act described below.

**Table 1.7—Authorizing Legislation (in thousands)**

	<b>Amount Authorized</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Enacted</b>	<b>FY 2016 Estimate</b>
Pension Reform: S.S. Act, Section 1131(b)(2)	Indefinite	\$ 6,400	\$ 6,400	\$ 6,400
Unnegotiated Checks: S.S. Act, Section 201(m); Social Security Amendments of 1983, Section 152	Indefinite	\$ 10,000	\$ 10,000	\$ 5,000
Coal Industry Retiree Health Benefits: Internal Revenue Code of 1986, Sections 9704 and 9706; Energy Policy Act of 1992, Section 19141	Indefinite	\$ 0	\$ 0	\$ 0
Quinquennial Adjustment for Military Service Wage Credits: S.S. Act, Section 217(g)	Indefinite	\$ 0	\$ 0	\$ 9,000
<b>Subtotal Annual PTF Appropriation</b>		<b>\$ 16,400</b>	<b>\$ 16,400</b>	<b>\$ 20,400</b>
Reimbursement for Union Administrative Expenses: FY 2002 Social Security Appropriations Act	Permanent Indefinite	\$ 9,767	\$ 11,000	\$ 11,000
Food, Conservation, and Energy Act, 2008: P.L. 110-246, Section 15361	Permanent	\$ 8,000	\$ 8,000	\$ 6,000
Employee Payroll Tax Holiday: P.L. 111-312, Section 601, As Amended By Temporary Payroll Tax Cut Continuation Act: P.L. 112-78	Permanent Indefinite	\$ 121,607	\$ 333,000	\$ 154,000
Taxation of Benefits, U.S.: Social Security Amendments of 1983, Section 121	Permanent Indefinite	\$ 25,476,616	\$ 30,461,000	\$ 35,566,000
Taxation of Benefits, Nonresident Aliens: Social Security Amendments of 1983, Section 121	Permanent Indefinite	\$ 187,000	\$ 197,000	\$ 209,000
FICA/SECA Tax Credits: Social Security Amendments of 1983, Section 124(b)	Permanent Indefinite	\$ 36	\$ 0	\$ 0
<b>Subtotal Permanent PTF Appropriation</b>		<b>\$ 25,803,026</b>	<b>\$ 31,010,000</b>	<b>\$ 35,946,000</b>
<b>Total Appropriation</b>		<b>\$ 25,819,426</b>	<b>\$ 31,026,400</b>	<b>\$ 35,966,400</b>

**APPROPRIATION HISTORY**

The table below displays the annual appropriation requested by SSA, amounts approved by the House and Senate, and the amount ultimately appropriated by Congress. This does not include amounts appropriated under permanent indefinite authority. The FY 2006 appropriation included a supplemental appropriation for hurricane relief. The FY 2007 appropriation included a one-time reimbursement to the trust funds for an overpayment made from the trust funds to the IRS. The quinquennial adjustment for Military Service Wage Credits is included in the FY 2008 and FY 2011 enacted appropriations. The FY 2008 appropriation also included funds to administer economic recovery payments to beneficiaries.

**Table 1.8—Appropriation History Table**

Fiscal Year	Budget Estimate to Congress	House Committee Passed	Senate Committee Passed	Enacted Appropriation
2006	\$ 20,470,000	\$ 20,470,000 <sup>1</sup>	\$ 20,470,000 <sup>2</sup>	\$ 20,470,000 <sup>3</sup>
Supplemental <sup>4</sup>				\$ 38,000,000
2007 <sup>5</sup>	\$ 27,756,000	\$ 27,756,000 <sup>6</sup>	\$ 27,756,000 <sup>7</sup>	\$ 20,416,000 <sup>8</sup>
Trust Funds Restoration Act <sup>9</sup>				\$ 1,297,614,000
2008 <sup>10</sup>	\$ 28,140,000	\$ 28,140,000 <sup>11</sup>	\$ 28,140,000 <sup>12</sup>	\$ 28,140,000 <sup>13</sup>
Economic Stimulus Act <sup>14</sup>				\$ 31,000,000
2009	\$ 20,406,000	-- <sup>15</sup>	\$ 20,406,000 <sup>16</sup>	\$ 20,406,000 <sup>17</sup>
2010	\$ 20,404,000	\$ 20,404,000 <sup>18</sup>	\$ 20,404,000 <sup>19</sup>	\$ 20,404,000 <sup>20</sup>
2011 <sup>21</sup>	\$ 21,404,000	-- <sup>22</sup>	\$ 21,404,000 <sup>23</sup>	\$ 21,404,000 <sup>24</sup>
2012	\$ 20,404,000	-- <sup>25</sup>	\$ 20,404,000 <sup>26</sup>	\$ 20,404,000 <sup>27</sup>
2013	\$ 20,402,000	-- <sup>28</sup>	\$ 20,404,000 <sup>29</sup>	\$ 20,404,000 <sup>30</sup>
2014	\$ 16,400,000	-- <sup>31</sup>	\$ 16,400,000 <sup>32</sup>	\$ 16,400,000 <sup>33</sup>
2015	\$ 16,400,000	\$ 16,400,000 <sup>34</sup>	--- <sup>35</sup>	\$ 16,400,000 <sup>36</sup>
<b>2016</b>	<b>\$ 20,400,000</b>			

<sup>1</sup> H.R. 3010.

<sup>2</sup> H.R. 3010, reported from Committee with an amendment.

<sup>3</sup> Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 (P.L. 109-149).

<sup>4</sup> FY 2006 Supplemental Appropriation providing for hurricane relief.

<sup>5</sup> The FY 2007 request included \$7,340,000 for the quinquennial adjustment to the Federal Disability Insurance Trust Fund for the costs of granting noncontributory credit for military service. This was not appropriated for FY 2007.

<sup>6</sup> H.R. 5647.

<sup>7</sup> S. 3708.

<sup>8</sup> Revised Continuing Appropriations Resolution, 2007 (P.L. 110-5).

- <sup>9</sup> Appropriation provided by the Social Security Trust Funds Restoration Act of 2006 (P.L. 109-465), to repay the Social Security trust funds for an overpayment to the Internal Revenue Service for Voluntary Income Tax Withholding.
- <sup>10</sup> Includes \$7,727,000 for the quinquennial adjustment to the Federal Disability Insurance Trust Fund for the costs of granting noncontributory credit for military service.
- <sup>11</sup> H.R. 3043.
- <sup>12</sup> S. 1710.
- <sup>13</sup> Consolidated Appropriations Act, 2008 (P.L. 110-161).
- <sup>14</sup> Appropriation provided by the Economic Stimulus Act of 2008, P.L. 110-185, for agency administrative costs related to stimulus payments to Social Security beneficiaries.
- <sup>15</sup> The House Committee on Appropriations did not report a bill.
- <sup>16</sup> S. 3230.
- <sup>17</sup> Omnibus Appropriations Act, 2009 (P.L. 111-8).
- <sup>18</sup> H.R. 3293.
- <sup>19</sup> H.R. 3293, reported from Committee with an amendment.
- <sup>20</sup> Consolidated Appropriations Act, 2010 (P.L. 111-117).
- <sup>21</sup> Requested \$1 million in FY 2011 for the quinquennial adjustment for military service wage credits from the general funds to the Federal Disability Insurance Trust Fund. However, we later determined that transfers should be made from the trust funds to the general fund in FY 2011.
- <sup>22</sup> The House Committee on Appropriations did not report a bill.
- <sup>23</sup> S. 3686.
- <sup>24</sup> Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).
- <sup>25</sup> The House Committee on Appropriations did not report a bill. Appropriations Chairman Rehberg introduced H.R. 3070, which included \$20,404,000.
- <sup>26</sup> S. 1599.
- <sup>27</sup> Consolidated Appropriations Act, 2012 (P.L. 112-74).
- <sup>28</sup> The House Committee on Appropriations did not report a bill.
- <sup>29</sup> S. 3295.
- <sup>30</sup> Department of Defense, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act, 2013 (P.L. 113-6).
- <sup>31</sup> The House Committee on Appropriations did not report a bill.
- <sup>32</sup> S. 1284.
- <sup>33</sup> Consolidated Appropriations Act, 2014 (P.L. 113-76).
- <sup>34</sup> H.R. 83.
- <sup>35</sup> The Senate Committee on Appropriations did not report a bill.
- <sup>36</sup> Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235).

## PENSION REFORM

**Authorizing Legislation:** Section 1131(b)(2) of the Social Security Act.

### PURPOSE AND METHOD OF OPERATION

The purpose of this payment is to reimburse the OASI Trust Fund for the cost of certain pension reform activities chargeable to Federal funds.

**Table 1.9—Pension Reform: Budget Authority**

	<b>FY 2014 Actual</b>	<b>FY 2015 Enacted</b>	<b>FY 2016 Estimate</b>	<b>FY15 to FY16 Change</b>
<b>Budget Authority</b>	\$ 6,400,000	\$ 6,400,000	<b>\$ 6,400,000</b>	<i>\$ 0</i>

The Employee Retirement Income Security Act of 1974, P.L. 93-406 (Pension Reform Act, also known as ERISA) established section 1131 of the Social Security Act. This requires the Commissioner of Social Security to furnish information regarding deferred vested pension rights to pension plan participants (and their dependents or survivors), either upon request or automatically upon application for retirement, survivors, or disability insurance benefits.

Each time an employee leaves employment that earned him or her vested rights to a pension, SSA or its contractor representative receives related information from the IRS in either paper or electronic format. SSA or its contractor representative controls, scans (using optical character recognition), and, if necessary, keys the paper forms and transfers the data to the ERISA mainframe system. This data, along with electronic data received from the IRS, is added to the ERISA Master Files after name verification against the NUMIDENT (SSN record) database takes place. Each month, an activity file of new benefit applications is compared to the ERISA Master Files. SSA sends an ERISA notice of pension plan eligibility to individuals included in both the activity file and the ERISA Master Files. This notice includes the information the worker needs to contact the pension plan administrator. SSA staff also resolves exceptions and responds to inquiries from employers and the public.

Section 1131(b)(1) permits the administrative expenses of carrying out this pension reform work to be funded initially from the OASI Trust Fund through SSA's Limitation on Administrative Expenses. Section 1131(b)(2) authorizes an annual appropriation of federal funds to reimburse the OASI Trust Fund. To the extent that resources needed to process this workload exceed the budget authority available for reimbursement in the current year, reimbursement is made to the OASI Trust Fund at the beginning of the subsequent year, including interest as appropriate. SSA began to incur pension reform administrative expenses in FY 1977.

**Table 1.10—Pension Reform: Obligations**

<b>Fiscal Year</b>	<b>Obligations</b>
FY 2007	\$ 1,125,000
FY 2008	\$ 1,200,000
FY 2009	\$ 813,000
FY 2010	\$ 2,022,000
FY 2011 <sup>1</sup>	\$ 3,802,000
FY 2012	\$ 6,400,000
FY 2013	\$ 2,521,092
FY 2014	\$ 1,010,592
FY 2015 Estimate	\$ 7,400,000
<b>FY 2016 Estimate</b>	<b>\$ 7,400,000</b>

**RATIONALE FOR BUDGET REQUEST**

The FY 2016 budget requests \$6,400,000 to reimburse the OASI Trust Fund for the cost of carrying out SSA’s responsibilities under the Pension Reform Act. The FY 2016 request is the same as the FY 2015 enacted level. The table below summarizes the recent trend of pension coverage report receipts:

**Table 1.11—Receipts from Pension Coverage Reports**

<b>Fiscal Year</b>	<b>Pension Coverage Report Receipts</b>
FY 2003	1,570,000
FY 2004	5,621,371
FY 2005	5,363,409
FY 2006	6,003,014
FY 2007	5,397,935
FY 2008	5,554,314
FY 2009	6,073,898
FY 2010	6,334,329
FY 2011 <sup>2</sup>	68,159
FY 2012	10,454,215
FY 2013	3,810,675
<b>FY 2014</b>	<b>8,074,160</b>

<sup>1</sup> Despite a downturn in report receipts, due to costs incurred to support the conversion of ERISA microfilm to computer images, as well as other IT-related costs, obligations for Pension Reform increased in FY 2011.

<sup>2</sup> Because IRS created a new form (IRS Form 8955-SSA) for filers and a new electronic filing system, in addition to granting a filing deferral during this timeframe, most of the pension coverage report receipts were input into the system in FY 2012 (i.e., FY 2012 receipts essentially represent 2 years of receipts).

## UNNEGOTIATED CHECKS

**Authorizing Legislation:** Section 201(m) of the Social Security Act and Section 152 of P.L. 98-21.

### PURPOSE AND METHOD OF OPERATION

The purpose of this payment is to reimburse the OASI and DI Trust Funds for the value of interest on benefit checks cashed after 6 months or subsequently cancelled.

**Table 1.12—Unnegotiated Checks: Budget Authority**

	FY 2014 Actual	FY 2015 Enacted	FY 2016 Estimate	FY15 to FY16 Change
<b>Budget Authority</b>	\$ 10,000,000	\$ 10,000,000	<b>\$ 5,000,000</b>	-\$ 5,000,000

This activity was originally established to reimburse the trust funds for uncashed benefit checks and accrued interest. Beginning October 1, 1989, Social Security checks, like those issued by other federal agencies, are negotiable for only 12 months from their date of issue under the provisions of the Competitive Equality Banking Act (CEBA) of 1987 (P.L. 100-86). In the 14<sup>th</sup> month after issue, the Department of the Treasury prepares a listing of checks outstanding from each agency, cancels those checks, and refunds the value of checks canceled to the authorizing agencies. Under this "Limited Payability" procedure, the value of unnegotiated checks issued on or after October 1, 1989 are credited directly to the trust funds from Treasury's general fund when the checks are canceled, pursuant to P.L. 100-86. These funds do not pass through the Payments to Social Security Trust Funds account. However, the interest adjustment must be paid through this account because CEBA made no provision for it.

This appropriation funds the estimated ongoing level of activity and represents the value of interest for unnegotiated OASDI benefit checks.

**Table 1.13—Unnegotiated Checks: Obligations**

Fiscal Year	Obligations
FY 2008	\$ 11,169,140
FY 2009	\$ 8,756,319
FY 2010	\$ 7,435,351
FY 2011	\$ 7,471,475
FY 2012	\$ 5,910,374
FY 2013	\$ 3,082,985
FY 2014	\$ 2,698,386
FY 2015 Estimate	\$ 10,000,000
<b>FY 2016 Estimate</b>	<b>\$ 5,000,000</b>

The actual interest reflects the ongoing shift of beneficiaries away from the paper check method of benefit payment to direct deposit. On December 21, 2010, the Department of Treasury published a final rule amending 31 Code of Federal Regulations Part 208 to require recipients of federal benefits and nontax payments to receive their payments by electronic funds transfer. People who apply for Social Security benefits on or after May 1, 2011 receive their payments electronically. Many people who previously received federal benefit checks before May 1, 2011 have switched to an electronic payment. As a result, the final rule has decreased the volume of unnegotiated benefit checks, and we expect this trend to continue. Benefits paid via direct deposit bypass the mechanism in which there is the possibility of an uncashed check. However, the effect of the growth in direct deposit participation on unnegotiated check interest is somewhat offset by increases in the number of beneficiaries and in the average monthly benefit payments. The following table summarizes the recent trend in the percentage of OASDI beneficiaries enrolled in the direct deposit payment program.

**Table 1.14—Direct Deposit Participation Rate**

	<u>Direct Deposit Participation Rate</u>
December 2005	83%
December 2006	84%
December 2007	85%
December 2008	86%
December 2009	87%
December 2010	88%
December 2011	91%
December 2012	95%
December 2013	98%
<b>December 2014</b>	<b>99%</b>

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**RATIONALE FOR BUDGET REQUEST**

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The FY 2016 request is for \$5,000,000 to reimburse the OASDI Trust Funds for the value of interest on unnegotiated checks. The FY 2016 request is \$5,000,000 lower than the FY 2015 enacted.

**Table 1.15—Unnegotiated Checks: Budget Authority by Trust Fund**

	<u>FY 2016 Estimate</u>
OASI Trust Fund	\$ 3,000,000
DI Trust Fund	\$ 2,000,000
<b>Total</b>	<b>\$ 5,000,000</b>

## COAL INDUSTRY RETIREE HEALTH BENEFITS

**Authorizing Legislation:** Sections 9704 and 9706 of the Internal Revenue Code of 1986 as amended by section 19141 of the Energy Policy Act of 1992.

### PURPOSE AND METHOD OF OPERATION

The purpose of this payment is to reimburse the OASDI Trust Funds for work carried out under section 19141 of the Energy Policy Act of 1992 (Public Law 102-486), which established the Coal Industry Retiree Health Benefit Act of 1992 (CIRHBA).

**Table 1.16—Coal Industry Retiree Health Benefits: Obligations**

	FY 2014 Actual	FY 2015 Enacted	FY 2016 Estimate	FY15 to FY16 Change
<b>New Budget Authority</b>	\$ 0	\$ 0	<b>\$ 0</b>	\$ 0
<b>Obligations</b>	\$ 8,393	\$ 50,000	<b>\$ 50,000</b>	\$ 0

CIRHBA combined two existing United Mine Workers of America (UMWA) pension plans into a single fund and required that certain existing coal mine operators pay health benefit premiums for the new combined plan. The law directed the Commissioner of Social Security to:

- Search the earnings records of the group of retired coal miners covered by the combined plan;
- Determine which retirees should be assigned to which mine operators;
- Notify the involved mine operators of the names and Social Security numbers of eligible beneficiaries who have been assigned to them;
- Process appeals from operators who believe that assignments have been made incorrectly; and
- Compute the premiums based on a formula established in the Act.

## PROGRESS TO DATE

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SSA has completed initial decisions and reviews on all of the retired miners covered under the provisions of the 1992 CIRHBA. In addition, SSA implemented the Coal Act provisions of the Tax Relief and Health Care Act of 2006 (P.L. 109-432), which significantly affected and restructured CIRHBA. SSA carefully reviewed the legislation, obtained legal advice, and assessed how P.L. 109-432 affected existing policies and procedures. SSA complied with the provision that specifically directed the Commissioner to “revoke all assignments to persons other than 1988 agreement operators for purposes of assessing premiums for plan years beginning on or after October 1, 2007.”

SSA devoted considerable time and resources to comply with P.L. 109-432. All court cases challenging SSA’s involvement in the Coal Act are now closed. There is no active litigation. SSA has also completed its obligation to provide yearly data on miner assignments to the UMWA Combined Benefit Fund. However, SSA’s Office of the Actuary continues to compute the per beneficiary premiums on a yearly basis.

This account provides general fund reimbursement to the trust funds to the extent that the Limitation on Administrative Expenses account advances funds for SSA to carry out this work. Additional funds are not requested for FY 2016 because the balance of the \$10,000,000 per year appropriated in FY 1996 and in FY 1997 remains available until expended to reimburse the trust funds.

## MILITARY SERVICE WAGE CREDITS

**Authorizing Legislation:** Section 217(g) of the Social Security Act.

### PURPOSE AND METHOD OF OPERATION

The purpose of this payment is to reimburse the OASDI trust funds, as necessary, for the costs of granting noncontributory wage credits for pre-1957 military service, as authorized by Section 217(g). Payments to the trust funds for this purpose are authorized to be made every five years.

**Table 1.17—Military Service Wage Credits: Budget Authority**

	FY 2014 Actual	FY 2015 Enacted	FY 2016 Estimate	FY15 to FY16 Change
<b>Budget Authority</b>	\$ 0	\$ 0	<b>\$ 9,000,000</b>	\$ 9,000,000

Pre-1957 Military Service: The 1946 Social Security Amendments provided for payment of Social Security benefits to World War II veterans and their survivors based upon noncontributory wage credits of \$160 for each month of the veteran’s active military service. Subsequent amendments extended the period for which these credits were granted through December 1956. For that period, the Social Security Act did not require contributions to the trust funds based on the wages of individuals in the military service. To finance the additional costs incurred in paying benefits, which are based on periods of military service before 1957 for which no contributions were made, the Social Security Act provides for reimbursement to the OASI and the DI trust funds from the general fund of the Treasury.

The Social Security Amendments of 1983 modified section 217(g) to reimburse the trust funds in a lump sum for the present value of all future benefits arising from the gratuitous credits granted for military service before 1957. This provision directed the Secretary of the Treasury to transfer the pre-1957 wage credit lump sum to the trust funds within 30 days after enactment of the legislation. This lump sum settlement, which covered periods through September 30, 2015, is subject to adjustment every fifth year beginning in 1985. For periods beginning FY 2016, the Commissioner of Social Security will determine the adjustments on the basis of benefits and administrative costs actually paid under section 217(g) and relevant actuarial assumptions in the Social Security Trustees Report. Under the 1983 amendments, the only costs of pre-1957 military service credits to these appropriations will be any additional payments due as a result of these adjustment determinations.

Following the initial transfers from the general fund to the trust funds in 1983 and 1985, the quinquennial adjustments resulted in the transfer of funds from SSA’s trust funds to the general fund of the Treasury each time until the 2000 determination was prepared. In that year, it was determined that the general fund owed a payment to the OASI trust fund instead. The FY 2002 appropriation for this transfer, including interest, was \$414,000,000. Appropriations are not needed whenever quinquennial transfers are determined to be due from the trust funds to the general fund.

We initially requested \$1 million in FY 2011 for a transfer from the general funds to the Federal Disability Insurance Trust Fund, but later analysis by the Office of the Chief Actuary determined that transfers should instead be made from the OASDI trust funds to the general fund. On December 30, 2010, \$113 million was transferred to the general fund from the OASI trust fund and \$3 million was transferred from the DI trust fund.

We are requesting \$9 million for FY 2016. We expect the next quinquennial adjustment to occur in December 2015.