HIGHLIGHTS OF FINANCIAL POSITION

Overview of Financial Data

We received an unmodified opinion on our financial statements from Grant Thornton, LLP. Our financial statements combined the results from the programs we administer, which include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination), and the Supplemental Security Income (SSI) program. OASI and DI have separate funds, which are financed by payroll taxes, interest on investments, and income taxes on benefits. General revenues from the U.S. Treasury finance SSI. Our financial statements, notes, and additional information appear on pages 49 through 106 of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2013 through 2015 (excluding key amounts from our Statement of Social Insurance and Statement of Changes in Social Insurance Amounts, which we present in the Table of Key Social Insurance Measures located in the Overview of Social Insurance Data section).

Table of Key Financial Measures[1]
(Dollars in Billions)

Net Position (end of fiscal year)			
	2015	2014	2013
Total Assets	$2,856.7	$2,828.9	$2,799.6
Less Total Liabilities	$112.4	$107.1	$102.0
Net Position (assets net of liabilities)	$2,744.3	$2,721.8	$2,697.6
Change in Net Position (end of fiscal year)			
	2015	2014	2013
Net Costs	$945.0	$906.8	$867.4
Total Financing Sources[2]	$967.5	$931.1	$899.9
Change in Net Position	$22.5	$24.2	$32.6

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Total Financing Sources includes both the Total Financing Sources and Total Budgetary Financing Sources lines from the Statement of Changes in Net Position displayed on page 52.

Balance Sheet: The Balance Sheet displayed on page 50 presents, as of a specific point in time, amounts of economic benefits we own or manage (assets), amounts we owe (liabilities), and residual amounts we retain, comprising the difference (net position).

Total assets for FY 2015 are $2,856.7 billion, a 1.0 percent increase over the previous year. Of the total assets, $2,837.6 billion relates to funds from dedicated collections for the OASI and DI programs. By statute, we invest those funds not needed to pay current benefits in interest-bearing Treasury securities. Investments, which account for approximately 98.3 percent of our assets, increased $25.4 billion over the previous year.

Liabilities grew in FY 2015 by $5.3 billion primarily because of the growth in benefits due and payable, which is attributable to the 1.7 percent Cost of Living Adjustment (COLA) provided to beneficiaries as of January 1, 2015, as well as an increase in the number of OASI beneficiaries. The majority of our liabilities (87.7 percent) consist of benefits that have accrued as of the end of the fiscal year, but have not been paid. By statute, payment of OASI and DI program benefits for the month of September does not occur until October. Our net position grew $22.5 billion to $2,744.3 billion, reflecting the higher growth in assets than liabilities.

Statement of Net Cost: The Statement of Net Cost displayed on page 51 presents the annual cost of operating our three major programs: OASI, DI, and SSI. The Other category on the Statement of Net Cost consists primarily of our administrative costs not related to the OASI, DI, and SSI programs and contains non-material activities.

Our net cost of operations includes the gross costs we incurred less any exchange revenue earned from activities. In FY 2015, our total net cost of operations increased $38.2 billion to $945.0 billion, primarily due to the 1.7 percent COLA provided to beneficiaries as of January 1, 2015, as well as an increase in the number of OASI beneficiaries. The OASI, DI, and SSI net cost increased by 5.1 percent, 1.0 percent, and 1.7 percent respectively. Operating expenses increased for the DI and SSI programs by 0.7 percent and 3.4 percent, respectively. Operating expenses decreased for the OASI program by 0.6 percent.

In FY 2015, our total benefit payment expenses increased by $37.9 billion, a 4.2 percent increase. The table below provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2015 and FY 2014 for each of our three major programs.

Benefit Changes in Our Major Programs During Fiscal Years 2015 and 2014

	FY 2015	FY 2014	% Change
OASI			
Benefit Payment Expense	$736,752	$701,037	5.1%
Average Benefit Payment (per month)	$1,269.65	$1,235.39	2.8%
Number of Beneficiaries	48.93	47.84	2.3%
DI			
Benefit Payment Expense	$144,102	$142,594	1.1%
Average Benefit Payment (per month)	$1,021.92	$1,000.36	2.2%
Number of Beneficiaries	10.81	10.92	(1.0)%
SSI			
Benefit Payment Expense	$51,520	$50,844	1.3%
Monthly Maximum Benefit Amount	$733.00	$721.00	1.6%
Number of Beneficiaries	8.36	8.41	(0.6)%

Notes:

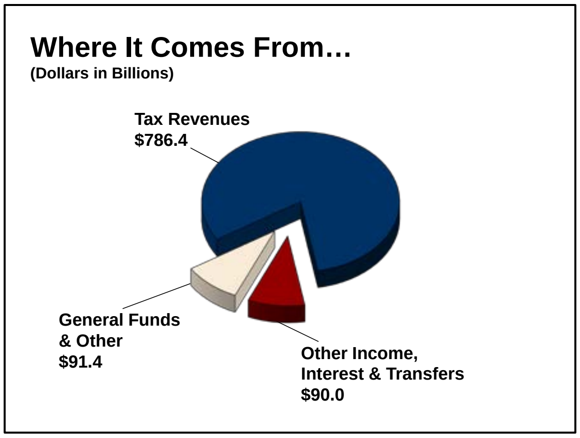
1. Benefit payment expense and the number of beneficiaries are presented in millions.
2. The average benefit payment per month for OASI and DI programs and the monthly maximum benefit amount for the SSI program are presented in actual dollars.

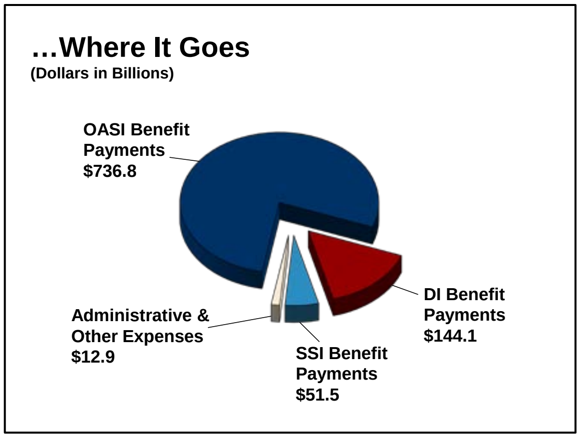
Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 52 presents those accounting items that caused the net position section of the balance sheet to change from the beginning to the end of the reporting period. The Statement shows an increase of $22.5 billion in the net position of our agency, which is attributable to financing sources in excess of our agency's net cost. At this time, the total of all tax revenues and interest earned continue to exceed benefit payments made to OASDI beneficiaries, keeping the agency's programs solvent; however, DI's benefit payments currently exceed its receipts, causing the DI Trust Fund to use its reserves. As a result, DI's net position has decreased $29.7 billion from $47.7 billion to $18.0 billion.

We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When we need funds to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Our administrative expenses as a percent of benefit expenses are 1.4 percent.

In FY 2015, total financing sources, as shown in the Table of Key Financial Measures displayed on page 30, increased by $36.4 billion to $967.5 billion. The primary source for this increase is additional tax revenues received in FY 2015. The $967.5 billion in total financing sources from the Statement of Changes in Net Position will not match the amounts reported in the chart "Where It Comes From…" as seen below. The activity reported in the chart includes $0.3 billion in exchange revenue. Our exchange revenues primarily include payments of fees we receive from States choosing to have us administer their State Supplementation of Federal SSI benefits. These amounts are reported on the Statement of Net Cost and are not classified as a financing source.

The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the sources and uses of funds for FY 2015.





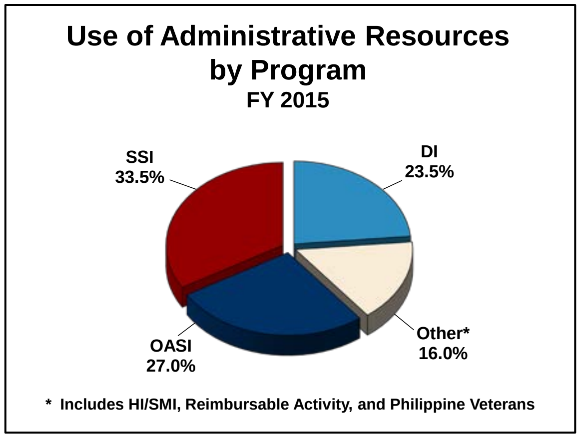
The SSI program's Cumulative Results of Operations are negative causing the program's overall Net Position to be negative. The Cumulative Results are negative due to unfunded Benefits Due and Payable liabilities. Unadjudicated and adjudicated, or pending, claims make up a significant portion of SSI's Benefits Due and Payable activity. SSI will pay for these benefits using future years' resources. While the activity is unfunded, we still record an expense, which creates the negative Cumulative Results of Operations since we do not record an associated financing source.

Statement of Budgetary Resources: The Statement of Budgetary Resources displayed on page 53 provides information on the budgetary resources available to our agency for the year and shows the status of those resources at the end of FY 2015. The Statement shows that we had $1,002.5 billion in budgetary resources, of which $4.4 billion remained unobligated at year-end. We recorded total net outlays of $944.1 billion by the end of the year. Budgetary resources increased $45.0 billion, or 4.7 percent, from FY 2014, while net outlays increased $38.3 billion, or 4.2 percent. The increase in budgetary resources is primarily due to an increase in tax revenues. The increase in net outlays is primarily due to the 1.7 percent COLA provided to beneficiaries as of January 1, 2015, as well as an increase in the number of OASI beneficiaries.

Use of Administrative Resources

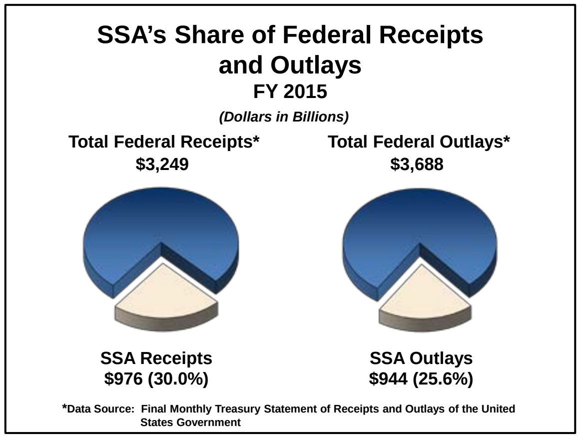
The chart on the next page displays the use of all administrative resources (including general operating expenses) for FY 2015 in terms of the programs we administer or support. Although the DI program comprises only 15.5 percent of the total benefit payments we make, it consumes 23.5 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.5 percent of the total benefit payments we make, it consumes 33.5 percent of annual administrative resources. State disability determination services decide whether the claimants for DI and

SSI disability benefits are disabled. In addition, disability determination services perform continuing disability reviews of individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2014 use of administrative resources by program was 27.7 percent for the OASI program, 23.8 percent for the DI program, 32.9 percent for the SSI program, and 15.6 percent for Other.



SSA's Share of Federal Operations

The programs we administer constitute a large share of the total receipts and outlays of the Federal Government, as shown in the chart to the right. Receipts for our programs in FY 2015 represented 30.0 percent of the $3.2 trillion in total Federal receipts, a decrease of 1.0 percent over last year. Outlays decreased by 0.3 percent to 25.6 percent of Federal outlays.



Overview of Social Insurance Data

Table of Key Social Insurance Measures[1]
(Dollars in Billions)

Statement of Social Insurance Old-Age, Survivors, and Disability Insurance (calendar year basis)	2015	2014	2013
Present value of future net cashflows[2] for current and future participants over the next 75 years (open group measure), current year valuation	-$13,440	-$13,330	-$12,294
Present value of future net cashflows[2] for current and future participants over the next 75 years (open group measure), prior year valuation	-$13,330	-$12,294	-$11,278
Change in present value	-$110	-$1,035	-$1,016

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Future net cashflows are estimated over the appropriate 75-year period.

Statement of Social Insurance: As displayed on page 54, the Statement of Social Insurance presents the following estimates:

- The present value of estimated future noninterest income to be received from or on behalf of current participants who have attained retirement eligibility age and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income to be received from or on behalf of current participants who have not yet attained retirement eligibility age and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income less estimated future cost for the closed group, which represents all current participants who attain age 15 or older in the first year of the projection period, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period;
- The present value of estimated noninterest income to be received from or on behalf of future participants and the cost of providing scheduled benefits to those same individuals; and
- The present value of estimated future noninterest income less estimated future cost for the open group, which represents all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASDI programs, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period.

The present value of estimated future net cashflows (estimated noninterest income less estimated cost) for all current and future participants over the next 75 years (open group measure) decreased from -$13.3 trillion, as of January 1, 2014, to -$13.4 trillion, as of January 1, 2015. The deficit, therefore, increased in magnitude by about $0.1 trillion. Including the asset reserves in the combined OASI and DI Trust Fund increases this open group measure to -$10.7 trillion for the 75-year valuation period. Therefore, including the asset reserves decreases the open group measure, in magnitude, by about $2.8 trillion.

The present value of estimated future net cashflows for all current participants over the next 75 years, *plus* the asset reserves in the combined OASI and DI Trust Fund as of the beginning of the period, is -$26.4 trillion (closed group measure). Including future participants over the next 75 years increases this value to the open group measure of -$10.7 trillion.

Statement of Changes in Social Insurance Amounts: The Statement of Changes in Social Insurance Amounts displayed on page 55 reconciles the change (between the current valuation period and the prior valuation period) in the present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure) over the next 75 years. This reconciliation identifies those components of the change that are significant and provides reasons for the changes.

From January 1, 2014 to January 1, 2015: The present value as of January 1, 2015 decreased (became more negative) by $0.6 trillion, due to advancing the valuation date by one year and including the additional year, 2089. Changes for this valuation period, and their effects on the present value of estimated future net cashflows, are as follows:

- Changes in demographic data, assumptions, and methods decreased the present value of estimated future net cashflows by $0.1 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cashflows by $0.1 trillion;
- Changes in programmatic data, assumptions, and methods increased the present value of estimated future net cashflows by about $0.7 trillion; and
- Changes to legislation increased the present value of estimated future net cashflows by less than $0.1 trillion.

Significant changes made for this valuation included:

- The ultimate real-wage differential is assumed to be 1.17 percent in the current valuation period, compared to 1.13 percent in the previous valuation period;
- The ratio of average taxable earnings to the average wage averages about 0.6 percentage point higher during the long-range period, compared to the previous valuation period; and
- The effects of the President's executive actions on immigration.

From January 1, 2013 to January 1, 2014: The present value as of January 1, 2014 decreased (became more negative) by $0.5 trillion, due to advancing the valuation date by one year and including the additional year, 2088. Changes for this valuation period, and their effects on the present value of estimated future net cashflows, are as follows:

- Changes in demographic data, assumptions, and methods increased the present value of estimated future net cashflows by $0.2 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cashflows by $0.6 trillion;
- Changes in programmatic data, assumptions, and methods decreased the present value of estimated future net cashflows by about $0.1 trillion; and
- Changes to legislation decreased the present value of estimated future net cashflows by less than $0.1 trillion.

Significant changes made for this valuation included:

- The ultimate annual rate of change in the Consumer Price Index for Urban Wage Earners and Clerical Workers is assumed to be 2.7 percent per year in the current valuation period, compared to 2.8 percent per year in the previous valuation period;
- Projected labor force participation rates for the older population are slightly lower for the current valuation in order to better reflect the difference in participation rates between never-married and married populations and the projected improvement in life expectancy; and
- The effects of the Supreme Court's decision in the *United States v. Windsor* case.

OASI and DI Trust Fund Solvency

Pay-As-You-Go Financing

The OASI and DI Trust Funds are deemed solvent as long as asset reserves are sufficient to finance program obligations in full and on a timely basis. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund asset reserves. In recent years, current income has exceeded program obligations for the OASDI program; therefore, the combined OASI and DI Trust Fund asset reserves have been growing.

The *Bipartisan Budget Act of 2015*, passed by Congress and signed into law by the President, reallocated a portion of the payroll tax rate from the OASI Trust Fund to the DI Trust Fund. This reallocation is expected to ensure full payment of disability benefits into 2022. Without reallocation, the DI Trust Fund asset reserves were projected to have been depleted by the fourth quarter of 2016.

The table on the next page shows that OASI and DI Trust Fund asset reserves, expressed in terms of the number of months of program obligations that these asset reserves could finance, has been declining slowly, from 41.2 months at the end of FY 2011, to 40.1 months at the end of FY 2012, to 38.9 months at the end of FY 2013, and to estimated values of 37.4 and 36.1 months at the end of FYs 2014 and 2015, respectively. The historical values shown in the table for the DI Trust Fund have declined in recent years because expenditures have increasingly exceeded income. This trend is projected to continue in FYs 2014 and 2015.

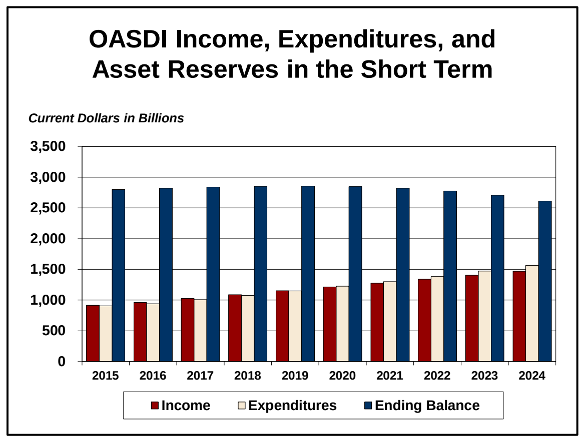
Number of Months of Expenditures
Fiscal-Year-End Asset Reserves Can Pay[1,2]

	2011	2012	2013	2014	2015
OASI	47.1	46.3	45.2	43.8	42.5
DI	14.0	11.1	8.3	5.7	3.1
Combined	41.2	40.1	38.9	37.4	36.1

Notes:

1. Computed as 12 times the ratio of end-of-year asset reserves to outgo in the following fiscal year.
2. Values for FYs 2014 and 2015 are estimates based on the intermediate set of assumptions of the 2015 Trustees Report.

Short-Term Financing



A trust fund for a program is deemed adequately financed for the short term when actuarial estimates of its asset reserves for the beginning of each calendar year are at least as large as the program's obligations for the year. Estimates in the 2015 Trustees Report indicate that, on a theoretical combined basis, the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2015 Trustees Report, OASDI estimated cost and income for 2024 are 82 percent and 66 percent higher than the corresponding amounts in 2014 ($859 billion and $884 billion, respectively). From the end of 2014 to the end of 2024, asset reserves are projected to decrease by 6 percent, from $2.8 trillion to $2.6 trillion. In addition, under those assumptions, the DI Trust Fund asset reserves were expected to deplete at the end of 2016. However, with the passage of the *Bipartisan Budget Act of 2015*, the DI Trust Fund is expected to have sufficient asset reserves to pay full scheduled benefits into 2022.

Long-Term Financing

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. Program cost will exceed noninterest income in all years of the 75-year projection period. In 2034, the combined OASI and DI Trust Fund asset reserves will be depleted according to the projections by Social Security's Trustees. Tax revenues are projected to be sufficient to support expenditures at a level of 79 percent of scheduled benefits after the combined OASI and DI Trust Fund depletion in 2034, declining to 73 percent of scheduled benefits in 2089.

The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: birth rates dropping substantially after 1965, retirees living longer, and baby boomers approaching retirement. In present value terms, the 75-year shortfall is $10.7 trillion, which is 2.5 percent of taxable payroll and 0.9 percent of Gross Domestic Product over the same period. Some of the possible reform alternatives being discussed – singularly or in combination with each other – are:

- Increasing payroll taxes;
- Slowing the growth in benefits;
- Finding other revenue sources (such as general revenues); or

- Increasing expected returns by investing the OASI and DI Trust Fund asset reserves, at least in part, in private securities.

Significant uncertainty surrounds the estimates for the Statement of Social Insurance. In particular, the actual future values of demographic, economic, and programmatic factors are likely to be different from the near term and ultimate assumptions used in the projections. For more information, pages 95 through 106 contain the *Required Supplementary Information: Social Insurance* disclosures required by the Federal Accounting Standards Advisory Board.

Limitations of the Financial Statements

The principal financial statements beginning on page 49 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Summary of Improper Payments Information

Background

The *Improper Payments Information Act of 2002* (IPIA), Public Law 107-300, requires Federal agencies to report annually on the extent of the improper payments in programs susceptible to significant improper payments and the actions to reduce such payments. OMB guidance on IPIA implementation requires us to report improper payment information for the OASI, DI, and SSI programs.

President Obama signed the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) into law on July 22, 2010. IPERA amends IPIA and further increases our accountability, transparency, reporting of improper payments, and reporting on our payment recapture auditing efforts.

The enactment of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) provided an opportunity for OMB to re-examine existing guidance to ensure agencies are able to more efficiently reduce their improper payment rates, while also complying with multiple legislative and administrative requirements. On October 20, 2014, OMB issued implementing guidance to transform the improper payment compliance framework to create more unified, comprehensive, and less burdensome requirements.

We report information about our improper payments, as required by IPIA and amended by IPERA and IPERIA, in the *Improper Payments Information Detailed Report* in the *Other Information* section of this report.

What's New in the Improper Payments Information Detailed Report

Prior to FY 2015 reporting, OMB required agencies to categorize improper payments into one of three categories: Verification and Local Administration Errors, Administrative and Documentation Errors, and Authentication and Medical Necessity Errors. In OMB's implementing guidance for IPERIA, it established an Improper Payment Root Cause Matrix that provides new categories for improper payment reporting. This matrix allows agencies to better present the different categories of improper payments in their programs and the percentage of total improper payments that each category represents.

Our new Internal Controls section provides a thoughtful analysis linking agency efforts in establishing internal controls over reducing improper payment rates. OMB will use the agency internal control summaries to monitor progress and ensure that planned actions result in the reduction of improper payment rates.

Agencies with high-priority programs are required to establish annual or semi-annual supplemental measures for reducing improper payments. These measures focus on higher risk areas within the high-priority programs and report on root causes of improper payments that agencies can resolve through corrective actions.

Agency Efforts and Future Plans

We have multiple efforts underway to prevent, detect, and recover our improper payments. For FY 2015, we continued to focus our improper payments strategy to align with our improper payments governance.

We use stewardship reviews to measure the accuracy of payments to beneficiaries. Each month, we review a sample of OASI, DI, and SSI cases to determine payment accuracy rates. Stewardship review findings provide the data necessary to meet the IPIA reporting requirements, as well as data for other reports to monitoring authorities. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We also provide payment accuracy rates for current and previous reporting periods.

For the past five years, OASDI payments have been very accurate. However, the sheer magnitude of the payments made in the OASDI program, over $862 billion in FY 2014, means that even a small percentage of error results in substantial improper payments. In FY 2014, the OASDI overpayment accuracy rate was 99.5 percent, representing projected overpayments of $4.6 billion, and the underpayment accuracy rate was over 99.9 percent, or $0.5 billion in projected underpayments. Each tenth of a percentage point in payment accuracy represents about $862 million in OASDI program outlays.

In the SSI program, the overpayment accuracy rate remained steady over a 5-year period, FY 2010 through FY 2014, from 93.4 percent to 93.0 percent. We based the FY 2014 rate of 93.0 percent on overpaid dollars totaling a projected $3.9 billion. In FY 2014, the SSI underpayment accuracy rate was 98.5 percent based on underpaid dollars totaling a projected $0.8 billion. For FY 2014, each tenth of a percentage point in payment accuracy represented about $56.5 million in SSI program outlays.

The following are examples of initiatives to improve payment accuracy in the OASDI and SSI programs. We provide additional information, as well as other corrective actions we have taken, in the *Improper Payments Information Detailed Report* in the *Other Information* section of this report.

New Improper Payment Initiative

In addition to enhancing our ongoing efforts for FY 2015, we are aggressively pursuing our new Data Exchange Initiative, which will enhance the administration of our programs and prevent improper payments. We developed a strategic initiative focused on making better use of data exchanges to further use data from outside sources to improve program administration and prevent improper payments. Our objective is to continue current computer matching agreements (CMA) that yield a positive cost benefit analysis, expand effective CMAs to meet additional program needs, research current programs and work with internal stakeholders to identify data exchange needs, and pursue new data exchanges with potential partners.

Examples of OASDI Improper Payment Initiatives

- To address errors because of substantial gainful activity (SGA) (Note: A definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html), we initiated a new computerized selection process to identify cases with medical cessations where benefits are continuing. We are working on corrective actions on the cases identified and enhancing our automated solutions to prevent such errors in the future.

- To increase our post-entitlement accuracy, in FY 2014, we introduced an inline quality review in four of our processing centers. We found that our payment and processing accuracy improved, and we expanded its use to the remaining three processing centers in July 2015.

Examples of SSI Improper Payment Initiatives

- Access to Financial Institutions (AFI) is an electronic process that verifies alleged bank account balances with financial institutions to identify excess resources. In FY 2013, we further lowered the AFI threshold to verify liquid financial resources and increased undisclosed bank account searches. We are currently evaluating the effect of the expanded use on the AFI program, and we should complete our evaluation in December 2015.
- We rely on individuals to self-report wages to us on time, but from experience, we know that they may fail to report or fail to report soon enough to prevent an improper payment. Instead of relying solely on self-reporting, we are exploring using wage information we receive from other sources for timely and accurate wage reports. As part of the SSI application and redetermination processes, we will request that applicants and recipients provide their consent for us to obtain their personal information, such as wage information, from other sources.
- In FY 2013, we developed a pilot in 100 of our field offices to identify undisclosed real property owned by SSI recipients. The pilot provided information on cost savings and the feasibility of expansion to other field offices. The pilot results found that using this process was a cost effective method to reduce and prevent improper payments. We are currently in planning and analysis to design the systems integration that will support this process. We plan to begin development in FY 2016 with implementation in FY 2017.