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 are located in the *Financial Section* of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2018 through 2020 (excluding key amounts from our Statements of Social Insurance and Statements 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)			
	2020	**2019**	**2018**
Total Assets	$2,949.1	$2,945.9	$2,939.3
Less Total Liabilities	$119.5	$118.9	$117.0
Net Position (assets net of liabilities)	$2,829.6	$2,827.0	$2,822.3

Change in Net Position (end of fiscal year)			
	2020	**2019**	**2018**
Net Costs	$1,157.7	$1,101.3	$1,038.6
Total Financing Sources[2]	$1,160.3	$1,106.0	$1,041.3
Change in Net Position	$2.6	$4.7	$2.7

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 located in the *Financial Section* of this report.

Balance Sheet: The Balance Sheet, located in the *Financial Section* of this report, 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 2020 are $2,949.1 billion, a 0.1 percent increase over the previous year. Of the total assets, $2,932.1 billion relate 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 98.6 percent of our assets, increased $7.5 billion over the previous year. In FY 2020, Accounts Receivable, Net decreased $3.9 billion to $9.5 billion as a result of our Allowance for Doubtful Accounts methodology change to better reflect current receivables on our financial statements and our deferral of certain overpayment debt activities due to the COVID-19 pandemic.

Liabilities grew in FY 2020 by $0.6 billion primarily because of the growth in benefits due and payable, which is attributable to an increase in the number of OASI beneficiaries, and the 1.6 percent cost of living adjustment (COLA) provided to beneficiaries in 2020. The majority of our liabilities (90.5 percent) consists 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 $2.6 billion to $2,829.6 billion, reflecting the higher growth in assets than liabilities.

Statement of Net Cost: The Statement of Net Cost, located in the *Financial Section* of this report, 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 2020, our total net cost of operations increased $56.4 billion to $1,157.7 billion, primarily due to a 2.2 percent increase in the number of OASI beneficiaries, and the 1.6 percent COLA provided to beneficiaries in 2020. The OASI, DI, and SSI net cost increased by 5.8 percent, 1.2 percent, and 4.7 percent respectively. Operating expenses decreased for the OASI, DI, and SSI programs by 5.9 percent, 7.5 percent, and 3.3 percent, respectively.

In FY 2020, our total benefit payment expenses increased by $56.7 billion, a 5.2 percent increase. The table below provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2020 and FY 2019 for each of our three major programs. The FY 2020 DI and SSI benefit payment expense increases are primarily due to: 1) increased bad debt expense resulting from our Allowance for Doubtful Accounts methodology change, and 2) the deferral of certain overpayment debt activities due to the COVID-19 pandemic.

Benefit Changes in Our Major Programs During Fiscal Years 2020 and 2019

	FY 2020	FY 2019	% Change
OASI			
Benefit Payment Expense	$944,494	$892,619	5.8%
Average Monthly Benefit Payment	$1,446.22	$1,402.83	3.1%
Number of Beneficiaries	55.02	53.81	2.2%
DI			
Benefit Payment Expense	$144,506	$142,482	1.4%
Average Monthly Benefit Payment	$1,126.41	$1,103.77	2.1%
Number of Beneficiaries	9.73	9.98	(2.5)%
SSI			
Benefit Payment Expense	$54,837	$51,990	5.5%
Average Monthly Benefit Payment	$576.38	$566.71	1.7%
Number of Beneficiaries	8.05	8.10	(0.6)%

Notes:

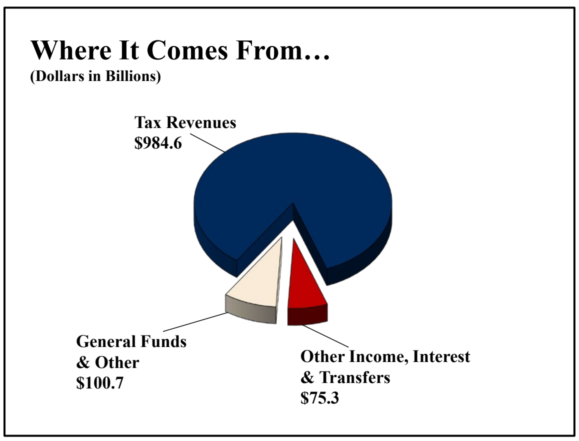
1. Benefit payment expense and the number of beneficiaries are presented in millions.
2. The average monthly benefit payment for OASI, DI, and SSI programs is presented in actual dollars.

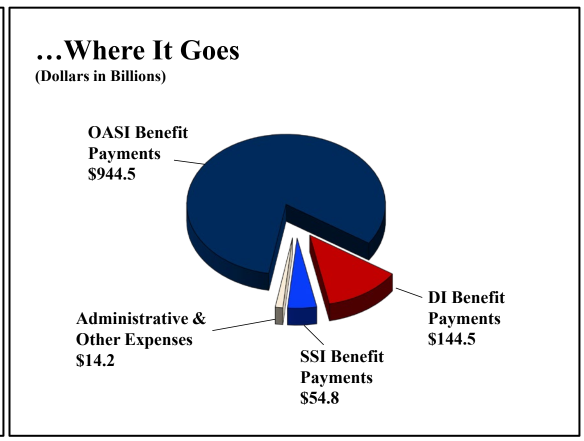
Statement of Changes in Net Position: The Statement of Changes in Net Position, located in the *Financial Section* of this report, presents those accounting items that caused the net position section of the Balance Sheet to change from the beginning to the end of the reporting period. The Statement shows an increase of $2.6 billion in the net position of our agency, which is attributable to financing sources in excess of our net cost. OASDI financing sources are primarily made up of tax revenues and interest earned. In addition, OASDI financing sources are affected by transfers-in from our Payments to the Trust Fund accounts and transfers-out to our Limitation on Administrative Expenses accounts. As of September 30, 2020, DI's FY 2020 net costs exceed financing sources, decreasing its net position. OASI's FY 2020 financing sources exceed its net costs, increasing its net position.

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 are 1.2 percent of benefit expenses.

In FY 2020, total financing sources, as shown in the Table of Key Financial Measures displayed earlier in this section, increased by $54.3 billion to $1,160.3 billion. The primary source of this increase is additional OASI tax revenues received in FY 2020. Tax revenue increased $52.1 billion to $984.6 billion in FY 2020 as a result of increased taxable earnings estimates; however, we anticipate negative adjustments to tax revenue amounts in FY 2021 due to the COVID-19 pandemic, as actual tax information is received and Treasury makes the necessary true-ups. The $1,160.3 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 that 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 2020.





Note:

1. The individual items included in the "Where It Comes From…" chart total $1,160.6 billion. Of this total, 0.3 billion relates to exchange revenue, which is not included on the Statement of Changes in Net Position.

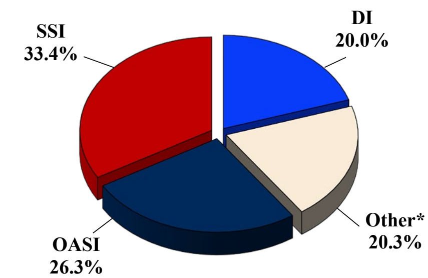
The SSI program's Cumulative Results of Operations are negative due to unfunded Benefits Due and Payable liabilities. Unadjudicated and adjudicated, or pending, claims make up a significant portion of SSI's Benefits Due and Payable activity. SSI will pay for these benefits using future years' resources. 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, located in the *Financial Section* of this report, 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 2020. The Statement shows that we had $1,222.1 billion in budgetary resources, of which $6.1 billion remained unobligated at year-end. We recorded total net outlays of $1,153.9 billion by the end of the year. Budgetary resources increased $57.1 billion, or 4.9 percent, from FY 2019, while net outlays increased $52.1 billion, or 4.7 percent. The increase in budgetary resources is primarily due to an increase in OASI tax revenues in FY 2020. The increase in net outlays is primarily due to an increase in the number of OASI beneficiaries and the 1.6 percent COLA provided to beneficiaries in 2020.

Use of Administrative Resources

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2020 in terms of the programs we administer or support. Although the DI program comprises only 12.6 percent of the total benefit payments we make, it consumes 20.0 percent of annual administrative resources. Likewise, while the SSI program comprises only 4.8 percent of the total benefit payments we make, it consumes 33.4 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 eligibility for benefits. The FY 2019 use of administrative resources by program was 27.3 percent for the OASI program, 21.1 percent for the DI program, 33.8 percent for the SSI program, and 17.8 percent for Other.

Use of Administrative Resources by Program
FY 2020

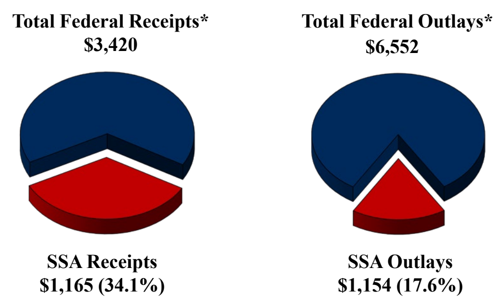


*Other primarily consists of Hospital Insurance/Supplemental Medical Insurance.

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 2020 represented 34.1 percent of the $3.4 trillion in total Federal receipts, an increase of 2.0 percent over last year. SSA Outlays decreased by 7.2 percent to 17.6 percent of Federal outlays. SSA and Federal outlays increased in FY 2020 compared to FY 2019 by $52.1 and $2,105.3 billion, respectively.

Share of Federal Receipts and Outlays
FY 2020
(Dollars in Billions)



*Data Source: Final Monthly Treasury Statement of Receipts and Outlays of the United States Government

Did You Know? We Wouldn't Miss Your Retirement Party

When most people think of Social Security, they think of retirement benefits – with good reason. Social Security is a lifeline for retirees, keeping tens of millions out of poverty.

OVERVIEW OF SOCIAL INSURANCE DATA

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

Statements of Social Insurance Old-Age, Survivors, and Disability Insurance (calendar year basis)			
	2020	**2019**	**2018**
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), current year valuation	$ (19,696)	$ (16,764)	$ (16,057)
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), prior year valuation	$ (16,764)	$ (16,057)	$ (15,357)
Change in present value	$ (2,932)[3]	$ (707)	$ (701)

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Present values used in this presentation are based on the full amounts of estimated noninterest income and the cost of providing benefits at the levels scheduled under current law, even after the OASI and DI Trust Fund reserves are depleted. Future net cash flows are estimated over the appropriate 75-year period.
3. We provide high-level descriptions of the reason for the change between 2019 and 2020 in the Statement of Changes in Social Insurance Amounts subsection on the following page.

Statements of Social Insurance: The Statements of Social Insurance, located in the *Financial Section* of this report, present 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 (i.e., age 62 and over) 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 (i.e., ages 15–61) 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 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 (those under age 15, and to be born during the period) 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 to be born during the projection period) who are now participating or are expected to eventually participate in the OASDI programs, plus the reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period.

Estimated future noninterest income shown in the bullets above consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. It does not include interest income on reserves held in the combined OASI and DI Trust Funds. The estimated future cost shown in the bullets above includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.

The present value of estimated future net cash flows (estimated noninterest income less estimated cost for scheduled future benefits) for all current and future participants over the next 75 years (open group measure) decreased from -$16.8 trillion, as of January 1, 2019, to -$19.7 trillion, as of January 1, 2020. The deficit, therefore, increased in magnitude by about $2.9 trillion. Including the reserves in the combined OASI and DI Trust Funds increases this open group measure by about $2.9 trillion, to -$16.8 trillion, for the 75-year valuation period.

The present value of estimated future net cash flows for all current participants (who attain age 15 or older in the first year of the projection period) over the next 75 years, *plus* the reserves in the combined OASI and DI Trust Funds as of the beginning of the period, is -$38.2 trillion (closed group measure). Including future participants (those under age 15, and to be born during the projection period) over the next 75 years decreases the projected deficit by $21.4 trillion to the open group measure of -$16.8 trillion.

Statements of Changes in Social Insurance Amounts: The Statements of Changes in Social Insurance Amounts, located in the *Financial Section* of this report, reconcile 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, 2019 to January 1, 2020: The present value as of January 1, 2020 decreased (became more negative) by $0.6 trillion, due to advancing the valuation date by one year and including the additional year, 2094. Changes for this valuation, and their effects on the present value of estimated future net cash flows, are as follows:

- Changes in demographic data, assumptions, and methods decreased the present value of estimated future net cash flows by $0.4 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $1.8 trillion;
- Changes in programmatic data and methods increased the present value of estimated future net cash flows by $0.3 trillion; and
- Changes in law or policy decreased the present value of estimated future net cash flows by $0.3 trillion.

Significant changes made for this valuation included:

- Incorporating the effects of a law that repealed the provision of the *Affordable Care Act* that specified an excise tax on employer-sponsored group health insurance premiums;
- Lowering the ultimate total fertility rate from 2.00 to 1.95 children per woman;
- Lowering the ultimate rate of price inflation (CPI-W) by 0.2 percentage point, from 2.6 percent to 2.4 percent;
- Lowering the ultimate real interest rate by 0.2 percentage point, from 2.5 percent to 2.3 percent; and
- Lowering the ultimate disability incidence rate from 5.2 to 5.0 per thousand exposed, and lowering the near-term path to reach that lower ultimate rate.

From January 1, 2018 to January 1, 2019: The present value as of January 1, 2019 decreased (became more negative) by $0.6 trillion, due to advancing the valuation date by one year and including the additional year, 2093. Changes for this valuation, and their effects on the present value of estimated future net cash flows, are as follows:

- Changes in demographic data, assumptions, and methods increased the present value of estimated future net cash flows by $0.4 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $1.0 trillion;

- Changes in programmatic data and methods increased the present value of estimated future net cash flows by $0.5 trillion; and
- Changes in law or policy increased the present value of estimated future net cash flows by less than $0.1 trillion.

Significant changes made for this valuation included:

- Incorporating recent mortality data, which led to higher projected death rates for all future years;
- Lowering the ultimate annual rate of change in total-economy labor productivity from 1.68 percent to 1.63 percent, reflecting an expected slower rate of productivity growth in the long term;
- Decreasing the difference between the ultimate growth rates for the Consumer Price Index for Urban Wage Earners and Clerical Workers and the gross domestic product implicit price deflator (the "price differential") from 0.40 percentage point to 0.35 percentage point;
- Lowering the ultimate real interest rate by 0.2 percentage point, from 2.7 percent to 2.5 percent; and
- Lowering the ultimate disability incidence rate from 5.4 to 5.2 per thousand exposed, and incorporating recent disability data.

OASI AND DI TRUST FUND SOLVENCY

Significant uncertainty surrounds the estimates for the Statements 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. Note that the projections in the 2020 Trustees Report do not reflect the effects of the COVID-19 pandemic on the Social Security program (see the "Potential Impact on the Social Insurance Statements of the COVID-19 Pandemic" paragraph in Note 19, Subsequent Events, for additional details). For more information on the uncertainty surrounding the estimates, refer to the *Required Supplementary Information: Social Insurance* disclosures required by the Federal Accounting Standards Advisory Board located in the *Financial Section* of this report.

PAY-AS-YOU-GO FINANCING

The OASI and DI Trust Funds are deemed solvent as long as 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 reserves. In recent years, current income has exceeded program obligations for the OASDI program; therefore, the combined OASI and DI Trust Fund reserves have been growing.

The following table shows that the combined OASI and DI Trust Fund reserves, expressed in terms of the number of months of program obligations that these reserves could finance, has been declining slowly. This measure indicates the ability of the OASI and DI Trust Funds to cover most short-term financial contingencies. The number of months that the reserves of the combined OASI and DI Trust Funds could finance was 36.1 months at the end of FY 2016, declining to 35.1 months at the end of FY 2017, to 33.2 months at the end of FY 2018, and to estimated values of 31.7 and 30.2 months at the end of FY 2019 and FY 2020, respectively. The historical values shown in the table for the DI Trust Fund have been increasing through the end of FY 2019 due to the *Bipartisan Budget Act of 2015*, which reallocated a portion of the payroll tax rate from the OASI Trust Fund to the DI Trust Fund. The values for DI are projected to reverse and begin to decline at the end of FY 2020.

Number of Months of Cost
Fiscal-Year-End Trust Fund Reserves Can Pay[1,2]

	2016	2017	2018	2019	2020
OASI	42.0	40.2	37.5	35.4	33.5
DI	3.8	5.7	7.6	7.8	7.6
Combined	36.1	35.1	33.2	31.7	30.2

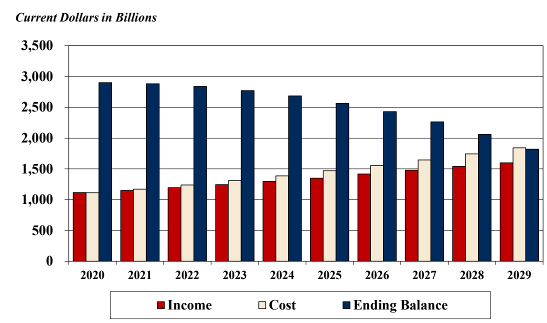
Notes:

1. Computed as 12 times the ratio of end-of-year reserves to cost in the following fiscal year.
2. Values for FY 2019 and FY 2020 are estimates based on the intermediate set of assumptions of the 2020 Trustees Report.

Short-Term Financing

A trust fund for a program is deemed adequately financed for the short term when actuarial estimates of its reserves for the beginning of each calendar year are at least as large as the program's obligations for the year. Estimates in the 2020 Trustees Report indicate that, on a hypothetical combined basis, the OASI and DI Trust Funds fail the short-range test of financial adequacy, and are therefore not adequately financed over the next 10 years. Under the intermediate set of assumptions of the 2020 Trustees Report, OASDI estimated costs of $1,841 billion and income of $1,600 billion for 2029 are 74 percent and 51 percent higher than the corresponding amounts in 2019 ($1,059 billion and $1,062 billion, respectively). From the end of 2019 to the end of 2029, combined OASI and DI Trust Fund reserves are projected to decrease by 37 percent, from $2.9 trillion to $1.8 trillion.

OASDI Income, Cost, and Asset Reserves in the Short Term



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. Under the intermediate set of assumptions of the 2020 Trustees Report, program costs will exceed noninterest income in all years of the 75-year projection period. The combined OASI and DI Trust Fund reserves are projected to be depleted in 2035. 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 2035, declining to 73 percent of scheduled benefits in 2094.

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 beginning their retirement. In present value terms, the 75-year shortfall is $16.8 trillion, which is 3.03 percent of taxable payroll and 1.0 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 reserves, at least in part, in private securities.

Limitations of the Financial Statements

The principal financial statements beginning on page 53 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, 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.