



SOCIAL SECURITY

Office of the Chief Actuary

March 4, 2014

The Honorable Sylvia Mathews Burwell
Director, Office of Management and Budget
Washington, D.C. 20503

Dear Ms. Burwell:

I am writing in response to your request for estimates of the financial effects on Social Security of a proposal, included in the President's FY2015 Budget, to reduce Social Security Disability Insurance (DI) benefits, dollar for dollar, for any month in which a disabled-worker beneficiary receives unemployment insurance (UI) payments. The estimates and analysis provided in this letter reflect our careful analysis of this proposal, with assistance from Jacob Kaplan and Jack Smalligan of your staff. The estimates provided here have been greatly enhanced through cooperation and assistance from the Office of Child Support Enforcement at the Department of Health and Human Services in allowing us to access certain data in the National Directory of New Hires (NDNH). Mary Kemp and Bert Kestenbaum of the Office of the Chief Actuary have worked diligently and creatively in modeling the implications of the proposal using these data.

We estimate that enactment of this proposal in January 2015 would reduce DI benefit payments by \$2.67 billion in total for calendar years 2015 through 2024, assuming the DI benefit reduction applied for UI claims with payments starting in August 2016 or later (see enclosed Table 1). Reduction in DI benefit payments through the end of Fiscal Year 2024 would be \$2.57 billion (see enclosed Table 2). The proposal specifies that the DI offset would apply for UI claims with payments starting in months beginning at least 18 months after enactment. For the long-range actuarial status of the overall OASDI program, we estimate that enactment of the proposal would reduce the actuarial deficit by about 0.01 percent of taxable payroll. All estimates are based on the intermediate assumptions of the 2013 Trustees Report.

This proposal would result in reduction of DI benefits for any month of entitlement in which the primary disabled-worker beneficiary received any UI payment. Because UI payments are often less for a month than DI benefits, we anticipate that some individuals would, for their own convenience, forgo potential UI payments—collecting from unreduced DI the same amount of benefits as would be available to them from UI and reduced DI in combination. Based on our modeling, we estimate that national UI payments would be reduced in calendar years 2015 through 2024 by a total of \$0.88 billion (by \$0.85 billion through the end of Fiscal Year 2024), assuming implementation of the proposal for August 2016 and later.

The upper panel of each enclosed table provides our estimate of the percentages of disabled-worker beneficiaries who would be in receipt of a UI payment under current law. We

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additionally show the estimated average monthly percentages of disabled-worker beneficiaries forgoing UI payments or incurring a reduction of their own or their auxiliaries' DI benefits under this proposal.

The lower panel of each enclosed table provides our estimates of the cost of the DI program under current law and of the amounts of change in DI benefits and in UI payments for years 2015 through 2024, assuming implementation of the proposal for August 2016 and later.

Due to the nature of the data that we were able to receive from HHS and the limited period that these data cover, there is a substantial degree of uncertainty associated with these estimates. In particular, the estimates are sensitive to the assumed future rates of unemployment, to our estimates of the numbers of individuals starting UI payments, and to the duration of UI receipt.

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

Sincerely,

A handwritten signature in black ink that reads "Stephen C. Goss". The signature is written in a cursive style with a large initial 'S'.

Stephen C. Goss
Chief Actuary

Enclosures

Table 1. Estimated Change in Disability Insurance and Unemployment Insurance Cost under Proposal in President's FY 2015 Budget: Offset DI Benefit by Amount of UI Received after July 31, 2016.

Consistent with enactment by January 31, 2015

	<i>Calendar Year</i>										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-24
	<i>Average Monthly Number as Percent of Disabled Workers Currently Entitled</i>										
Present Law DI Entitled & UI	0.39%	0.38%	0.37%	0.37%	0.36%	0.35%	0.35%	0.35%	0.35%	0.35%	
Reduced DI under proposal	0.00%	0.04%	0.18%	0.26%	0.25%	0.25%	0.24%	0.24%	0.24%	0.24%	
Forgo UI under proposal	0.00%	0.04%	0.12%	0.12%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	
	<i>Billions of Current Dollars</i>										
Present Law DI Benefit Cost	\$151.5	\$156.8	\$162.4	\$168.3	\$174.8	\$181.7	\$190.6	\$200.0	\$210.0	\$220.6	\$1,816.7
Change in DI Cost	\$0.0	-\$0.04	-\$0.22	-\$0.32	-\$0.32	-\$0.33	-\$0.34	-\$0.35	-\$0.36	-\$0.38	-\$2.67
Change in UI Cost	\$0.0	-\$0.03	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.11	-\$0.11	-\$0.11	-\$0.12	-\$0.88

Note: Reduction in DI benefits would result in a small reduction in taxes paid on benefits.

Based on Intermediate Assumptions of the 2013 Trustees Report

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Table 2. Estimated Change in Disability Insurance and Unemployment Insurance Cost under Proposal in President's FY 2015 Budget: Offset DI Benefit by Amount of UI Received after July 31, 2016.

Consistent with enactment by January 31, 2015

	<i>Fiscal Year</i>										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-24
	<i>Average Monthly Number as Percent of Disabled Workers Currently Entitled</i>										
Present Law DI Entitled & UI	0.39%	0.38%	0.37%	0.37%	0.36%	0.35%	0.35%	0.35%	0.35%	0.35%	
Reduced DI under proposal	0.00%	0.03%	0.15%	0.24%	0.25%	0.25%	0.24%	0.24%	0.24%	0.24%	
Forgo UI under proposal	0.00%	0.03%	0.10%	0.12%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	
	<i>Billions of Current Dollars</i>										
Present Law DI Benefit Cost	\$150.3	\$155.5	\$161.0	\$166.8	\$173.2	\$180.0	\$188.4	\$197.7	\$207.5	\$218.0	\$1,798.2
Change in DI Cost	\$0.0	-\$0.03	-\$0.17	-\$0.29	-\$0.32	-\$0.33	-\$0.34	-\$0.35	-\$0.36	-\$0.38	-\$2.57
Change in UI Cost	\$0.0	-\$0.02	-\$0.08	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.11	-\$0.11	-\$0.12	-\$0.85

Note: Reduction in DI benefits would result in a small reduction in taxes paid on benefits.

Based on Intermediate Assumptions of the 2013 Trustees Report

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