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THE 2017 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS

COMMUNICATION

FROM

THE BOARD OF TRUSTEES, FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS

TRANSMITTING

THE 2017 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS



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BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND
FEDERAL DISABILITY INSURANCE TRUST FUNDS,
Washington, D.C., July 13, 2017

HON. PAUL D. RYAN,
Speaker of the House of Representatives.

HON. MICHAEL R. PENCE,
President of the Senate.

DEAR MR. SPEAKER AND MR. PRESIDENT:

We have the honor of transmitting to you the 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, the 77th such report.

Respectfully,

STEVEN T. MNUCHIN,
Secretary of the Treasury,
and Managing Trustee of the Trust Funds.

R. ALEXANDER ACOSTA,
Secretary of Labor,
and Trustee.

THOMAS E. PRICE, M.D.
Secretary of Health and Human Services,
and Trustee.

NANCY A. BERRYHILL,
Acting Commissioner
of Social Security, and Trustee.

VACANT,
Public Trustee.

VACANT,
Public Trustee.

SEAN P. BRUNE,
Assistant Deputy Commissioner
for Budget, Finance, Quality, and Management
Social Security Administration,
and Acting Secretary, Board of Trustees.

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THE 2017 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND FEDERAL DISABILITY INSURANCE TRUST FUNDS

I. INTRODUCTION

The Old-Age, Survivors, and Disability Insurance (OASDI) program makes monthly income available to insured workers and their families at retirement, death, or disability. The OASDI program consists of two parts. Retired workers, their families, and survivors of deceased workers receive monthly benefits under the Old-Age and Survivors Insurance (OASI) program. Disabled workers and their families receive monthly benefits under the Disability Insurance (DI) program.

The Social Security Act established the Board of Trustees to oversee the financial operations of the OASI and DI Trust Funds. The Board is composed of six members. Four members serve by virtue of their positions in the Federal Government: the Secretary of the Treasury, who is the Managing Trustee; the Secretary of Labor; the Secretary of Health and Human Services; and the Commissioner of Social Security. The President appoints and the Senate confirms the other two members to serve as public representatives. These two positions are currently vacant. The Deputy Commissioner of the Social Security Administration serves as Secretary of the Board.

The Social Security Act requires that the Board, among other duties, report annually to the Congress on the actuarial status and financial operations of the OASI and DI Trust Funds. The 2017 report is the 77th such report.

II. OVERVIEW

A. HIGHLIGHTS

This section summarizes the report's major findings.

In 2016

At the end of 2016, the OASDI program was providing benefit payments[1] to about 61 million people: 44 million retired workers and dependents of retired workers, 6 million survivors of deceased workers, and 11 million disabled workers and dependents of disabled workers. During the year, an estimated 171 million people had earnings covered by Social Security and paid payroll taxes on those earnings. Total expenditures in 2016 were $922 billion. Total income was $957 billion, which consisted of $869 billion in non-interest income and $88 billion in interest earnings. Asset reserves held in special issue U.S. Treasury securities grew from $2,813 billion at the beginning of the year to $2,848 billion at the end of the year.[2]

Short-Range Results

Under the Trustees' intermediate assumptions, Social Security's total income is projected to exceed its total cost through 2021, as it has for every year since 1982. The 2016 excess of total income over cost for the year was $35 billion. However, when interest income is excluded, Social Security's cost is projected to exceed its non-interest income throughout the projection period, as it has since 2010. For 2016, cost for the year exceeded non-interest income by $53 billion. For 2017, total income for the program is projected to exceed cost for the year by $59 billion, and non-interest income is projected to be $27 billion less than program cost for the year.[3]

To illustrate the actuarial status of the Social Security program as a whole, the operations of the OASI and DI funds are often shown on a combined basis as OASDI. However, by law, the two funds are separate entities and therefore the combined fund operations and reserves are hypothetical.

The reserves of the combined OASI and DI Trust Funds along with projected program income are adequate to cover program cost over the next 10 years

[1] The definitions of "benefit payment" and other terms appear in the Glossary.

[2] Benefit payments which were scheduled to be paid on January 3, 2016 were actually paid on December 31, 2015 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. The amount of these payments made on an accelerated basis was approximately $19.7 billion for the OASI Trust Fund and $6.1 billion for the DI Trust Fund. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.

[3] Amounts for 2016 are adjusted to include in 2016 operations those benefit payments regularly scheduled in the law to be paid on January 3, 2016, which were actually paid on December 31, 2015.

under the intermediate assumptions. The ratio of reserves to cost remains above 100 percent through 2026, declining from 298 percent of annual cost at the beginning of 2017 to 165 percent at the beginning of 2026. Therefore, the combined OASI and DI Trust Funds satisfy the short-range test of financial adequacy.[1] For last year's report, the Trustees projected that combined reserves would be 293 percent of annual cost at the beginning of 2017 and 149 percent at the beginning of 2026.

The combined reserves are projected to increase from $2,848 billion at the beginning of 2017 to $3,000 billion at the beginning of 2022. Reserves increase through 2021 because annual cost is less than total income for 2017 through 2021. At the same time, however, the ratio of reserves to cost declines, from 298 percent of annual cost for 2017 to 230 percent for 2022. Beginning in 2022, annual cost exceeds total income, and therefore the combined reserves begin to decline, reaching $2,607 billion at the end of 2026.

It should be noted that the DI Trust Fund reserves were projected to become depleted in 2023 in last year's report. However, as described below, revisions reflecting recent experience have extended the projected DI Trust Fund reserve depletion date beyond the short-range period under the intermediate assumptions of the 2017 Trustees Report.

Long-Range Results

Under the Trustees' intermediate assumptions, projected OASDI cost will exceed total income by increasing amounts starting in 2022, and the dollar level of the hypothetical combined trust fund reserves declines until reserves become depleted in 2034.[2] Figure II.D2 shows the implications of reserve depletion for the combined OASDI Trust Funds. Considered separately, the DI Trust Fund reserves become depleted in 2028 and the OASI Trust Fund reserves become depleted in 2035. In last year's report, the projected reserve depletion years were 2034 for OASDI, 2023 for DI, and 2035 for OASI.

The change in the reserve depletion date for DI is largely due to continuing favorable experience for DI applications and benefit awards. Disability

[1] The test of short-range financial adequacy for a trust fund is met if (1) the estimated trust fund ratio is at least 100 percent at the beginning of the period and remains at or above 100 percent throughout the 10-year short-range period or (2) the ratio is initially less than 100 percent, reaches at least 100 percent within 5 years (without reserve depletion at any time during this period) and remains at or above 100 percent throughout the remainder of the 10-year short-range period.

[2] Combined trust fund reserves are clearly hypothetical after one fund becomes depleted, because under current law the funds cannot borrow from each other. For example, if the DI Trust Fund reserves were to become depleted in 2028 as is currently projected, the operations of the OASDI Trust Funds, shown in this report on a hypothetical combined basis, would not reflect the aggregated operation of the OASI and DI Trust Funds because part of the DI benefits could not be paid without a change in the law. Implicitly, the values shown for the hypothetical combined trust funds assume the law will have been changed to permit the transfer of resources between funds as needed.

applications have been declining since 2010 and the total number of disabled worker beneficiaries in current payment status has been falling since 2014. In last year's report, disabled worker beneficiaries were projected to rise from 8.9 million at the end of 2015 to about 9.0 million at the end of 2016. In fact, the number dropped to about 8.8 million at the end of 2016. For this report, ultimate disability incidence rate assumptions are unchanged from the last report. This year's report reflects lower recent incidence rates and a more gradual rise to the ultimate DI incidence rates. These changes are primarily responsible for the change in the DI reserve depletion date from 2023 in last year's report to 2028 in this year's report.

Projected OASDI cost increases more rapidly than projected non-interest income through 2037 primarily because the retirement of the baby-boom generation will increase the number of beneficiaries much faster than the number of covered workers increases, as subsequent lower-birth-rate generations replace the baby-boom generation at working ages. From 2038 to 2051, the cost rate (the ratio of program cost to taxable payroll) generally declines because the aging baby-boom generation is gradually replaced at retirement ages by historically low-birth-rate generations. Thereafter, increases in life expectancy cause OASDI cost to increase generally relative to non-interest income, but more slowly than between 2010 and 2037.

The projected OASDI annual cost rate increases from 13.41 percent of taxable payroll for 2017 to 17.02 percent for 2038 and to 17.80 percent for 2091, a level that is 4.48 percent of taxable payroll more than the projected income rate (the ratio of non-interest income to taxable payroll) for 2091. For last year's report, the Trustees estimated the OASDI cost for 2091 at 17.72 percent, or 4.39 percent of payroll more than the annual income rate for that year. Expressed in relation to the projected gross domestic product (GDP), OASDI cost generally rises from 4.9 percent of GDP for 2017 to about 6.1 percent by 2037, then declines to 5.9 percent by 2050, and then generally increases to 6.1 percent by 2091.

For the 75-year projection period, the actuarial deficit is 2.83 percent of taxable payroll, 0.17 percentage point larger than in last year's report. The closely-related open group unfunded obligation for OASDI over the 75-year period is 2.66 percent of taxable payroll, which is 0.17 percentage point larger than in last year's report. The open group unfunded obligation for OASDI over the 75-year period is $12.5 trillion in present value and is $1.2 trillion more than the measured level of $11.4 trillion a year ago. If the assumptions, methods, starting values, and the law had all remained unchanged, the actuarial deficit would have increased to 2.71 percent of taxable payroll, and the unfunded obligation would have risen to about

2.55 percent of taxable payroll and $11.9 trillion in present value due to the change in the valuation date. The remaining changes in the actuarial deficit and the unfunded obligation are due to changes in the law, methods, starting values, and assumptions.

To illustrate the magnitude of the 75-year actuarial deficit, consider that for the combined OASI and DI Trust Funds to remain fully solvent throughout the 75-year projection period: (1) revenues would have to increase by an amount equivalent to an immediate and permanent payroll tax rate increase of 2.76 percentage points[1] to 15.16 percent, (2) scheduled benefits would have to be reduced by an amount equivalent to an immediate and permanent reduction of about 17 percent applied to all current and future beneficiaries, or about 20 percent if the reductions were applied only to those who become initially eligible for benefits in 2017 or later; or (3) some combination of these approaches would have to be adopted.

If substantial actions are deferred for several years, the changes necessary to maintain Social Security solvency would be concentrated on fewer years and fewer generations. Much larger changes would be necessary if action is deferred until the combined trust fund reserves become depleted in 2034. For example, maintaining 75-year solvency with policies that begin in 2034 would require: (1) an increase in revenues by an amount equivalent to a 3.98 percentage point payroll tax rate increase starting in 2034, (2) a reduction in scheduled benefits by an amount equivalent to a 23 percent reduction in all benefits starting in 2034, or (3) some combination of these approaches would have to be adopted.

Conclusion

Under the intermediate assumptions, DI Trust Fund asset reserves are projected to become depleted in 2028, at which time continuing income to the DI Trust Fund would be sufficient to pay 93 percent of DI scheduled benefits. Therefore, legislative action is needed to address the DI program's financial imbalance. The OASI Trust Fund reserves are projected to become depleted in 2035, at which time OASI income would be sufficient to pay 75 percent of OASI scheduled benefits.

[1] The necessary tax rate of 2.76 percent differs from the 2.83 percent actuarial deficit for two reasons. First, the necessary tax rate is the rate required to maintain solvency throughout the period that does not result in any trust fund reserve at the end of the period, whereas the actuarial deficit incorporates an ending trust fund reserve equal to 1 year's cost. Second, the necessary tax rate reflects a behavioral response to tax rate changes, whereas the actuarial deficit does not. In particular, the calculation of the necessary tax rate assumes that an increase in payroll taxes results in a small shift of wages and salaries to forms of employee compensation that are not subject to the payroll tax.

The Trustees also project that annual cost for the OASDI program will exceed non-interest income throughout the projection period, and will exceed total income beginning in 2022 under the intermediate assumptions. The projected hypothetical combined OASI and DI Trust Fund asset reserves increase through 2021, begin to decline in 2022, and become depleted and unable to pay scheduled benefits in full on a timely basis in 2034. At the time of depletion of these combined reserves, continuing income to the combined trust funds would be sufficient to pay 77 percent of scheduled benefits. Lawmakers have a broad continuum of policy options that would close or reduce Social Security's long-term financing shortfall. Cost estimates for many such policy options are available at www.ssa.gov/OACT/solvency/provisions/.

The Trustees recommend that lawmakers address the projected trust fund shortfalls in a timely way in order to phase in necessary changes gradually and give workers and beneficiaries time to adjust to them. Implementing changes sooner rather than later would allow more generations to share in the needed revenue increases or reductions in scheduled benefits and could preserve more trust fund reserves to help finance future benefits. Social Security will play a critical role in the lives of 62 million beneficiaries and 173 million covered workers and their families in 2017. With informed discussion, creative thinking, and timely legislative action, Social Security can continue to protect future generations.

B. TRUST FUND FINANCIAL OPERATIONS IN 2016

Table II.B1 shows the income, expenditures, and asset reserves for the OASI, the DI, and the combined OASI and DI Trust Funds in calendar year 2016.

Table II.B1.—Summary of 2016 Trust Fund Financial Operations
[In billions]

	OASI	DI	OASDI
Asset reserves at the end of 2015[a]	$2,780.3	$32.3	$2,812.5
Total income in 2016	797.5	160.0	957.5
Net payroll tax contributions	678.8	157.4	836.2
Reimbursement from General Fund of the Treasury	.1	[b]	.1
Taxation of benefits	31.6	1.2	32.8
Interest	87.0	1.4	88.4
Total expenditures in 2016	776.4	145.9	922.3
Benefit payments[a]	768.6	142.8	911.4
Railroad Retirement financial interchange	4.3	.4	4.7
Administrative expenses	3.5	2.8	6.2
Net increase in asset reserves in 2016[a]	21.1	14.1	35.2
Asset reserves at the end of 2016	2,801.3	46.3	2,847.7

[a] Benefit payments which were scheduled to be paid on January 3, 2016 were actually paid on December 31, 2015 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. The amount of these payments made on an accelerated basis was approximately $19.7 billion for the OASI Trust Fund and $6.1 billion for the DI Trust Fund. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year without regard to the accelerated payments described above.
[b] Less than $50 million.

Note: Totals do not necessarily equal the sums of rounded components.

In 2016, net payroll tax contributions accounted for 87 percent of total trust fund income. Net payroll tax contributions consist of taxes paid by employees, employers, and the self-employed on earnings covered by Social Security. These taxes are paid on covered earnings up to a specified maximum annual amount, which was $118,500 in 2016. Table II.B2 shows the tax rates for 2016. Approximately 0.01 percent of OASI and DI combined Trust Fund income came from reimbursements from the General Fund of the Treasury.[1]

Three percent of OASI and DI combined Trust Fund income in 2016 came from subjecting up to 50 percent of Social Security benefits to Federal personal income taxation for beneficiaries with income (including half of bene-

[1] Public Laws 111-312, 112-78, and 112-96 account for most of the reimbursement for the year. These acts specified General Fund reimbursement for temporary reductions in revenue due to reduced payroll tax rates for employees and for self-employed workers for 2011 and 2012.

fits and all non-taxable interest) exceeding specified levels. Interest earned on invested trust fund asset reserves accounted for 9 percent of OASDI income. The Department of the Treasury invests trust fund reserves in interest-bearing securities issued by the U.S. Government. In 2016, the combined trust fund reserves earned interest at an effective annual rate of 3.2 percent.

Almost 99 percent of expenditures from the combined OASI and DI Trust Funds in 2016 were retirement, survivor, and disability benefits totaling $911.4 billion. A net payment of $4.7 billion was made to the Railroad Retirement Social Security Equivalent Benefit Account from the combined OASI and DI Trust Funds, which was about 0.5 percent of total OASDI expenditures. The administrative expenses of the Social Security program were $6.2 billion, which was about 0.7 percent of total expenditures.

The trust fund investments provide a reserve to pay benefits whenever total program cost exceeds income. Combined trust fund reserves increased by $35.2 billion for 2016 because income to each fund, including interest earned on trust fund reserves, exceeded total expenditures.[1] At the end of 2016, the combined reserves of the OASI and the DI Trust Funds were $2,848 billion, or 298 percent of estimated expenditures[2] for 2017. In comparison, the combined reserves at the end of 2015 were 305 percent of expenditures for 2016.

Table II.B2.—Payroll Tax Contribution Rates for 2016
[In percent]

	OASI	DI	OASDI
Payroll tax contribution rate for employees	5.015	1.185	6.20
Payroll tax contribution rate for employers	5.015	1.185	6.20
Payroll tax contribution rate for self-employed persons	10.030	2.370	12.40

Note: Section 833 of Public Law 114-74, the Bipartisan Budget Act of 2015, requires a temporary reallocation of the payroll tax rates between the OASI and DI Trust Funds. For earnings in calendar years 2016 through 2018, this section increases from 1.80 percent to 2.37 percent the portion of the total 12.40 percent OASDI payroll tax that is directed to the DI Trust Fund. There is a corresponding decrease in the portion of the tax rates directed to the OASI Trust Fund for these years.

[1] As noted in footnote a of table II.B1 and elsewhere in this report, asset reserves shown for the end of 2015 reflect the 12 months of benefits scheduled for payment in 2015 and thus exclude the benefits scheduled for payment on January 3, 2016, which were actually paid on December 31, 2015 as required by the law.

[2] Estimated expenditures are based on the intermediate set of assumptions.

C. ASSUMPTIONS ABOUT THE FUTURE

The future income and expenditures of the OASI and DI Trust Funds will depend on many factors, including the size and characteristics of the population receiving benefits, the level of monthly benefit amounts, the size of the workforce, and the level of covered workers' earnings. These factors will depend in turn on future birth rates, death rates, immigration, marriage and divorce rates, retirement-age patterns, disability incidence and termination rates, employment rates, productivity gains, wage increases, inflation, interest rates, and many other demographic, economic, and program-specific factors.

Table II.C1 presents key demographic and economic assumptions for three alternative scenarios. The intermediate assumptions reflect the Trustees' best estimates of future experience. Therefore, most of the figures in this overview present outcomes under the intermediate assumptions only. Any projection of the future is, of course, uncertain. For this reason, the Trustees also present results under low-cost and high-cost alternatives to provide a range of possible future experience. The actual future costs are unlikely to be as extreme as those portrayed by the low-cost or high-cost projections. A separate section on the uncertainty of the projections, beginning on page 18, highlights the implications of these alternative scenarios.

The Trustees reexamine the assumptions each year in light of recent experience and new information. This annual review helps to ensure that the Trustees' assumptions provide the best estimate of future possibilities.

Table II.C1.—Long-Range Values[a] of Key Assumptions for the 75-year Projection Period

Long-range assumptions	Intermediate	Low-cost	High-cost
Demographic:			
Total fertility rate (children per woman), for 2032 and later	2.0	2.2	1.8
Average annual percentage reduction in total age-sex-adjusted death rates from 2016 to 2091	.77	.42	1.16
Average annual net immigration (in thousands) for 2017 to 2091	1,286	1,623	961
Economic:			
Average annual percentage change in:			
Productivity (total U.S. economy), for 2027 and later	1.68	1.98	1.38
Average wage in covered employment from 2027 to 2091	3.80	5.02	2.58
Consumer Price Index (CPI-W), for 2019 and later	2.60	3.20	2.00
Average annual real-wage differential (percent) for 2027 to 2091	1.20	1.82	.58
Unemployment rate (percent, age-sex-adjusted), for 2022 and later	5.5	4.5	6.5
Annual trust fund real interest rate (percent), for 2027 and later	2.7	3.2	2.2
Programmatic:			
Disability incidence rate (per 1,000 exposed, age-sex-adjusted) in 2091	5.4	4.3	6.4
Disability recovery rate (per 1,000 beneficiaries, age-sex-adjusted) in 2091	10.4	12.5	8.3

[a] See chapter V for details, including historical and projected values.

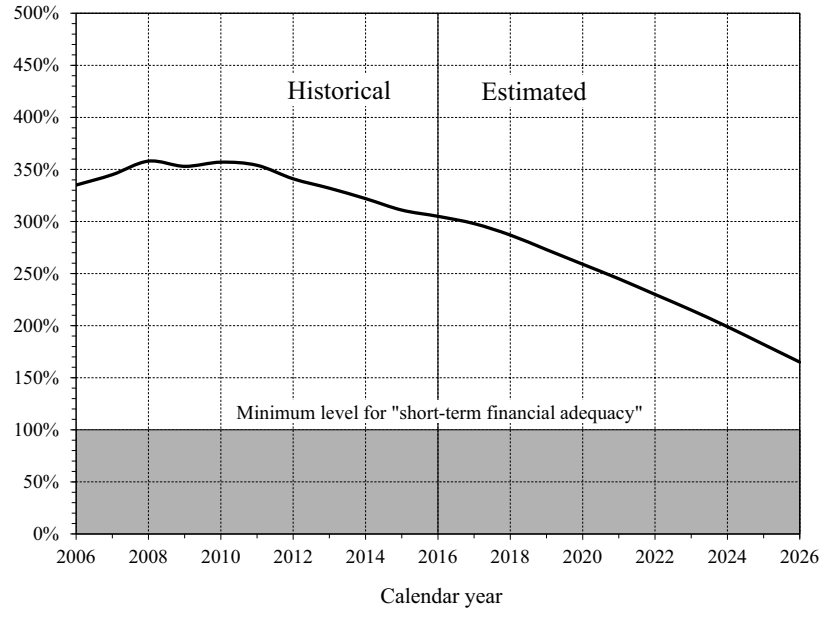
D. PROJECTIONS OF FUTURE FINANCIAL STATUS

Short-Range Actuarial Estimates

For the short-range period (2017 through 2026), the Trustees measure financial adequacy by comparing projected asset reserves at the beginning of each year to projected program cost for that year under the intermediate set of assumptions. Maintaining a trust fund ratio of 100 percent or more—that is, reserves at the beginning of each year at least equal to projected cost for the year—is a good indication that the trust fund can cover most short-term contingencies. The projected trust fund ratios under the intermediate assumptions for the OASI Trust Fund exceed 100 percent throughout the short-range period. Therefore, OASI satisfies the Trustees' short-term test of financial adequacy. The DI Trust Fund fails the Trustees' short-term test of financial adequacy. The Trustees estimate that the DI trust fund ratio was at 31 percent at the beginning of 2017. The projected DI trust fund ratio increases to 65 percent at the beginning of 2019, largely due to the temporary payroll tax rate reallocation for 2016 through 2018 from OASI to DI enacted in the Bipartisan Budget Act of 2015, and then declines through the end of the short-range period. On a combined basis, OASDI also satisfies the Trustees' short-term test of financial adequacy. Figure II.D1 shows that the trust fund ratio for the combined OASI and DI Trust Funds declines consistently after 2010, but remains above 100 percent throughout the short-range period.

Projected OASDI cost is less than total income until 2022, when cost begins to exceed total income. While trust fund reserves continue to grow through 2021, they grow more slowly than cost, causing the trust fund ratio to decline, as shown in figure II.D1. OASDI cost exceeds non-interest income throughout the short-range period.

Figure II.D1.—Short-Range OASI and DI Combined Trust Fund Ratio
[Asset reserves as a percentage of annual cost, under Intermediate Assumptions]



Long-Range Actuarial Estimates

The Trustees use three types of measures to assess the actuarial status of the program over the next 75 years: (1) annual cash-flow measures, including income rates, cost rates, and balances; (2) trust fund ratios; and (3) summary measures such as actuarial balances and open group unfunded obligations. The Trustees express these measures as percentages of taxable payroll, as percentages of gross domestic product (GDP), or in dollars. The Trustees also present summary measures over the infinite horizon in appendix F. The infinite horizon values, which are subject to much greater uncertainty, provide an additional indication of Social Security's very-long-run financial condition.

The Trustees also apply a test of long-range close actuarial balance each year. To satisfy the test, a trust fund must meet two conditions: (1) the trust fund satisfies the test of short-range financial adequacy, and (2) the trust fund ratio stays above zero throughout the 75-year projection period, such that benefits would be payable in a timely manner throughout the period. The

OASI, DI, and combined OASI and DI Trust Funds all fail the test of long-range close actuarial balance under the intermediate assumptions.

Annual Income Rates, Cost Rates, and Balances

Figure II.D2 illustrates the year-by-year relationship among OASDI income (excluding interest), cost (including scheduled benefits), and expenditures (including payable benefits) for the full 75-year period (2017 through 2091). The figure shows all values as percentages of taxable payroll. Under the intermediate assumptions, demographic factors would by themselves cause the projected cost rate to rise rapidly for the next two decades before leveling off in about 2035. However, the recent recession temporarily depressed taxable earnings and increased the number of beneficiaries, which in turn sharply, but temporarily, increased the cost rate starting in 2009. From a peak in 2013, the cost rate declines through 2017 under the economic recovery and thereafter returns to a gradually rising trend. The projected income rate is stable at about 13 percent throughout the 75-year period.

Annual OASDI cost exceeded non-interest income in 2010 for the first time since 1983. The Trustees project that cost will continue to exceed non-interest income throughout the 75-year valuation period. Nevertheless, total trust fund income, including interest income, is more than sufficient to cover costs through 2021, so trust fund asset reserves continue to grow. Beginning in 2022, cost exceeds total income, and combined OASI and DI Trust Fund reserves diminish until they become depleted in 2034. After trust fund reserve depletion, continuing income is sufficient to support expenditures at a level of 77 percent of program cost for the rest of 2034, declining to 73 percent for 2091. Figure II.D2 depicts OASDI operations as a combined whole. However, under current law, the differences between scheduled and payable benefits would begin at different times for the program's two trust funds: in 2028 for DI and in 2035 for OASI.

Figure II.D2.—OASDI Income, Cost, and Expenditures as Percentages of Taxable Payroll
[Under Intermediate Assumptions]

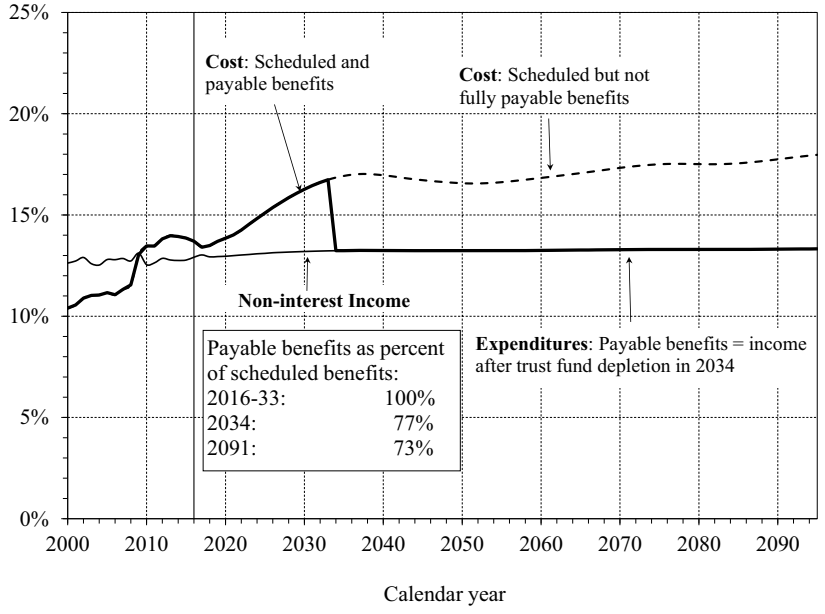
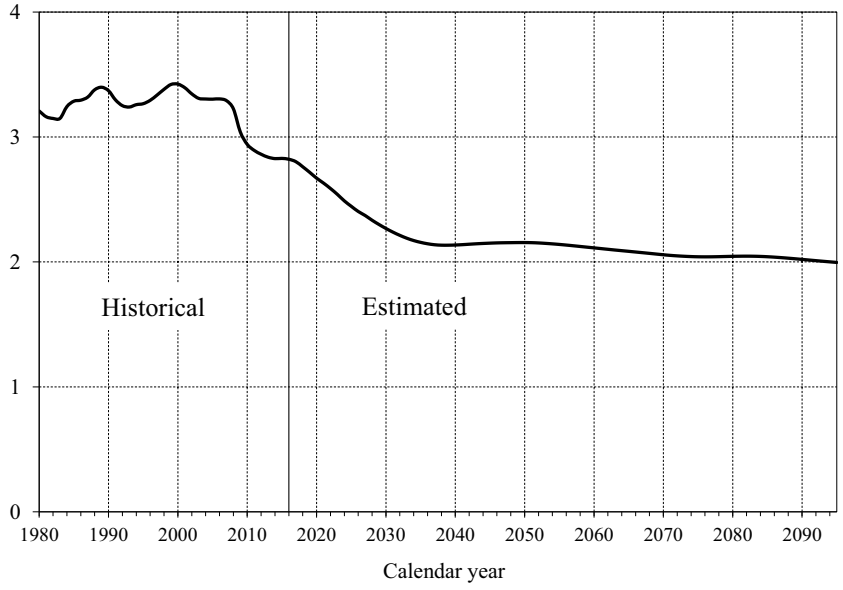


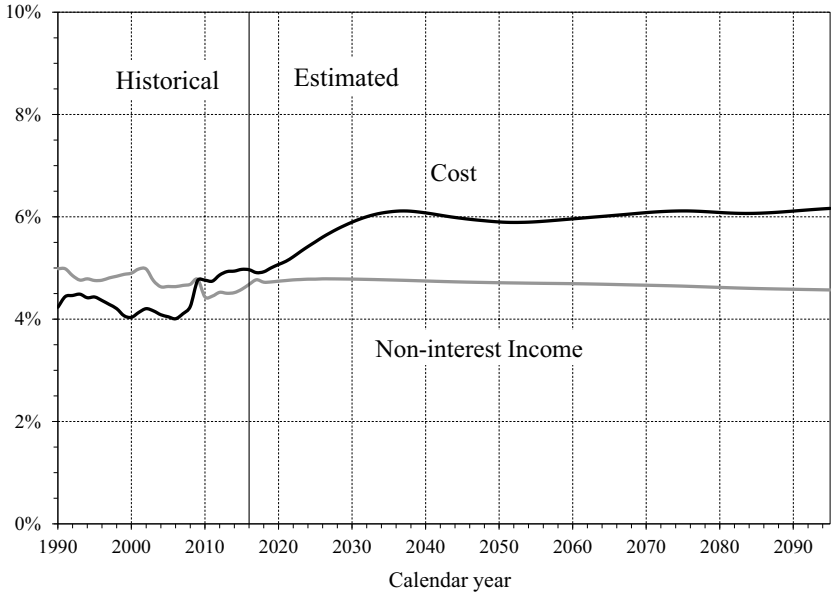
Figure II.D3 shows the estimated number of covered workers per OASDI beneficiary. Figures II.D2 and II.D3 illustrate the inverse relationship between cost rates and the number of workers per beneficiary. In particular, the projected future increase in the cost rate reflects a projected decline in the number of covered workers per beneficiary. There were about 2.8 workers for every OASDI beneficiary in 2016. This ratio had been extremely stable, remaining between 3.2 and 3.4 from 1974 through 2008, and has declined since then due to the economic recession and the beginning of the demographic shift that will drive this ratio down over the next 20 years. The Trustees project that the ratio of workers to beneficiaries will continue to decline, even as the economy recovers, due to this demographic shift—as workers of lower-birth-rate generations replace workers of the baby-boom generation. The ratio of workers to beneficiaries reaches 2.2 by 2035 when the baby-boom generation will have largely retired, with a further gradual decline thereafter due to increasing longevity.

Figure II.D3.—Number of Covered Workers Per OASDI Beneficiary
[Under Intermediate Assumptions]



Another important way to look at Social Security's future is to view its annual cost and non-interest income as a share of U.S. economic output (GDP). As shown in figure II.D4, the Trustees project that Social Security's cost as a percent of GDP will grow from 4.9 percent in 2017 to about 6.1 percent by 2037, then decline to 5.9 percent by 2050, and generally increase to 6.1 percent by 2091. As the economy recovers, Social Security's non-interest income, which reflects scheduled tax rates, remains at its current level of about 4.8 percent of GDP through 2040. Thereafter, non-interest income as a percent of GDP declines gradually, to about 4.6 percent by 2091, because the Trustees expect the share of employee compensation provided as noncovered fringe benefits to increase gradually.

Figure II.D4.—OASDI Cost and Non-interest Income as a Percentage of GDP
[Under Intermediate Assumptions]



Trust Fund Ratios

The trust fund ratio is defined as the asset reserves at the beginning of a year expressed as a percentage of the cost during the year. The trust fund ratio thus represents the proportion of a year's cost which could be paid solely with the reserves at the beginning of the year. Table II.D1 displays the projected maximum trust fund ratios during the long-range period for the OASI, DI, and combined OASI and DI funds. The table also shows the year of maximum projected trust fund ratio during the long-range projection period (2017 through 2091) and the year of trust fund asset reserve depletion. Each trust fund ratio has been generally declining in recent years. OASI reached a peak level of 402 in 2011, DI will reach a peak level of 65 in 2019, and OASDI reached a peak level of 358 in 2008.

Table II.D1.—Projected Maximum Trust Fund Ratios During the Long-Range Period and Trust Fund Reserve Depletion Dates
[Under Intermediate Assumptions]

	OASI	DI	OASDI
Maximum projected trust fund ratio (percent).	347	65	298
Year attained.	2017	2019	2017
Projected year of trust fund reserve depletion	2035	2028	2034

Summary Measures

The actuarial balance is a summary measure of the program's financial status through the end of the 75-year valuation period. The actuarial balance measure includes the trust fund asset reserves at the beginning of the period, all cost and income during the valuation period, and the cost of reaching a target trust fund reserve of one year's cost by the end of the period. Therefore, the actuarial balance is essentially the difference between the present values of income and cost from 1937 through the end of the valuation period. Actuarial balance is expressed as a percentage of the taxable payroll for the 75-year valuation period. A negative actuarial balance is called an actuarial deficit. The actuarial deficit represents the average amount of change in income or cost that is needed throughout the valuation period in order to achieve actuarial balance.

In this report, the actuarial deficit for the combined OASI and DI Trust Funds under the intermediate assumptions is 2.83 percent of taxable payroll. The actuarial deficit was 2.66 percent in the 2016 report. If the assumptions, methods, starting values, and the law had all remained unchanged from last year, the actuarial deficit would have increased to 2.71 percent of payroll solely due to advancing the valuation period by 1 year.

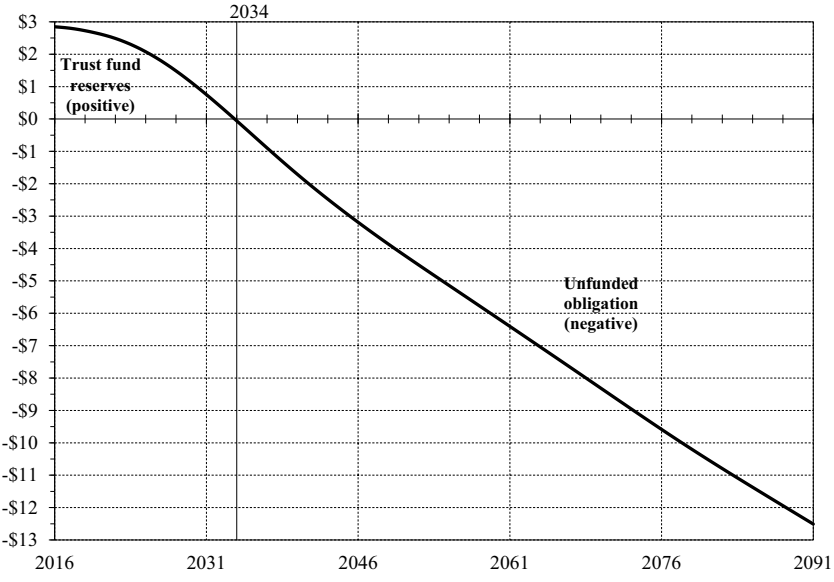
Another way to illustrate the projected financial shortfall of the OASDI program is to examine the cumulative present value of scheduled income less cost. Figure II.D5 shows the present value of cumulative OASDI income less cost from the inception of the program through each of the years from 2016 to 2091. A positive value represents the present value of trust fund reserves at the end of the selected year. A negative value is the unfunded obligation through the selected year. The asset reserves of the combined trust funds were $2.8 trillion at the end of 2016. The trust fund reserves decline on a present value basis after 2016, but remain positive through 2033. However, after 2033 this cumulative amount becomes negative, which means that the combined OASI and DI Trust Funds have a net unfunded obligation through each year after 2033. Through the end of 2091, the combined funds have a present-value unfunded obligation of $12.5 trillion. If the assumptions, methods, starting values, and the law had all remained unchanged from last year, the unfunded obligation would have risen to about $11.9 trillion due to the change in the valuation date.

This unfunded obligation represents 2.66 percent of taxable payroll (increased from 2.49 percent in last year's report) and 0.9 percent of GDP (increased slightly from last year's report, remaining 0.9 percent after rounding) for the 75-year valuation period. The unfunded obligation as a share of

taxable payroll (2.66 percent) and the actuarial deficit (2.83 percent) are similar measures, but differ because the actuarial deficit includes the cost of having an ending trust fund reserve equal to 1 year's cost.

Figures II.D2, II.D4, and II.D5 show that the program's financial condition is worsening at the end of the projection period. Trends in annual balances and cumulative values toward the end of the 75-year period provide an indication of the program's ability to maintain solvency beyond 75 years. Consideration of summary measures alone for a 75-year period can lead to incorrect perceptions and to policy prescriptions that do not achieve sustainable solvency.[1]

Figure II.D5.—Cumulative Scheduled OASDI Income Less Cost, From Program Inception Through Years 2016-2091
[Present value as of January 1, 2017, in trillions, under Intermediate Assumptions]



Appendix F presents summary measures over the infinite horizon. The infinite horizon values provide an additional indication of Social Security's financial condition for the period beginning with the inception of the program and extending indefinitely into the future, but results are subject to

[1] Sustainable solvency for the financing of the program under a specified set of assumptions has been achieved when the projected trust fund ratio is positive throughout the 75-year projection period and is either stable or rising at the end of the period.

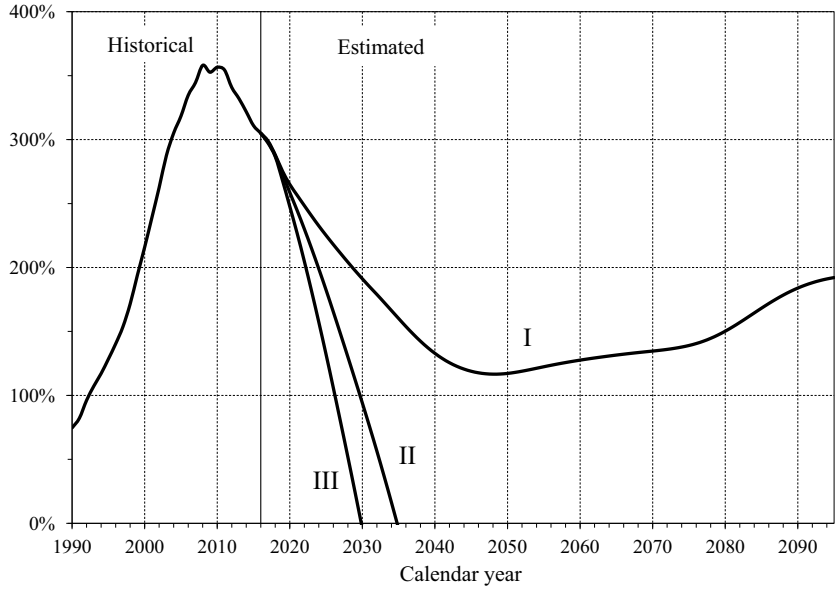
much greater uncertainty. Extending the horizon beyond 75 years increases the measured unfunded obligation. Through the infinite horizon, the unfunded obligation, or shortfall, is equivalent to 4.2 percent of future taxable payroll or 1.4 percent of future GDP.

Uncertainty of the Projections

Significant uncertainty surrounds the intermediate assumptions. The Trustees use several methods to help illustrate that uncertainty.

A first approach uses alternative scenarios reflecting low-cost (alternative I) and high-cost (alternative III) sets of assumptions. Figure II.D6 shows the projected trust fund ratios for the combined OASI and DI Trust Funds under the intermediate, low-cost, and high-cost assumptions. The low-cost alternative includes a higher ultimate total fertility rate, slower improvement in mortality, a higher real-wage differential, a higher ultimate real interest rate, a higher ultimate annual change in the CPI, and a lower unemployment rate. The high-cost alternative, in contrast, includes a lower ultimate total fertility rate, more rapid improvement in mortality, a lower real-wage differential, a lower ultimate real interest rate, a lower ultimate annual change in the CPI, and a higher unemployment rate. These alternatives are not intended to suggest that all parameters would be likely to differ from the intermediate values in the specified directions, but are intended to illustrate the effect of clearly defined scenarios that are, on balance, very favorable or unfavorable for the program's financial status. Actual future costs are unlikely to be as extreme as those portrayed by the low-cost or high-cost projections. The method for constructing the low-cost and high-cost projections does not lend itself to estimating the probability that actual experience will lie within or outside the range they define.

Figure II.D6.—Long-Range OASI and DI Combined Trust Fund Ratios Under Alternative Scenarios
[Asset reserves as a percentage of annual cost]



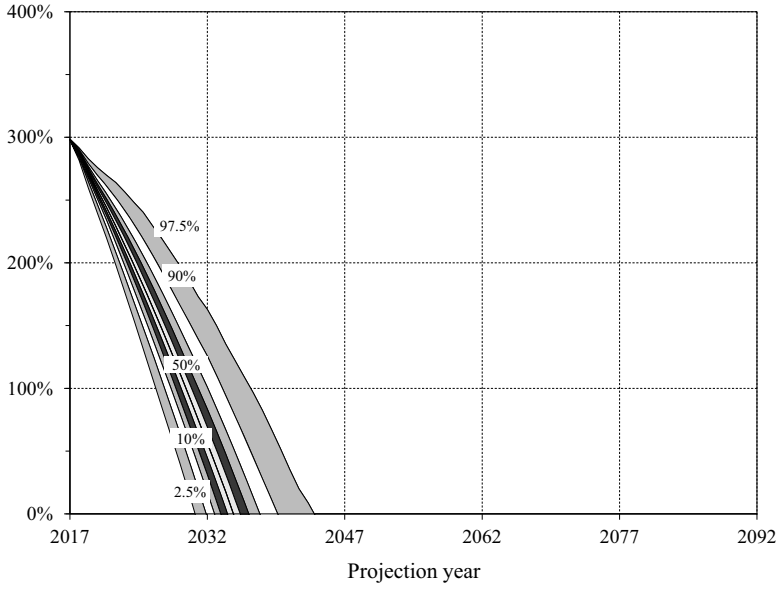
Appendix D of this report presents long-range sensitivity analysis for the OASDI program. By varying one parameter at a time, sensitivity analysis provides a second approach for illustrating the uncertainty surrounding projections into the future.

A third approach uses 5,000 independently generated stochastic simulations that reflect randomly assigned annual values for most of the key parameters. These simulations produce a distribution of projected outcomes and corresponding probabilities that future outcomes will fall within or outside a given range. The results of the stochastic simulations, discussed in more detail in appendix E, suggest that trust fund reserve depletion (i.e., the point at which the trust fund ratio reaches zero) is very likely by mid-century. In particular, figure II.D7 suggests that based on these stochastic simulations, trust fund asset reserves will become depleted between 2030 and 2043 with a 95-percent probability.

The stochastic results suggest that trust fund ratios as high as the low-cost alternative are very unlikely. However, the relationship between the stochastic results and the low-cost and high-cost alternatives may change as the methodology for the stochastic simulations is further developed. As noted in

appendix E, future improvements and refinements are expected to be more likely to expand than to reduce the indicated range of uncertainty.

Figure II.D7.—Long-Range OASI and DI Combined Trust Fund Ratios From Stochastic Modeling



Changes From Last Year's Report

The projected long-range OASDI actuarial deficit increased by 0.17 percent of taxable payroll, from 2.66 percent of taxable payroll for last year's report to 2.83 percent of taxable payroll for this year's report. The change in the 75-year projection period alone would have increased the actuarial deficit to 2.71 percent, an increase of 0.05 percent of taxable payroll. The remaining 0.12 percent increase is due to changes in law, methods, starting values, and assumptions. For a detailed description of the specific changes identified in table II.D2, see section IV.B.6.

Table II.D2.—Reasons for Change in the 75-Year Actuarial Balance, Based on Intermediate Assumptions
[As a percentage of taxable payroll]

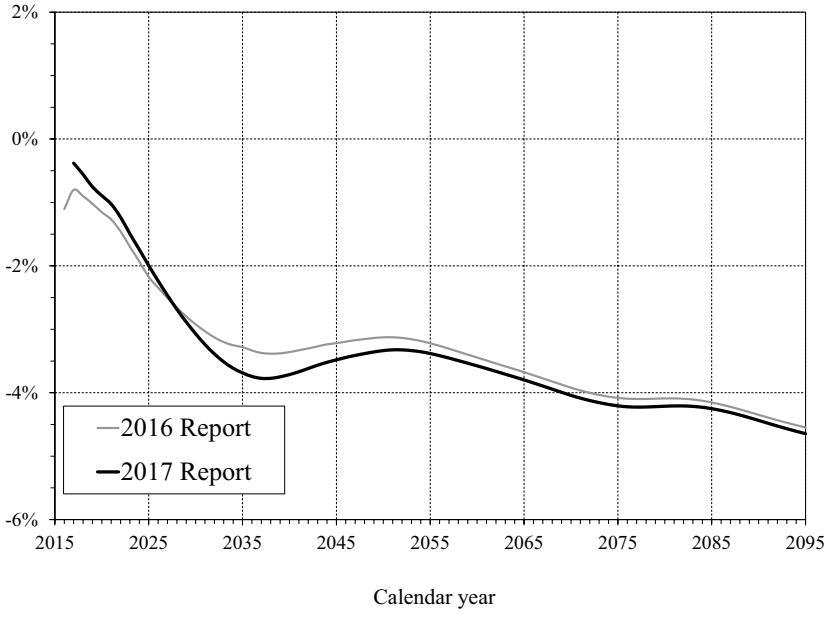
Item	OASI	DI	OASDI
Shown in last year's report:			
Income rate	11.96	1.88	13.84
Cost rate	14.36	2.14	16.50
Actuarial balance	**-2.39**	**-.26**	**-2.66**
Changes in actuarial balance due to changes in:			
Legislation / Regulation	.01	.00	.00
Valuation period[a]	-.05	-.01	-.05
Demographic data and assumptions	-.03	.00	-.03
Economic data and assumptions	-.07	-.01	-.08
Disability data and assumptions	-.01	.03	.03
Methods and programmatic data	-.05	.01	-.04
Total change in actuarial balance	-.19	.02	-.17
Shown in this report:			
Actuarial balance	**-2.59**	**-.24**	**-2.83**
Income rate	11.97	1.87	13.84
Cost rate	14.56	2.11	16.67

[a] The change in the 75-year valuation period from last year's report to this report means that the 75-year actuarial balance now includes the relatively large negative annual balance for 2091. This change in the valuation period results in a larger long-range actuarial deficit. The actuarial deficit includes the trust fund reserve at the beginning of the projection period.

Note: Totals do not necessarily equal the sums of rounded components.

Figure II.D8 compares this year's projections of annual balances (non-interest income minus cost) to those in last year's report. The annual balances in this year's report are lower (more negative) for most of the projection period. See page 79 for details.

Figure II.D8.—OASDI Annual Balances: 2016 and 2017 Trustees Reports
[As a percentage of taxable payroll, under the intermediate assumptions]



E. CONCLUSION

Under current law, the projected cost of Social Security increases faster than projected income through 2037 primarily because the ratio of workers paying taxes to beneficiaries receiving benefits will decline as the baby-boom generation ages and is replaced at working ages with subsequent lower birth-rate generations. While the effects of the aging baby boom and subsequent lower birth rates will have stabilized after 2037, annual cost will continue to grow faster than income, but to a lesser degree, reflecting continuing increases in life expectancy. Based on the Trustees' intermediate assumptions, Social Security's total income for years 2017 through 2021 exceeds its total cost for each year. However, cost exceeds non-interest income for 2017, as it has since 2010, and remains higher than non-interest income throughout the remainder of the 75-year projection period.

The OASI Trust Fund and DI Trust Fund are projected to have sufficient reserves to pay full benefits on time until 2035 and 2028, respectively. Legislative action will be needed to prevent reserve depletion in those years. In the absence of such legislation, continuing income to the trust funds at the time of reserve depletion would be sufficient to pay 75 percent of OASI benefits and 93 percent of DI benefits.

Social Security's combined trust funds increase with the help of interest income through 2021 and would cover full payment of scheduled benefits on a timely basis until the trust fund reserves become depleted in 2034. (Full payment of benefits up until combined reserve depletion in 2034 implicitly assumes that the law will have been changed to permit the transfer of funds between OASI and DI as needed.) At that time, projected continuing income to the combined trust funds equals about 77 percent of the program cost. By 2091, continuing income equals about 73 percent of the program cost.

The 75-year actuarial deficit for the combined trust funds under the intermediate assumptions is 2.83 percent of taxable payroll—0.17 percentage point larger than the 2.66 percent deficit in last year's report. To illustrate the magnitude of the deficit, consider that for the combined OASI and DI Trust Funds to remain fully solvent throughout the 75-year projection period: (1) revenues would have to be increased by an amount equivalent to an immediate and permanent payroll tax rate increase of 2.76 percentage points to 15.16 percent; (2) scheduled benefits would have to be reduced by an amount equivalent to an immediate and permanent reduction of about 17 percent applied to all current and future beneficiaries, or about 20 percent if the reductions were applied only to those who become initially eligible for benefits in 2017 or later; or (3) some combination of these approaches would

have to be adopted. If actions are deferred for several years, the changes necessary to maintain Social Security solvency become concentrated on fewer years and fewer generations.

If lawmakers design legislative solutions only to eliminate the overall actuarial deficit without consideration of year-by-year financing, then a substantial financial imbalance could remain at the end of the period, and the long-range sustainability of program financing could still be in doubt. Sustainable solvency for the financing of the program under a specified set of assumptions is achieved when the projected trust fund ratio is positive throughout the long-range period and is either stable or rising at the end of the period. Making changes now that achieve sustainable solvency could avoid the need for later legislative changes.

Lawmakers have a broad continuum of policy options that would close or reduce Social Security's long-term financing shortfall. Cost estimates for many such policy options are available at www.ssa.gov/OACT/solvency/provisions/. Broadly speaking, the approaches that lawmakers can take include increasing revenues from workers and employers by raising the tax rate or the maximum level of taxable earnings, or by dedicating revenues from other sources; lowering benefits for some or all beneficiaries by changing certain program parameters; or a combination of these approaches. There are countless variations on these options, including those that vary the timing, magnitude, and other specifics of the change(s) under consideration.

The Trustees recommend that lawmakers address the projected trust fund shortfalls in a timely way in order to phase in necessary changes gradually and give workers and beneficiaries time to adjust to them. Implementing changes sooner rather than later would allow more generations to share in the needed revenue increases or reductions in scheduled benefits and could preserve more trust fund reserves to help finance future benefits. Social Security will play a critical role in the lives of 62 million beneficiaries and 173 million covered workers and their families in 2017. With informed discussion, creative thinking, and timely legislative action, Social Security can continue to protect future generations.

For further information related to the contents of this report, see the following websites:

- www.ssa.gov/OACT/tr/2017/
- www.ssa.gov/OACT/solvency/provisions/
- www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/

- www.treasury.gov/resource-center/economic-policy/ss-medicare/Pages/Soc-Sec-and-Medicare.aspx

III. FINANCIAL OPERATIONS OF THE TRUST FUNDS AND LEGISLATIVE CHANGES IN THE LAST YEAR

A. OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE (OASI) AND DISABILITY INSURANCE (DI) TRUST FUNDS, IN CALENDAR YEAR 2016

This section presents detailed information on the operations of the OASI and DI Trust Funds[1] during calendar year 2016. Chapter IV provides projections for calendar years 2017 through 2095.

1. OASI Trust Fund

Table III.A1 presents a statement of the income and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund in calendar year 2016, and of the asset reserves in the fund at the beginning and end of the calendar year. As shown in this table, total trust fund receipts in 2016 amounted to $797.5 billion, while disbursements totaled $776.4 billion, an increase in trust fund reserves during 2016 of $21.1 billion.[2]

Total receipts during calendar year 2016 included $681.5 billion in payroll tax contributions. These contributions include initial appropriations of payroll taxes, made on an estimated basis, and adjustments to appropriations for prior years to reflect actual tax receipts. The OASI fund paid the General Fund $2.7 billion for the estimated amount of employee payroll-tax refunds, partially offsetting these gross contributions. Employees who work for more than one employer during a year and pay contributions on total earnings in excess of the contribution and benefit base are eligible for such refunds. Net payroll tax contributions were therefore $678.8 billion in 2016.

Net reimbursements from the General Fund of the Treasury amounted to $0.1 billion in 2016. As shown in the table, adjustments to prior year receipts based on Public Law 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Public Law 112-78, the Temporary Payroll Tax Cut Continuation Act of 2011, and Public Law 112-96, the Middle Class Tax Relief and Job Creation Act of 2012, account for almost all of the reimbursement for the year, or about $87.2 million. These acts specified General Fund reimbursement for tempo-

[1] See www.ssa.gov/oact/ProgData/fundsQuery.html.

[2] In order to provide values that are comparable with other years, asset reserves shown for the end of 2015 reflect the 12 months of benefits scheduled for payment in 2015 and thus exclude the benefits scheduled for payment on January 3, 2016, which were actually paid on December 31, 2015 as required by the law.

rary reductions in employee and self-employment payroll taxes for earnings in 2011 and 2012.

Income based on taxation of OASI benefits amounted to $31.6 billion in 2016. About 99 percent of this income represents amounts credited to the trust funds, generally in advance of the actual receipt of taxes by the Treasury. These credited amounts represent the net amount of initial estimated taxes transferred for tax liabilities in 2016 and adjustments to initial amounts transferred for prior periods. The remaining one percent of the total income from taxation of benefits represents amounts withheld from the benefits paid to nonresident aliens.

In 2016, the OASI Trust Fund earned $87.0 billion in net interest, which consisted of: (1) interest earned on the investments held by the trust fund, (2) interest on adjustments in the allocation of administrative expenses between the trust fund and the General Fund account for the Supplemental Security Income program, (3) interest arising from the revised allocation of administrative expenses among the trust funds, and (4) interest on certain reimbursements to the trust fund.

The remaining receipts, about $3 thousand, consisted of gifts received under the provisions authorizing the deposit of monetary gifts or bequests in the trust funds.

Table III.A1.—Operations of the OASI Trust Fund, Calendar Year 2016
[In millions]

Total asset reserves, December 31, 2015[a]		$2,780,251
Receipts:		
Net payroll tax contributions:		
Payroll tax contributions[b]	$681,463	
Payments from the General Fund of the Treasury for payroll tax contributions subject to refund[b]	-2,676	
Net payroll tax contributions[b]		678,787
Reimbursements from the General Fund:		
Reduction in payroll tax contributions due to P.L. 111-312, P.L. 112-78, and P.L. 112-96[b]	87	
Payroll tax credits due to P.L. 98-21[b]	[c]	
Net General Fund reimbursements[b]		87
Income based on taxation of benefit payments:		
Withheld from benefit payments to nonresident aliens	199	
All other, not subject to withholding[b]	31,424	
Total income from taxation of benefits[b]		31,623
Investment income and interest adjustments:		
Interest on investments	86,962	
Interest adjustments[d]	-2	
Total investment income and interest adjustments		86,960
Gifts		[c]
Total receipts		797,457
Disbursements:		
Benefit payments:		
Monthly benefits and lump-sum death payments[a e]	768,633	
Reimbursement from the General Fund for unnegotiated checks	-34	
Payment for costs of vocational rehabilitation services for disabled beneficiaries	4	
Net benefit payments[a e]		768,603
Financial interchange with the Railroad Retirement "Social Security Equivalent Benefit Account"		4,287
Administrative expenses:		
Costs incurred by:		
Social Security Administration	3,057	
Department of the Treasury	420	
Offsetting miscellaneous receipts	-3	
Miscellaneous reimbursements from the General Fund [f]	-5	
Net administrative expenses		3,469
Total disbursements[a]		776,359
Net increase in asset reserves[a]		21,097
Total invested assets	2,801,406	
Undisbursed balances [g]	-57	
Total asset reserves, December 31, 2016		2,801,349

[a] Benefit payments which were scheduled to be paid on January 3, 2016 were actually paid on December 31, 2015 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. The amount of these payments made on an accelerated basis was approximately $19.7 billion. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year without regard to the accelerated payments described above.

[b] Includes adjustments for prior calendar years.

[c] Between -$0.5 and $0.5 million.

[d] Includes: (1) interest on adjustments in the allocation of administrative expenses between the trust fund and the General Fund account for the Supplemental Security Income program, (2) interest arising from the revised allocation of administrative expenses among the trust funds, and (3) interest on certain reimbursements to the trust fund.

[e] Includes net reductions for the recovery of overpayments.

[f] Reimbursements for costs incurred in performing certain legislatively mandated activities not directly related to administering the OASI program.

[g] A negative balance represents a situation where the actual program cash expenditures exceeded the amount of invested securities of the OASI Trust Fund that were redeemed to pay for such expenditures. In this situation, future redemption of additional invested securities will be required to pay for this shortfall.

Note: Totals do not necessarily equal the sums of rounded components.

Of the $776.4 billion in total OASI disbursements in 2016, $768.6 billion was for net benefit payments,[1] including recovered overpayments, reimbursements from the General Fund for unnegotiated checks, and the reimbursable costs of vocational rehabilitation services.[2] Net benefit payments increased by 3.5 percent from calendar year 2015 to calendar year 2016. Normally, net benefit payments increase because of (1) an increase in the total number of beneficiaries, (2) an increase in the average benefit amount resulting from the annual cost-of-living adjustment, and (3) the fact that new beneficiaries tend to have higher benefits than previous cohorts. For 2016, the second of these factors did not contribute to the increase in benefit payments because there was no automatic cost-of-living adjustment for December 2015.

The Railroad Retirement Act requires an annual financial interchange between the Railroad Retirement program and the OASDI program. The purpose of the interchange is to put the OASI and DI Trust Funds in the same financial position in which they would have been had railroad employment always been covered directly by Social Security. The Railroad Retirement Board and the Social Security Administration calculated an interchange of $4.3 billion from the OASI Trust Fund to the Social Security Equivalent Benefit Account for June 2016.

The remaining $3.5 billion of disbursements from the OASI Trust Fund represents net administrative expenses. The Social Security Administration charges administrative expenses incurred to administer the OASI program directly to the trust fund on an estimated basis. Periodically, as actual expenses are recorded, they adjust the allocations of administrative expenses for prior periods. These adjustments affect the OASI Trust Fund, the DI Trust Fund, the HI Trust Fund, the SMI Trust Fund, and the General Fund account for the Supplemental Security Income program, and include appropriate interest adjustments. As described earlier, the trust fund accounting records such interest adjustments under investment income.

For 2016, the cost incurred by the Social Security Administration to administer the OASI program was 88 percent of OASI net administrative expenses. The Social Security Administration charges such costs to the trust fund ($3.1 billion in 2016). In addition, the Department of the Treasury charges to

[1] As noted in footnote a of table III.A1 and elsewhere in this report, benefit payments shown for 2016 reflect the 12 months of benefits scheduled for payment in 2016 and thus include the benefits scheduled for payment on January 3, 2016, which were actually paid on December 31, 2015 as required by the law.

[2] Vocational rehabilitation services under the OASI program are furnished to disabled widow(er) beneficiaries and to those children of retired or deceased workers who receive benefits based on disabilities that began before age 22. The trust funds reimburse the providers of such services only in those cases where the services contributed to the successful rehabilitation of the beneficiary.

the trust fund expenses ($0.4 billion in 2016) for services provided in administering the OASI program. A relatively small offset ($3 million in 2016) to administrative expenses represents income from miscellaneous receipts due to the trust fund, which may include refunds, penalties, fees, and other receipts.

Finally, the General Fund of the Treasury makes net reimbursements for administrative costs incurred by the Social Security Administration in performing legislatively mandated activities that are not directly related to the OASI program. These reimbursements include the costs associated with union activities related to administering the OASI program ($4 million in 2016) and with the provision of information to participants in certain pension plans ($1 million in 2016). These miscellaneous reimbursements totaled $5 million in 2016.

The asset reserves shown for the OASI Trust Fund at the end of calendar year 2016 totaled $2,801.3 billion, consisting of $2,801.4 billion in U.S. Government obligations and, as an offset, an extension of credit of $57 million against securities to be redeemed within the first few days of the following year. The effective annual rate of interest earned by the reserves in the OASI Trust Fund during calendar year 2016 was 3.1 percent, slightly lower than the 3.3 percent earned during calendar year 2015. Table VI.A4, presented in appendix A, shows a detailed listing of OASI Trust Fund holdings by type of security, interest rate, and year of maturity at the end of calendar years 2015 and 2016.

By law, the Department of the Treasury must invest trust fund reserves in interest-bearing securities backed by the full faith and credit of the United States Government. Those securities currently held by the OASI Trust Fund are special issues, that is, securities sold only to the trust funds. These special issues are of two types: short-term certificates of indebtedness and longer-term bonds. Daily receipts are invested in the short-term certificates of indebtedness which mature on the next June 30 following the date of issue. The trust fund normally acquires long-term special-issue bonds when special issues of either type mature on June 30 and must be reinvested. The amount of long-term bonds acquired on June 30 is equal to the amount of special issues maturing (including accrued interest earnings), plus tax receipts for that day, less amounts required to meet expenditures on that day.

Section 201(d) of the Social Security Act provides that the obligations issued for purchase by the OASI and DI Trust Funds shall have maturities fixed with due regard for the needs of the funds. The usual practice has been to reinvest the maturing special issues, as of each June 30, so that the value of

the securities maturing in each of the next 15 years are approximately equal. Accordingly, the Department of the Treasury, in consultation with the Chief Actuary of the Social Security Administration, selected the amounts and maturity dates of the special-issue bonds purchased on June 30, 2016, so that the maturity dates of the total portfolio of special issues were spread evenly over the 15-year period 2017 through 2031. The bonds purchased on that date have an interest rate of 1.875 percent, reflecting the average market yield, as of the last business day of the prior month, on all of the outstanding marketable U.S. obligations that are due or callable more than 4 years in the future. Table III.A7 shows additional details on the investment transactions during 2016, including the amounts of bonds purchased on June 30, 2016.

2. DI Trust Fund

Table III.A2 presents a statement of the income and disbursements of the Federal Disability Insurance Trust Fund in calendar year 2016, and of the asset reserves in the fund at the beginning and end of the calendar year.

Line entries in the DI statement are similar to those in the OASI statement. The explanations of the OASI entries generally apply to DI as well.

Of the $160.0 billion in total receipts, $157.4 billion was net payroll tax contributions.

Of the $145.9 billion of total disbursements, $142.8 billion was net benefit payments.[1] Net benefit payments decreased by 0.4 percent from calendar year 2015 to calendar year 2016. This decrease in DI benefit payments was primarily due to a decrease in the number of beneficiaries, which was partially offset by a slight increase in average benefit amounts. Non-interest income, and total income, exceeded total disbursements in 2016 due primarily to the temporary reallocation of the payroll tax rate from OASI to DI for years 2016 through 2018. DI total disbursements exceeded non-interest income from 2005 to 2015, and exceeded total income to the trust fund from 2009 to 2015.

[1] As noted in footnote a of table III.A2, and elsewhere in this report, benefit payments shown for 2016 reflect the 12 months of benefits scheduled for payment in 2016 and thus include the benefits scheduled for payment on January 3, 2016, which were actually paid on December 31, 2015 as required by the law.

Table III.A2.—Operations of the DI Trust Fund, Calendar Year 2016
[In millions]

Total asset reserves, December 31, 2015[a]		$32,259
Receipts:		
Net payroll tax contributions:		
Payroll tax contributions[b]	$157,846	
Payments from the General Fund of the Treasury for payroll tax contributions subject to refund[b]	-454	
Net payroll tax contributions[b]		157,391
Reimbursements from the General Fund:		
Reduction in payroll tax contributions due to P.L. 111-312, P.L. 112-78, and P.L. 112-96[b]	15	
Payroll tax credits due to P.L. 98-21[b]	[c]	
Net General Fund reimbursements[b]		15
Income based on taxation of benefit payments:		
Withheld from benefit payments to nonresident aliens	4	
All other, not subject to withholding[b]	1,190	
Total income from taxation of benefits[b]		1,194
Investment income and interest adjustments:		
Interest on investments	1,390	
Interest adjustments[d]	6	
Total investment income and interest adjustments		1,396
Gifts		[c]
Total receipts		159,996
Disbursements:		
Benefit payments:		
Monthly benefits[a e]	142,703	
Reimbursement from the General Fund for unnegotiated checks	-18	
Payment for costs of vocational rehabilitation services for disabled beneficiaries	97	
Net benefit payments[a e]		142,781
Financial interchange with the Railroad Retirement "Social Security Equivalent Benefit Account"		376
Administrative expenses:		
Costs incurred by:		
Social Security Administration	2,667	
Department of the Treasury	87	
Demonstration projects	10	
Miscellaneous reimbursements from the General Fund[f]	-4	
Net administrative expenses		2,760
Total disbursements[a]		145,917
Net increase in asset reserves[a]		14,079
Total invested assets	46,481	
Undisbursed balances[g]	-143	
Total asset reserves, December 31, 2016		46,338

[a] Benefit payments which were scheduled to be paid on January 3, 2016 were actually paid on December 31, 2015 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. The amount of these payments made on an accelerated basis was approximately $6.1 billion. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year without regard to the accelerated payments described above.

[b] Includes adjustments for prior calendar years.

[c] Between -$0.5 and $0.5 million.

[d] Includes: (1) interest on adjustments in the allocation of administrative expenses between the trust fund and the General Fund account for the Supplemental Security Income program, (2) interest arising from the revised allocation of administrative expenses among the trust funds, and (3) interest on certain reimbursements to the trust fund.

[e] Includes net reductions for the recovery of overpayments.

[f] Reimbursements for costs incurred in performing legislatively mandated activities not directly related to administering the DI program.

[g] A negative balance represents a situation where the actual program cash expenditures exceeded the amount of invested securities of the DI Trust Fund that were redeemed to pay for such expenditures. In this situation, future redemption of additional invested securities will be required to pay for this shortfall.

Note: Totals do not necessarily equal the sums of rounded components.

During 2016, the reserves in the DI Trust Fund increased by $14.1 billion, from $32.3 billion at the end of 2015 to $46.3 billion at the end of 2016. This $46.3 billion consisted of $46.5 billion in U.S. Government obligations and, as an offset, an extension of credit of $143 million against securities to be redeemed within the first few days of the following year. The effective annual rate of interest earned by the asset reserves in the DI Trust Fund during calendar year 2016 was 3.6 percent, somewhat lower than the 4.6 percent earned during calendar year 2015. Table VI.A5 shows a detailed listing of DI Trust Fund holdings by type of security, interest rate, and year of maturity at the end of calendar years 2015 and 2016.

Section 201(d) of the Social Security Act provides that the Treasury securities issued for purchase by the OASI and DI Trust Funds shall have maturities fixed with due regard for the needs of the funds. Each year, bond purchases for each trust fund are made on June 30, taking into account the projected reserve depletion date in the most recently available Trustees Report. The usual practice has been to reinvest the maturing special issues, as of each June 30, so that the values of the securities maturing in each of the next 15 years are approximately equal. However, as of June 2016, the Trustees projected that the reserves in the DI Trust Fund would be depleted within 15 years. Therefore, the Department of the Treasury, in consultation with the Chief Actuary of the Social Security Administration, selected the amounts and maturity dates of the DI special-issue bonds purchased on June 30, 2016, so that the bonds would mature over the 6-year period 2017-22. The bonds purchased have an interest rate of 1.875 percent, reflecting the average market yield, as of the last business day of the prior month, on the outstanding marketable U.S. obligations that are due or callable more than 4 years in the future. As of June 30, 2016, the DI Trust Fund had already redeemed all bonds coming due on June 30 in each of the years 2017 through 2021, so this investment approach required that all bond purchases on June 30, 2016 be split evenly over the maturity dates of June 30, 2017 through June 30, 2022. Table III.A7 shows details on investment transactions during 2016.

3. OASI and DI Trust Funds, Combined

Table III.A3 presents a statement of the operations of the OASI and DI Trust Funds on a hypothetical combined basis.[1] The entries in this table represent the sums of the corresponding values from tables III.A1 and III.A2. The two preceding subsections that cover OASI and DI provide a description of the nature of these income and expenditure transactions.

[1] The OASI and DI Trust Funds are distinct legal entities which operate independently. To illustrate the actuarial status of the program as a whole, the fund operations are often combined on a hypothetical basis.

Table III.A3.—Operations of the Combined OASI and DI Trust Funds, Calendar Year 2016
[In millions]

Total asset reserves, December 31, 2015[a]		$2,812,510
Receipts:		
Net payroll tax contributions:		
Payroll tax contributions[b]	$839,309	
Payments from the General Fund of the Treasury for payroll tax contributions subject to refund[b]	-3,131	
Net payroll tax contributions[b]		836,178
Reimbursements from the General Fund:		
Reduction in payroll tax contributions due to P.L. 111-312, P.L. 112-78, and P.L. 112-96[b]	102	
Payroll tax credits due to P.L. 98-21[b]	[c]	
Net General Fund reimbursements[b]		102
Income based on taxation of benefit payments:		
Withheld from benefit payments to nonresident aliens	203	
All other, not subject to withholding[b]	32,614	
Total income from taxation of benefits[b]		32,817
Investment income and interest adjustments:		
Interest on investments	88,352	
Interest adjustments[d]	4	
Total investment income and interest adjustments		88,356
Gifts		[c]
Total receipts		957,453
Disbursements:		
Benefit payments:		
Monthly benefits and lump-sum death payments[a e]	911,335	
Reimbursement from the General Fund for unnegotiated checks	-52	
Payment for costs of vocational rehabilitation services for disabled beneficiaries	101	
Net benefit payments[a e]		911,384
Financial interchange with the Railroad Retirement "Social Security Equivalent Benefit Account"		4,663
Administrative expenses:		
Costs incurred by:		
Social Security Administration	5,724	
Department of the Treasury	506	
Offsetting miscellaneous receipts	-3	
Demonstration projects	10	
Miscellaneous reimbursements from the General Fund[f]	-9	
Net administrative expenses		6,229
Total disbursements[a]		922,276
Net increase in asset reserves[a]		35,177
Total invested assets[a]	2,847,887	
Undisbursed balances[a g]	-200	
Total asset reserves, December 31, 2016[a]		2,847,687

[a] Benefit payments which were scheduled to be paid on January 3, 2016 were actually paid on December 31, 2015 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. The amount of these payments made on an accelerated basis was approximately $25.9 billion. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year without regard to the accelerated payments described above.

[b] Includes adjustments for prior calendar years.

[c] Between -$0.5 and $0.5 million.

[d] Includes: (1) interest on adjustments in the allocation of administrative expenses between the trust funds and the General Fund account for the Supplemental Security Income program, (2) interest arising from the revised allocation of administrative expenses among the trust funds, and (3) interest on certain reimbursements to the trust funds.

[e] Includes net reductions for the recovery of overpayments.

[f] Reimbursements for costs incurred in performing certain legislatively mandated activities not directly related to administering the OASI and DI programs.

[g] A negative balance represents a situation where the actual program cash expenditures exceeded the amount of invested securities of the OASI and DI Trust Funds that were redeemed to pay for such expenditures. In this situation, future redemption of additional invested securities will be required to pay for this shortfall.

Note: Totals do not necessarily equal the sums of rounded components.

Table III.A4 compares estimates of total income and total expenditures for calendar year 2016 from the 2012 through 2016 Trustees Reports to the corresponding actual amounts for 2016.

Table III.A4.—Comparison of Actual Calendar Year 2016 Trust Fund Operations With Estimates Made in Prior Reports, Based on Intermediate Assumptions[a]
[Amounts in billions]

	Total income[b]		Total cost[c]	
	Amount	Difference from actual (percent)	Amount	Difference from actual (percent)
OASI Trust Fund:				
Estimate in 2012 report	$903.8	13.3	$823.3	6.0
Estimate in 2013 report	881.1	10.5	822.4	5.9
Estimate in 2014 report	858.8	7.7	807.5	4.0
Estimate in 2015 report	838.6	5.2	788.5	1.6
Estimate in 2016 report	786.7	-1.3	778.6	.3
Actual amount	797.5	—	776.4	—
DI Trust Fund:				
Estimate in 2012 report	[d]	[d]	165.0	13.1
Estimate in 2013 report	[d]	[d]	160.8	10.2
Estimate in 2014 report	[d]	[d]	155.8	6.7
Estimate in 2015 report	[d]	[d]	152.1	4.3
Estimate in 2016 report	157.9	-1.3	150.2	3.0
Actual amount	160.0	—	145.9	—
OASI and DI Trust Funds, combined:				
Estimate in 2012 report	1,034.6	8.1	988.4	7.2
Estimate in 2013 report	1,010.9	5.6	983.2	6.6
Estimate in 2014 report	985.3	2.9	963.3	4.4
Estimate in 2015 report	962.6	.5	940.6	2.0
Estimate in 2016 report	944.6	-1.3	928.9	.7
Actual amount	957.5	—	922.3	—

[a] Percentage differences are calculated prior to rounding.
[b] "Actual" income for 2016 reflects adjustments to payroll tax contributions for prior calendar years (see appendix A for description of these adjustments). "Estimated" income also includes such adjustments, but on an estimated basis.
[c] Benefit payments which were scheduled to be paid on January 3, 2016 were actually paid on December 31, 2015 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. The amount of these payments made on an accelerated basis was approximately $19.7 billion for the OASI Trust Fund and $6.1 billion for the DI Trust Fund. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year.
[d] In the annual reports for each year 2012 through 2015, the DI Trust Fund was projected to become depleted in calendar year 2016 under the intermediate assumptions. Under those circumstances, scheduled benefits could not be paid in full on a timely basis, so that certain projected items of income such as income from taxing benefits and interest on trust fund reserves could not be meaningfully projected. Accordingly, total DI Trust Fund income was not reported for 2016 in those earlier reports. Following the tax rate reallocation enacted in the Bipartisan Budget Act of 2015, we projected the depletion of the DI Trust Fund would not occur until 2022 and thus reported an estimate for total income in 2016. Appendix A presents a detailed description of the components of income and cost, along with complete historical values.

Note: Totals do not necessarily equal the sums of rounded components.

A number of factors contribute to differences between estimates and subsequent actual amounts, including: (1) actual values for key demographic, economic, and other variables that differ from earlier assumed levels; and (2) legislation that was enacted or other administrative initiatives that were finalized after the Trustees completed their estimates.

At the end of calendar year 2016, the OASDI program was providing monthly benefits to about 60.9 million people. The OASI Trust Fund was providing benefits to about 50.3 million people and the DI Trust Fund was providing benefits to about 10.6 million people. The number of people receiving benefits from the OASI Trust Fund grew by 2.3 percent while the number of people receiving DI benefits fell by 1.8 percent during calendar year 2016. These changes reflect the gradual aging of the population, with the earliest cohorts of the baby-boom generation now moving above normal retirement age, where DI benefits are no longer applicable. Table III.A5 shows the estimated distributions of benefit payments in calendar years 2015 and 2016, by type of beneficiary, for each trust fund separately.

Table III.A5.—Distribution of Benefit Payments[a] by Type of Beneficiary or Payment, Calendar Years 2015 and 2016
[Amounts in millions]

	Calendar year 2015		Calendar year 2016	
	Amount	Percentage of total	Amount	Percentage of total
Total OASDI benefit payments	$886,221	100.0	$911,335	100.0
OASI benefit payments	742,939	83.8	768,633	84.3
DI benefit payments	143,282	16.2	142,703	15.7
OASI benefit payments, total	742,939	100.0	768,633	100.0
Monthly benefits:				
Retired workers and auxiliaries	626,378	84.3	651,280	84.7
Retired workers	592,423	79.7	616,003	80.1
Spouses	28,760	3.9	29,895	3.9
Children	5,195	.7	5,382	.7
Survivors of deceased workers	116,352	15.7	117,148	15.2
Aged widows and widowers	92,748	12.5	93,383	12.1
Disabled widows and widowers	2,368	.3	2,373	.3
Parents	21	[b]	21	[b]
Children	19,597	2.6	19,805	2.6
Widowed mothers and fathers caring for child beneficiaries	1,618	.2	1,568	.2
Lump-sum death payments	209	[b]	204	[b]
DI benefit payments, total	143,282	100.0	142,703	100.0
Disabled workers	133,945	93.5	133,644	93.7
Spouses	588	.4	570	.4
Children	8,749	6.1	8,489	5.9

[a] Benefit payments which were scheduled to be paid on January 3, 2016 were actually paid on December 31, 2015 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. The amount of these payments made on an accelerated basis was approximately $19.7 billion for the OASI Trust Fund and $6.1 billion for the DI Trust Fund. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year without regard to the accelerated payments described above.
[b] Less than 0.05 percent.

Note: Benefits are monthly benefits and lump-sum death payments. Totals do not necessarily equal the sums of rounded components.

Net administrative expenses of the OASI and DI Trust Funds in calendar year 2016 totaled $6.2 billion, equal to 0.7 percent each of total expenditures and non-interest income. Table III.A6 shows corresponding percentages for each trust fund separately and for OASDI as a whole for the last 5 years.

Table III.A6.—Administrative Expenses as a Percentage of Non-interest Income and of Total Expenditures, Calendar Years 2012-2016

Calendar year	OASI Trust Fund		DI Trust Fund		OASI and DI Trust Funds, combined	
	Non-interest income	Total expenditures	Non-interest income	Total expenditures	Non-interest income	Total expenditures
2012	0.5	0.5	2.8	2.1	0.9	0.8
2013	.5	.5	2.6	1.9	.8	.7
2014	.5	.4	2.6	2.0	.8	.7
2015	.5	.4	2.4	1.9	.7	.7
2016	.5	.4	1.7	1.9	.7	.7

The acquisition and disposition of securities during calendar year 2016 changed the invested reserves of the OASI and DI Trust Funds. Table III.A7 presents investment transactions for each fund separately and combined.

Table III.A7.—Trust Fund Investment Transactions, Calendar Year 2016
[In millions]

	OASI Trust Fund	DI Trust Fund	OASI and DI Trust Funds, combined
Invested asset reserves, December 31, 2015[a] [b]	$2,760,518	$26,101	$2,786,619
Acquisitions:			
Special issues:			
Certificates of indebtedness	753,291	159,541	912,832
Bonds[c]	220,605	18,068	238,673
Total acquisitions	973,896	177,609	1,151,505
Dispositions:			
Special issues:			
Certificates of indebtedness	741,844	151,103	892,947
Bonds	191,165	6,126	197,291
Total dispositions[b]	933,008	157,229	1,090,238
Net increase in invested asset reserves[b]	40,888	20,379	61,267
Invested asset reserves, December 31, 2016[a]	2,801,406	46,481	2,847,887

[a] Invested asset reserves differ from total asset reserves by the amount of undisbursed balances. See tables VI.A4 and VI.A5 for details.

[b] Benefit payments which were scheduled to be paid on January 3, 2016 were actually paid on December 31, 2015 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. The amount of these payments made on an accelerated basis was approximately $19.7 billion for the OASI Trust Fund and $6.1 billion for the DI Trust Fund. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year without regard to the accelerated payments described above. Redemptions of special issues and invested asset reserves reflect the early redemption required in order to pay benefits on a timely basis as required by law.

[c] Purchased on June 30, 2016. The interest rate on these purchases was 1.875 percent.

Note: Investments are shown at par value. Totals do not necessarily equal the sums of rounded components.

B. SOCIAL SECURITY AMENDMENTS SINCE THE 2016 REPORT

Since the Trustees submitted the 2016 report to Congress, there have been no new laws, regulations, or policy changes that are expected to have significant effects on the actuarial status of the OASDI program. However, parts of President Obama's 2014 executive actions on immigration are no longer expected to be implemented. Specifically, the estimates in this report assume that the following two provisions will not be implemented: (1) granting legal work and residence status to an expanded group of individuals who entered the country as children (deferred action for childhood arrivals, or DACA) and (2) granting similar status to certain parents of children born in the U.S. or otherwise living in the country legally (deferred action for parents of Americans, or DAPA). Last year's report assumed that these two actions would become effective late in 2016, with individuals gaining authorization starting around the beginning of 2017. This change is projected to have a negligible effect on the financial status of the OASDI program.

Sections IV.A.4 and IV.B.6 of this report provide further description of the magnitude of effects on the financial status of the OASDI program.

IV. ACTUARIAL ESTIMATES

This chapter presents actuarial estimates of the future financial condition of the Social Security program. These estimates show the income, cost, and asset reserves or unfunded obligation of the OASI and DI Trust Funds: (1) in dollars over the 10-year short-range period; and (2) as a percentage of taxable payroll, as a percentage of gross domestic product, and in present-value dollars over the 75-year long-range period. In addition, the chapter discusses a variety of measures of the adequacy of current program financing. This report distinguishes between: (1) the cost (obligations) of the program, which includes all future benefits scheduled under current law; and (2) expenditures (disbursements), which include actual payments for the past plus only the portion of projected program cost that would be payable with the financing provisions in current law.

This chapter presents the estimates and measures of trust fund financial adequacy for the short-range period (2017 through 2026) first, followed by estimates and measures of actuarial status for the long-range period (2017 through 2091). Summary measures are also provided for trust fund status over the infinite horizon. As described in chapter II of this report, these estimates depend upon a broad set of demographic, economic, and programmatic factors. This chapter presents estimates under three sets of assumptions to show a wide range of possible outcomes, because assumptions related to these factors are subject to uncertainty. The intermediate set of assumptions, designated as alternative II, reflects the Trustees' best estimate of future experience; the low-cost alternative I is significantly more optimistic and the high-cost alternative III is significantly more pessimistic for the trust funds' future financial outlook. The tables of this report show the intermediate estimates first, followed by the low-cost and high-cost estimates. Chapter V describes these three sets of assumptions, along with the actuarial methods used to produce the estimates. Appendix D and appendix E present two additional methods to illustrate the uncertainty of the projections. Appendix D presents sensitivity analyses of the effects of variation in individual factors and appendix E presents probability distributions generated by a stochastic model.

A. SHORT-RANGE ESTIMATES

The Trustees consider the trust funds to be solvent at any point in time if the funds can pay scheduled benefits in full on a timely basis. A standard measure for assessing solvency is the "trust fund ratio," which is the reserves in a fund at the beginning of a year (not including advance tax transfers) expressed as a percentage of the cost during the year. A positive trust fund ratio indicates that the trust fund was solvent at the end of the prior year. The

trust fund ratio represents the proportion of a year's cost which the reserves available at the beginning of that year can cover. The Trustees assume that a trust fund ratio of 100 percent of annual program cost provides a reasonable "contingency reserve." Maintaining a reasonable contingency reserve is important because the trust funds do not have borrowing authority. After reserves are depleted, the trust funds would be unable to pay benefits in full on a timely basis if annual revenue were less than annual cost. Unexpected events, such as severe economic recessions, can quickly diminish reserves. In such cases, a reasonable contingency reserve can maintain the ability to pay scheduled benefits while giving lawmakers time to address possible changes to the program.

The test of short-range financial adequacy applies to the OASI and DI Trust Funds individually and combined on a hypothetical basis.[1] If the estimated trust fund ratio is at least 100 percent at the beginning of the projection period, the test requires that it remain at or above 100 percent throughout the 10-year period. If the ratio is initially less than 100 percent, then it must reach at least 100 percent within 5 years (without reserve depletion at any time during this period) and then remain at or above 100 percent throughout the remainder of the 10-year period. This test is applied using the estimates based on the intermediate assumptions. If either trust fund fails this test, then program solvency in the next 10 years is in question, and lawmakers should take prompt action to improve short-range financial adequacy.

1. Operations of the OASI Trust Fund

This subsection presents estimates, based on the assumptions described in chapter V, of the operations and financial status of the OASI Trust Fund for the period 2017 through 2026. These estimates assume that there are no further changes in the statutory provisions and regulations under which the OASDI program currently operates beyond the changes since last year's report indicated in section III.B.[2]

Estimates of the OASI Trust Fund operations presented in Table IV.A1 indicate that the asset reserves of the OASI Trust Fund increase through 2021 and decrease thereafter under the intermediate assumptions, increase throughout the next 10 years under the low-cost assumptions, and increase during 2017 and decrease thereafter under the high-cost assumptions. However, trust fund ratios decline throughout the 10-year period under all three sets of assumptions. Based on the intermediate assumptions, the reserves of

[1] The OASI and DI Trust Funds are distinct legal entities which operate independently. To illustrate the actuarial status of the program as a whole, the fund operations are often combined on a hypothetical basis.

[2] The estimates shown in this subsection reflect 12 months of scheduled benefits in each year of the short-range projection period. In practice, the actual payment dates have at times shifted over calendar year boundaries as a result of the statutory requirement for early delivery of benefit payments when the normal check delivery date is a Saturday, Sunday, or legal public holiday.

the OASI Trust Fund continue to exceed 100 percent of annual cost by a large amount through the end of 2026. Consequently, the OASI Trust Fund satisfies the test of short-range financial adequacy by a wide margin. See figure IV.A1 for an illustration of these results.

Table IV.A1.—Operations of the OASI Trust Fund, Calendar Years 2012-2026[a]

[Dollar amounts in billions]

	Income					Cost[b]				Asset Reserves[b]		
Calendar year	Total	Net payroll tax contributions	GF reimbursements[c]	Taxation of benefits[d]	Net interest	Total	Scheduled benefits	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
Historical data:												
2012...	$731.1	$503.9	$97.7	$26.7	$102.8	$645.5	$637.9	$3.4	$4.1	$85.6	$2,609.7	391
2013...	743.8	620.8	4.2	20.7	98.1	679.5	672.1	3.4	3.9	64.3	2,674.0	384
2014...	769.4	646.2	.4	28.0	94.8	714.2	706.8	3.1	4.3	55.2	2,729.2	374
2015...	801.6	679.5	.3	30.6	91.2	750.5	742.9	3.4	4.3	51.0	2,780.3	364
2016...	797.5	678.8	.1	31.6	87.0	776.4	768.6	3.5	4.3	21.1	2,801.3	358
Intermediate:												
2017...	839.8	719.8	[f]	36.2	83.8	807.2	799.5	3.3	4.4	32.5	2,833.9	347
2018...	873.6	751.0	[f]	39.2	83.5	859.0	850.9	3.3	4.7	14.6	2,848.5	330
2019...	961.1	832.8	[f]	43.1	85.2	922.9	914.6	3.5	4.8	38.2	2,886.7	309
2020...	1,014.2	879.2	[f]	47.3	87.8	987.8	979.3	3.6	4.9	26.4	2,913.1	292
2021...	1,065.2	923.5	[f]	51.8	89.9	1,053.2	1,044.4	3.8	5.0	12.1	2,925.2	277
2022...	1,115.6	967.3	[f]	56.4	91.9	1,125.0	1,115.9	3.9	5.2	-9.3	2,915.9	260
2023...	1,164.7	1,009.4	[f]	61.3	94.0	1,201.1	1,191.8	4.0	5.3	-36.4	2,879.5	243
2024...	1,216.3	1,053.9	[f]	66.5	95.9	1,281.3	1,271.7	4.1	5.5	-64.9	2,814.5	225
2025...	1,267.6	1,098.6	[f]	72.2	96.8	1,364.2	1,354.5	4.2	5.5	-96.7	2,717.8	206
2026...	1,321.3	1,145.7	[f]	78.4	97.3	1,451.3	1,441.3	4.3	5.7	-129.9	2,587.9	187
Low-cost:												
2017...	846.6	725.5	[f]	36.1	85.0	806.7	799.0	3.3	4.4	39.9	2,841.3	347
2018...	904.2	776.1	[f]	39.4	88.8	863.3	855.3	3.3	4.7	40.9	2,882.1	329
2019...	1,018.8	879.2	[f]	43.7	95.8	934.3	926.1	3.5	4.8	84.4	2,966.6	308
2020...	1,096.3	944.2	[f]	48.1	104.0	1,005.4	996.8	3.7	4.9	90.9	3,057.5	295
2021...	1,170.5	1,005.4	[f]	53.0	112.1	1,076.6	1,067.7	3.9	5.0	93.9	3,151.4	284
2022...	1,246.1	1,067.0	[f]	57.9	121.3	1,154.9	1,145.6	4.1	5.2	91.2	3,242.6	273
2023...	1,325.5	1,130.2	[f]	63.2	132.1	1,238.6	1,228.9	4.2	5.4	87.0	3,329.5	262
2024...	1,411.3	1,198.3	[f]	68.9	144.1	1,327.2	1,317.3	4.4	5.5	84.1	3,413.6	251
2025...	1,500.5	1,268.7	[f]	75.2	156.6	1,420.1	1,409.9	4.6	5.6	80.4	3,494.0	240
2026...	1,596.3	1,343.9	[f]	82.0	170.4	1,518.6	1,508.0	4.8	5.8	77.7	3,571.7	230

Table IV.A1.—Operations of the OASI Trust Fund, Calendar Years 2012-2026[a] (Cont.)

[Dollar amounts in billions]

Calendar year	Income					Cost[b]				Asset Reserves[b]		
	Total	Net payroll tax contributions	GF reimbursements[c]	Taxation of benefits[d]	Net interest	Total	Scheduled benefits	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
High-cost:												
2017...	$832.9	$713.8	[f]	$36.2	$83.0	$807.7	$800.0	$3.3	$4.4	$25.2	$2,826.5	347
2018...	834.9	717.0	[f]	39.0	79.0	854.6	846.5	3.3	4.7	-19.6	2,806.9	331
2019...	891.5	773.1	[f]	42.9	75.5	916.7	908.4	3.4	4.9	-25.2	2,781.7	306
2020...	922.7	802.7	[f]	46.8	73.3	977.7	969.2	3.5	5.0	-55.0	2,726.6	284
2021...	952.4	831.3	[f]	51.1	70.0	1,037.6	1,029.0	3.6	5.1	-85.3	2,641.4	263
2022...	980.9	860.0	[f]	55.3	65.6	1,103.4	1,094.4	3.7	5.3	-122.5	2,518.9	239
2023...	1,008.3	887.4	[f]	59.8	61.1	1,172.6	1,163.5	3.8	5.4	-164.3	2,354.5	215
2024...	1,036.3	915.6	[f]	64.6	56.1	1,244.7	1,235.4	3.8	5.5	-208.3	2,146.2	189
2025...	1,062.3	942.2	[f]	69.8	50.3	1,318.1	1,308.7	3.9	5.5	-255.8	1,890.4	163
2026...	1,089.3	968.7	[f]	75.3	45.3	1,394.2	1,384.6	3.9	5.6	-304.9	1,585.5	136

[a] Appendix A presents a detailed description of the components of income and cost, along with complete historical values.

[b] Amounts for 2015 and 2016 are adjusted to include in 2016 operations those benefit payments regularly scheduled in the law to be paid on January 3, 2016, which were actually paid on December 31, 2015 as required by the statutory provision for early benefit payments when the normal delivery date is on a weekend or holiday. Such shifts in payments across calendar years have occurred in the past and will occur periodically in the future whenever January 3rd falls on a Sunday. In order to provide a consistent perspective on trust fund operations over time, all trust fund operations in each year reflect the 12 months of benefits that are regularly scheduled for payment in that year.

[c] Includes reimbursements from the General Fund of the Treasury to the OASI Trust Fund for: (1) the cost of benefits to certain uninsured persons who attained age 72 before 1968; (2) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21; (3) the cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (4) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.

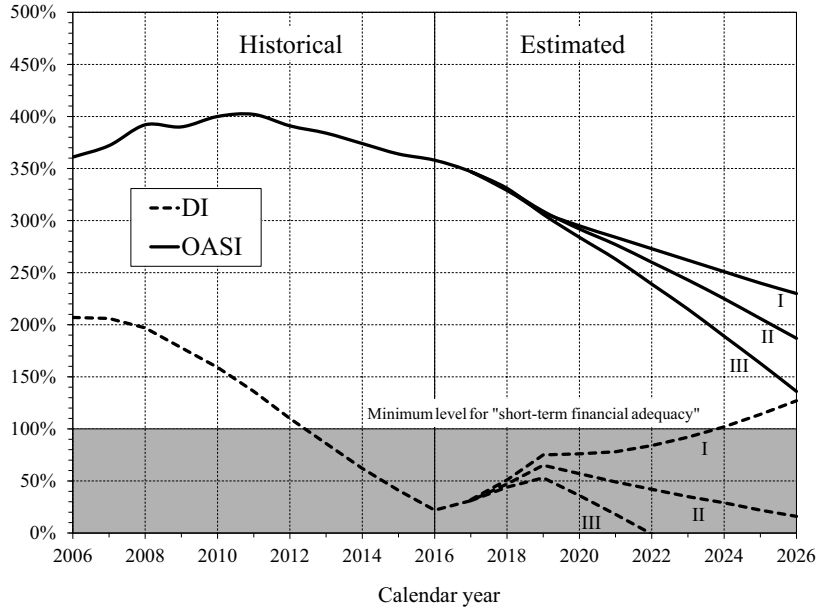
[d] Revenue from taxation of benefits is the amount that would be assessed on benefit amounts scheduled in the law.

[e] The "Trust fund ratio" column represents reserves at the beginning of a year (which are identical to reserves at the end of the prior year shown in the "Amount at end of year" column) as a percentage of cost for the year.

[f] Between -$50 million and $50 million.

Note: Totals do not necessarily equal the sums of rounded components.

Figure IV.A1.—Short-Range OASI and DI Trust Fund Ratios
[Asset reserves as a percentage of annual cost]



The estimated income shown in table IV.A1 increases annually under each set of assumptions throughout the short-range projection period. The estimated increases in income reflect increases in estimated OASDI taxable earnings and growth in interest earnings on the invested reserves in the trust fund, as well as a return to pre-reallocation tax rates in 2019. Employment increases in every year through 2026 for all three alternatives, with the exception of slight decreases in covered employment in 2018 and 2019 for the high-cost alternative: the number of persons with taxable earnings increases on the basis of alternatives I, II, and III from 171 million during calendar year 2016 to about 188 million, 184 million, and 180 million, respectively, in 2026. The total annual amount of taxable earnings increases in every year through 2026 for each alternative. Total earnings increase from $6,757 billion in 2016 to $12,760 billion, $10,873 billion, and $9,189 billion in 2026, on the basis of alternatives I, II, and III, respectively. These increases in taxable earnings are due primarily to: (1) projected increases in employment levels as the working age population increases; (2) trend increases in average earnings in covered employment (reflecting both real growth and price inflation); (3) increases in the contribution and benefit base under the automatic-adjustment provisions; and (4) growth in employment and average earnings, temporarily higher than trend, as the economy continues to recover from the severe economic downturn that began in late 2007.

Interest earnings contribute to the overall projected increase in trust fund income during this period. In the first few years of the projection period, annual interest earnings decline slightly under all three sets of assumptions due to historically low interest rates assumed for newly-issued bonds. Thereafter, interest income increases under the intermediate and low-cost assumptions due to the net effects of changes in reserve levels and the patterns of projected interest rates. Under the high-cost assumptions, declining reserves cause interest income to continue to decrease throughout the short-range period. Although interest earnings generally increase over the short-range period, interest declines as a share of total OASI Trust Fund income under the intermediate assumptions. By 2026, OASI interest income under the intermediate assumptions is about 7 percent of total trust fund income, as compared to 11 percent in 2016.

Rising OASI cost during 2017 through 2026 reflects automatic benefit increases as well as the upward trend in the number of beneficiaries and in the average monthly earnings underlying benefits. The growth in the number of beneficiaries since 2009 and the expected future growth result both from the increase in the aged population and from the increase in the proportion of the population that is eligible for benefits.

The Treasury invests OASI income in financial securities, generally special public-debt obligations of the U.S. Government. The revenue used to make these purchases flows to the General Fund of the Treasury. The trust fund earns interest on these securities, and the Treasury invests maturing securities in new securities if not immediately needed to pay program costs. Program expenditures require the redemption of trust fund securities, generally prior to maturity, to cover the payments made by the General Fund of the Treasury on behalf of the trust fund.[1]

2. Operations of the DI Trust Fund

Table IV.A2 shows the estimated operations and financial status of the DI Trust Fund during calendar years 2017 through 2026 under the three sets of assumptions, together with values for actual experience during 2012 through 2016. Non-interest income for DI is much higher in 2016 through 2018 than in 2015, due to the temporary payroll tax rate reallocation from OASI to DI. As a result, DI Trust Fund reserves increase through 2018 under each alternative. After returning to the ultimate allocation of tax rates in 2019, non-interest income is again less than DI cost except under the low-cost alternative. Non-interest income increases steadily thereafter under each alternative, due to most of the same factors described previously for the OASI Trust Fund. DI cost grows steadily throughout the period under each alternative.

[1] For an explanation of the interrelationship between the Medicare and Social Security trust funds and the overall Federal budget, see appendix F of the 2017 Medicare Trustees Report.

Under the intermediate assumptions, reserves decline after 2018. Under the high-cost assumptions, DI reserves decline after 2018 until depletion in the fourth quarter of 2021. Under the low-cost assumptions, reserves increase throughout the short-range period.

Table IV.A2.—Operations of the DI Trust Fund, Calendar Years 2012-2026[a]

[Dollar amounts in billions]

	Income					Cost[b]				Asset Reserves[b]		
Calendar year	Total	Net payroll tax contributions	GF reimbursements[c]	Taxation of benefits[d]	Net interest	Total	Scheduled benefits	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
Historical data:												
2012 . . .	$109.1	$85.6	$16.5	$0.6	$6.4	$140.3	$136.9	$2.9	$0.5	-$31.2	$122.7	110
2013 . . .	111.2	105.4	.7	.4	4.7	143.4	140.1	2.8	.6	-32.2	90.4	86
2014 . . .	114.9	109.7	.1	1.7	3.4	145.1	141.7	2.9	.4	-30.2	60.2	62
2015 . . .	118.6	115.4	[f]	1.1	2.1	146.6	143.4	2.8	.4	-28.0	32.3	41
2016 . . .	160.0	157.4	[f]	1.2	1.4	145.9	142.8	2.8	.4	14.1	46.3	22
Intermediate:												
2017 . . .	174.0	170.1	[f]	2.0	1.9	148.0	144.6	3.1	.2	26.0	72.4	31
2018 . . .	182.6	177.4	[f]	2.1	3.0	152.5	149.5	2.9	.1	30.1	102.4	47
2019 . . .	149.8	143.8	[f]	2.3	3.6	158.7	155.6	3.0	.1	-8.9	93.5	65
2020 . . .	155.1	149.3	[f]	2.5	3.3	164.7	161.2	3.4	.1	-9.5	84.0	57
2021 . . .	162.5	156.8	[f]	2.7	3.0	171.3	167.5	3.7	.1	-8.8	75.1	49
2022 . . .	169.8	164.3	[f]	2.9	2.6	178.7	174.6	3.9	.1	-8.8	66.3	42
2023 . . .	176.9	171.4	[f]	3.1	2.4	186.9	182.6	4.2	.1	-10.0	56.3	35
2024 . . .	184.4	179.0	[f]	3.4	2.0	195.1	190.5	4.5	.1	-10.7	45.6	29
2025 . . .	191.8	186.6	[f]	3.7	1.6	204.0	199.2	4.7	.1	-12.3	33.3	22
2026 . . .	199.6	194.5	[f]	4.0	1.1	213.5	208.4	5.0	.1	-13.9	19.5	16
Low-cost:												
2017 . . .	175.6	171.4	[f]	2.0	2.2	145.9	142.6	3.1	.2	29.6	76.0	32
2018 . . .	189.5	183.4	[f]	2.1	4.0	149.5	146.4	2.9	.1	40.0	116.0	51
2019 . . .	159.5	151.8	[f]	2.3	5.4	154.8	151.7	3.0	.1	4.7	120.7	75
2020 . . .	168.7	160.3	[f]	2.4	5.9	159.7	156.2	3.4	.1	8.9	129.6	76
2021 . . .	180.1	170.7	[f]	2.6	6.7	165.4	161.5	3.8	.1	14.6	144.2	78
2022 . . .	192.0	181.2	[f]	2.8	8.0	171.8	167.6	4.1	.1	20.2	164.4	84
2023 . . .	204.5	191.9	[f]	3.0	9.6	179.1	174.6	4.4	.1	25.5	189.9	92
2024 . . .	218.2	203.5	[f]	3.2	11.5	186.5	181.7	4.8	.1	31.7	221.6	102
2025 . . .	232.7	215.4	[f]	3.5	13.8	194.8	189.6	5.1	[f]	38.0	259.6	114
2026 . . .	248.6	228.2	[f]	3.8	16.6	203.7	198.1	5.5	[f]	44.9	304.5	127

Table IV.A2.—Operations of the DI Trust Fund, Calendar Years 2012-2026[a] (Cont.)
[Dollar amounts in billions]

Calendar year	Income					Cost[b]				Asset Reserves[b]		
	Total	Net payroll tax contributions	GF reimbursements[c]	Taxation of benefits[d]	Net interest	Total	Scheduled benefits	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
High-cost:												
2017 . . .	$172.5	$168.7	[f]	$2.0	$1.8	$150.1	$146.8	$3.1	$0.2	$22.3	$68.7	31
2018 . . .	173.7	169.4	[f]	2.2	2.1	155.7	152.6	2.9	.2	18.1	86.7	44
2019 . . .	138.2	133.6	[f]	2.4	2.2	163.4	160.3	3.0	.1	-25.2	61.5	53
2020 . . .	140.6	136.3	[f]	2.6	1.7	170.4	166.9	3.3	.2	-29.8	31.7	36
2021 . . .	[g]	141.2	[f]	2.8	[g]	177.6	173.9	3.5	.2	[g]	[g]	18
2022 . . .	[g]	146.0	[f]	3.0	[g]	185.3	181.4	3.8	.1	[g]	[g]	[g]
2023 . . .	[g]	150.7	[f]	3.3	[g]	193.8	189.7	4.0	.1	[g]	[g]	[g]
2024 . . .	[g]	155.5	[f]	3.5	[g]	202.2	197.9	4.2	.1	[g]	[g]	[g]
2025 . . .	[g]	160.0	[f]	3.8	[g]	211.2	206.7	4.4	.1	[g]	[g]	[g]
2026 . . .	[g]	164.5	[f]	4.1	[g]	220.5	215.8	4.6	.1	[g]	[g]	[g]

[a] The DI Trust Fund reserves become depleted in the fourth quarter of 2021 under the high-cost assumptions. For any period during which reserves would be depleted, scheduled benefits could not be paid in full on a timely basis, income from taxing benefits would be less than would apply to scheduled benefits, and interest on trust fund reserves would be negligible. Appendix A presents a detailed description of the components of income and cost, along with complete historical values.

[b] Amounts for 2015 and 2016 are adjusted to include in 2016 operations those benefit payments regularly scheduled in the law to be paid on January 3, 2016, which were actually paid on December 31, 2015 as required by the statutory provision for early benefit payments when the normal delivery date is on a weekend or holiday. Such shifts in payments across calendar years have occurred in the past and will occur periodically in the future whenever January 3rd falls on a Sunday. In order to provide a consistent perspective on trust fund operations over time, all trust fund operations in each year reflect the 12 months of benefits that are regularly scheduled for payment in that year.

[c] Includes reimbursements from the General Fund of the Treasury to the DI Trust Fund for: (1) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21; (2) the cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (3) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.

[d] Revenue from taxation of benefits is the amount that would be assessed on benefit amounts scheduled in the law.

[e] The "Trust fund ratio" column represents reserves at the beginning of a year (which are identical to reserves at the end of the prior year shown in the "Amount at end of year" column) as a percentage of cost for the year.

[f] Between -$50 million and $50 million.

[g] While the fund is depleted, values under current law would reflect permissible expenditures only, which would be less than the cost of scheduled benefits shown in this table.

Note: Totals do not necessarily equal the sums of rounded components.

In the future, DI cost increases in part due to increases in average benefit levels resulting from: (1) automatic benefit increases and (2) projected increases in the amounts of average monthly earnings on which benefits are based. Future changes in DI cost also reflect changes in the number of DI beneficiaries in current-payment status. In 2016, the number of DI beneficiaries in current-payment status continued the trend of the prior two years by dropping slightly from the end of 2015 to the end of 2016. Under the intermediate assumptions, that number is estimated to drop further through the end of 2017, and increase thereafter through the remainder of the short-range projection period. The increases after 2017 are at a much slower rate than has been experienced on average over the past 20 years, due in large part to long-anticipated demographic trends and expected economic conditions, and in

part to an expected continuation of recent low incidence rates through the first few years of the short-range period as discussed in section V.C.5.

At the beginning of calendar year 2016, the reserves of the DI Trust Fund represented 22 percent of annual cost. During 2016, DI income substantially exceeded cost, and the estimated trust fund ratio for the beginning of 2017 increased to about 31 percent. Under the intermediate assumptions, the temporary reallocation of the payroll tax rate from OASI to DI causes DI total income to exceed cost through 2018, and reserves to increase to a level of 65 percent of annual cost at the beginning of 2019. Thereafter, cost exceeds total income throughout the short-range projection period and trust fund reserves steadily decline.

Because the reserves of the DI Trust Fund at the beginning of 2017 were less than the estimated annual cost for 2017, and they are projected to remain below annual cost throughout the short-range period under the intermediate assumptions, the DI Trust Fund fails the Trustees' test of short-range financial adequacy.

3. Operations of the Combined OASI and DI Trust Funds

Table IV.A3 shows the estimated operations and status of the combined OASI and DI Trust Funds for calendar years 2017 through 2026 under the three alternatives, together with actual experience in 2012 through 2016. Income and cost for the OASI Trust Fund represent over 80 percent of the corresponding amounts for the combined OASI and DI Trust Funds. Therefore, based on the relative strength of the OASI Trust Fund over the next 10 years, the combined OASI and DI Trust Funds would have sufficient financial resources to pay all scheduled benefits through the end of the short-range period, although it is important to note that under current law, one trust fund cannot share financial resources with another trust fund. In addition, the combined OASI and DI Trust Funds would satisfy the test of short-range financial adequacy.

Table IV.A3.—Operations of the Combined OASI and DI Trust Funds, Calendar Years 2012-2026[a]
[Dollar amounts in billions]

	Income					Cost[b]				Asset Reserves[b]		
Calendar year	Total	Net payroll tax contributions	GF reimbursements[c]	Taxation of benefits[d]	Net interest	Total	Scheduled benefits	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
Historical data:												
2012 . .	$840.2	$589.5	$114.3	$27.3	$109.1	$785.8	$774.8	$6.3	$4.7	$54.4	$2,732.3	341
2013 . .	855.0	726.2	4.9	21.1	102.8	822.9	812.3	6.2	4.5	32.1	2,764.4	332
2014 . .	884.3	756.0	.5	29.6	98.2	859.2	848.5	6.1	4.7	25.0	2,789.5	322
2015 . .	920.2	794.9	.3	31.6	93.3	897.1	886.3	6.2	4.7	23.0	2,812.5	311
2016 . .	957.5	836.2	.1	32.8	88.4	922.3	911.4	6.2	4.7	35.2	2,847.7	305

Table IV.A3.—Operations of the Combined OASI and DI Trust Funds, Calendar Years 2012-2026[a] (Cont.)

[Dollar amounts in billions]

Calendar year	Income					Cost[b]				Asset Reserves[b]		
	Total	Net payroll tax contributions	GF reimbursements[c]	Taxation of benefits[d]	Net interest	Total	Scheduled benefits	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
Intermediate:												
2017 . .	$1,013.8	$889.9	[f]	$38.1	$85.7	$955.2	$944.1	$6.5	$4.6	$58.6	$2,906.2	298
2018 . .	1,056.2	928.4	[f]	41.3	86.5	1,011.5	1,000.4	6.3	4.9	44.7	2,950.9	287
2019 . .	1,110.9	976.6	[f]	45.5	88.8	1,081.6	1,070.2	6.5	4.9	29.3	2,980.2	273
2020 . .	1,169.3	1,028.5	[f]	49.8	91.1	1,152.5	1,140.4	7.0	5.1	16.8	2,997.1	259
2021 . .	1,227.7	1,080.3	[f]	54.6	92.8	1,224.5	1,212.0	7.4	5.1	3.3	3,000.3	245
2022 . .	1,285.4	1,131.6	[f]	59.3	94.6	1,303.6	1,290.5	7.8	5.3	-18.2	2,982.2	230
2023 . .	1,341.6	1,180.8	[f]	64.4	96.4	1,388.0	1,374.4	8.2	5.4	-46.4	2,935.8	215
2024 . .	1,400.7	1,232.9	[f]	69.9	97.9	1,476.3	1,462.2	8.6	5.5	-75.7	2,860.1	199
2025 . .	1,459.3	1,285.1	[f]	75.9	98.3	1,568.3	1,553.8	9.0	5.6	-108.9	2,751.2	182
2026 . .	1,520.9	1,340.2	[f]	82.3	98.4	1,664.7	1,649.6	9.4	5.7	-143.8	2,607.4	165
Low-cost:												
2017 . .	1,022.2	896.9	[f]	38.1	87.1	952.7	941.6	6.5	4.6	69.5	2,917.2	299
2018 . .	1,093.7	959.5	[f]	41.5	92.8	1,012.8	1,001.7	6.3	4.8	80.9	2,998.1	288
2019 . .	1,178.2	1,031.0	[f]	46.0	101.3	1,089.1	1,077.8	6.5	4.9	89.1	3,087.2	275
2020 . .	1,265.0	1,104.5	[f]	50.6	109.9	1,165.1	1,153.0	7.1	5.1	99.8	3,187.0	265
2021 . .	1,350.6	1,176.1	[f]	55.6	118.8	1,242.0	1,229.2	7.6	5.1	108.6	3,295.6	257
2022 . .	1,438.0	1,248.1	[f]	60.7	129.2	1,326.7	1,313.2	8.2	5.3	111.4	3,407.0	248
2023 . .	1,530.0	1,322.2	[f]	66.2	141.7	1,417.6	1,403.5	8.7	5.5	112.4	3,519.4	240
2024 . .	1,629.5	1,401.8	[f]	72.1	155.6	1,513.7	1,499.0	9.2	5.6	115.8	3,635.2	232
2025 . .	1,733.2	1,484.2	[f]	78.7	170.4	1,614.9	1,599.6	9.7	5.6	118.3	3,753.5	225
2026 . .	1,844.9	1,572.1	[f]	85.8	187.0	1,722.2	1,706.2	10.3	5.8	122.6	3,876.2	218
High-cost:												
2017 . .	1,005.4	882.5	[f]	38.2	84.8	957.9	946.8	6.5	4.6	47.5	2,895.2	297
2018 . .	1,008.7	886.4	[f]	41.1	81.1	1,010.2	999.1	6.3	4.9	-1.6	2,893.6	287
2019 . .	1,029.7	906.7	[f]	45.3	77.7	1,080.1	1,068.7	6.5	5.0	-50.5	2,843.2	268
2020 . .	1,063.3	939.0	[f]	49.4	74.9	1,148.1	1,136.1	6.8	5.2	-84.9	2,758.3	248
2021 . .	1,097.0	972.4	[f]	53.9	70.7	1,215.2	1,202.8	7.2	5.2	-118.2	2,640.1	227
2022 . .	1,129.2	1,006.1	[f]	58.3	64.8	1,288.7	1,275.8	7.5	5.4	-159.5	2,480.5	205
2023 . .	1,159.8	1,038.1	[f]	63.1	58.6	1,366.4	1,353.2	7.7	5.5	-206.6	2,273.9	182
2024 . .	1,191.0	1,071.1	[f]	68.1	51.7	1,446.8	1,433.3	8.0	5.6	-255.9	2,018.1	157
2025 . .	1,219.6	1,102.2	[f]	73.6	43.8	1,529.3	1,515.4	8.3	5.6	-309.7	1,708.4	132
2026 . .	1,249.0	1,133.2	[f]	79.4	36.4	1,614.7	1,600.5	8.5	5.7	-365.7	1,342.7	106

[a] Appendix A presents a detailed description of the components of income and cost, along with complete historical values.

[b] Amounts for 2015 and 2016 are adjusted to include in 2016 operations those benefit payments regularly scheduled in the law to be paid on January 3, 2016, which were actually paid on December 31, 2015 as required by the statutory provision for early benefit payments when the normal delivery date is on a weekend or holiday. Such shifts in payments across calendar years have occurred in the past and will occur periodically in the future whenever January 3rd falls on a Sunday. In order to provide a consistent perspective on trust fund operations over time, all trust fund operations in each year reflect the 12 months of benefits that are regularly scheduled for payment in that year.

[c] Includes reimbursements from the General Fund of the Treasury to the OASI and DI Trust Funds for: (1) the cost of benefits to certain uninsured persons who attained age 72 before 1968; (2) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21; (3) the cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (4) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.

[d] Revenue from taxation of benefits is the amount that would be assessed on benefit amounts scheduled in the law.

[e] The "Trust fund ratio" column represents reserves at the beginning of a year (which are identical to reserves at the end of the prior year shown in the "Amount at end of year" column) as a percentage of cost for the year.

[f] Between -$50 million and $50 million.

Note: Totals do not necessarily equal the sums of rounded components.

4. Factors Underlying Changes in 10-Year Trust Fund Ratio Estimates From the 2016 Report

Table IV.A4 presents an analysis of the factors underlying the changes in the intermediate estimates over the short-range projection period for the OASI, DI, and the combined funds from last year's report to this report.

In the 2016 report under intermediate assumptions, the trust fund ratio for OASI reached 194 percent at the beginning of 2025—the tenth projection year for that report. The change in the short-range valuation period alone, from 2016 through 2025 to 2017 through 2026, lowered the estimated trust fund ratio for the tenth year by 19 percentage points, to 175 percent. All other changes to reflect modifications in law and regulations since last year's report, the most recent data, adjustments to the assumptions for future years, and changes in projection methods combined for a net increase in the ratio for the tenth projection year of 12 percentage points. Therefore, the total change in the 10th-year projected trust fund ratio from last year's report to this year's report is a reduction of 7 percentage points to 187 percent.

Because a portion of the 2014 executive actions on immigration are no longer expected to be implemented, the projected tenth year OASI trust fund ratio is reduced by 2 percentage points, primarily due to lower payroll tax revenues. Changes in demographic assumptions over the short-range period increased the projected tenth-year trust fund ratio for OASI by 1 percentage point. Changes in economic data and assumptions, primarily the combined effects of changes in cost-of-living adjustments, interest rates, and payroll tax revenues over the ten year period, caused a net reduction in the OASI trust fund ratio of 2 percentage points by the beginning of 2026. Incorporating recent programmatic data resulted in an increase of 9 percentage points in the tenth year OASI trust fund ratio. This increase was primarily due to recent data showing that retired workers have been starting benefits at later ages, which in turn led to lower beneficiary counts throughout the short-range period. Finally, an improvement in the short-range methodology for projecting average benefits for newly awarded retired workers increased the tenth year trust fund ratio by 6 percentage points.

Table IV.A4 also shows corresponding estimates of the factors underlying the changes in the financial projections for the DI Trust Fund and for the combined OASI and DI Trust Funds. The ratios for the beginning of 2025 for the DI Trust Fund and the combined OASI and DI Trust Funds in last year's report are hypothetical because the Trustees projected that the DI Trust Fund reserves would be depleted prior to the end of the short-range projection period in that report.

The 34-percentage-point increase in the DI trust fund ratio from last year's to this year's report is the net effect of increases and decreases from the factors described in the prior paragraph for the OASI Trust Fund, combined with a large programmatic increase of 45 points predominantly due to decreases in estimated disabled worker incidence rates over the short range period. Disability applications have been declining since 2010 and the total number of disabled worker beneficiaries in current payment status has been falling since 2014. In last year's report, disabled worker beneficiaries were projected to rise from 8.9 million at the end of 2015 to about 9.0 million at the end of 2016. In fact, the number dropped to just about 8.8 million at the end of 2016. For this report, ultimate disability incidence rate assumptions are unchanged from the last report. This year's report reflects lower recent incidence rates and a more gradual rise to the ultimate DI incidence rates. These changes are primarily responsible for extending the DI reserve depletion date from 2023 in last year's report to beyond the end of the short-range period in this year's report. The long-range effects are noted in section IV.B.6 and are further described in section V.C.5.

Table IV.A4.—Reasons for Change in Trust Fund (Unfunded Obligation) Ratios at the Beginning of the Tenth Year of Projection Under Intermediate Assumptions
[In percent]

Item	OASI Trust Fund	DI Trust Fund	OASI and DI Trust Funds, combined
Trust fund ratio shown in last year's report for calendar year 2025[a]	194	-18	165
Change in trust fund ratio due to changes in:			
Legislation and regulations	-2	-2	-2
Valuation period	-19	-10	-16
Demographic data and assumptions	1	[b]	1
Economic data and assumptions	-2	2	-2
Programmatic data and assumptions	9	45	14
Projection methods and data	6	-2	5
Total change in trust fund ratio	-7	34	[b]
Trust fund ratio shown in this report for calendar year 2026	187	16	165

[a] Figures for DI, and OASI and DI combined, are hypothetical because the DI Trust Fund reserves are depleted before the beginning of the tenth year under the assumptions of last year's report. The magnitudes of the negative values for DI represent the ratios of the unfunded obligation at the beginning of the tenth year to cost for that year.
[b] Between -0.5 and 0.5 percent.

Note: Totals do not necessarily equal the sums of rounded components.

B. LONG-RANGE ESTIMATES

The Trustees use three types of financial measures to assess the actuarial status of the Social Security trust funds under the financing approach specified in current law: (1) annual cash-flow measures, including income rates, cost rates, and balances; (2) trust fund ratios; and (3) summary measures such as actuarial balances and unfunded obligations.

The difference between the annual income rate and annual cost rate, both expressed as percentages of taxable payroll, is the annual balance. The level and trend of the annual balances at the end of the 75-year projection period are factors that the Trustees use to assess the financial condition of the program.

The trust fund ratio for a year is the proportion of the year's projected cost that could be paid with funds available at the beginning of the year. Critical factors considered by the Trustees in assessing actuarial status include: (1) the level and year of maximum trust fund ratio, (2) the year of depletion of the fund reserves and the percent of scheduled benefits that is still payable after reserves are depleted, and (3) the stability of the trust fund ratio at the end of the long-range period.

Solvency at any point in time requires that sufficient financial resources are available to pay all scheduled benefits at that time. Solvency is generally indicated by a positive trust fund ratio. "Sustainable solvency" for the financing of the program under a specified set of assumptions has been achieved when the projected trust fund ratio is positive throughout the 75-year projection period and is either stable or rising at the end of the period.

Summarized measures for any period indicate whether projected income is sufficient, on average, for the whole period. Summarized measures can only indicate the solvency status of a fund for the end of the period. The Trustees summarize the total income and cost over valuation periods that extend through 75 years and over the infinite horizon.[1] This section presents two summarized measures: the actuarial balance and the open group unfunded obligation. The actuarial balance indicates the size of any surplus or shortfall as a percentage of the taxable payroll over the period. The open group unfunded obligation indicates the size of any shortfall in present-value dollars.

This section also includes additional information that the Trustees use to assess the financial status of the Social Security program, including: (1) a comparison of the number of beneficiaries to the number of covered workers,

[1] See appendix F.

(2) the test of long-range close actuarial balance, and (3) the reasons for the change in the actuarial balance from the last report.

1. Annual Income Rates, Cost Rates, and Balances

The concepts of income rate and cost rate, expressed as percentages of taxable payroll, are important in the consideration of the long-range actuarial status of the trust funds. The annual income rate is the ratio of all non-interest income to the OASDI taxable payroll for the year. Non-interest income includes payroll taxes, taxes on scheduled benefits, and any General Fund transfers or reimbursements. The OASDI taxable payroll consists of the total earnings subject to OASDI taxes with some relatively small adjustments.[1] The annual cost rate is the ratio of the cost of the program to the taxable payroll for the year. The cost includes scheduled benefits, administrative expenses, net interchange with the Railroad Retirement program, and payments for vocational rehabilitation services for disabled beneficiaries. For any year, the income rate minus the cost rate is the "balance" for the year.

Table IV.B1 presents a comparison of the estimated annual income rates and cost rates by trust fund and alternative. Table IV.B2 shows the separate components of the annual income rates.

Under the intermediate assumptions, the Trustees project that the OASI income rate will increase from 10.61 percent of payroll for 2017 to 11.09 percent of payroll for 2019. The projected OASI income rate is low for 2017 and 2018 because of the payroll tax rate reallocation of 0.57 percentage point from OASI to DI for 2016 through 2018, as enacted in the Bipartisan Budget Act of 2015. After returning to the pre-reallocation level for 2019, the income rate will rise at a very gradual rate to 11.47 percent of taxable payroll for 2091. Income from taxation of benefits causes this increase for two main reasons: (1) total benefits are rising faster than payroll; and (2) the benefit-taxation threshold amounts are fixed (not indexed), and therefore an increasing share of total benefits will be subject to tax as incomes and benefits rise.

From 2017 to 2035, the cost rate rises rapidly because the retirement of the baby-boom generation will increase the number of beneficiaries much faster than the number of workers increases, as subsequent lower-birth-rate generations replace the baby-boom generation at working ages. From 2038 to 2052, the cost rate declines because the aging baby-boom generation is gradually

[1] Adjustments include adding deemed wage credits based on military service for 1983-2001 and reflecting the lower effective tax rates (as compared to the combined employee-employer rate) that apply to multiple-employer "excess wages." Lower rates also applied to net earnings from self-employment before 1984 and to income from tips before 1988.

replaced at retirement ages by the historically low-birth-rate generation born between 1966 and 1989. After 2052, the projected OASI cost rate generally rises slowly, reaching 15.57 percent of taxable payroll for 2091, primarily because of projected reductions in death rates at higher ages.

Projections of income rates under the low-cost and high-cost sets of assumptions are similar to those projected for the intermediate assumptions, because income rates are largely a reflection of the payroll tax rates specified in the law, with the gradual change from taxation of benefits noted above. In contrast, OASI cost rates for the low-cost and high-cost assumptions are significantly different from those projected for the intermediate assumptions. For the low-cost assumptions, the OASI cost rate decreases through 2018, and then rises until it peaks in 2035 at 12.75 percent of payroll. The cost rate then declines to 11.55 percent for 2055, rises to 11.67 percent for 2070, and declines again to 11.21 percent for 2085 before rising to 11.38 percent for 2091, at which point the income rate reaches 11.23 percent. For the high-cost assumptions, the OASI cost rate generally rises throughout the 75-year period. It rises relatively rapidly through about 2039 because of the aging of the baby-boom generation. Thereafter, the cost rate continues to generally rise and reaches 21.94 percent of payroll for 2091, at which point the income rate reaches 11.84 percent.

The pattern of the projected OASI annual balance is important in the analysis of the financial condition of the program. Under the intermediate assumptions, the annual balance is negative throughout the projection period. This annual deficit is temporarily higher for years 2016 through 2018 because of the 0.57-percentage-point payroll tax rate reallocation from OASI to DI. After returning to the pre-reallocation level for 2019, the annual deficit then rises relatively rapidly from 0.59 percent for 2019 to 3.60 percent for 2037. It then declines to 3.02 percent of payroll for 2052, and generally rises thereafter, reaching 4.10 percent of taxable payroll for 2091.

Under the low-cost assumptions, after the 2016-2018 payroll tax rate reallocation period, the annual deficit rises from 0.14 percent of payroll for 2019 to 1.47 percent of payroll for 2035. Then the annual deficit generally declines until it becomes a positive annual balance for 2084. The annual balance turns negative again for 2087, reaching a deficit of 0.16 percent of payroll for 2091. Under the high-cost assumptions, the OASI balance generally worsens throughout the projection period. Annual deficits rise to 1.69 percent for 2020, 6.53 percent for 2050, and 10.10 percent of payroll for 2091.

Table IV.B1.—Annual Income Rates, Cost Rates, and Balances, Calendar Years 1990-2095

[As a percentage of taxable payroll]

Calendar year	OASI			DI			OASDI		
	Income rate[a]	Cost rate[b]	Balance[b]	Income rate[a]	Cost rate[b]	Balance[b]	Income rate[a]	Cost rate[b]	Balance[b]
Historical data:									
1990	11.47	9.65	1.82	1.18	1.09	0.10	12.65	10.74	1.91
1995	10.65	10.23	.42	1.87	1.44	.43	12.52	11.67	.85
2000	10.85	8.98	1.87	1.78	1.42	.36	12.62	10.40	2.23
2005	10.96	9.31	1.65	1.84	1.85	-.02	12.80	11.16	1.63
2006	10.96	9.18	1.78	1.83	1.88	-.05	12.79	11.06	1.73
2007	11.01	9.44	1.57	1.84	1.88	-.04	12.85	11.32	1.53
2008	10.90	9.54	1.37	1.83	2.01	-.19	12.73	11.55	1.18
2009	11.23	10.74	.50	1.88	2.31	-.43	13.11	13.05	.06
2010	10.75	11.06	-.30	1.79	2.41	-.62	12.54	13.47	-.92
2011	10.84	11.04	-.21	1.80	2.42	-.62	12.64	13.47	-.83
2012	11.05	11.35	-.30	1.81	2.47	-.66	12.86	13.82	-.96
2013	10.97	11.54	-.57	1.81	2.44	-.63	12.78	13.98	-1.20
2014	10.94	11.59	-.64	1.81	2.35	-.54	12.75	13.94	-1.19
2015	10.97	11.59	-.62	1.80	2.26	-.46	12.77	13.86	-1.09
2016	10.56	11.54	-.98	2.36	2.17	.19	12.91	13.70	-.79
Intermediate:									
2017	10.61	11.33	-.72	2.42	2.08	.34	13.03	13.41	-.38
2018	10.54	11.45	-.92	2.39	2.03	.36	12.93	13.49	-.56
2019	11.09	11.69	-.59	1.85	2.01	-.16	12.95	13.70	-.75
2020	11.14	11.87	-.74	1.82	1.98	-.15	12.96	13.85	-.89
2021	11.17	12.06	-.89	1.83	1.96	-.13	12.99	14.02	-1.03
2022	11.19	12.30	-1.11	1.83	1.95	-.13	13.02	14.26	-1.23
2023	11.22	12.59	-1.37	1.83	1.96	-.13	13.05	14.54	-1.50
2024	11.25	12.87	-1.61	1.83	1.96	-.13	13.08	14.83	-1.74
2025	11.27	13.13	-1.86	1.83	1.96	-.13	13.10	15.10	-2.00
2026	11.30	13.40	-2.10	1.83	1.97	-.14	13.14	15.37	-2.24
2030	11.36	14.31	-2.95	1.83	1.96	-.13	13.20	16.27	-3.07
2035	11.41	14.93	-3.52	1.83	2.00	-.16	13.24	16.93	-3.69
2040	11.41	14.93	-3.52	1.84	2.03	-.19	13.25	16.96	-3.71
2045	11.40	14.62	-3.22	1.84	2.09	-.26	13.24	16.72	-3.48
2050	11.39	14.44	-3.05	1.84	2.13	-.29	13.23	16.57	-3.34
2055	11.40	14.46	-3.06	1.84	2.16	-.32	13.24	16.62	-3.38
2060	11.41	14.68	-3.27	1.84	2.14	-.31	13.25	16.83	-3.58
2065	11.43	14.91	-3.48	1.84	2.15	-.31	13.27	17.07	-3.80
2070	11.44	15.16	-3.72	1.84	2.16	-.32	13.28	17.33	-4.04
2075	11.46	15.36	-3.90	1.84	2.15	-.31	13.30	17.50	-4.21
2080	11.46	15.34	-3.89	1.84	2.17	-.33	13.30	17.51	-4.21
2085	11.46	15.33	-3.87	1.84	2.22	-.38	13.30	17.55	-4.25
2090	11.47	15.52	-4.05	1.84	2.23	-.39	13.31	17.75	-4.44
2095	11.48	15.75	-4.27	1.84	2.22	-.38	13.33	17.97	-4.65
First year balance becomes negative and remains negative throughout the 75-year projection period			2010			2019			2010

Table IV.B1.—Annual Income Rates, Cost Rates, and Balances, Calendar Years 1990-2095 (Cont.)
[As a percentage of taxable payroll]

Calendar year	OASI			DI			OASDI		
	Income rate[a]	Cost rate[b]	Balance[b]	Income rate[a]	Cost rate[b]	Balance[b]	Income rate[a]	Cost rate[b]	Balance[b]
Low-cost:									
2017	10.55	11.18	-0.62	2.40	2.02	0.38	12.96	13.20	-0.24
2018	10.51	11.13	-.62	2.39	1.93	.46	12.90	13.06	-.15
2019	11.06	11.20	-.14	1.85	1.86	-.01	12.91	13.06	-.15
2020	11.10	11.25	-.15	1.82	1.79	.03	12.92	13.03	-.11
2021	11.12	11.31	-.19	1.82	1.74	.08	12.94	13.05	-.11
2022	11.14	11.44	-.30	1.82	1.70	.12	12.97	13.14	-.18
2023	11.16	11.58	-.42	1.82	1.67	.15	12.98	13.26	-.27
2024	11.19	11.71	-.53	1.82	1.65	.18	13.01	13.36	-.35
2025	11.20	11.83	-.63	1.82	1.62	.20	13.02	13.45	-.43
2026	11.22	11.95	-.73	1.82	1.60	.22	13.04	13.55	-.51
2030	11.26	12.49	-1.23	1.82	1.52	.30	13.08	14.01	-.93
2035	11.28	12.75	-1.47	1.82	1.49	.33	13.11	14.25	-1.14
2040	11.27	12.47	-1.20	1.82	1.47	.36	13.10	13.94	-.85
2045	11.25	11.97	-.73	1.82	1.48	.34	13.07	13.45	-.38
2050	11.23	11.65	-.42	1.82	1.48	.35	13.06	13.13	-.07
2055	11.23	11.55	-.32	1.82	1.48	.34	13.05	13.03	.03
2060	11.24	11.61	-.38	1.82	1.46	.36	13.06	13.08	-.02
2065	11.24	11.65	-.41	1.82	1.46	.36	13.06	13.11	-.05
2070	11.24	11.67	-.43	1.82	1.46	.36	13.07	13.13	-.06
2075	11.24	11.60	-.36	1.82	1.45	.38	13.06	13.05	.01
2080	11.22	11.36	-.14	1.82	1.47	.36	13.05	12.83	.22
2085	11.22	11.21	.01	1.83	1.51	.31	13.04	12.72	.32
2090	11.22	11.34	-.11	1.83	1.53	.30	13.05	12.86	.19
2095	11.24	11.57	-.33	1.83	1.52	.31	13.06	13.09	-.02
First year balance becomes negative and remains negative throughout the 75-year projection period			2087			[c]			[c]
High-cost:									
2017	10.66	11.48	-.82	2.43	2.13	.29	13.09	13.62	-.53
2018	10.57	11.95	-1.38	2.40	2.18	.22	12.97	14.13	-1.16
2019	11.14	12.51	-1.38	1.86	2.23	-.37	13.00	14.75	-1.75
2020	11.20	12.89	-1.69	1.83	2.25	-.41	13.03	15.13	-2.11
2021	11.23	13.21	-1.98	1.83	2.26	-.43	13.06	15.47	-2.40
2022	11.27	13.58	-2.32	1.83	2.28	-.45	13.10	15.86	-2.76
2023	11.30	13.99	-2.69	1.84	2.31	-.48	13.13	16.30	-3.16
2024	11.34	14.40	-3.06	1.84	2.34	-.50	13.18	16.73	-3.56
2025	11.37	14.80	-3.44	1.84	2.37	-.53	13.21	17.18	-3.97
2026	11.41	15.23	-3.83	1.84	2.41	-.57	13.25	17.64	-4.39

Table IV.B1.—Annual Income Rates, Cost Rates, and Balances, Calendar Years 1990-2095 (Cont.)
[As a percentage of taxable payroll]

Calendar year	OASI Income rate[a]	OASI Cost rate[b]	OASI Balance[b]	DI Income rate[a]	DI Cost rate[b]	DI Balance[b]	OASDI Income rate[a]	OASDI Cost rate[b]	OASDI Balance[b]
High-cost (Cont.):									
2030	11.49	16.55	-5.06	1.84	2.48	-0.64	13.33	19.03	-5.70
2035	11.55	17.61	-6.05	1.85	2.61	-.77	13.40	20.22	-6.82
2040	11.58	18.03	-6.44	1.85	2.72	-.87	13.43	20.75	-7.31
2045	11.59	18.05	-6.45	1.85	2.86	-1.01	13.44	20.91	-7.46
2050	11.60	18.13	-6.53	1.85	2.95	-1.09	13.46	21.08	-7.62
2055	11.62	18.40	-6.78	1.86	3.03	-1.17	13.48	21.43	-7.95
2060	11.65	18.91	-7.26	1.86	3.03	-1.17	13.51	21.94	-8.43
2065	11.69	19.46	-7.77	1.86	3.06	-1.20	13.55	22.52	-8.97
2070	11.73	20.10	-8.37	1.86	3.09	-1.23	13.59	23.19	-9.60
2075	11.77	20.75	-8.98	1.86	3.06	-1.20	13.63	23.81	-10.19
2080	11.79	21.17	-9.38	1.86	3.08	-1.22	13.65	24.25	-10.60
2085	11.81	21.49	-9.68	1.86	3.12	-1.26	13.67	24.61	-10.94
2090	11.84	21.87	-10.03	1.86	3.12	-1.26	13.70	24.98	-11.29
2095	11.86	22.19	-10.34	1.86	3.09	-1.23	13.72	25.29	-11.57
First year balance becomes negative and remains negative throughout the 75-year projection period			2010			2019			2010

[a] Income rates include certain reimbursements from the General Fund of the Treasury.
[b] Benefit payments scheduled to be paid on January 3 are actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.
[c] The annual balance is projected to be negative for a temporary period and return to positive levels before the end of the projection period.

Notes:
1. The income rate excludes interest income.
2. Revisions of taxable payroll may change some historical values.
3. Totals do not necessarily equal the sums of rounded components.

Under the intermediate assumptions, the projected DI cost rate declines from 2.08 percent for 2017 to 1.98 percent for 2020, and remains relatively stable through 2032. After 2032, the DI cost rate increases gradually to 2.16 percent for 2056. From 2056 to 2077, the DI cost rate stays relatively stable before increasing slowly to 2.23 percent of payroll for 2091. The projected DI income rate decreases from 2.42 percent of payroll for 2017 to 1.85 for 2019. Between 2016 and 2018, the income rate is higher due to the temporary payroll tax rate reallocation. Beginning in 2020, the income rate remains relatively stable, reaching 1.84 percent for 2091. The annual balance is positive for years 2016 through 2018, reflecting the reallocation. Thereafter, the annual deficit reappears, generally declines from 0.16 percent for 2019 to a low of 0.13 percent for 2030, and then generally increases to 0.38 percent for 2091.

Under the low-cost assumptions, the projected DI cost rate declines from 2.02 percent of payroll for 2017 to 1.47 percent for 2039, and remains relatively stable thereafter, reaching 1.53 percent for 2091. The annual balance is

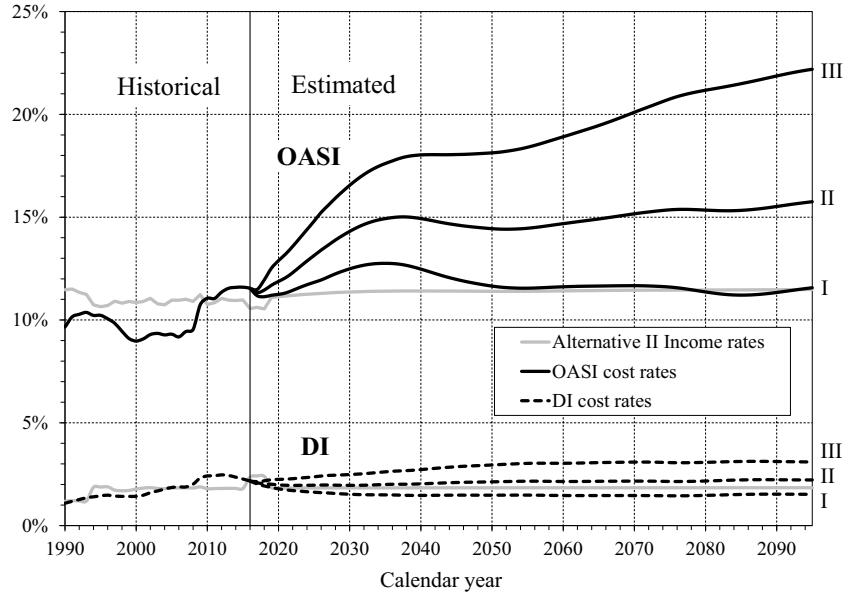
positive for 2017 and 2018, negative for 2019, and positive throughout the remainder of the long-range period. Under the high-cost assumptions, the DI cost rate generally rises throughout the projection period, reaching 3.11 percent for 2091. The annual deficit is negative from 2019 through the remainder of the projection period, reaching 0.37 percent for 2019, 1.09 percent for 2050, and 1.25 percent for 2091.

Figure IV.B1 shows the patterns of the historical and projected OASI and DI annual cost rates. Annual DI cost rates rose substantially between 1990 and 2010 in large part due to: (1) aging of the working population as the baby-boom generation moved from ages 25-44 in 1990, where disability prevalence is low, to ages 45-64 in 2010, where disability prevalence is much higher; (2) a substantial increase in the percentage of women insured for DI benefits as a result of increased and more consistent rates of employment; and (3) increased disability incidence rates for women to a level similar to those for men by 2010. After 2010, all of these factors stabilize, and therefore the DI cost rate stabilizes also. Annual OASI cost rates follow a similar pattern to that for DI, but displaced 20 to 25 years later, because the baby-boom generation enters retirement ages 20 to 25 years after entering prime disability ages. Figure IV.B1 shows only the income rates for alternative II because the variation in income rates by alternative is very small. Income rates generally increase slowly for each of the alternatives over the long-range period. Taxation of benefits, which is a relatively small portion of income, is the main source of both the increases in the income rate and the variation among the alternatives. Increases in income from taxation of benefits reflect: (1) increases in the total amount of benefits paid and (2) the increasing share of individual benefits that will be subject to taxation because benefit taxation threshold amounts are not indexed.

Table IV.B1 shows the annual balances for OASI, DI, and OASDI. The pattern of the annual balances is important to the analysis of the financial condition of the Social Security program as a whole. As seen in figure IV.B1, the magnitude of each of the positive balances is the distance between the appropriate cost-rate curve and the income-rate curve above it. The magnitude of each of the deficits is the distance between the appropriate cost-rate curve and the income-rate curve below it. Annual balances follow closely the pattern of annual cost rates after 1990 because the payroll tax rate does not change for the OASDI program, with only small variations in the allocation between DI and OASI except for the 2016-2018 payroll tax rate reallocation.

In the future, the costs of OASI, DI, and the combined OASDI programs as a percentage of taxable payroll are unlikely to fall outside the range encompassed by alternatives I and III because alternatives I and III define a wide range of demographic and economic conditions.

Figure IV.B1.—Long-Range OASI and DI Annual Income Rates and Cost Rates
[As a percentage of taxable payroll]



Long-range OASDI cost and income are most often expressed as percentages of taxable payroll. However, the Trustees also present cost and income as shares of gross domestic product (GDP), the value of goods and services produced during the year in the United States. Under alternative II, the Trustees project OASDI cost to increase from about 4.9 percent of GDP for 2017 to a peak of about 6.1 percent for 2037. After 2037, OASDI cost as a percentage of GDP declines to a low of about 5.9 percent for 2052 and thereafter generally increases slowly, reaching about 6.1 percent by 2091. Appendix G presents full estimates of income and cost relative to GDP.

Table IV.B2 contains historical and projected annual income rates and their components by trust fund and alternative. The annual income rates consist of the scheduled payroll tax rates, the rates of income from taxation of benefits, and the rates of income from General Fund reimbursements. Projected income from taxation of benefits increases over time for reasons discussed on page 52. Historical General Fund reimbursements include temporary reductions in revenue due to reduced payroll tax rates and certain other miscellaneous items.

Table IV.B2.—Components of Annual Income Rates, Calendar Years 1990-2095
[As a percentage of taxable payroll]

Calendar year	OASI				DI				OASDI			
	Payroll tax	Taxation of benefits	General Fund Reimbursements[a]	Total[b]	Payroll tax	Taxation of benefits	General Fund Reimbursements[a]	Total[b]	Payroll tax	Taxation of benefits	General Fund Reimbursements[a]	Total[b]
Historical:												
1990 . .	11.29	0.21	-0.03	11.47	1.21	0.01	-0.03	1.18	12.50	0.21	-0.06	12.65
1995 . .	10.46	.19	-.01	10.65	1.87	.01	-.01	1.87	12.33	.20	-.01	12.52
2000 . .	10.56	.29	[c]	10.85	1.78	.02	-.02	1.78	12.34	.31	-.02	12.62
2005 . .	10.68	.29	-.01	10.96	1.81	.02	[c]	1.84	12.49	.31	-.01	12.80
2006 . .	10.65	.31	[c]	10.96	1.81	.02	[c]	1.83	12.46	.34	[c]	12.79
2007 . .	10.68	.33	[c]	11.01	1.81	.03	[c]	1.84	12.50	.35	[c]	12.85
2008 . .	10.61	.29	[c]	10.90	1.80	.02	[c]	1.83	12.42	.31	[c]	12.73
2009 . .	10.85	.38	[c]	11.23	1.84	.04	[c]	1.88	12.70	.42	[c]	13.11
2010 . .	10.30	.42	.04	10.75	1.75	.04	.01	1.79	12.05	.45	.05	12.54
2011 . .	8.82	.41	1.61	10.84	1.50	.03	.27	1.80	10.32	.44	1.88	12.64
2012 . .	8.86	.47	1.72	11.05	1.51	.01	.29	1.81	10.37	.48	2.01	12.86
2013 . .	10.55	.35	.07	10.97	1.79	.01	.01	1.81	12.34	.36	.08	12.78
2014 . .	10.48	.45	.01	10.94	1.78	.03	[c]	1.81	12.26	.48	.01	12.75
2015 . .	10.50	.47	[c]	10.97	1.78	.02	[c]	1.80	12.28	.49	.01	12.77
2016 . .	10.09	.47	[c]	10.56	2.34	.02	[c]	2.36	12.42	.49	[c]	12.91
Intermediate:												
2017 . .	10.10	.51	[c]	10.61	2.39	.03	[c]	2.42	12.49	.54	[c]	13.03
2018 . .	10.01	.52	[c]	10.54	2.37	.03	[c]	2.39	12.38	.55	[c]	12.93
2019 . .	10.55	.55	[c]	11.09	1.82	.03	[c]	1.85	12.37	.58	[c]	12.95
2020 . .	10.57	.57	[c]	11.14	1.79	.03	[c]	1.82	12.36	.60	[c]	12.96
2021 . .	10.57	.59	[c]	11.17	1.80	.03	[c]	1.83	12.37	.62	[c]	12.99
2022 . .	10.58	.62	[c]	11.19	1.80	.03	[c]	1.83	12.37	.65	[c]	13.02
2023 . .	10.58	.64	[c]	11.22	1.80	.03	[c]	1.83	12.37	.68	[c]	13.05
2024 . .	10.58	.67	[c]	11.25	1.80	.03	[c]	1.83	12.38	.70	[c]	13.08
2025 . .	10.58	.70	[c]	11.27	1.80	.04	[c]	1.83	12.37	.73	[c]	13.10
2026 . .	10.58	.72	[c]	11.30	1.80	.04	[c]	1.83	12.37	.76	[c]	13.14
2030 . .	10.58	.78	[c]	11.36	1.80	.04	[c]	1.83	12.38	.82	[c]	13.20
2035 . .	10.58	.83	[c]	11.41	1.80	.04	[c]	1.83	12.37	.87	[c]	13.24
2040 . .	10.58	.83	[c]	11.41	1.80	.04	[c]	1.84	12.37	.87	[c]	13.25
2045 . .	10.58	.82	[c]	11.40	1.80	.04	[c]	1.84	12.37	.86	[c]	13.24
2050 . .	10.58	.82	[c]	11.39	1.80	.04	[c]	1.84	12.37	.86	[c]	13.23
2055 . .	10.58	.82	[c]	11.40	1.80	.04	[c]	1.84	12.37	.86	[c]	13.24
2060 . .	10.58	.84	[c]	11.41	1.80	.04	[c]	1.84	12.37	.88	[c]	13.25
2065 . .	10.58	.85	[c]	11.43	1.80	.04	[c]	1.84	12.38	.89	[c]	13.27
2070 . .	10.58	.87	[c]	11.44	1.80	.04	[c]	1.84	12.37	.91	[c]	13.28
2075 . .	10.58	.88	[c]	11.46	1.80	.04	[c]	1.84	12.37	.92	[c]	13.30
2080 . .	10.58	.88	[c]	11.46	1.80	.04	[c]	1.84	12.37	.92	[c]	13.30
2085 . .	10.58	.88	[c]	11.46	1.80	.04	[c]	1.84	12.38	.92	[c]	13.30
2090 . .	10.58	.89	[c]	11.47	1.80	.05	[c]	1.84	12.38	.94	[c]	13.31
2095 . .	10.58	.90	[c]	11.48	1.80	.05	[c]	1.84	12.38	.95	[c]	13.33
Low-cost:												
2017 . .	10.05	.50	[c]	10.55	2.38	.03	[c]	2.40	12.43	.53	[c]	12.96
2018 . .	10.01	.51	[c]	10.51	2.36	.03	[c]	2.39	12.37	.53	[c]	12.90
2019 . .	10.54	.52	[c]	11.06	1.82	.03	[c]	1.85	12.36	.55	[c]	12.91
2020 . .	10.56	.54	[c]	11.10	1.79	.03	[c]	1.82	12.35	.57	[c]	12.92
2021 . .	10.56	.56	[c]	11.12	1.79	.03	[c]	1.82	12.36	.58	[c]	12.94
2022 . .	10.57	.57	[c]	11.14	1.80	.03	[c]	1.82	12.37	.60	[c]	12.97
2023 . .	10.57	.59	[c]	11.16	1.79	.03	[c]	1.82	12.36	.62	[c]	12.98
2024 . .	10.58	.61	[c]	11.19	1.80	.03	[c]	1.82	12.37	.64	[c]	13.01
2025 . .	10.57	.63	[c]	11.20	1.79	.03	[c]	1.82	12.36	.66	[c]	13.02
2026 . .	10.57	0.65	[c]	11.22	1.80	0.03	[c]	1.82	12.37	0.67	[c]	13.04

Table IV.B2.—Components of Annual Income Rates, Calendar Years 1990-2095 (Cont.)
[As a percentage of taxable payroll]

Calendar year	OASI Payroll tax	OASI Taxation of benefits	OASI General Fund Reimbursements[a]	OASI Total[b]	DI Payroll tax	DI Taxation of benefits	DI General Fund Reimbursements[a]	DI Total[b]	OASDI Payroll tax	OASDI Taxation of benefits	OASDI General Fund Reimbursements[a]	OASDI Total[b]
Low-cost (Cont.):												
2030 . .	10.57	.69	[c]	11.26	1.80	.03	[c]	1.82	12.37	.71	[c]	13.08
2035 . .	10.57	.71	[c]	11.28	1.80	.03	[c]	1.82	12.37	.74	[c]	13.11
2040 . .	10.57	.70	[c]	11.27	1.80	.03	[c]	1.82	12.37	.73	[c]	13.10
2045 . .	10.57	.68	[c]	11.25	1.80	.03	[c]	1.82	12.37	.71	[c]	13.07
2050 . .	10.57	.66	[c]	11.23	1.80	.03	[c]	1.82	12.37	.69	[c]	13.06
2055 . .	10.57	.66	[c]	11.23	1.80	.03	[c]	1.82	12.37	.69	[c]	13.05
2060 . .	10.57	.66	[c]	11.24	1.80	.03	[c]	1.82	12.37	.69	[c]	13.06
2065 . .	10.57	.67	[c]	11.24	1.80	.03	[c]	1.82	12.37	.70	[c]	13.06
2070 . .	10.57	.67	[c]	11.24	1.80	.03	[c]	1.82	12.37	.70	[c]	13.07
2075 . .	10.57	.67	[c]	11.24	1.80	.03	[c]	1.82	12.37	.69	[c]	13.06
2080 . .	10.57	.65	[c]	11.22	1.80	.03	[c]	1.82	12.37	.68	[c]	13.05
2085 . .	10.57	.64	[c]	11.22	1.80	.03	[c]	1.83	12.37	.67	[c]	13.04
2090 . .	10.57	.65	[c]	11.22	1.80	.03	[c]	1.83	12.37	.68	[c]	13.05
2095 . .	10.57	.67	[c]	11.24	1.80	.03	[c]	1.83	12.37	.70	[c]	13.06
High-cost:												
2017 . .	10.15	.51	[c]	10.66	2.40	0.03	[c]	2.43	12.55	.54	[c]	13.09
2018 . .	10.03	.54	[c]	10.57	2.37	.03	[c]	2.40	12.40	.58	[c]	12.97
2019 . .	10.55	.59	[c]	11.14	1.82	.03	[c]	1.86	12.38	.62	[c]	13.00
2020 . .	10.58	.62	[c]	11.20	1.80	.03	[c]	1.83	12.37	.65	[c]	13.03
2021 . .	10.58	.65	[c]	11.23	1.80	.04	[c]	1.83	12.38	.69	[c]	13.06
2022 . .	10.58	.68	[c]	11.27	1.80	.04	[c]	1.83	12.38	.72	[c]	13.10
2023 . .	10.58	.71	[c]	11.30	1.80	.04	[c]	1.84	12.38	.75	[c]	13.13
2024 . .	10.59	.75	[c]	11.34	1.80	.04	[c]	1.84	12.39	.79	[c]	13.18
2025 . .	10.58	.78	[c]	11.37	1.80	.04	[c]	1.84	12.38	.83	[c]	13.21
2026 . .	10.59	.82	[c]	11.41	1.80	.04	[c]	1.84	12.38	.87	[c]	13.25
2030 . .	10.58	.90	[c]	11.49	1.80	.05	[c]	1.84	12.38	.95	[c]	13.33
2035 . .	10.58	.97	[c]	11.55	1.80	.05	[c]	1.85	12.38	1.02	[c]	13.40
2040 . .	10.58	1.00	[c]	11.58	1.80	.05	[c]	1.85	12.38	1.05	[c]	13.43
2045 . .	10.58	1.01	[c]	11.59	1.80	.06	[c]	1.85	12.38	1.06	[c]	13.44
2050 . .	10.58	1.02	[c]	11.60	1.80	.06	[c]	1.85	12.38	1.07	[c]	13.46
2055 . .	10.59	1.04	[c]	11.62	1.80	.06	[c]	1.86	12.38	1.10	[c]	13.48
2060 . .	10.59	1.07	[c]	11.65	1.80	.06	[c]	1.86	12.38	1.13	[c]	13.51
2065 . .	10.59	1.10	[c]	11.69	1.80	.06	[c]	1.86	12.38	1.16	[c]	13.55
2070 . .	10.59	1.14	[c]	11.73	1.80	.06	[c]	1.86	12.38	1.20	[c]	13.59
2075 . .	10.59	1.18	[c]	11.77	1.80	.06	[c]	1.86	12.38	1.24	[c]	13.63
2080 . .	10.59	1.21	[c]	11.79	1.80	.06	[c]	1.86	12.38	1.27	[c]	13.65
2085 . .	10.59	1.23	[c]	11.81	1.80	.06	[c]	1.86	12.38	1.29	[c]	13.67
2090 . .	10.59	1.25	[c]	11.84	1.80	.06	[c]	1.86	12.38	1.31	[c]	13.70
2095 . .	10.59	1.27	[c]	11.86	1.80	.06	[c]	1.86	12.38	1.33	[c]	13.72

[a] Includes payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96, and other miscellaneous reimbursements.
[b] Values exclude interest income.
[c] Between -0.005 and 0.005 percent of taxable payroll.

Note: Totals do not necessarily equal the sums of rounded components.

2. Comparison of Workers to Beneficiaries

Under the intermediate assumptions, the Trustees project the OASDI cost rate will rise rapidly between 2017 and 2035, primarily because the number

of beneficiaries rises much more rapidly than the number of covered workers as the baby-boom generation retires. The ratio of OASDI beneficiaries to workers is dominated by the OASI program because all workers eventually die or retire, but only a relatively small minority become disabled. The trends described below are primarily due to demographic changes and thus affect the DI program roughly 20 years earlier than the OASI and OASDI programs. The baby-boom generation had lower fertility rates than their parents, and the Trustees expect that lower fertility rates will persist for all future generations; therefore, the ratio of OASDI beneficiaries to workers will rise rapidly and reach a permanently higher level after the baby-boom generation retires. Due to increasing longevity, the ratio of beneficiaries to workers will generally rise slowly thereafter. Table IV.B3 provides a comparison of the numbers of covered workers and beneficiaries.

Table IV.B3.—Covered Workers and Beneficiaries, Calendar Years 1945-2095

Calendar year	Covered workers[a] (in thousands)	Beneficiaries[b] (in thousands)			Covered workers per OASDI beneficiary	OASDI beneficiaries per 100 covered workers
		OASI	DI	OASDI[c]		
Historical data:						
1945	46,390	1,106	-	1,106	41.9	2
1950	48,280	2,930	-	2,930	16.5	6
1955	65,066	7,564	-	7,564	8.6	12
1960	72,371	13,740	522	14,262	5.1	20
1965	80,539	18,509	1,648	20,157	4.0	25
1970	92,963	22,618	2,568	25,186	3.7	27
1975	100,193	26,998	4,125	31,123	3.2	31
1980	112,651	30,384	4,734	35,117	3.2	31
1985	120,407	32,763	3,874	36,636	3.3	30
1990	132,994	35,255	4,204	39,459	3.4	30
1995	140,775	37,364	5,731	43,096	3.3	31
2000	154,604	38,556	6,606	45,162	3.4	29
2005	158,974	39,961	8,172	48,133	3.3	30
2006	161,488	40,435	8,428	48,863	3.3	30
2007	163,247	40,863	8,739	49,603	3.3	30
2008	162,636	41,355	9,065	50,420	3.2	31
2009	157,653	42,385	9,475	51,860	3.0	33
2010	157,035	43,440	9,958	53,398	2.9	34
2011	158,573	44,388	10,428	54,816	2.9	35
2012	160,775	45,377	10,799	56,176	2.9	35
2013	163,130	46,517	10,954	57,471	2.8	35
2014	165,586	47,603	10,971	58,574	2.8	35
2015	168,430	48,663	10,881	59,543	2.8	35
2016	170,828	49,811	10,728	60,539	2.8	35
Intermediate:						
2017	172,791	51,073	10,577	61,650	2.8	36
2020	177,690	55,857	10,680	66,537	2.7	37
2025	182,970	63,767	11,064	74,830	2.4	41
2030	186,565	70,840	11,432	82,272	2.3	44
2035	189,738	76,009	11,970	87,979	2.2	46
2040	194,291	78,422	12,561	90,983	2.1	47
2045	199,608	79,468	13,359	92,827	2.2	47
2050	204,692	81,018	13,961	94,979	2.2	46
2055	209,411	83,343	14,508	97,851	2.1	47
2060	213,907	86,474	14,782	101,256	2.1	47

Table IV.B3.—Covered Workers and Beneficiaries, Calendar Years 1945-2095 (Cont.)

Calendar year	Covered workers[a] (in thousands)	Beneficiaries[b] (in thousands) OASI	DI	OASDI[c]	Covered workers per OASDI beneficiary	OASDI beneficiaries per 100 covered workers
Intermediate (Cont.):						
2065	218,482	89,599	15,197	104,796	2.1	48
2070	223,560	93,032	15,629	108,661	2.1	49
2075	229,092	96,297	15,930	112,227	2.0	49
2080	234,773	98,359	16,453	114,812	2.0	49
2085	240,457	100,578	17,199	117,776	2.0	49
2090	245,940	104,061	17,675	121,737	2.0	49
2095	251,241	107,845	18,030	125,875	2.0	50
Low-cost:						
2017	173,336	51,056	10,530	61,585	2.8	36
2020	180,126	55,740	10,277	66,017	2.7	37
2025	186,626	63,399	10,101	73,499	2.5	39
2030	191,025	70,042	9,978	80,020	2.4	42
2035	195,146	74,680	10,093	84,773	2.3	43
2040	201,495	76,529	10,306	86,834	2.3	43
2045	209,473	77,058	10,777	87,835	2.4	42
2050	217,511	78,206	11,166	89,372	2.4	41
2055	225,184	80,294	11,576	91,869	2.5	41
2060	232,760	83,230	11,840	95,069	2.4	41
2065	240,843	86,152	12,268	98,420	2.4	41
2070	250,069	89,311	12,760	102,071	2.4	41
2075	260,428	92,166	13,211	105,376	2.5	40
2080	271,357	93,842	13,905	107,747	2.5	40
2085	282,330	96,161	14,840	111,001	2.5	39
2090	292,978	100,626	15,549	116,176	2.5	40
2095	303,529	106,079	16,085	122,164	2.5	40
High-cost:						
2017	172,783	51,089	10,625	61,715	2.8	36
2020	173,689	55,966	11,073	67,039	2.6	39
2025	179,232	64,148	11,999	76,147	2.4	42
2030	182,253	71,722	12,916	84,638	2.2	46
2035	184,719	77,509	13,898	91,408	2.0	49
2040	187,640	80,615	14,875	95,490	2.0	51
2045	190,742	82,310	16,000	98,311	1.9	52
2050	193,245	84,379	16,790	101,169	1.9	52
2055	195,135	87,045	17,456	104,501	1.9	54
2060	196,734	90,447	17,707	108,154	1.8	55
2065	198,128	93,788	18,046	111,834	1.8	56
2070	199,556	97,495	18,323	115,818	1.7	58
2075	201,000	101,155	18,340	119,495	1.7	59
2080	202,254	103,598	18,512	122,111	1.7	60
2085	203,422	105,674	18,842	124,516	1.6	61
2090	204,497	108,103	18,949	127,052	1.6	62
2095	205,471	110,281	18,955	129,236	1.6	63

[a] Workers who are paid at some time during the year for employment on which OASDI taxes are due.

[b] Beneficiaries with monthly benefits in current-payment status as of June 30.

[c] This column is the sum of OASI and DI beneficiaries. A small number of beneficiaries receive benefits from both funds.

Notes:
1. The number of beneficiaries does not include uninsured individuals who received benefits under Section 228 of the Social Security Act. The General Fund of the Treasury reimbursed the trust funds for the costs of most of these individuals.
2. Historical covered worker and beneficiary data are subject to revision.
3. Totals do not necessarily equal the sums of rounded components.

The effect of the demographic shift under the three alternatives on the OASDI cost rates is clear when one considers the projected number of

OASDI beneficiaries per 100 covered workers. Compared to the 2016 level of 35 beneficiaries per 100 covered workers, the Trustees project that this ratio rises to 46 by 2035 under the intermediate assumptions because the growth in beneficiaries greatly exceeds the growth in workers. By 2095, this projected ratio rises further under the intermediate and high-cost assumptions, reaching 50 under the intermediate assumptions and 63 under the high-cost assumptions. Under the low-cost assumptions, this ratio rises to 43 by 2035 and then declines, reaching 40 by 2095. Figure IV.B2 shows beneficiaries per 100 covered workers.

For each alternative, the curve in figure IV.B2 is strikingly similar to the corresponding cost-rate curve in figure IV.B1. This similarity emphasizes the extent to which the cost rate is determined by the age distribution of the population. The cost rate is essentially the product of the number of beneficiaries and their average benefit, divided by the product of the number of covered workers and their average taxable earnings. For this reason, the pattern of the annual cost rates is similar to that of the annual ratios of beneficiaries to workers.

Figure IV.B2.—Number of OASDI Beneficiaries Per 100 Covered Workers

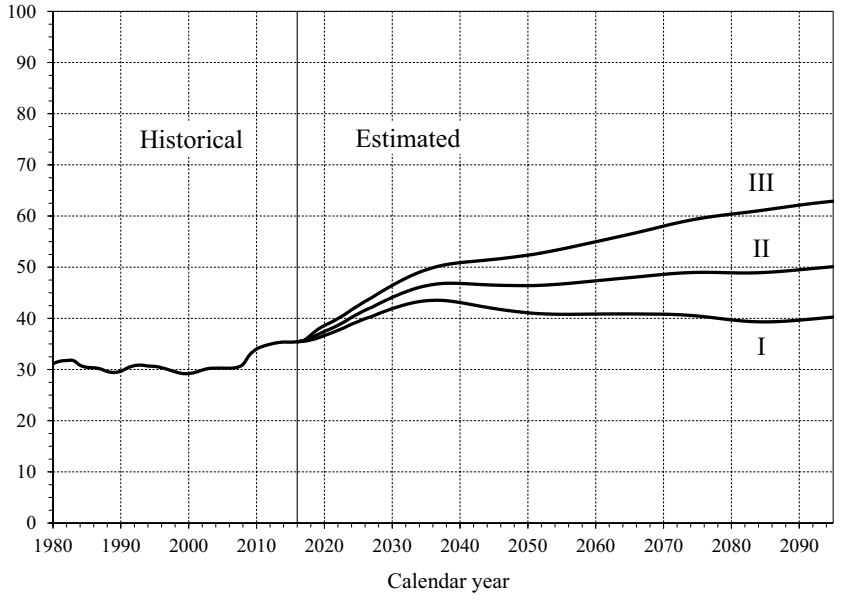


Table IV.B3 also shows the number of covered workers per OASDI beneficiary, which was about 2.8 for 2016. Under the intermediate assumptions, this ratio declines generally throughout the long-range period, reaching 2.2

for 2035 and 2.0 by 2095. Under the low-cost assumptions, this ratio declines to 2.3 for 2035, generally rises from 2035 through 2055, and remains relatively stable at 2.5 through 2095. Under the high-cost assumptions, this ratio decreases steadily to 1.6 by 2095.

3. Trust Fund Ratios and Test of Long-Range Close Actuarial Balance

Trust fund ratios are critical indicators of the adequacy of the financial resources of the Social Security program. The trust fund ratio for a year is the amount of asset reserves in a fund at the beginning of a year expressed as a percentage of the cost for the year. Under present law, the OASI and DI Trust Funds do not have the authority to borrow other than in the form of advance tax transfers, which are limited to expected taxes for the current calendar month. If reserves held in either trust fund become depleted during a year, and continuing tax revenues fall short of the cost of scheduled benefits, then full scheduled benefits would not be payable on a timely basis. For this reason, the trust fund ratio is a very critical financial measure.

The trust fund ratio serves an additional important purpose in assessing the actuarial status of the program. If the projected trust fund ratio is positive throughout the period and is either level or increasing at the end of the period, then projected adequacy for the long-range period is likely to continue for subsequent reports. Under these conditions, the program has achieved sustainable solvency.

Table IV.B4 shows the Trustees' projections of trust fund ratios by alternative, without regard to advance tax transfers that would be effected, for the separate and combined OASI and DI Trust Funds. The table also shows the years of trust fund reserve depletion and the percentage of scheduled benefits that would be payable thereafter, by alternative.

Under the intermediate assumptions, the OASI trust fund ratio is projected to decline from 347 percent at the beginning of 2017 until the trust fund reserves become depleted in 2035 (the same year as projected in last year's report), at which time 75 percent of scheduled benefits would be payable. The DI trust fund ratio is 31 percent at the beginning of 2017. The 0.57-percentage-point reallocation of payroll tax rate (for 2016 through 2018) from OASI to DI will increase the trust fund ratio to 65 percent at the beginning of 2019. After 2019, the trust fund ratio declines until the trust fund reserves become depleted in 2028 (5 years later than projected in last year's report), at which time 93 percent of scheduled benefits would be payable.

Under the intermediate assumptions, the trust fund ratio for the combined OASI and DI Trust Funds declines from 298 percent at the beginning of 2017 until the combined fund reserves become depleted in 2034 (the same

year as projected in last year's report), at which time 77 percent of scheduled benefits would be payable.

Under the low-cost assumptions, the trust fund ratio for the DI program increases from 32 percent at the beginning of 2017 to 75 percent at the beginning of 2019, again reflecting the temporary payroll tax rate reallocation. The DI trust fund ratio is then stable through 2021 and thereafter increases through the end of the long-range projection period, reaching the extremely high level of 2,015 percent for 2092. For the OASI program, the trust fund ratio declines steadily, from 347 percent for 2017 until the reserves become depleted in 2064, at which time 96 percent of scheduled benefits would be payable. For the combined OASDI program, the trust fund ratio declines from 299 percent for 2017 to a low of 117 percent in 2048, then rises thereafter, reaching 188 percent by 2092. Because the trust fund ratio is positive throughout the projection period and increasing at the end of the period, under the low-cost assumptions, the DI program and the combined OASDI program achieve sustainable solvency.

Under the high-cost assumptions, the OASI trust fund ratio declines continually until reserves become depleted in 2030, at which time 68 percent of scheduled benefits would still be payable. The DI trust fund ratio increases from 31 percent for 2017 to 53 percent for 2019 because of the payroll tax rate reallocation, but reserves decline quickly after that and become depleted in 2021. At that time, 81 percent of scheduled benefits would still be payable. The combined OASI and DI trust fund ratio declines from 297 percent for 2017 until reserves become depleted in 2029, at which time 70 percent of scheduled benefits would still be payable.

The Trustees project trust fund reserve depletion within the 75-year projection period with the exceptions of the combined OASDI Trust Funds and the DI Trust Fund under the low-cost assumptions. It is therefore very likely that lawmakers will need to increase income, reduce program costs, or both, in order to maintain solvency for the trust funds. The stochastic projections discussed in appendix E suggest that trust fund reserve depletion is highly probable by mid-century.

Even under the high-cost assumptions, however, the combined OASI and DI Trust Fund reserves on hand plus their estimated future income are sufficient to fully cover their combined cost until 2029. Under the intermediate assumptions, the combined starting fund reserves plus estimated future income are sufficient to fully cover cost until 2034. In the 2016 report, the Trustees also projected that the combined trust fund reserves would become depleted in 2029 and 2034 under the high-cost and intermediate assumptions, respectively, and would achieve sustainable solvency under the low-cost assumptions.

Table IV.B4.—Trust Fund Ratios, Calendar Years 2017-2095[a]
[In percent]

Calendar year	Intermediate			Low-cost			High-cost		
	OASI	DI	OASDI	OASI	DI	OASDI	OASI	DI	OASDI
2017	347	31	298	347	32	299	347	31	297
2018	330	47	287	329	51	288	331	44	287
2019	309	65	273	308	75	275	306	53	268
2020	292	57	259	295	76	265	284	36	248
2021	277	49	245	284	78	257	263	18	227
2022	260	42	230	273	84	248	239	[b]	205
2023	243	35	215	262	92	240	215	[b]	182
2024	225	29	199	251	102	232	189	[b]	157
2025	206	22	182	240	114	225	163	[b]	132
2026	187	16	165	230	127	218	136	[b]	106
2030	108	[b]	94	190	202	191	22	[b]	[b]
2035	1	[b]	[b]	141	322	160	[b]	[b]	[b]
2040	[b]	[b]	[b]	95	457	133	[b]	[b]	[b]
2045	[b]	[b]	[b]	61	585	119	[b]	[b]	[b]
2050	[b]	[b]	[b]	41	719	117	[b]	[b]	[b]
2055	[b]	[b]	[b]	28	857	122	[b]	[b]	[b]
2060	[b]	[b]	[b]	15	1,019	128	[b]	[b]	[b]
2065	[b]	[b]	[b]	[b]	1,182	132	[b]	[b]	[b]
2070	[b]	[b]	[b]	[b]	1,347	135	[b]	[b]	[b]
2075	[b]	[b]	[b]	[b]	1,528	139	[b]	[b]	[b]
2080	[b]	[b]	[b]	[b]	1,683	150	[b]	[b]	[b]
2085	[b]	[b]	[b]	[b]	1,798	168	[b]	[b]	[b]
2090	[b]	[b]	[b]	[b]	1,944	184	[b]	[b]	[b]
2095	[b]	[b]	[b]	[b]	2,126	192	[b]	[b]	[b]
Trust fund reserves permanently become depleted in	2035	2028	2034	2064	[c]	[c]	2030	2021	2029
Payable benefits as percent of scheduled benefits:									
At the time of permanent reserve depletion	75	93	77	96	[c]	[c]	68	81	70
For 2091	72	82	73	99	[c]	[c]	51	59	52

[a] Benefit payments scheduled to be paid on January 3 are actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund ratios reflect the 12 months of benefits scheduled for payment each year.

[b] Trust fund reserves would be depleted at the beginning of this year.

[c] Trust fund reserves would not be depleted within the projection period.

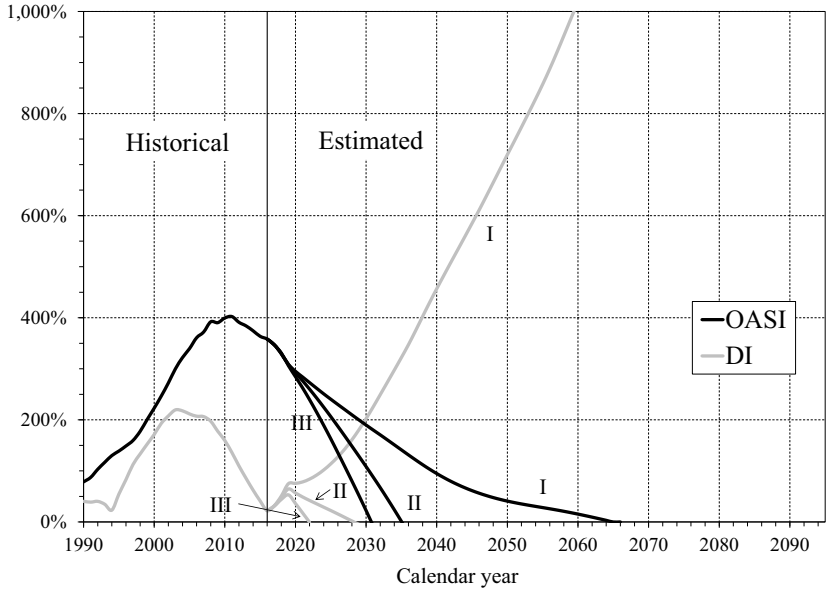
Note: The definition of trust fund ratio appears in the Glossary. The ratios shown for the combined trust funds for years after reserve depletion of either the DI or OASI Trust Fund are hypothetical.

Since 2013, when the Trustees modified the test of long-range close actuarial balance, the standard for each trust fund requires meeting two conditions: (1) the test of short-range financial adequacy is satisfied; and (2) the trust fund ratios stay above zero throughout the 75-year projection period, allowing scheduled benefits to be paid in a timely manner throughout the period. Both the long-range test and the short-range test are applied based on the intermediate set of assumptions. As discussed in section IV.A, the DI Trust Fund fails the test of short-range financial adequacy because the trust fund

ratio does not reach 100 percent at any time during the 10-year period. Under the intermediate assumptions, the OASI Trust Fund reserves become depleted in 2035, DI Trust Fund reserves become depleted in 2028, and the combined OASI and DI Trust Fund reserves become depleted in 2034. Therefore, the OASI, DI, and combined OASI and DI Trust Funds all fail the test of long-range close actuarial balance.

Figure IV.B3 illustrates the trust fund ratios for the separate OASI and DI Trust Funds for each of the alternative sets of assumptions. DI Trust Fund status is more uncertain than OASI Trust Fund status because there is a high degree of uncertainty associated with future disability prevalence. A graph of the trust fund ratios for the combined trust funds appears in figure II.D6.

Figure IV.B3.—Long-Range OASI and DI Trust Fund Ratios
[Asset reserves as a percentage of annual cost]



4. Summarized Income Rates, Summarized Cost Rates, and Actuarial Balances

Summarized values for the full 75-year period are useful in analyzing the program's long-range financial adequacy over the period as a whole, both under present law and under proposed modifications to the law. All annual amounts included in a summarized value are present-value discounted to the valuation date. It is important to note that the actuarial balance indicates the solvency status of the fund only for the very end of the period.

Table IV.B5 presents summarized income rates, summarized cost rates, and actuarial balances for 25-year, 50-year, and 75-year valuation periods. Summarized income rates are the sum of the present value of non-interest income for a period (which includes scheduled payroll taxes, the projected income from the taxation of scheduled benefits, and reimbursements from the General Fund of the Treasury) and the starting trust fund asset reserves, expressed as a percentage of the present value of taxable payroll over the period. Under current law, the total OASDI payroll tax rate will remain at 12.4 percent in the future. In contrast, the Trustees expect income from taxation of benefits, expressed as a percentage of taxable payroll, to increase in most years of the long-range period for the two reasons discussed earlier on page 52. Summarized cost rates are the sum of the present value of cost for a period (which includes scheduled benefits, administrative expenses, net interchange with the Railroad Retirement program, and payments for vocational rehabilitation services for disabled beneficiaries) and the present value of the cost of reaching a target trust fund of 100 percent of annual cost at the end of the period, expressed as a percentage of the present value of taxable payroll over the period.

The actuarial balance for a valuation period is equal to the difference between the summarized income rate and the summarized cost rate for the period. An actuarial balance of zero for any period indicates that cost for the period could be met for the period as a whole (but not necessarily at all points within the period), with a remaining trust fund reserve at the end of the period equal to 100 percent of the following year's cost. A negative actuarial balance for a period indicates that the present value of income to the program plus the existing trust fund is less than the present value of the cost of the program plus the cost of reaching a target trust fund reserve of 1 year's cost by the end of the period. Generally, a trust fund is deemed to be adequately financed for a period if the actuarial balance is zero or positive, meaning that the reserves at the end of the period are at least equal to annual cost. Note that solvency is possible with a small negative actuarial balance where reserves are still positive.[1]

Table IV.B5 contains summarized rates for the intermediate, low-cost, and high-cost assumptions. The low-cost and high-cost assumptions define a wide range of possibilities. Financial outcomes as good as the low-cost scenario or as bad as the high-cost scenario are unlikely to occur.

[1] A program is solvent over any period for which the trust fund maintains a positive level of asset reserves. In contrast, the actuarial balance for a period includes the cost of having a target fund equal to 100 percent of the following year's cost at the end of the period. Therefore, if a program ends the period with reserves that are positive but not sufficient to cover the following year's costs, it will be solvent at the end of the period and yet still have a small negative actuarial balance for that period.

For the 25-year valuation period, the OASDI program has an actuarial balance of 0.14 percent of taxable payroll under the low-cost assumptions, -1.67 percent under the intermediate assumptions, and -3.95 percent under the high-cost assumptions. These balances indicate that the program is adequately financed for the 25-year valuation period under only the low-cost assumptions.

For the 50-year valuation period, the OASDI program has actuarial balances of 0.08 percent under the low-cost assumptions, -2.42 percent under the intermediate assumptions, and -5.60 percent under the high-cost assumptions. These actuarial balances mean that the OASDI program is adequately financed for the 50-year valuation period under only the low-cost assumptions.

For the entire 75-year valuation period, the combined OASDI program has actuarial balances of 0.12 percent of taxable payroll under the low-cost assumptions, -2.83 percent under the intermediate assumptions, and -6.63 percent under the high-cost assumptions. These balances indicate that the combined OASDI program is adequately financed for the 75-year valuation period under only the low-cost assumptions.

Assuming the intermediate assumptions accurately capture future demographic and economic trends, solvency for the program over the next 75 years could be restored using a variety of approaches. For example, revenues could be increased in a manner equivalent to an immediate and permanent increase in the combined Social Security payroll tax rate from 12.40 percent to 15.16 percent (a relative increase of 22.3 percent), cost could be reduced in a manner equivalent to an immediate and permanent reduction in scheduled benefits of about 17 percent, or some combination of approaches could be used.

However, eliminating the actuarial deficit for the next 75-year valuation period requires raising payroll taxes or lowering benefits by more than is required just to achieve solvency, because the actuarial deficit includes the cost of attaining a target trust fund equal to 100 percent of annual program cost by the end of the period. The actuarial deficit could be eliminated for the 75-year period by increasing revenues in a manner equivalent to an immediate and permanent increase in the combined payroll tax from 12.40 percent

to 15.33 percent (a relative increase of 23.6 percent),[1] reducing cost in a manner equivalent to an immediate reduction in scheduled benefits of about 18 percent, or some combination of approaches could be used.

Under the intermediate assumptions, the OASDI program has large annual deficits toward the end of the long-range period that are increasing and reach 4.48 percent of payroll for 2091 (see table IV.B1). These large deficits indicate that annual cost continues to exceed non-interest income after 2091, so continued adequate financing would require larger changes than those needed to maintain solvency for the 75-year period. Over the period extending through the infinite horizon, the actuarial deficit is 4.2 percent of payroll under the intermediate assumptions.

Table IV.B5.—Components of Summarized Income Rates and Cost Rates, Calendar Years 2017-2091
[As a percentage of taxable payroll]

	Summarized income rate			Summarized cost rate			
Valuation period	Non-interest income	Beginning asset reserves[a]	Total	Cost[a]	Ending target fund[a]	Total	Actuarial balance
OASI:							
Intermediate:							
2017-41.....	11.28	1.47	12.75	13.69	0.56	14.25	-1.51
2017-66.....	11.34	.80	12.15	14.11	.24	14.35	-2.20
2017-91.....	11.38	.60	11.97	14.42	.14	14.56	-2.59
Low-cost:							
2017-41.....	11.19	1.33	12.52	12.13	.49	12.61	-.09
2017-66.....	11.22	.70	11.93	11.94	.21	12.14	-.22
2017-91.....	11.23	.50	11.73	11.80	.12	11.92	-.19
High-cost:							
2017-41.....	11.38	1.62	13.01	15.65	.66	16.32	-3.31
2017-66.....	11.49	.92	12.41	16.88	.29	17.17	-4.76
2017-91.....	11.56	.70	12.27	17.82	.17	17.99	-5.72
DI:							
Intermediate:							
2017-41.....	1.88	0.02	1.90	1.99	0.08	2.07	-0.17
2017-66.....	1.86	.01	1.87	2.05	.03	2.09	-.21
2017-91.....	1.86	.01	1.87	2.09	.02	2.11	-.24
Low-cost:							
2017-41.....	1.87	.02	1.89	1.60	.06	1.66	.23
2017-66.....	1.85	.01	1.86	1.54	.03	1.57	.29
2017-91.....	1.84	.01	1.85	1.52	.02	1.54	.31
High-cost:							
2017-41.....	1.89	.03	1.92	2.46	.10	2.56	-.64
2017-66.....	1.88	.02	1.89	2.68	.05	2.72	-.83
2017-91.....	1.87	.01	1.88	2.77	.02	2.80	-.91

[1] The indicated increase in the payroll tax rate of 2.93 percent is somewhat larger than the 2.83 percent 75-year actuarial deficit because the indicated increase reflects a behavioral response to tax rate changes. In particular, the calculation assumes that an increase in payroll taxes results in a small shift of wages and salaries to forms of employee compensation that are not subject to the payroll tax.

Table IV.B5.—Components of Summarized Income Rates and Cost Rates, Calendar Years 2017-2091 (Cont.)
[As a percentage of taxable payroll]

	Summarized income rate			Summarized cost rate			
Valuation period	Non-interest income	Beginning asset reserves[a]	Total	Cost[a]	Ending target fund[a]	Total	Actuarial balance
OASDI:							
Intermediate:							
2017-41.	13.16	1.49	14.65	15.68	.64	16.32	-1.67
2017-66.	13.20	.82	14.02	16.16	.28	16.44	-2.42
2017-91.	13.23	.61	13.84	16.50	.16	16.67	-2.83
Low-cost:							
2017-41.	13.06	1.35	14.41	13.73	.54	14.27	.14
2017-66.	13.07	.72	13.79	13.48	.23	13.71	.08
2017-91.	13.07	.51	13.58	13.32	.14	13.46	.12
High-cost:							
2017-41.	13.28	1.65	14.93	18.11	.77	18.88	-3.95
2017-66.	13.37	.93	14.30	19.56	.33	19.90	-5.60
2017-91.	13.44	.72	14.15	20.59	.19	20.79	-6.63

[a] Benefit payments scheduled to be paid on January 3 are actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.

Note: Totals do not necessarily equal the sums of rounded components.

5. Open Group Unfunded Obligation

Consistent with practice since 1965, this report focuses on a 75-year open group valuation to evaluate the long-run financial status of the OASDI program. The open group valuation includes non-interest income and cost for past, current, and future participants through the year 2091. The open group unfunded obligation measures the adequacy of financing over the period as a whole for a program financed on a pay-as-you-go basis. On this basis, payroll taxes and scheduled benefits for all participants are included through 2091.

The open group unfunded obligation increased from $11.4 trillion shown in last year's report to $12.5 trillion in this report. If there had been no changes in starting values, assumptions, laws, or methods for this report, then the open group unfunded obligation would have increased to $11.9 trillion solely due to the change in the valuation period. This expected increase in the unfunded obligation occurs because: (1) the unfunded obligation is now discounted to January 1, 2017, rather than to January 1, 2016, which tends to increase the unfunded obligation by the annual nominal interest rate; and (2) the unfunded obligation now includes an additional year (2091). However, changes in the law, assumptions, methods, and starting values resulted in a net $0.6 trillion increase in the unfunded obligation.

The 75-year unfunded obligation is equivalent to 2.66 percent of future OASDI taxable payroll and 0.9 percent of GDP through 2091. These percentages were 2.49 and 0.9, respectively, for last year's report. The 75-year unfunded obligation as a percentage of taxable payroll is less than the actuarial deficit, because the unfunded obligation excludes the cost of having an ending target trust fund value.

The actuarial deficit was 2.66 percent of payroll in last year's report, and was expected to increase to a deficit of 2.71 percent of payroll solely due to the change in the valuation period. Changes in the law, assumptions, methods, and starting values combined to account for a 0.12 percent increase (worsening) in the actuarial deficit to 2.83 percent of payroll. For additional details on these changes, see section IV.B.6.

Table IV.B6 presents the components and the calculation of the long-range (75-year) actuarial balance under the intermediate assumptions. The present value of future cost less future non-interest income over the long-range period, minus the amount of trust fund asset reserves at the beginning of the projection period, amounts to $12.5 trillion for the OASDI program. This amount is the 75-year "open group unfunded obligation" (see row H). The actuarial deficit (which is the negative of the actuarial balance) combines this unfunded obligation with the present value of the ending target trust fund and expresses the total as a percentage of the present value of the taxable payroll for the period. The present value of future non-interest income minus cost, plus starting trust fund reserves, minus the present value of the ending target trust fund, is -$13.3 trillion for the OASDI program.

Table IV.B6.—Components of 75-Year Actuarial Balance and Unfunded Obligation Under Intermediate Assumptions

Item	OASI	DI	OASDI
Present value as of January 1, 2017 (in billions):			
A. Payroll tax revenue	$49,637	$8,526	$58,163
B. Reimbursements from general revenue	[a]	[a]	[a]
C. Taxation of benefits revenue	3,779	188	3,967
D. Non-interest income (A + B + C)	53,416	8,715	62,131
E. Cost	67,691	9,796	77,487
F. Cost minus non-interest income (E - D)	14,275	1,082	15,357
G. Trust fund asset reserves at start of period	2,801	46	2,848
H. Open group unfunded obligation (F - G)	11,474	1,035	12,509
I. Ending target trust fund[b]	671	95	766
J. Income minus cost, plus reserves at start of period, minus ending target trust fund (D - E + G - I = - H - I)	-12,144	-1,131	-13,275
K. Taxable payroll	469,552	469,552	469,552
Percent of taxable payroll:			
Actuarial balance (100 × J ÷ K)	-2.59	-.24	-2.83

[a] Less than $0.5 billion.

[b] The calculation of the actuarial balance includes the cost of accumulating a target trust fund reserve equal to 100 percent of annual cost at the end of the period.

Note: Totals do not necessarily equal the sums of rounded components.

Consideration of summary measures alone (such as the actuarial balance and open group unfunded obligation) for a 75-year period can lead to incorrect perceptions and to policy prescriptions that do not achieve sustainable solvency. These concerns can be addressed by considering the trend in trust fund ratios toward the end of the period. (See the discussion of "sustainable solvency" beginning on page 51.)

Another measure of trust fund finances, discussed in appendix F, is the infinite horizon unfunded obligation, which takes account of all annual balances, even those after 75 years. The extension of the time period past 75 years assumes that the current-law OASDI program and the demographic and economic trends used for the 75-year projection continue indefinitely. This infinite horizon unfunded obligation is estimated to be 4.2 percent of taxable payroll or 1.4 percent of GDP. These percentages were 4.0 and 1.4, respectively, for last year's report. Of course, the degree of uncertainty associated with estimates increases substantially for years further in the future.

6. Reasons for Change in Actuarial Balance From Last Report

Table IV.B7 shows the effects of changes on the long-range actuarial balance under the intermediate assumptions, by category, between last year's report and this report.

Table IV.B7.—Reasons for Change in the 75-Year Actuarial Balance, Based on Intermediate Assumptions
[As a percentage of taxable payroll]

Item	OASI	DI	OASDI
Shown in last year's report:			
Income rate	11.96	1.88	13.84
Cost rate	14.36	2.14	16.50
Actuarial balance	**-2.39**	**-.26**	**-2.66**
Changes in actuarial balance due to changes in:			
Legislation / Regulation	.01	.00	.00
Valuation period[a]	-.05	-.01	-.05
Demographic data and assumptions	-.03	.00	-.03
Economic data and assumptions	-.07	-.01	-.08
Disability data and assumptions	-.01	.03	.03
Methods and programmatic data	-.05	.01	-.04
Total change in actuarial balance	-.19	.02	-.17
Shown in this report:			
Actuarial balance	**-2.59**	**-.24**	**-2.83**
Income rate	11.97	1.87	13.84
Cost rate	14.56	2.11	16.67

[a] The change in the 75-year valuation period from last year's report to this report means that the 75-year actuarial balance now includes the relatively large negative annual balance for 2091. This change in the valuation period results in a larger long-range actuarial deficit. The actuarial deficit includes the trust fund reserve at the beginning of the projection period.

Note: Totals do not necessarily equal the sums of rounded components.

If the assumptions, methods, starting values, and the law had all remained unchanged from last year's Trustees Report, the long-range OASDI actuarial balance would have decreased (become more negative) by 0.05 percent of taxable payroll solely due to the change in the valuation period. However, as described below, projections in this report also reflect changes in law, data, assumptions, and methods. These changes, including the change in the valuation period, combined to decrease the long-range OASDI actuarial balance, from -2.66 percent of taxable payroll in last year's report to -2.83 percent in this report.

Since the last report, there have been no new laws, regulations, or policy changes that are expected to have significant financial effects on the OASDI program. However, estimates in this report, unlike in last year's report, reflect the assumption that parts of President Obama's 2014 executive actions on immigration will not be implemented. Specifically, the estimates now assume that the following two provisions will not be implemented: (1) granting legal work and residence status to an expanded group of individuals who

entered the country as children (deferred action for childhood arrivals, or DACA) and (2) granting similar status to certain parents of children born in the U.S. or otherwise living in the country legally (deferred action for parents of Americans, or DAPA). Last year's report assumed that these two actions would become effective late in 2016, with individuals gaining authorization starting around the beginning of 2017. This change is projected to have a positive but negligible effect on the long-range OASDI actuarial balance, primarily due to fewer of these individuals ultimately receiving benefits. The effect on OASI alone is a non-negligible increase in the actuarial balance of 0.01 percent of taxable payroll.

As mentioned above, changing the 75-year valuation period from 2016 through 2090 to 2017 through 2091 decreased the projected long-range OASDI actuarial balance by 0.05 percent of taxable payroll. This decrease is mainly the result of including the relatively large negative annual balance for 2091 in this year's 75-year projection period. Note that the actuarial balance calculation includes trust fund asset reserves at the beginning of the projection period. These reserves at the start of the period reflect the program's net financial flows for all past years up to the start of the projection period, including 2016.

All changes in demographic data and assumptions combined to decrease the long-range OASDI actuarial balance by 0.03 percent of taxable payroll. Ultimate demographic assumptions are unchanged from those in last year's report. The following paragraph describes four demographic data updates that had significant effects on the long-range OASDI actuarial balance.

First, final fertility (birth) data for 2015 indicate slightly lower birth rates than were assumed in last year's report for 2015. As in last year's report, the estimates reflect: (1) the effect of the recent economic recession on the total fertility rate for recent years and (2) the assumption that the total fertility rate will rebound to a level temporarily above the ultimate level and will subsequently decline to the ultimate level by 2027. These updated birth rate data, which result in slightly lower birth rates during the transition period to the unchanged ultimate levels, decreased the long-range OASDI actuarial balance by about 0.01 percent of taxable payroll. Second, incorporating 2014 mortality data for ages under 65 from the National Center for Health Statistics and preliminary 2014 mortality data for ages 65 and older from Medicare experience resulted in higher death rates for all future years than were projected in last year's report. These higher death rates increased (improved) the long-range OASDI actuarial balance by about 0.04 percent of taxable payroll. Third, this year's estimates incorporate updated legal immigration data from the Department of Homeland Security, which decreased the actuarial balance by 0.01 percent of taxable payroll. Fourth, updates to historical pop-

ulation data and other minor data updates combined to decrease the long-range OASDI actuarial balance by 0.05 percent of taxable payroll. The majority of this change was due to updated 2013 and 2014 historical other-than-legal population estimates.

Changes in economic data and assumptions combined to decrease the actuarial balance by 0.08 percent of payroll.

One long-term economic assumption in this year's report was changed from the value used in last year's report. The average real-wage differential over the last 65 years of the projection period (in this year's report, 2026 to 2091) is 1.20 percent per year in this report, and is decreased slightly from the value in last year's report. In fact, last year's value was also 1.20 percent, when rounded to two decimal places, but the difference in the unrounded values from last year to this year is close to a 0.01 percent decrease. There were also changes to the assumed real-wage differential for the first ten years of the projection period, which averaged to 0.05 percent lower annual growth for this year's report. These lower long-term and near-term real-wage differential assumptions are based on new projections by the Centers for Medicare and Medicaid Services of faster growth in employer sponsored group health insurance premiums. Because these premiums are not subject to the payroll tax, faster growth in these premiums means that a smaller share of employee compensation will be in the form of wages that are subject to the payroll tax. These changes to the real-wage differential assumptions decreased the long-range OASDI actuarial balance by 0.03 percent of taxable payroll. About one-half of this effect is due to changes in the near-term and one-half is due to changes over the longer term.

In addition, this year's report assumes that the recovery from the recent recession will be weaker than previously expected, resulting in a permanently lower level of labor productivity than was projected in last year's report. This change reduces the level of actual and potential GDP by about 1 percent for all years after the short-range period. This change to projected actual and potential GDP decreased the actuarial balance by about 0.02 percent of taxable payroll. Other changes to starting values and near-term economic assumptions combined for a net decrease in the actuarial balance of 0.03 percent of taxable payroll.

Although ultimate disability assumptions are unchanged from those in last year's report, changes in recent disability data and near-term assumptions increased the long-range OASDI actuarial balance by 0.03 percent of taxable payroll. Recent data have shown significantly lower levels of disability applications and awards than expected in last year's report. Based on this experience, estimated disabled worker incidence rates are reduced for this report over the short-range period. These changes are primarily responsible

for the change in the DI reserve depletion date from 2023 in last year's report to 2028 in this year's report. The short-range effects are noted in section IV.A.4 and further described in section V.C.5.

The projections in this report also reflect several methodological improvements and updates of program-specific data. These methodological changes, programmatic data updates, and interactions combined to decrease the long-range OASDI actuarial balance by 0.04 percent of taxable payroll. Descriptions of seven significant methodological changes and programmatic data updates follow.

First, this year's report includes an improvement to the method for estimating quarters of coverage earned by female workers. This change increased the female fully insured rates, putting them in better alignment with the historical data, and led to higher numbers of insured female workers in the projection period. This methodological improvement decreased the long-range OASDI actuarial balance by 0.02 percent of taxable payroll.

Second, an adjustment was made to the method for projecting whether benefits for aged spouses, widows, and widowers would be withheld due to receipt of a significant government-employee pension based on earnings in noncovered employment. This change led to a decrease in the beneficiary population over the projection period, which in turn increased the long-range OASDI actuarial balance by 0.01 percent of taxable payroll.

The third significant change was an improvement to the method for calculating the probability that aged spouses, widows, and widowers are or are not insured. Prior year's reports used the "total fully insured rate"—that is, the portion of the entire married, divorced, widow, and widower population that is fully insured—as one of the factors used to determine the fully insured status of aged spouses, widows, and widowers. This year's report instead uses the "legal fully insured rate," thus eliminating the effects of shifts in the uninsured population due to changes in the other-than-legal population. This methodology change decreased this beneficiary population significantly over the next 75 years, increasing the actuarial balance by 0.05 percent of payroll.

Fourth, several enhancements were made to the long-range model for projecting average benefit levels of retired worker and disabled-worker beneficiaries newly entitled for benefits, which is based on a 10 percent sample of all newly entitled retired-worker beneficiaries in 2013. The most significant of these enhancements is related to the "shuttling" procedure. Workers will generally retire at older ages in the future, as life expectancy and the normal retirement age increase. In order to capture this shift in retirement ages in the projection, a corresponding proportion of workers are "shuttled" from their actual age in the 10 percent sample to an older age. For prior years' reports,

the shuttling procedure did not account for the possibility of additional earnings in the year or years between the actual age and the shuttled age. For this year's report, the shuttling procedure was moved to an earlier stage of the model so that these additional earnings could be incorporated, improving consistency with revenue projections. Together, the changes to the model for projecting average benefits for newly-entitled beneficiaries decreased the actuarial balance by 0.05 percent of payroll.

The fifth significant change is a programmatic data update that resulted in a decrease in income from taxation of benefits in this year's report. Recent data and estimates provided by the Office of Tax Analysis at the Department of Treasury indicate lower levels of revenue from taxation of OASDI benefits than projected in last year's report. The decrease in the ultimate projected ratios of income from taxation of benefits to benefits resulted in a decrease in the long-range OASDI actuarial balance of 0.01 percent of taxable payroll.

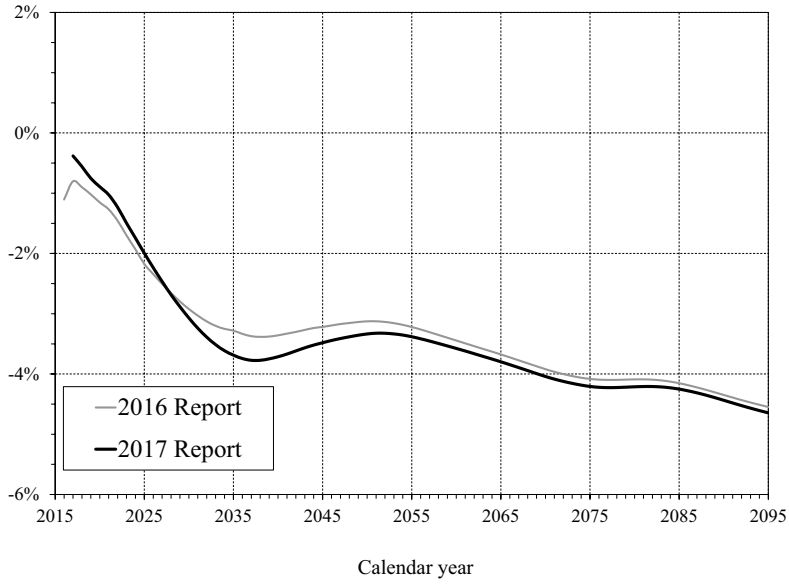
Sixth, this year's report improves the method for projecting dually entitled widows and widowers. The new method projects both the number of dually entitled widows and widowers and their average excess benefit amounts using regressions for three age groups, rather than one regression for the entire group. Splitting the regressions allows for different independent and dependent variable relationships for age groups 62 to 74, 75 to 84, and 85 and older. This methodological improvement decreased the long-range OASDI actuarial balance by 0.02 percent of taxable payroll.

The seventh significant change is updates to two sets of benefit adjustment factors: the post-entitlement adjustment factors and the Windfall Elimination Provision (WEP) reduction factors. Post-entitlement factors are used to account for changes in benefit levels other than the cost-of-living adjustment; WEP reduction factors are used to adjust benefits for individuals who receive a pension based on specified categories of non-covered employment. These programmatic data updates combined to decrease the actuarial balance by 0.03 percent of payroll.

In addition to these seven significant methodological changes and programmatic data updates, changes in projected OASI and DI beneficiaries and benefit levels over the first 10 years of the projection period, updating other programmatic data, other small methodological improvements, and interactions combined to increase the long-range OASDI actuarial balance by 0.03 percent of taxable payroll.

Figure IV.B4 compares the annual cash-flow balances for this report and the prior year's report for the combined OASDI program over the long-range (75-year) projection period. The figure illustrates the annual effects of the changes described earlier in this section.

Figure IV.B4.—OASDI Annual Balances: 2016 and 2017 Trustees Reports
[As a percentage of taxable payroll, under Intermediate Assumptions]



This pattern of differences between the annual balances (income rate minus cost rate) in the two reports is due to the changes described earlier in this section. The annual balances are higher (less negative) through 2027 in this year's report, and lower in each year thereafter, averaging 0.12 percentage point lower over the 75-year projection period. For 2090, the projected annual deficit is 4.44 percent of taxable payroll in this report, compared to 4.35 percent in last year's report.

V. ASSUMPTIONS AND METHODS UNDERLYING ACTUARIAL ESTIMATES

The future income and cost of the OASDI program will depend on many demographic, economic, and program-specific factors. Trust fund income will depend on how these factors affect the size and composition of the working population as well as the level and distribution of earnings. Similarly, program cost will depend on how these factors affect the size and composition of the beneficiary population as well as the general level of benefits.

The Trustees make basic assumptions for several of these factors based on analysis of historical trends, historical conditions, and expected future conditions. These factors include fertility, mortality, immigration, marriage, divorce, productivity, inflation, average earnings, unemployment, real interest rates, and disability incidence and termination. Other factors depend on these basic assumptions. These other, often interdependent, factors include total population, life expectancy, labor force participation, gross domestic product, and program-specific factors. Each year the Trustees reexamine these assumptions and methods in light of new information and make appropriate revisions. The assumptions for this report were established by the middle of January 2017, and have been accepted by the current members of the Board.

Future levels of these factors and their interrelationships are inherently uncertain. To address these uncertainties, this report uses three sets of assumptions, designated as intermediate (alternative II), low-cost (alternative I), and high-cost (alternative III). The intermediate set represents the Trustees' best estimate of the future course of the population and the economy. With regard to the net effect on the actuarial status of the OASDI program, the low-cost set is more optimistic and the high-cost set is more pessimistic. The low-cost and high-cost sets of assumptions reflect significant potential changes in the interrelationships among factors, as well as changes in the values for individual factors.

While it is unlikely that all of the factors and interactions will differ in the specified directions from the intermediate values, many combinations of individual differences in the factors could have a similar overall effect. Outcomes with overall long-range cost as low as the low-cost scenario or as high as the high-cost scenario are very unlikely. This report also includes sensitivity analysis, where factors are changed one at a time (see appendix D), and a stochastic projection, which provides a probability distribution of possible future outcomes, with each input assumption centered around the intermediate alternative (see appendix E).

Readers should interpret with care the estimates based on the three sets of alternative assumptions. These estimates are not specific predictions of the future financial status of the OASDI program. Rather, they provide a reasonable range of future income and cost bounded by two plausible, albeit very unlikely, demographic and economic scenarios.

The Trustees assume that values for each of the demographic, economic, and program-specific factors change toward long-range ultimate values from recent levels or trends within the next 25 years. For extrapolations beyond the 75-year long-range period, the ultimate levels or trends reached by the end of the 75-year period remain unchanged. The assumed ultimate values represent average annual experience or growth rates. Actual future values will exhibit fluctuations or cyclical patterns, as in the past.

The following sections briefly discuss the various assumptions and methods required to make the estimates of trust fund financial status, which are the heart of this report.[1] There are, of course, many interrelationships among these factors that are important but are beyond the scope of this discussion.

A. DEMOGRAPHIC ASSUMPTIONS AND METHODS

This section of the report provides a brief overview of the demographic historical data and the assumptions used for the projections.

1. Fertility Assumptions

Birth rates by single year of age, for women aged 14 to 49,[2] are the basis for the fertility assumptions. These rates apply to the total number of women, across all marital statuses, in the midyear population at each age. Table V.A1 displays the historical and projected total fertility rates.[3]

Historically, birth rates in the United States have fluctuated widely. The total fertility rate decreased from 3.31 children per woman at the end of World

[1] Actuarial Studies published by the Office of the Chief Actuary, Social Security Administration, contain further details about the assumptions, methods, and actuarial estimates. A complete list of available studies may be found at www.ssa.gov/OACT/NOTES/actstud.html. To obtain copies of such studies or of this report, please submit a request at www.ssa.gov/OACT/request.html or write to: Office of the Chief Actuary, 700 Altmeyer Building, 6401 Security Boulevard, Baltimore, MD 21235. This entire report, along with supplemental year-by-year tables and additional documentation on assumptions and methods, may be found at www.ssa.gov/OACT/TR/2017/.

[2] Birth rates at age 14 include births to women aged 14 and under, and birth rates at age 49 include births to women aged 49 and over.

[3] The total fertility rate may be interpreted as the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, a specified year, and if she were to survive the entire childbearing period. A rate of about 2.1 would ultimately result in a nearly constant population if immigration and emigration were both zero, and if death rates were to remain at current levels.

War I (1918) to 2.15 during the Great Depression (1936). After 1936, the total fertility rate rose to 3.68 in 1957 and then fell to 1.74 by 1976. After 1976, the total fertility rate rose above 2.00 by 1990, where it generally remained through 2009, but dropped below 1.90 for 2011 through 2015. The recession and slow recovery in employment opportunity are likely contributing reasons for this recent low level.

These variations in the total fertility rate resulted from changes in many factors, including social attitudes, economic conditions, birth-control practices, and the racial/ethnic composition of the population. The Trustees expect future total fertility rates to remain relatively close to recent levels. Certain population characteristics, such as the higher percentages of women who have never married, of women who are divorced, and of young women who are in the labor force, are consistent with continued lower total fertility rates than those experienced during the baby-boom era (1946-65). Based on consideration of these factors, the Trustees assume ultimate total fertility rates of 2.20, 2.00, and 1.80 children per woman for the low-cost, intermediate, and high-cost assumptions, respectively. These ultimate rates are unchanged from last year's report.

For the intermediate assumptions, the projected total fertility rate rises until it reaches 2.05 for 2023. This reflects the assumption that the drop in the total fertility rate below 2.0 children per woman during the recent economic downturn was in part a deferral in childbearing that will be partially offset with full economic recovery. Thereafter, the total fertility rate follows a linear trend toward the ultimate level in 2027. The assumed low-cost and high-cost total fertility rates trend away from the intermediate path and reach the ultimate values in 2024 and 2032, respectively.

2. Mortality Assumptions

For the projections in this year's report, ultimate average annual percentage reductions in future mortality rates were assumed by age group and cause of death. These assumptions were then used to estimate future central death rates by age group, sex, and cause of death. From these estimated central death rates, probabilities of death by single year of age and sex were calculated.

Historical death rates are calculated for years 1900 through 2014 for ages below 65 (and for all ages for years prior to 1968) using data from the National Center for Health Statistics (NCHS).[1] For ages 65 and over, final

[1] These rates reflect NCHS data on deaths and Census estimates of population.

Medicare data on deaths and enrollments for years 1968 through 2013 and preliminary data for 2014 are used. Death rates by cause of death are produced for all ages for years 1979-2014 using data from the NCHS.

The total age-sex-adjusted death rate[1] declined at an average annual rate of 1.05 percent between 1900 and 2014. Between 1979 and 2014, the period for which death rates were analyzed by cause, the total age-sex-adjusted death rate, for all causes combined, declined at an average rate of 0.93 percent per year.

Death rates have declined substantially in the U.S. since 1900, with rapid declines over some periods and slow or no improvement over the other periods. Many factors are responsible for historical reductions in death rates, including medical advances, increased availability of health-care services, and improvements in sanitation and nutrition. Historical death rates generally declined more slowly for older ages and more rapidly for children and infants than for the rest of the population. Between 1900 and 2014, the age-sex-adjusted death rate for ages 65 and over declined at an average rate of 0.79 percent per year, while declining at an average rate of 3.07 percent per year for ages under 15.

Mortality assumptions differ for the low-cost, intermediate, and high-cost scenarios. Throughout the projection, the low-cost scenario contains annual percentage reductions that are smaller than those in the intermediate scenario, while those in the high-cost scenario are larger. The ultimate annual percentage reductions are the same as those in last year's report.

The trends in the annual reductions in central death rates are calculated for the period from 2004 to 2014 by age group, sex, and cause of death. These trends are the starting reductions for alternative II. For alternatives I and III, 50 and 150 percent of the starting reductions are used, respectively. These annual reductions, by alternative, are assumed to transition rapidly from the starting reductions until they reach the ultimate annual percentage reductions assumed for 2041 and later.

Table V.A1 contains historical and projected age-sex-adjusted death rates for the total population (all ages), for ages under 65, and for ages 65 and over. Age-sex adjustment eliminates the effect of a changing distribution of population by age and sex, allowing the pure effects of changes in death rates to be observed. Under the intermediate assumptions, projected age-sex-adjusted death rates are, in general, slightly higher than the death rates in last year's

[1] Based on the enumerated total population as of April 1, 2010, if that population were to experience the death rates by age and sex for the selected year.

report for both the age group under 65 and the age group 65 and over. These changes primarily result from incorporating more recent historical data.

The projected average annual rate of decline for the total age-sex-adjusted death rate is about 0.42 percent, 0.77 percent, and 1.16 percent between 2016 and 2091 for alternatives I, II, and III, respectively. In keeping with the patterns observed in the historical data, the assumed future rates of decline are greater for younger ages than for older ages, but to a substantially lesser degree than in the past. Accordingly, the projected age-sex-adjusted death rates for ages 65 and over decline at average annual rates of about 0.37 percent, 0.68 percent, and 1.01 percent between 2016 and 2091 for alternatives I, II, and III, respectively. The projected age-sex-adjusted death rates for ages under 15 decline at average annual rates of about 0.81 percent, 1.60 percent, and 2.60 percent between 2016 and 2091 for alternatives I, II, and III, respectively.

Demographers express a wide range of views on the likely rate of future decline in death rates. For example, some believe that the long-standing historical tendency for mortality to decline more slowly at the highest ages will cease in the future. Others believe that biological factors, social factors, and limitations on health care spending may slow future rates of decline in mortality.[1]

The Trustees periodically revise the assumed ultimate rates of decline in mortality based on experience, new conditions, and expert opinion. Evolving trends in health care and lifestyle will determine what modifications to the assumed ultimate rates of decline in mortality will be warranted for future reports.

[1] The 2015 Technical Panel on Assumptions and Methods, appointed by the Social Security Advisory Board, recommended retaining ultimate rates of improvement that vary by age and cause of death as assumed by the Trustees, but with an overall rate of improvement on an age-sex-adjusted basis of 1.00 percent.

Table V.A1.—Fertility and Mortality Assumptions,[a] Calendar Years 1940-2095

Calendar year	Total fertility rate[b]	Age-sex-adjusted death rate[c] per 100,000, by age		
		Total	Under 65	65 and over
Historical data:				
1940	2.23	1,919.8	750.1	9,718.8
1945	2.42	1,716.6	674.8	8,662.9
1950	3.03	1,561.9	570.2	8,173.7
1955	3.50	1,453.8	508.2	7,758.4
1960	3.61	1,454.3	503.2	7,795.4
1965	2.88	1,428.8	495.2	7,653.3
1970	2.43	1,340.0	485.7	7,036.3
1975	1.77	1,204.8	426.6	6,393.6
1980	1.82	1,136.9	384.3	6,154.3
1985	1.83	1,081.0	353.3	5,932.9
1990	2.07	1,021.3	333.6	5,606.3
1995	1.98	1,001.5	317.9	5,559.5
2000	2.05	960.7	281.0	5,492.3
2005	2.06	901.3	270.7	5,105.4
2006	2.11	876.1	267.6	4,933.5
2007	2.12	856.8	261.6	4,825.2
2008	2.07	857.0	258.8	4,845.5
2009	2.00	827.1	255.3	4,639.7
2010	1.93	821.3	248.5	4,640.1
2011	1.89	819.3	249.1	4,621.4
2012	1.87	811.9	248.5	4,568.2
2013	1.85	811.9	249.2	4,563.6
2014	1.86	[d]805.4	251.1	[d]4,501.1
2015	1.84	[e]787.9	[e]243.2	[e]4,419.6
2016	[e]1.87	[e]779.8	[e]240.8	[e]4,373.7
Intermediate:				
2020	1.98	750.2	230.7	4,213.9
2025	2.03	716.9	218.1	4,042.5
2030	2.00	686.1	205.9	3,887.5
2035	2.00	657.5	194.6	3,743.9
2040	2.00	630.8	183.9	3,609.9
2045	2.00	605.8	174.0	3,484.3
2050	2.00	582.3	164.8	3,366.3
2055	2.00	560.4	156.1	3,255.3
2060	2.00	539.7	148.1	3,150.9
2065	2.00	520.3	140.5	3,052.3
2070	2.00	502.0	133.5	2,959.3
2075	2.00	484.8	126.9	2,871.3
2080	2.00	468.6	120.7	2,788.0
2085	2.00	453.2	114.9	2,709.0
2090	2.00	438.7	109.4	2,634.1
2095	2.00	425.0	104.3	2,562.8

Table V.A1.—Fertility and Mortality Assumptions,[a] Calendar Years 1940-2095 (Cont.)

Calendar year	Total fertility rate[b]	Age-sex-adjusted death rate[c] per 100,000, by age		
		Total	Under 65	65 and over
Low-cost:				
2020	2.07	779.0	239.7	4,374.5
2025	2.20	762.6	233.4	4,290.8
2030	2.20	745.9	226.8	4,207.1
2035	2.20	729.6	220.4	4,125.1
2040	2.20	713.8	214.1	4,045.4
2045	2.20	698.4	208.0	3,968.2
2050	2.20	683.6	202.2	3,893.6
2055	2.20	669.3	196.5	3,821.4
2060	2.20	655.4	191.1	3,751.5
2065	2.20	642.0	185.8	3,683.8
2070	2.20	629.1	180.7	3,618.3
2075	2.20	616.5	175.8	3,554.8
2080	2.20	604.4	171.1	3,493.3
2085	2.20	592.6	166.5	3,433.7
2090	2.20	581.2	162.1	3,375.8
2095	2.20	570.2	157.8	3,319.8
High-cost:				
2020	1.90	719.4	220.7	4,044.1
2025	1.89	667.6	201.0	3,778.7
2030	1.83	622.2	183.0	3,550.8
2035	1.80	581.9	166.9	3,348.7
2040	1.80	545.7	152.5	3,167.1
2045	1.80	513.1	139.7	3,003.0
2050	1.80	483.7	128.2	2,853.8
2055	1.80	457.0	117.9	2,717.7
2060	1.80	432.7	108.6	2,593.2
2065	1.80	410.5	100.3	2,478.7
2070	1.80	390.2	92.7	2,373.3
2075	1.80	371.5	85.9	2,275.7
2080	1.80	354.3	79.7	2,185.3
2085	1.80	338.4	74.1	2,101.1
2090	1.80	323.7	68.9	2,022.6
2095	1.80	310.1	64.2	1,949.2

[a] This table contains basic assumptions along with key summary values that are derived from basic assumptions.
[b] The total fertility rate for any year is the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period.
[c] Based on the enumerated total population as of April 1, 2010, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year.
[d] Estimated.
[e] Estimated, intermediate alternative.

3. Immigration Assumptions

Projections of the total Social Security area population reflect assumptions for annual legal immigration, legal emigration, "other immigration," and "other emigration." Legal immigration consists of persons who are granted legal permanent resident status. Legal emigration consists of legal permanent residents and citizens who leave the Social Security area population. Net legal immigration is the difference between legal immigration and legal emi-

gration. "Other immigration" consists of immigrants who enter the Social Security area in a given year and stay to the end of that year without having legal permanent resident status, such as undocumented immigrants and temporary foreign workers and students. "Other emigration" consists of other immigrants who leave the Social Security area population or who adjust their status to become legal permanent residents. Net other immigration is the difference between other immigration and other emigration. Net immigration refers to the sum of net legal immigration and net other immigration.

Immigration assumptions differ for the low-cost, intermediate, and high-cost scenarios. The low-cost scenario includes higher annual net immigration and the high-cost scenario includes lower annual net immigration. Table V.A2 contains historical and projected levels of various immigration flows.

Legal immigration has increased significantly since World War II, due to various events and legislative changes, including the Immigration Act of 1965 and the Immigration Act of 1990.

The intermediate alternative assumes that annual legal immigration, including those who adjust their status to become legal permanent residents, will be 1,060,000 persons for 2016 and later. Alternatives I and III assume that ultimate annual legal immigration will be 1,260,000 persons and 860,000 persons, respectively, for 2017 and later. The ultimate levels of legal immigration are unchanged from last year's report.

The assumed ratios of annual legal emigration to legal immigration are 20, 25, and 30 percent for alternatives I, II, and III, respectively. This range is consistent with the limited historical data for legal emigration from the Social Security area. These ratios are unchanged from last year's report. Under the intermediate alternative, by combining the ultimate annual legal immigration and emigration assumptions, ultimate annual net legal immigration is 795,000 persons. For the low-cost and high-cost scenarios, ultimate annual net legal immigration is about 1,008,000 persons and 602,000 persons, respectively.

The estimated number of other immigrants residing in the Social Security area and the annual level of other immigration have been affected significantly by the recent recession. Net other immigration was greatly reduced during the economic downturn. Under the intermediate assumptions, annual other immigration is expected to increase from recent levels, reflecting a continued recovery from levels experienced during the recession. The ultimate levels of other immigration are unchanged from last year's report: 1,350,000 persons for alternative II, 1,650,000 persons for alternative I, and 1,050,000 persons for alternative III.

Emigration from the other-immigrant population includes those who leave the Social Security area and those who adjust their status to become legal permanent residents. This other-immigrant population is highly mobile and far more likely to leave the Social Security area than is the citizen or legal permanent resident population. As individuals from this population reside in the country for extended periods of time, they generally become less likely to leave the country.

Under the intermediate assumptions, the total annual number of other emigrants who leave the Social Security area averages about 418,000 through the 75-year projection period. In addition, the ultimate annual number of other immigrants who adjust status to become legal permanent residents is assumed to be 450,000 for the intermediate assumptions. This is one-third of the assumed ultimate annual number of other immigrants entering the Social Security area. For the low-cost and high-cost scenarios, the total annual number of other emigrants averages about 495,000 and 327,000, respectively, through the 75-year projection period. The ultimate annual number of people adjusting status to legal permanent resident status is assumed to be 550,000 persons and 350,000 persons, for the low-cost and high-cost scenarios, respectively. The ultimate annual number of people adjusting status to become legal permanent residents is unchanged from last year's report.

Under the assumptions and methods described above, the projected size of the other-immigrant population grows substantially. This growth reflects the excess of annual other immigration over the combined annual numbers of emigrants and deaths that occur within the other-immigrant population.

Under the intermediate assumptions, projected net other immigration reaches a peak in 2018, reflecting the recovering economy, then sharply decreases over the next few years, primarily due to the decline in the number of other immigrants entering the country, to a stable long-term level. This is followed by a gradual decrease in net other immigration after 2022, due to the increasing number of other immigrants residing in the Social Security area. Because the number of other immigrants leaving the Social Security area is based on rates of departure, an increase in the number of other immigrants residing in the Social Security area results in an increase in the number who emigrate out of the area. All other components of other immigration and emigration are assumed to be stable after 2022, and thus do not contribute toward any change in net other immigration. Under the intermediate assumptions, the projected average annual level of net other immigration over the 75-year projection period is about 491,000 persons. For the low-cost and high-cost assumptions, projected average annual net other immigration is about 615,000 persons and 359,000 persons, respectively.

The projected average total level of net immigration (legal and other, combined) is about 1,286,000 persons per year during the 75-year projection period under the intermediate assumptions. For the low-cost and high-cost assumptions, projected average annual total net immigration is about 1,623,000 persons and 961,000 persons, respectively.

Demographers express a wide range of views about the future course of immigration for the United States. Some believe that net immigration will increase substantially in the future. Others believe that potential immigrants may be increasingly attracted to other countries, that the number of potential immigrants may be lower due to lower birth rates in many countries, or that changes in the law or enforcement of the law could reduce immigration. The average of the 2015 Technical Panel's recommended annual levels of total net immigration for the 75-year projection period is very close to the average projected in this year's report.

Table V.A2.—Immigration Assumptions,[a] Calendar Years 1940-2095
[in thousands]

Calendar year	Legal immigration				Other-than-legal immigration[b]				Total net immigration
	Legal in	Legal out	Adjustments of status[c d]	Net legal	Other in	Other out	Adjustments of status[c d]	Net other	
Historical data:									
1940	-	-	-	46	-	-	-	-	-
1945	73	18	-	55	-	-	-	-	-
1950	227	57	-	171	-	-	-	-	-
1955	280	70	-	210	-	-	-	-	-
1960	268	67	-	201	-	-	-	-	-
1965	261	77	49	232	-	-	49	-	-
1970	307	93	65	279	-	-	65	-	-
1975	340	98	53	294	-	-	53	-	-
1980	431	136	112	407	-	-	112	208	614
1985	458	144	119	432	-	-	119	264	696
1990	548	166	114	497	-	-	114	620	1,116
1995	511	192	255	575	-	-	255	557	1,132
2000	482	224	413	672	1,409	294	413	703	1,374
2005	561	290	597	869	1,773	35	597	1,141	2,010
2006	639	303	573	909	1,428	54	573	800	1,709
2007	584	267	482	800	926	373	482	71	871
2008	635	278	478	835	707	985	478	-755	79
2009	633	277	475	832	800	221	475	104	935
2010	622	262	426	786	683	208	426	50	835
2011	647	264	408	791	609	270	408	-69	722
2012	621	255	401	766	694	701	401	-407	359
2013	589	249	409	748	820	500	409	-88	660
2014	627	256	398	769	1,063	353	398	311	1,080
2015[e]	661	263	390	788	1,200	173	390	637	1,425
2016[f]	610	265	450	795	1,450	198	450	802	1,597
Intermediate:									
2020	610	265	450	795	1,450	283	450	717	1,512
2025	610	265	450	795	1,350	332	450	568	1,363
2030	610	265	450	795	1,350	363	450	537	1,332
2035	610	265	450	795	1,350	390	450	510	1,305
2040	610	265	450	795	1,350	413	450	487	1,282
2045	610	265	450	795	1,350	428	450	472	1,267
2050	610	265	450	795	1,350	438	450	462	1,257
2055	610	265	450	795	1,350	446	450	454	1,249
2060	610	265	450	795	1,350	452	450	448	1,243
2065	610	265	450	795	1,350	457	450	443	1,238
2070	610	265	450	795	1,350	461	450	439	1,234
2075	610	265	450	795	1,350	464	450	436	1,231
2080	610	265	450	795	1,350	466	450	434	1,229
2085	610	265	450	795	1,350	467	450	433	1,228
2090	610	265	450	795	1,350	468	450	432	1,227
2095	610	265	450	795	1,350	469	450	431	1,226

Table V.A2.—Immigration Assumptions,[a] Calendar Years 1940-2095 (Cont.)
[in thousands]

Calendar year	Legal immigration				Other-than-legal immigration[b]				Total net immigration
	Legal in	Legal out	Adjustments of status[c d]	Net legal	Other in	Other out	Adjustments of status[c d]	Net other	
Low-cost:									
2020	710	252	550	1,008	1,750	304	550	896	1,904
2025	710	252	550	1,008	1,650	369	550	731	1,739
2030	710	252	550	1,008	1,650	412	550	688	1,696
2035	710	252	550	1,008	1,650	451	550	649	1,657
2040	710	252	550	1,008	1,650	483	550	617	1,625
2045	710	252	550	1,008	1,650	506	550	594	1,602
2050	710	252	550	1,008	1,650	522	550	578	1,586
2055	710	252	550	1,008	1,650	535	550	565	1,573
2060	710	252	550	1,008	1,650	544	550	556	1,564
2065	710	252	550	1,008	1,650	552	550	548	1,556
2070	710	252	550	1,008	1,650	557	550	543	1,551
2075	710	252	550	1,008	1,650	561	550	539	1,547
2080	710	252	550	1,008	1,650	564	550	536	1,544
2085	710	252	550	1,008	1,650	565	550	535	1,543
2090	710	252	550	1,008	1,650	566	550	534	1,542
2095	710	252	550	1,008	1,650	567	550	533	1,541
High-cost:									
2020	510	258	350	602	850	226	350	274	876
2025	510	258	350	602	1,050	257	350	443	1,045
2030	510	258	350	602	1,050	281	350	419	1,021
2035	510	258	350	602	1,050	302	350	398	1,000
2040	510	258	350	602	1,050	319	350	381	983
2045	510	258	350	602	1,050	331	350	369	971
2050	510	258	350	602	1,050	340	350	360	962
2055	510	258	350	602	1,050	347	350	353	955
2060	510	258	350	602	1,050	352	350	348	950
2065	510	258	350	602	1,050	356	350	344	946
2070	510	258	350	602	1,050	360	350	340	942
2075	510	258	350	602	1,050	362	350	338	940
2080	510	258	350	602	1,050	364	350	336	938
2085	510	258	350	602	1,050	366	350	334	936
2090	510	258	350	602	1,050	367	350	333	935
2095	510	258	350	602	1,050	368	350	332	934

[a] This table contains basic assumptions along with key summary values that are derived from basic assumptions.
[b] Historical other immigration and emigration estimates depend on a residual method, using Department of Homeland Security (DHS) January 1 stock estimates for 2005 through 2012, and internally developed January 1 stock estimates based on DHS methods for 2013 through 2015.
[c] Estimates do not include persons who attained legal permanent resident status under the special one-time provisions of the Immigration Reform and Control Act of 1986.
[d] Adjustments of status are a positive for net legal immigration and a negative for net other immigration.
[e] Estimated.
[f] Estimated, intermediate alternative.

Note: Totals do not necessarily equal the sums of rounded components.

4. Total Population Estimates

The starting Social Security area population for December 31, 2014, is derived from the Census Bureau's estimate of the residents of the 50 States and D.C. and U.S. Armed Forces overseas. Adjustments are made to reflect mortality assumptions for the aged population since 2010 that are consistent with Medicare and Social Security data, net immigration assumptions for the aged population since 2010, estimates of the net undercount in the 2010 census, inclusion of U.S. citizens living abroad (including residents of U.S. territories), and inclusion of non-citizens living abroad who are insured for Social Security benefits. The Office of the Chief Actuary projects the population in the Social Security area by age, sex, and marital status for December 31 of each year from 2015 through 2095 by combining the assumptions for future fertility, mortality, and immigration with assumptions for marriage and divorce. Previous sections of this chapter present the assumptions for future fertility, mortality, and immigration. Assumptions for future rates of marriage and divorce reflect historical data from the National Center for Health Statistics, the Census Bureau, and selected individual States.

This report presents a July 1 (i.e., midyear) population for each year, which is derived from surrounding December populations. Table V.A3 shows the historical and projected population for July 1 by broad age group, for the three alternatives. It also shows the aged and total dependency ratios (see table footnotes for definitions).

Table V.A3.—Social Security Area Population on July 1 and Dependency Ratios, Calendar Years 1945-2095

Calendar year	Population (in thousands)				Dependency ratio	
	Under 20	20-64	65 and over	Total	Aged[a]	Total[b]
Historical data:						
1945	49,121	88,109	10,900	148,130	0.124	0.681
1950	53,903	92,382	12,769	159,053	.138	.722
1955	63,293	96,207	15,075	174,576	.157	.815
1960	73,074	99,802	17,277	190,153	.173	.905
1965	80,020	104,885	19,071	203,975	.182	.945
1970	81,020	112,991	20,895	214,906	.185	.902
1975	78,629	122,642	23,307	224,578	.190	.831
1980	74,835	134,106	26,309	235,250	.196	.754
1985	72,948	144,577	29,151	246,676	.202	.706
1990	74,797	152,768	31,925	259,491	.209	.699
1995	79,278	160,729	34,318	274,325	.214	.707
2000	82,003	170,181	35,503	287,687	.209	.690
2005	83,979	181,065	37,158	302,202	.205	.669
2006	84,568	183,340	37,724	305,632	.206	.667
2007	85,147	184,970	38,479	308,596	.208	.668
2008	85,542	185,797	39,366	310,704	.212	.672
2009	85,766	186,734	40,246	312,746	.216	.675
2010	85,723	188,418	41,039	315,180	.218	.673
2011	85,451	190,046	42,009	317,507	.221	.671
2012	85,159	190,989	43,401	319,549	.227	.673
2013	84,915	191,737	44,876	321,528	.234	.677
2014	84,838	192,744	46,283	323,866	.240	.680
2015[c]	84,910	193,852	47,738	326,499	.246	.684
2016[c]	85,131	194,917	49,264	329,312	.253	.690
Intermediate:						
2020	86,917	198,586	56,060	341,562	.282	.720
2025	89,962	201,594	65,315	356,870	.324	.770
2030	92,330	205,002	73,459	370,791	.358	.809
2035	96,076	208,655	78,510	383,242	.376	.837
2040	98,786	214,092	81,342	394,219	.380	.841
2045	99,854	220,951	83,359	404,164	.377	.829
2050	101,366	226,580	85,920	413,865	.379	.827
2055	103,569	231,311	89,200	424,080	.386	.833
2060	106,251	235,374	93,298	434,924	.396	.848
2065	108,959	240,053	97,080	446,092	.404	.858
2070	111,318	244,798	101,117	457,233	.413	.868
2075	113,224	249,690	105,285	468,200	.422	.875
2080	115,033	256,379	107,632	479,044	.420	.869
2085	117,135	262,269	110,566	489,970	.422	.868
2090	119,533	266,576	114,955	501,063	.431	.880
2095	121,974	271,092	119,186	512,251	.440	.890

Table V.A3.—Social Security Area Population on July 1 and Dependency Ratios, Calendar Years 1945-2095 (Cont.)

Calendar year	Population (in thousands)				Dependency ratio	
	Under 20	20-64	65 and over	Total	Aged[a]	Total[b]
Low-cost:						
2020	88,020	199,768	55,889	343,677	0.280	0.720
2025	93,238	204,078	64,788	362,104	.317	.774
2030	98,632	208,796	72,411	379,839	.347	.819
2035	105,520	213,740	76,820	396,080	.359	.853
2040	110,974	220,930	78,965	410,868	.357	.860
2045	113,996	230,597	80,356	424,949	.348	.843
2050	117,212	239,853	82,428	439,493	.344	.832
2055	121,818	248,242	85,386	455,446	.344	.835
2060	127,518	255,983	89,275	472,776	.349	.847
2065	133,388	264,579	92,870	490,837	.351	.855
2070	138,630	273,850	96,652	509,131	.353	.859
2075	143,079	284,085	100,474	527,639	.354	.857
2080	147,391	296,774	102,484	546,649	.345	.842
2085	152,310	308,650	105,516	566,476	.342	.835
2090	157,899	318,302	110,934	587,135	.349	.845
2095	163,669	327,822	116,902	608,393	.357	.856
High-cost:						
2020	85,228	196,326	56,226	337,780	.286	.721
2025	86,192	197,881	65,869	349,942	.333	.768
2030	86,209	200,096	74,599	360,903	.373	.804
2035	87,045	202,596	80,375	370,016	.397	.826
2040	87,279	206,379	83,979	377,637	.407	.830
2045	86,667	210,607	86,694	383,968	.412	.823
2050	86,415	213,296	89,779	389,489	.421	.826
2055	86,797	214,647	93,350	394,794	.435	.839
2060	87,226	215,312	97,561	400,099	.453	.858
2065	87,536	216,399	101,409	405,343	.469	.873
2070	87,658	217,076	105,583	410,317	.486	.890
2075	87,608	217,257	109,997	414,861	.506	.910
2080	87,578	218,718	112,598	418,894	.515	.915
2085	87,736	219,522	115,260	422,518	.525	.925
2090	88,022	219,429	118,386	425,837	.540	.941
2095	88,277	219,583	121,011	428,872	.551	.953

[a] Ratio of the population at ages 65 and over to the population at ages 20-64.
[b] Ratio of the population at ages 65 and over and the population under age 20 to the population at ages 20-64.
[c] Estimated, intermediate alternative.

Notes:
1. Historical data are subject to revision.
2. Totals do not necessarily equal the sums of rounded components.

5. Life Expectancy Estimates

Life expectancy, or the average remaining number of years expected prior to death, is an additional way to summarize the Trustees' mortality assumptions. This report includes life expectancy in two different forms (period and cohort) for two separate purposes.

- Period life expectancy for a given year uses the actual or expected death rates at each age for that year. It is a useful summary statistic for illustrating the overall level of the death rates experienced in a single year. Period life expectancy for a particular year provides an individual's expected average remaining lifetime at a selected age, assuming no change in death rates after that year. Table V.A4 presents historical and projected life expectancy calculated on a period basis.
- Cohort life expectancy does not use death rates for a single year, but for the series of years in which the individual will actually reach each succeeding age if he or she survives. Cohort life expectancy provides an individual's expected average remaining lifetime at a selected age in a given year, using actual or expected future changes in death rates. Table V.A5 presents historical and projected life expectancy calculated on a cohort basis. Cohort life expectancy is somewhat greater than period life expectancy for a given year because: (1) death rates at any age tend to decline over time; and (2) cohort life expectancy uses death rates from future years, while period life expectancy uses death rates only from the given year.

Life expectancy at a given age reflects death rates at that and all older ages. Period life expectancy is somewhat related to the age-sex-adjusted death rate discussed in section V.A.2. However, life expectancy places far greater weight on death rates at lower ages than at higher ages. Therefore, changes in death rates at lower ages have far greater effects in changing life expectancy over time. It is important to keep this concept in mind when considering trends in life expectancy.

Table V.A4.—Period Life Expectancy[a]

Calendar year	Historical data			
	At birth		At age 65	
	Male	Female	Male	Female
1940	61.4	65.7	11.9	13.4
1945	62.9	68.4	12.6	14.4
1950	65.6	71.1	12.8	15.1
1955	66.7	72.8	13.1	15.6
1960	66.7	73.2	12.9	15.9
1965	66.8	73.8	12.9	16.3
1970	67.2	74.9	13.1	17.1
1975	68.7	76.6	13.7	18.0
1980	69.9	77.5	14.0	18.4
1985	71.1	78.2	14.4	18.6
1990	71.8	78.9	15.1	19.1
1995	72.5	79.1	15.4	19.1
2000	74.0	79.4	15.9	19.0
2005	74.8	80.0	16.7	19.5
2006	75.1	80.2	17.0	19.7
2007	75.4	80.5	17.2	19.9
2008	75.5	80.5	17.2	19.9
2009	75.9	80.8	17.5	20.2
2010	76.1	80.9	17.6	20.2
2011	76.2	81.0	17.7	20.2
2012	76.3	81.0	17.8	20.3
2013	76.3	81.1	17.8	20.3
2014[b]	76.3	81.1	17.8	20.4
2015[c]	76.7	81.4	18.1	20.6
2016[c]	76.9	81.5	18.2	20.7

Calendar year	Intermediate				Low-cost				High-cost			
	At birth		At age 65		At birth		At age 65		At birth		At age 65	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
2020	77.4	81.9	18.5	20.9	76.9	81.5	18.2	20.7	77.9	82.3	18.9	21.2
2025	78.0	82.4	18.9	21.3	77.2	81.7	18.4	20.8	78.9	83.1	19.5	21.8
2030	78.6	82.9	19.2	21.6	77.5	82.0	18.6	21.0	79.9	83.9	20.0	22.2
2035	79.2	83.3	19.6	21.8	77.8	82.2	18.7	21.1	80.7	84.6	20.5	22.7
2040	79.7	83.8	19.9	22.1	78.1	82.5	18.9	21.3	81.5	85.3	21.0	23.1
2045	80.2	84.2	20.2	22.4	78.4	82.7	19.1	21.4	82.3	85.9	21.4	23.5
2050	80.7	84.6	20.5	22.7	78.7	83.0	19.2	21.6	83.0	86.5	21.9	23.9
2055	81.2	85.0	20.7	22.9	79.0	83.2	19.4	21.7	83.6	87.0	22.3	24.3
2060	81.7	85.4	21.0	23.2	79.2	83.4	19.6	21.8	84.3	87.5	22.7	24.6
2065	82.1	85.8	21.3	23.4	79.5	83.6	19.7	22.0	84.9	88.0	23.0	25.0
2070	82.5	86.1	21.6	23.6	79.8	83.8	19.9	22.1	85.4	88.5	23.4	25.3
2075	83.0	86.5	21.8	23.9	80.0	84.1	20.0	22.3	86.0	88.9	23.8	25.6
2080	83.4	86.8	22.1	24.1	80.3	84.3	20.2	22.4	86.5	89.4	24.1	26.0
2085	83.7	87.1	22.3	24.3	80.5	84.5	20.3	22.5	87.0	89.8	24.4	26.3
2090	84.1	87.4	22.5	24.5	80.8	84.7	20.4	22.7	87.4	90.2	24.7	26.6
2095	84.5	87.7	22.8	24.7	81.0	84.9	20.6	22.8	87.9	90.5	25.1	26.8

[a] The period life expectancy at a given age for a given year is the average remaining number of years expected prior to death for a person at that exact age, born on January 1, using the mortality rates for that year over the course of his or her remaining life.
[b] Estimated.
[c] Estimated, intermediate alternative.

Table V.A5.—Cohort Life Expectancy[a]

Calendar year	Intermediate				Low-cost				High-cost			
	At birth[b]		At age 65[c]		At birth[b]		At age 65[c]		At birth[b]		At age 65[c]	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
1940	70.4	76.6	12.7	14.7	70.3	76.4	12.7	14.7	70.6	76.9	12.7	14.7
1945	72.3	78.3	13.0	15.4	72.0	78.0	13.0	15.4	72.6	78.8	13.0	15.4
1950	73.5	79.7	13.1	16.2	73.0	79.2	13.1	16.2	74.0	80.2	13.1	16.2
1955	74.1	80.2	13.1	16.7	73.5	79.6	13.1	16.7	74.8	81.0	13.1	16.7
1960	74.8	80.7	13.2	17.4	74.0	79.9	13.2	17.4	75.8	81.6	13.2	17.4
1965	75.8	81.2	13.5	18.0	74.8	80.3	13.5	18.0	77.0	82.4	13.5	18.0
1970	77.0	82.1	13.8	18.5	75.8	80.9	13.8	18.5	78.4	83.5	13.8	18.5
1975	77.9	82.8	14.2	18.7	76.5	81.5	14.2	18.7	79.6	84.4	14.2	18.7
1980	78.8	83.5	14.7	18.8	77.2	82.0	14.7	18.8	80.7	85.3	14.7	18.8
1985	79.5	84.1	15.4	19.1	77.7	82.4	15.4	19.1	81.7	86.0	15.4	19.1
1990	80.2	84.6	16.1	19.4	78.2	82.8	16.1	19.4	82.6	86.7	16.1	19.5
1995	81.0	85.2	16.8	19.8	78.7	83.1	16.7	19.7	83.6	87.4	16.8	19.9
2000	81.5	85.6	17.5	20.2	79.1	83.4	17.4	20.1	84.3	88.0	17.7	20.4
2005	82.0	86.0	18.2	20.7	79.4	83.7	17.9	20.5	84.9	88.5	18.4	21.1
2006	82.1	86.0	18.3	20.8	79.4	83.7	18.0	20.5	85.1	88.6	18.6	21.2
2007	82.2	86.1	18.4	20.9	79.5	83.8	18.1	20.6	85.2	88.7	18.7	21.3
2008	82.3	86.2	18.4	21.0	79.5	83.8	18.1	20.6	85.3	88.8	18.8	21.4
2009	82.4	86.3	18.5	21.1	79.6	83.9	18.2	20.7	85.5	88.9	19.0	21.5
2010	82.5	86.4	18.6	21.1	79.7	83.9	18.2	20.7	85.6	89.1	19.1	21.6
2011	82.6	86.4	18.7	21.2	79.7	84.0	18.3	20.8	85.7	89.1	19.2	21.7
2012	82.7	86.5	18.8	21.3	79.8	84.0	18.3	20.8	85.9	89.2	19.3	21.9
2013	82.8	86.6	18.9	21.4	79.9	84.1	18.4	20.8	86.0	89.3	19.5	22.0
2014	82.9	86.7	18.9	21.4	79.9	84.1	18.4	20.9	86.1	89.4	19.6	22.1
2015	83.0	86.7	19.0	21.5	80.0	84.2	18.5	20.9	86.2	89.5	19.7	22.2
2016	83.1	86.8	19.1	21.6	80.0	84.2	18.5	21.0	86.4	89.7	19.8	22.3
2020	83.4	87.1	19.4	21.8	80.2	84.4	18.6	21.1	86.8	90.0	20.3	22.7
2025	83.9	87.5	19.7	22.1	80.5	84.6	18.8	21.2	87.4	90.5	20.8	23.2
2030	84.3	87.8	20.0	22.4	80.8	84.8	19.0	21.4	87.9	90.9	21.3	23.6
2035	84.7	88.1	20.4	22.7	81.0	85.0	19.2	21.5	88.5	91.4	21.8	24.0
2040	85.0	88.4	20.7	22.9	81.3	85.2	19.3	21.7	88.9	91.8	22.3	24.4
2045	85.4	88.7	21.0	23.2	81.5	85.4	19.5	21.8	89.4	92.1	22.7	24.8
2050	85.8	89.0	21.2	23.5	81.7	85.6	19.6	22.0	89.9	92.5	23.1	25.2
2055	86.1	89.3	21.5	23.7	82.0	85.8	19.8	22.1	90.3	92.9	23.5	25.5
2060	86.4	89.6	21.8	23.9	82.2	86.0	20.0	22.3	90.7	93.2	23.9	25.9
2065	86.8	89.8	22.0	24.2	82.4	86.2	20.1	22.4	91.1	93.5	24.2	26.2
2070	87.1	90.1	22.3	24.4	82.6	86.3	20.3	22.5	91.5	93.8	24.6	26.5
2075	87.4	90.3	22.5	24.6	82.8	86.5	20.4	22.7	91.8	94.2	24.9	26.8
2080	87.7	90.6	22.8	24.8	83.1	86.7	20.5	22.8	92.2	94.4	25.2	27.1
2085	88.0	90.8	23.0	25.1	83.3	86.9	20.7	22.9	92.5	94.7	25.6	27.4
2090	88.2	91.1	23.2	25.3	83.5	87.0	20.8	23.1	92.9	95.0	25.9	27.7
2095	88.5	91.3	23.5	25.5	83.7	87.2	21.0	23.2	93.2	95.3	26.2	28.0

[a] The cohort life expectancy at a given age for a given year is the average remaining number of years expected prior to death for a person at that exact age, born on January 1, using the mortality rates for the series of years in which the individual will actually reach each succeeding age if he or she survives.

[b] Cohort life expectancy at birth for those born in the calendar year is based on a combination of actual, estimated, and projected death rates for birth years 1940 through 2014. For birth years after 2014, these values depend on estimated and projected death rates.

[c] Age 65 cohort life expectancy for those attaining age 65 in calendar years 1940 though 2013 depends on actual death rates or on a combination of actual, estimated, and projected death rates. After 2013, these values depend on estimated and projected death rates.

B. ECONOMIC ASSUMPTIONS AND METHODS

The three alternative sets of economic assumptions provide a reasonable range for estimating the financial status of the trust funds. The intermediate assumptions reflect the Trustees' consensus expectation of sustained moderate economic growth and their best estimate for other economic parameters. The low-cost assumptions represent a more optimistic outlook: a faster recovery, stronger long-term economic growth, and relatively optimistic levels for other parameters. The high-cost assumptions represent a more pessimistic scenario: a slower recovery, interrupted by a recession, weaker long-term economic growth, and relatively pessimistic levels for other parameters.

Actual economic data were available through the third quarter of 2016 at the time the assumptions for this report were set. The data indicated that economic activity peaked in the fourth quarter of 2007[1] with the level of gross domestic product (GDP) about 1 percent above the estimated long-term sustainable trend level. A severe recession followed, with a low point in the economic cycle reached in the second quarter of 2009 with GDP about 7 percent below the estimated sustainable trend level. The annual growth rate in real GDP has been positive in all years since then, but not as strong as in most past recoveries. The Trustees project that the economy will return to its sustainable trend level of output within the first 10 years of the projection period and remain on that trend thereafter. However, the speed of the return varies by alternative. The economy is projected to return to its sustainable trend level of output by 2022 under the intermediate assumptions, and 2025 under the high-cost assumptions, the same as in last year's report. The economy is projected to return to its sustainable trend level of output by 2021 under the low-cost assumptions, about 1 year later than in last year's report. Complete economic cycles have little effect on the long-range estimates of financial status, so the assumptions do not include cycles beyond the short-range period (2017 through 2026).

The key economic assumptions underlying the three sets of projections of the future financial status of the OASI and DI Trust Funds are discussed in the remainder of this section.

[1] See www.nber.org/cycles/cyclesmain.html.

1. Productivity Assumptions

Total U.S. economy productivity is defined as the ratio of real GDP to hours worked by all workers.[1] The rate of change in total-economy productivity is a major determinant of the growth of average earnings. Over the last five complete economic cycles (1966-73, 1973-79, 1979-89, 1989-2000, and 2000-07, measured peak to peak), the annual increases in total-economy productivity averaged 2.27, 1.10, 1.38, 1.77 and 2.14 percent, respectively. For the period from 1966 to 2007, covering those last five complete economic cycles, the annual increase in total-economy productivity averaged 1.73 percent.

The assumed ultimate annual increases in total-economy productivity are 1.98, 1.68, and 1.38 percent for the low-cost, intermediate, and high-cost assumptions, respectively.[2] These rates of increase are unchanged from the 2016 report.

The average annual rate of change in total-economy productivity from 2007 (the end of the last complete economic cycle) to 2016 is estimated to be 0.92 percent. For the intermediate assumptions, the annual change in productivity is assumed to be 1.79 percent for 2017, then increase to 1.92 percent for 2018, and gradually decline to 1.67 percent for 2023, before reaching its ultimate value of 1.68 percent after 2026. For the low-cost assumptions, the assumed annual change in productivity is 2.25 percent for 2017, then increases to 2.55 percent for 2018, and declines to its ultimate value of 1.98 percent for 2022 and thereafter. For the high-cost assumptions, the assumed annual change in productivity is 0.78 percent for 2017, 0.56 percent for 2018 due to the assumed recession, rebounds to 1.81 percent for 2019, and averages 1.39 percent for 2020 through 2026, before reaching its ultimate value of 1.38 percent after 2026.

2. Price Inflation Assumptions

Changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI) directly affect the OASDI program through the automatic cost-of-living benefit increases. Changes in the GDP price index (GDP defla-

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[1] Historical levels of real GDP are from the Bureau of Economic Analysis' National Income and Product Accounts. Historical total hours worked are provided by the Bureau of Labor Statistics and cover all U.S. Armed Forces and civilian employment.

[2] These assumptions are consistent with ultimate annual increases in private non-farm business productivity of 2.42, 2.06, and 1.69 percent. Compared to total-economy productivity, private non-farm business productivity is a more widely known concept that excludes the farm, government, non-profit institution, and private household sectors.

tor) affect the nominal levels of GDP, wages, self-employment income, average earnings, and taxable payroll.

The annual increases in the CPI averaged 4.61, 8.54, 5.31, 2.96, and 2.65 percent over the economic cycles 1966-73, 1973-79, 1979-89, 1989-2000, and 2000-07, respectively. The annual increases in the GDP deflator averaged 4.60, 7.52, 4.68, 2.20, and 2.50 percent for the same respective economic cycles. For the period from 1966 to 2007, covering the last five complete economic cycles, the annual increases in the CPI and GDP deflator averaged 4.56 and 4.03 percent, respectively. The estimated average annual change from 2007 (the end of the last complete economic cycle) to 2016 is 1.61 percent for the CPI and 1.52 percent for the GDP deflator.

The assumed ultimate annual increases in the CPI are 3.2, 2.6, and 2.0 percent for the low-cost, intermediate, and high-cost assumptions, respectively.[1] These assumptions are unchanged from the 2016 report. For a given rate of growth in average real earnings, a higher price inflation rate results in faster nominal earnings and revenue growth immediately, while the resulting added growth in benefit levels occurs with a delay, causing an overall improvement in the actuarial balance. Similarly, a lower price inflation rate causes an overall decline in the actuarial balance.

The Federal Reserve Board's monetary policy changed in the 1980s toward more vigilance in preventing high inflation. Consistent with the Board's continued emphasis on containing inflation, as indicated by their current target for the Personal Consumption Expenditures (PCE) price index,[2] the Trustees lowered the assumed ultimate annual rate of increase in the CPI for the intermediate case from 4.0 percent for the 1996 report to 2.8 percent for the 2004 through 2013 reports, to 2.7 percent for the 2014 and 2015 reports, and to 2.6 percent for the 2016 report and for this report.

For the intermediate assumptions, the assumed annual change in the CPI is 2.17 percent for 2017, 2.97 percent for 2018, 2.62 percent for 2019, and reaches the ultimate growth rate of 2.60 percent for 2020 and later. For the low-cost assumptions, the assumed annual change in the CPI is 2.76 percent

[1] The Bureau of Labor Statistics (BLS) produces a series called the Consumer Price Index Research Series Using Current Methods (CPI-U-RS) that approximates the measured rate of inflation over the 1978-2016 period had the method currently used been in effect since 1978. BLS does not revise the CPI values published in earlier years, for which different methods were used. These CPI published values are shown in table V.B1. The Trustees use an adjusted CPI series based on the CPI-U-RS when setting the ultimate price inflation assumption because it provides a time series that is consistent with the current method for computing the CPI.

[2] The Trustees' assumed ultimate annual growth rate for the GDP deflator of 2.2 percent is based on an assumed 2.3 percent annual growth rate for the PCE price index. The Trustees' assumption takes into account the Federal Open Market Committee (FOMC) target, as well as the potential for inflationary shocks during the 2026-2091 projection period.

for 2017, increases to 3.80 percent for 2018, declines to 3.36 percent in 2019, and drops to its ultimate annual growth rate of 3.20 percent for 2020 and later. For the high-cost assumptions, the assumed annual rate of change in the CPI is 1.72 percent for 2017, increases to 2.42 percent for 2018, declines to 2.16 percent in 2019, and drops to the ultimate annual change of 2.00 percent for 2020 and later.

The annual increase in the GDP deflator differs from the annual increase in the CPI because the two indices are constructed using different computational methods and coverage. The difference between the rate of change in the CPI and the rate of change in the GDP deflator is called the price differential in this report. For the period including 1966 through 2007, covering the last five complete economic cycles, the average annual price differential was 0.54 percentage point. From 2007 (the end of the last complete economic cycle) to 2016, the average annual price differential is estimated to be 0.10 percentage point.

The assumed ultimate price differential is 0.3, 0.4, and 0.5 percentage point for the low-cost, intermediate, and high-cost alternatives, respectively. Varying the ultimate projected price differential across alternatives recognizes the historical variation in this measure. Accordingly, the assumed ultimate annual increase in the GDP deflator is 2.9 (3.2 less 0.3), 2.2 (2.6 less 0.4), and 1.5 (2.0 less 0.5) percent for the low-cost, intermediate, and high-cost alternatives, respectively. The ultimate price differentials for the three alternatives are unchanged from the 2016 report.

The price differential was -0.24 percentage point for 2013, -0.29 for 2014, -1.48 for 2015, is estimated to be -0.36 in 2016, and assumed to be 0.30 for 2017. The negative price differential for 2013 through 2016 primarily reflects a general decline in oil prices in recent years. Changes in oil prices affect the CPI much more than the GDP deflator because oil represents a much larger share of U.S. consumption than of U.S. production. For 2017 and later, oil prices are assumed to grow at a relatively stable rate. For the intermediate assumptions, the assumed price differential is 0.52 percentage point for 2018 and 0.40 percentage point for 2019 and later.

3. Average Earnings Assumptions

The average level of nominal earnings in OASDI covered employment for each year has a direct effect on the size of the taxable payroll and on the future level of average benefits. In addition, under the automatic adjustment provisions in the law, growth in the average wage in the U.S. economy directly affects certain parameters used in the OASDI benefit formulas as

well as the contribution and benefit base, the exempt amounts under the retirement earnings test, the amount of earnings required for a quarter of coverage, and in certain circumstances, the automatic cost-of-living benefit increases.

Projected growth rates in average covered earnings are derived from projections of the most inclusive measure, average U.S. earnings. Average U.S. earnings is defined as the ratio of the sum of total U.S. wages and net proprietors' income to the sum of total U.S. civilian employment and Armed Forces. The growth rate in average U.S. earnings for any period is equal to the combined growth rates for total U.S. economy productivity, average hours worked, the ratio of earnings to total compensation (which includes fringe benefits), the ratio of total compensation to GDP, and the GDP deflator.

The average annual change in average hours worked was -0.27 percent over the last five complete economic cycles covering the period from 1966 to 2007. The annual change in average hours worked averaged -0.71, -0.56, 0.00, 0.16, and -0.63 percent over the economic cycles 1966-73, 1973-79, 1979-89, 1989-2000, and 2000-07, respectively. From 2007 (the end of the last complete economic cycle) to 2016, the average annual change in average hours worked is estimated to be -0.04 percent.

The ultimate annual rates of change for average hours worked are assumed to be 0.05, -0.05, and -0.15 percent for the low-cost, intermediate, and high-cost assumptions, respectively. These values are unchanged from the 2016 report.

The average annual change in the ratio of earnings to total compensation was -0.20 percent from 1966 to 2007. Most of this decrease was due to the relative increase in the cost of employer-sponsored group health insurance for wage workers. Assuming that the level of total employee compensation is not affected by the amount of employer-sponsored group health insurance, any increase or decrease in the cost of employer-sponsored group health insurance leads to a commensurate decrease or increase in other components of employee compensation, including wages. Projections of future ratios of earnings to total compensation follow this principle. The Trustees assume that the total amount of future employer-sponsored group health insurance premiums will increase more slowly than in the past due to provisions of the Affordable Care Act of 2010, as described in the 2010 report. Data from the Bureau of Economic Analysis (BEA) indicate that the other significant component of non-wage employee compensation is employer contributions to retirement plans. This component is assumed to grow faster than employee

compensation in the future as life expectancy and potential time in retirement increase.

The average annual rate of change in the ratio of wages to employee compensation from 2026 to 2091 is assumed to be about 0.02, -0.08, and -0.18 percent for the low-cost, intermediate, and high-cost assumptions, respectively. These assumed rates are 0.01 percentage point lower (more negative) than those assumed in the 2016 report. The change is due to updated estimates from the Centers for Medicare and Medicaid Services (CMS) that produce faster growth in the total amount of employer-sponsored health insurance premiums. Under the intermediate assumptions, the ratio of wages to employee compensation declines from 0.811 for 2016 to 0.767 for 2091. The assumed ultimate annual rate of this decline, now 0.08 percent, compares with 0.07 percent assumed for the 2016 report, 0.09 percent assumed for the 2015 report, 0.13 percent assumed for the 2014 report, and 0.20 percent assumed for the 2009 report, prior to enactment of the Affordable Care Act of 2010. The ratio of earnings to compensation includes self-employment income both in the numerator and in the denominator. As a result, the rate of decline in earnings to compensation (which, under the intermediate assumptions, averages 0.06 percent from 2026 to 2091) is less than the rate of decline in wages to employee compensation.

The ratio of total compensation (i.e., employee compensation and net proprietors' income) to GDP varies over the economic cycle and with changes in the relative sizes of different sectors of the economy. Over the last five economic cycles from 1966 to 2007, this ratio has averaged 0.627. The ratio declined from 0.648 for 2001 to 0.601 in 2010, and is 0.614 in 2015. This ratio is assumed to rise as the economy recovers, reaching a level of 0.633 for 2026. For years after 2026, relative sizes of different sectors of the economy are assumed to remain about constant,[1] and therefore the ratio of total compensation to GDP remains at about the 2026 level for each set of assumptions.

The projected average annual growth rate in average nominal U.S. earnings from 2026 to 2091 is about 3.80 percent for the intermediate assumptions. This growth rate reflects the average annual growth rate of approximately -0.06 percent for the ratio of earnings to total compensation, and also reflects the assumed ultimate annual growth rates of 1.68, -0.05, and 2.20 percent for productivity, average hours worked, and the GDP deflator, respectively. Similarly, the projected average annual growth rate in average nominal U.S.

[1] However, employment in the uniformed military sector has declined in size over the last 40 years, but is assumed to remain at its 2016 level throughout the 75-year projection period.

earnings is 5.01 percent for the low-cost assumptions and 2.60 percent for the high-cost assumptions.

Over long periods, the average annual growth rate in the average wage in OASDI covered employment (henceforth the "average covered wage") is expected to be very close to the average annual growth rate in average U.S. earnings. The assumed average annual growth rates in the average covered wage from 2026 to 2091 are 5.02, 3.80, and 2.58 percent for the low-cost, intermediate, and high-cost assumptions, respectively. The estimated annual rate of change in the average covered wage is 2.66 percent for 2016. For the intermediate assumptions, as the economy continues to recover, the annual rate of change in the average covered wage averages 4.12 percent from 2016 to 2026. Thereafter, the assumed average annual rate of change in the average covered wage is 3.80 percent.

4. Assumed Real-Wage Differential

The real increase in the average covered wage has traditionally been expressed in the form of a real-wage differential—the annual percentage change in the average covered wage minus the annual percentage change in the CPI. For the period from 1966 to 2007, covering the last five complete economic cycles, the real-wage differential averaged 0.89 percentage point, the result of averages of 1.47, 0.0, 0.48, 1.56, and 0.59 percentage points over the economic cycles 1966-73, 1973-79, 1979-89, 1989-2000, and 2000-07, respectively.

For the years 2027-91, the assumed average annual real-wage differentials for OASDI covered employment average 1.82, 1.20, and 0.58 percentage points for the low-cost, intermediate, and high-cost assumptions, respectively. The rounded average annual real-wage differentials are unchanged from the 2016 report, although the exact values are slightly lower and the pattern of differentials over time is different. While new data from CMS result in higher projected costs of employer sponsored health insurance, new data on lower life expectancy result in lower projected costs of employer pension contributions. The net effect is a slightly lower wage-to-compensation ratio, and thus a slightly lower average annual real wage differential for the projection period when compared to the 2016 report.

The estimated real-wage differential averaged 0.71 percentage point for 2008 through 2016 (the years since the last complete economic cycle ending in a peak). For the intermediate assumptions, the real-wage differential decreased from 4.01 percentage points in 2015 to 1.70 percentage points in 2016, a decline that reflects higher inflation and slower growth in GDP and productivity. The wage differential is projected to rise from 1.84 in 2017 to 1.92 in

2018, and gradually decline to 1.13 in 2023 before reaching its long-run average of 1.20 percentage points for 2027 through 2091. For the low-cost assumptions, the real-wage differential is 2.10 percentage points for 2017, increases to 2.98 percentage points in 2019, declines to 1.95 percentage points in 2021, and averages 1.77 for 2022 through 2026 before reaching its long-run average of 1.82 percentage points for 2027 through 2091. For the high-cost assumptions, the real-wage differential is 1.01 percentage points for 2017, drops to -0.69 percentage point in 2018 due to the assumed recession, and rises to 1.45 percentage points in 2020 before gradually declining to its long-run average of 0.58 percentage point for 2027 through 2091.

Table V.B1.—Principal Economic Assumptions

	Annual percentage change[a] in—						
Calendar year	Productivity (Total U.S. economy)	Earnings as a percent of compensation	Average hours worked	GDP price index	Average annual wage in covered employment	Consumer Price Index	Real-wage differential[b]
Historical data:							
5-year periods:							
1960 to 1965 . . .	3.27	-0.18	0.16	1.36	3.22	1.24	1.98
1965 to 1970 . . .	2.06	-.31	-.68	4.03	5.84	4.23	1.61
1970 to 1975 . . .	2.07	-.50	-.87	6.60	6.57	6.76	-.23
1975 to 1980 . . .	.95	-.32	-.17	7.19	8.90	8.91	-.03
1980 to 1985 . . .	1.74	-.33	.02	5.21	6.53	5.22	1.30
1985 to 1990 . . .	1.37	-.19	-.07	3.11	4.79	3.83	.95
1990 to 1995 . . .	1.25	-.11	.41	2.44	3.55	3.03	.51
1995 to 2000 . . .	2.31	.28	.15	1.67	5.32	2.43	2.89
2000 to 2005 . . .	2.63	-.41	-.80	2.35	2.68	2.49	.20
2005 to 2010 . . .	1.60	-.08	-.46	1.93	2.50	2.30	.22
2010 to 2015 . . .	.39	.24	.37	1.68	2.97	1.61	1.35
Economic cycles:[c]							
1966 to 1973 . . .	2.27	-.29	-.71	4.60	6.08	4.61	1.47
1973 to 1979 . . .	1.10	-.43	-.56	7.52	8.54	8.54	[d]
1979 to 1989 . . .	1.38	-.28	[d]	4.68	5.83	5.31	.48
1989 to 2000 . . .	1.77	.05	.16	2.20	4.51	2.96	1.56
2000 to 2007 . . .	2.14	-.23	-.63	2.50	3.23	2.65	.59
2007 to 2016 . . .	.92	.04	-.04	1.52	2.32	1.61	.71
Single years:							
2006	.83	.49	-.03	3.07	4.74	3.19	1.54
2007	1.04	-.05	-.38	2.67	4.50	2.88	1.62
2008	.75	-.06	-.60	1.93	2.41	4.09	-1.68
2009	2.85	-.66	-1.84	.79	-1.58	-.67	-.90
2010	2.56	-.10	.55	1.23	2.58	2.07	.51
2011	.06	.28	.98	2.06	3.14	3.56	-.42
2012	.49	.40	-.07	1.84	3.32	2.10	1.22
2013	.44	.01	.24	1.61	1.17	1.37	-.20
2014	.47	.31	.28	1.80	3.66	1.50	2.16
2015	.50	.21	.41	1.07	3.59	-.41	4.01
2016[e]	.19	[d]	-.28	1.32	2.66	.96	1.70

Table V.B1.—Principal Economic Assumptions (Cont.)

Calendar year	Annual percentage change[a] in— Productivity (Total U.S. economy)	Earnings as a percent of compensation	Average hours worked	GDP price index	Average annual wage in covered employment	Consumer Price Index	Real-wage differential[b]
Intermediate:							
2017	1.79	.06	-.04	1.86	4.00	2.17	1.84
2018	1.92	-.07	-.01	2.45	4.89	2.97	1.92
2019	1.91	-.03	-.01	2.22	4.51	2.62	1.88
2020	1.86	.01	-.01	2.20	4.47	2.60	1.87
2021	1.80	-.07	-.02	2.20	4.21	2.60	1.61
2022	1.69	-.08	-.04	2.20	3.91	2.60	1.31
2023	1.67	-.10	-.05	2.20	3.73	2.60	1.13
2024	1.69	-.07	-.05	2.20	3.80	2.60	1.20
2025	1.71	-.06	-.05	2.20	3.83	2.60	1.23
2026	1.65	-.06	-.05	2.20	3.82	2.60	1.22
2026 to 2091	1.68	-.06	-.05	2.20	3.80	2.60	1.20
Low-cost:							
2017	2.25	0.06	0.02	2.09	4.86	2.76	2.10
2018	2.55	-.05	.12	3.24	6.72	3.80	2.92
2019	2.47	-.01	.11	3.06	6.34	3.36	2.98
2020	2.25	.04	.10	2.90	5.89	3.20	2.69
2021	2.00	-.03	.06	2.90	5.15	3.20	1.95
2022	1.98	-.03	.05	2.90	4.90	3.20	1.70
2023	1.98	-.04	.05	2.90	4.90	3.20	1.70
2024	1.98	[d]	.05	2.90	4.97	3.20	1.77
2025	1.98	.01	.05	2.90	5.01	3.20	1.81
2026	1.98	.03	.05	2.90	5.09	3.20	1.89
2026 to 2091	1.98	.02	.05	2.90	5.02	3.20	1.82
High-cost:							
2017	.78	.04	-.08	1.68	2.73	1.72	1.01
2018	.56	-.08	-.25	2.01	1.72	2.42	-.69
2019	1.81	-.04	-.17	1.66	2.79	2.16	.63
2020	1.58	-.02	-.09	1.50	3.45	2.00	1.45
2021	1.36	-.12	-.10	1.50	3.12	2.00	1.12
2022	1.36	-.14	-.11	1.50	3.00	2.00	1.00
2023	1.34	-.16	-.12	1.50	2.88	2.00	.88
2024	1.36	-.15	-.13	1.50	2.85	2.00	.85
2025	1.34	-.15	-.14	1.50	2.72	2.00	.72
2026	1.36	-.14	-.15	1.50	2.61	2.00	.61
2026 to 2091	1.38	-.15	-.15	1.50	2.58	2.00	.58

[a] For rows with a single year listed, the value is the annual percentage change from the prior year. For rows with a range of years listed, the value is the compound average annual percentage change.
[b] For rows with a single year listed, the value is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the Consumer Price Index. For rows with a range of years listed, the value is the average of annual values of the real wage differential, beginning with the year following the first year of the range. Values are rounded after all computations.
[c] Economic cycles are shown from peak to peak, except for the last cycle, which is not yet complete.
[d] Greater than -0.005 and less than 0.005.
[e] Historical data are not available for the full year. Estimated values vary slightly by alternative and are shown for the intermediate assumptions.

5. Labor Force and Unemployment Projections

The model used by the Office of the Chief Actuary projects the civilian labor force by age, sex, marital status, and presence of children. Projections of the

labor force participation rates reflect changes in disability prevalence, educational attainment, the average level of Social Security retirement benefits, the state of the economy, and the change in life expectancy. The projections also include a "cohort effect," which reflects an upward trend in female participation rates across cohorts born through 1948.

The annual rate of growth in the size of the labor force decreased from an average of about 2.4 percent during the 1966-73 economic cycle and 2.7 percent during the 1973-79 cycle to 1.7 percent during the 1979-89 cycle, 1.3 percent during the 1989-2000 cycle, and 1.0 percent during the 2000-07 cycle. Further slowing of labor force growth is expected to follow from a substantial slowing of growth in the working age population in the future—a consequence of the baby-boom generation reaching retirement ages and succeeding lower-birth-rate cohorts reaching working ages. Under the intermediate assumptions, the labor force is projected to increase by an average of 0.9 percent per year from 2016 to 2026 and 0.5 percent per year over the remainder of the 75-year projection period.

Labor force participation rates are projected with a model that uses demographic and economic assumptions specific to each alternative. More optimistic economic assumptions in the low-cost alternative are consistent with higher labor force participation rates, while demographic assumptions in the low-cost alternative (such as slower improvement in longevity) are consistent with lower labor force participation rates. These economic and demographic influences have largely offsetting effects. Therefore, the projected labor force participation rates do not vary substantially across alternatives.

Historically, labor force participation rates reflect trends in demographics and pensions. Between the mid-1960s and the mid-1980s, labor force participation rates at ages 50 and over declined for males but were fairly stable for females. During this period, the baby-boom generation reached working age and more women entered the labor force. This increasing supply of labor allowed employers to offer attractive early retirement options. Between the mid-1980s and the mid-1990s, participation rates at ages 55 and older roughly stabilized for males and increased for females. Since the mid-1990s, however, participation rates for both sexes at ages 50 and over have generally risen.

Many economic and demographic factors, including longevity, health, disability prevalence, the business cycle, incentives for retirement in Social Security and private pensions, education, and marriage patterns, will influence future labor force participation rates. The Office of the Chief Actuary

models some of these factors directly. To model the effects of other factors related to increases in life expectancy, projected participation rates are adjusted upward for mid-career and older ages to reflect projected increases in life expectancy. For the intermediate projections, this adjustment increases the total labor force by 2.9 percent for 2091.

For men age 16 and over, the projected age-adjusted labor force participation rate[1] for 2091 is 73.0, 73.1, and 73.1 percent for the low-cost, intermediate, and high-cost assumptions, respectively. The low-cost assumptions result in a larger working-age population and a larger labor force when compared to the intermediate assumptions, but a slightly lower labor force participation rate for men. This occurs because the low-cost assumptions include shorter life expectancies and relatively higher numbers of never-married individuals in the population. Shorter life expectancies tend to reduce work at older ages, while labor force participation rates tend to be lower for never-married men and higher for never-married women compared to their married counterparts.[2] For women age 16 and over, the projected age-adjusted labor force participation rates for 2091 are 61.7, 61.1, and 60.4 percent for the low-cost, intermediate, and high-cost assumptions, respectively.

The age-adjusted rates for 2091 are higher under all three alternatives than the age-adjusted rates for 2015 of 70.2 percent for men and 57.6 percent for women (based on actual age-specific rates published by the Bureau of Labor Statistics), primarily due to the Trustees' projected increases in life expectancy. In the first ten years, the assumed labor force participation rates also increase as the economic recovery draws more people into the labor force. Increasing disability prevalence rates offset these increases somewhat in the intermediate and high-cost assumptions, but a decrease in disability prevalence further contributes to increases in labor force participation in the low-cost assumptions.

The total civilian unemployment rates are presented in table V.B2. For years through 2026, the table presents total civilian rates without adjustment for the changing age-sex distribution of the population. For years after 2026, the table presents age-sex-adjusted rates, using the age-sex distribution of the 2011 civilian labor force. Age-sex-adjusted rates allow for more meaningful comparisons across longer time periods.

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[1] The Office of the Chief Actuary adjusts the labor force participation rates to the 2011 age distribution of the civilian noninstitutional U.S. population.

[2] The high-cost labor force participation rate is the same as the intermediate because life expectancy has a non-linear effect on labor force participation rates in the Office of the Chief Actuary's model.

The total civilian unemployment rate reflects the projected levels of unemployment for various age-sex groups of the population. Each group's unemployment rate is projected in relation to changes in the economic cycle, as measured by the ratio of actual to potential GDP.[1] For each alternative, the total civilian unemployment rate moves toward the ultimate assumed rate as the economy moves toward the long-range sustainable growth path.

The ultimate assumed age-sex-adjusted unemployment rates are 4.5, 5.5, and 6.5 percent for the low-cost, intermediate, and high-cost assumptions, respectively. These values are unchanged from the 2016 report. Improvements in labor market conditions will eventually draw more nonparticipants back into the labor force and unemployment rate will increase from an estimated 4.9 percent for 2016 to the assumed rate of 5.5 for 2019 under the intermediate assumptions. Under the low-cost assumptions, the ultimate unemployment rate is reached in 2017.[2] Under the high-cost assumptions, unemployment will reach the ultimate rate in 2025.

6. Gross Domestic Product Projections

The value of real GDP equals the product of three components: (1) average weekly total employment,[3] (2) productivity, and (3) average hours worked per week. Consequently, the growth rate in real GDP is approximately equal to the sum of the growth rates for total employment, productivity, and average hours worked. For the period from 1966 to 2007, which covers the last five complete economic cycles, the average growth rate in real GDP was 3.1 percent. This average growth rate approximately equals the sum of the average growth rates of 1.6, 1.7, and -0.3 percent for total employment, productivity, and average hours worked, respectively. As a result of the 2007-2009 recession and the subsequent slow recovery, the real GDP for 2015 was only 10.2 percent above the 2007 level. The estimated real GDP growth from 2015 to 2016 is 1.6 percent.

For the intermediate assumptions, the average annual growth in real GDP is 2.6 percent from 2016 to 2026, the approximate sum of component growth rates of 0.8 percent for total employment, 1.8 percent for productivity, and -0.03 percent for average hours worked. The projected average annual growth in real GDP of 2.6 percent for this period is 0.4 percentage point higher than the underlying sustainable trend rate of 2.2 percent. This

[1] Potential GDP is the level of GDP assuming the economy is operating at the underlying sustainable trend rate of growth.

[2] The assumed ultimate unemployment rate is an age-sex-adjusted rate.

[3] Total employment is the sum of the U.S. Armed Forces and total civilian employment, which depends on the total civilian labor force and unemployment rate.

0.4 percentage point above-trend component reflects a relatively rapid increase in employment and total economy productivity as the economy recovers. After 2026, the assumptions do not explicitly reflect economic cycles. The projected annual growth rate in real GDP combines the projected growth rates for total employment, total U.S. economy productivity, and average hours worked. After 2026, the annual growth in real GDP averages 2.1 percent, based on the projected average annual growth rate of 0.5 percent for total employment and the assumed ultimate growth rates of 1.7 percent for productivity and -0.05 percent for average hours worked. The projected growth rate of real GDP is slower than the past average growth rate mainly because the working-age population is expected to grow more slowly than in the past.

For the low-cost assumptions, the annual growth in real GDP averages 3.3 percent over the decade ending in 2026. The relatively faster growth is due mostly to higher assumed rates of growth for employment and worker productivity. For the high-cost assumptions, the annual growth in real GDP averages 1.7 percent for the decade ending in 2026.

7. Interest Rates

Table V.B2 presents average annual nominal and real interest rates for newly issued trust fund securities. The nominal rate is the average of the nominal interest rates for special U.S. Government obligations issuable to the trust funds in each of the 12 months of the year. Interest for these securities is generally compounded semiannually. The real interest rate is defined as the annual yield rate for investments in these securities divided by the annual rate of growth in the CPI for the first year after issuance. The real rate shown for each year reflects the actual realized (historical) or expected (future) real yield on securities issuable in the prior year.

To develop a reasonable range of assumed ultimate future real interest rates for the three alternatives, the Office of the Chief Actuary examined historical experience for the last five complete economic cycles. For the period from 1966 to 2007, the real interest rate averaged 2.8 percent per year. The real interest rates averaged 1.3, -1.0, 5.2, 4.0, and 2.2 percent per year over the economic cycles 1966-73, 1973-79, 1979-89, 1989-2000, and 2000-07, respectively. The assumed ultimate real interest rates are 3.2 percent, 2.7 percent, and 2.2 percent for the low-cost, intermediate, and high-cost assumptions, respectively. These rates are the same as in the 2016 report.

The actual average annual nominal interest rate was approximately 2.0 percent for 2015, which means that securities newly issued in 2015 would yield 2.0 percent if held one year. Estimated average prices rose from

2015 to 2016 by approximately 1.0 percent. The annual real interest rate for 2016 is 1.1 percent, the approximate difference between the nominal interest rate and the rate of price increase. For the 10-year short-range projection period, projected nominal interest rates depend on changes in the economic cycle and in the CPI. When combined with the ultimate CPI assumptions of 3.2, 2.6, and 2.0 percent, the assumed ultimate real interest rates produce ultimate nominal interest rates of 6.4 percent for the low-cost assumptions, 5.3 percent for the intermediate assumptions, and 4.2 percent for the high-cost assumptions. These nominal rates for newly issued trust fund securities reach their ultimate levels by 2026, the end of the short-range period.

Table V.B2.—Additional Economic Factors

Calendar year	Average annual unemployment rate[a]	Annual percentage change[b] in— Labor force[c]	Total employment[d]	Real GDP[e]	Average annual interest rate Nominal[f]	Real[g]
Historical data:						
5-year periods:						
1960 to 1965	5.5	1.3	1.6	5.0	4.0	2.5
1965 to 1970	3.9	2.2	2.1	3.5	5.9	1.0
1970 to 1975	6.1	2.5	1.5	2.7	6.7	[h]
1975 to 1980	6.8	2.7	2.9	3.7	8.5	-.9
1980 to 1985	8.3	1.5	1.5	3.3	12.1	6.9
1985 to 1990	5.9	1.7	2.0	3.4	8.5	5.1
1990 to 1995	6.6	1.0	.9	2.6	7.0	4.3
1995 to 2000	4.6	1.5	1.8	4.3	6.2	3.9
2000 to 2005	5.4	.9	0.7	2.5	4.6	2.4
2005 to 2010	6.8	.6	-0.4	0.8	3.8	1.8
2010 to 2015	7.2	.4	1.3	2.1	2.0	.5
Economic cycles:[i]						
1966 to 1973	4.6	2.4	2.0	3.6	6.1	1.3
1973 to 1979	6.8	2.7	2.4	3.0	7.7	-1.0
1979 to 1989	7.3	1.7	1.7	3.1	10.5	5.2
1989 to 2000	5.6	1.3	1.3	3.3	6.8	4.0
2000 to 2007	5.2	1.0	.9	2.4	4.6	2.2
2007 to 2016	7.3	.4	.4	1.3	2.4	1.1
Single years:						
2006	4.6	1.4	1.8	2.7	4.8	1.1
2007	4.6	1.1	1.1	1.8	4.7	1.9
2008	5.8	.8	-.4	-.3	3.6	.6
2009	9.3	-.1	-3.7	-2.8	2.9	4.4
2010	9.6	-.2	-.6	2.5	2.8	.9
2011	8.9	-.2	.6	1.6	2.4	-.7
2012	8.1	.9	1.8	2.2	1.5	.3
2013	7.4	.3	1.0	1.7	1.9	.1
2014	6.2	.3	1.6	2.4	2.3	.4
2015	5.3	.8	1.7	2.6	2.0	2.7
2016[j]	4.9	1.3	1.7	1.6	1.8	1.0

Table V.B2.—Additional Economic Factors (Cont.)

Calendar year	Average annual unemployment rate[a]	Annual percentage change[b] in—			Average annual interest rate	
		Labor force[c]	Total employment[d]	Real GDP[e]	Nominal[f]	Real[g]
Intermediate:						
2017	5.0	1.2	1.1	2.9	2.7	-0.3
2018	5.3	1.5	1.1	3.0	3.7	-.3
2019	5.5	1.3	1.1	3.0	4.3	1.1
2020	5.5	1.0	1.0	2.9	4.6	1.7
2021	5.5	.9	.9	2.7	4.8	2.0
2022	5.5	.7	.7	2.4	5.0	2.2
2023	5.5	.6	.5	2.2	5.0	2.4
2024	5.6	.6	.6	2.2	5.2	2.4
2025	5.6	.6	.6	2.2	5.3	2.6
2026	5.6	.5	.5	2.1	5.3	2.7
2030	5.5	.5	.5	2.1	5.3	2.7
2035	5.5	.5	.5	2.1	5.3	2.7
2040	5.5	.6	.6	2.2	5.3	2.7
2045	5.5	.6	.6	2.2	5.3	2.7
2050	5.5	.5	.5	2.2	5.3	2.7
2055	5.5	.5	.5	2.1	5.3	2.7
2060	5.5	.4	.4	2.1	5.3	2.7
2065	5.5	.4	.4	2.1	5.3	2.7
2070	5.5	.5	.5	2.1	5.3	2.7
2075	5.5	.5	.5	2.1	5.3	2.7
2080	5.5	.5	.5	2.1	5.3	2.7
2085	5.5	.4	.4	2.1	5.3	2.7
2090	5.5	.4	.4	2.0	5.3	2.7
2095	5.5	.4	.4	2.0	5.3	2.7
Low-cost:						
2017	4.6	1.2	1.5	3.8	3.5	-.9
2018	4.6	1.7	1.7	4.4	5.1	-.3
2019	4.6	1.6	1.6	4.2	5.7	1.7
2020	4.6	1.2	1.2	3.6	5.7	2.5
2021	4.6	.9	.9	3.0	5.8	2.5
2022	4.6	.8	.7	2.8	5.9	2.6
2023	4.6	.8	.7	2.8	6.1	2.7
2024	4.6	.8	.8	2.9	6.3	2.9
2025	4.6	.8	.8	2.9	6.4	3.1
2026	4.6	.7	.7	2.7	6.4	3.2
2030	4.5	.6	.6	2.6	6.4	3.2
2035	4.5	.6	.6	2.7	6.4	3.2
2040	4.5	.8	.7	2.8	6.4	3.2
2045	4.5	.8	.8	2.8	6.4	3.2
2050	4.5	.8	.8	2.8	6.4	3.2
2055	4.5	.7	.7	2.7	6.4	3.2
2060	4.5	.7	.7	2.7	6.4	3.2
2065	4.5	.7	.7	2.7	6.4	3.2
2070	4.5	.8	.7	2.8	6.4	3.2
2075	4.5	.8	.8	2.8	6.4	3.2
2080	4.5	.8	.8	2.8	6.4	3.2
2085	4.5	.7	.7	2.8	6.4	3.2
2090	4.5	.7	.7	2.7	6.4	3.2
2095	4.5	.7	.7	2.7	6.4	3.2

Table V.B2.—Additional Economic Factors (Cont.)

Calendar year	Average annual unemployment rate[a]	Annual percentage change[b] in— Labor force[c]	Total employment[d]	Real GDP[e]	Average annual interest rate Nominal[f]	Real[g]
High-cost:						
2017	5.0	1.1	0.9	1.7	2.0	0.1
2018	6.3	.9	-.4	-.1	1.8	-.4
2019	7.0	.5	-.3	1.3	3.1	-.4
2020	6.9	.8	.9	2.4	3.8	1.1
2021	6.8	.8	.9	2.2	4.0	1.8
2022	6.8	.7	.8	2.0	4.1	2.0
2023	6.7	.6	.7	1.9	4.2	2.1
2024	6.6	.5	.6	1.9	4.3	2.2
2025	6.5	.5	.6	1.8	4.3	2.3
2026	6.5	.4	.4	1.6	4.2	2.3
2030	6.5	.4	.4	1.6	4.2	2.2
2035	6.5	.4	.4	1.6	4.2	2.2
2040	6.5	.4	.4	1.6	4.2	2.2
2045	6.5	.4	.4	1.6	4.2	2.2
2050	6.5	.3	.3	1.5	4.2	2.2
2055	6.5	.2	.2	1.4	4.2	2.2
2060	6.5	.2	.2	1.4	4.2	2.2
2065	6.5	.2	.2	1.4	4.2	2.2
2070	6.5	.1	.1	1.4	4.2	2.2
2075	6.5	.1	.1	1.4	4.2	2.2
2080	6.5	.1	.1	1.4	4.2	2.2
2085	6.5	.1	.1	1.3	4.2	2.2
2090	6.5	.1	.1	1.3	4.2	2.2
2095	6.5	.1	.1	1.3	4.2	2.2

[a] The Office of the Chief Actuary adjusts the civilian unemployment rates for 2027 and later to the age-sex distribution of the civilian labor force in 2011. For years through 2026, the values are the total rates without adjustment for the changing age-sex distribution.

[b] For rows with a single year listed, the value is the annual percentage change from the prior year. For rows with a range of years listed, the value is the compounded average annual percentage change.

[c] The U.S. civilian labor force.

[d] Total U.S. military and civilian employment.

[e] The value of the total output of goods and services in 2009 dollars.

[f] The average of the nominal interest rates, which compound semiannually, for special public-debt obligations issuable to the trust funds in each of the 12 months of the year.

[g] The realized or expected annual real yield for each year on securities issuable in the prior year.

[h] Greater than -0.05 and less than 0.05 percent.

[i] Economic cycles are shown from peak to peak, except for the last cycle, which is not yet complete.

[j] Historical data are not available for the full year. Estimated values vary slightly by alternative and are shown for the intermediate assumptions.

C. PROGRAM-SPECIFIC ASSUMPTIONS AND METHODS

The Office of the Chief Actuary at the Social Security Administration uses a set of models to project future income and cost under the OASDI program. These models rely not only on the demographic and economic assumptions described in the previous sections, but also on a number of program-specific assumptions and methods. Values of many program parameters change from year to year as prescribed by formulas set out in the Social Security Act. These program parameters affect the level of payroll taxes collected and the level of benefits paid. The office uses more complex models to project the numbers of future workers covered under OASDI and the levels of their covered earnings, as well as the numbers of future beneficiaries and the expected levels of their benefits. The following subsections provide descriptions of these program-specific assumptions and methods.

1. Automatically Adjusted Program Parameters

The Social Security Act requires that certain parameters affecting the determination of OASDI benefits and taxes be adjusted annually to reflect changes in particular economic measures. Formulas prescribed in the law, applied to reported statistics, change these program parameters annually. The law bases these automatic adjustments on measured changes in the national average wage index (AWI) and the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).[1] This section shows values for program parameters adjusted using these indices from the time that these adjustments became effective through 2026. Projected values for future years depend on the economic assumptions described in the preceding section of this report.

Tables V.C1 and V.C2 present the historical and projected values of the CPI-based benefit increases, the AWI series, and the values of many of the wage-indexed program parameters. Each table shows projections under the three alternative sets of economic assumptions. Table V.C1 includes:

- *The annual cost-of-living benefit increase percentages.* The automatic cost-of-living adjustment provisions in the Social Security Act specify increases in OASDI benefits based on increases in the CPI. Volatility in oil prices has resulted in substantial volatility in recent cost-of-living adjustments. A large cost-of-living adjustment in December 2008 was followed by no cost-of-living adjustments in December 2009 and December 2010. More recent volatility in oil prices again affected the

[1] The *Federal Register* publishes details of these indexation procedures annually. Also see www.ssa.gov/OACT/COLA/.

CPI, resulting in no cost-of-living adjustment for December 2015. There was a cost-of-living adjustment for December 2016, and all three sets of assumptions have automatic cost-of-living adjustments for all future years.

- *The annual levels of and percentage increases in the AWI.* Under section 215(b)(3) of the Social Security Act, Social Security benefit computations index taxable earnings (for most workers first becoming eligible for benefits in 1979 or later) using the AWI for each year after 1950. This procedure converts a worker's past earnings to approximately average-wage-indexed equivalent values near the time of his or her benefit eligibility. Other program parameters presented in this section that are subject to the automatic-adjustment provisions also rely on the AWI.
- *The wage-indexed contribution and benefit base.* For any year, the contribution and benefit base is the maximum amount of earnings subject to the OASDI payroll tax and creditable toward benefit computation. The Social Security Act defers any increase in the contribution and benefit base if there is no cost-of-living adjustment effective for December of the preceding year. There was no increase in the contribution and benefit base for 2010, 2011, or 2016 because there was no cost-of-living adjustment for the immediate prior December in each case. Under all three sets of assumptions, the contribution and benefit base is projected to increase for all future years.
- *The wage-indexed retirement earnings test exempt amounts.* The exempt amounts are the annual amount of earnings below which beneficiaries do not have benefits withheld. A lower exempt amount applies for years prior to the year of attaining normal retirement age. A higher exempt amount applies beginning with the year in which a beneficiary attains normal retirement age. Starting in 2000, the retirement earnings test no longer applies beginning with the month of attaining normal retirement age. The Social Security Act defers any increase in these exempt amounts if there is no cost-of-living adjustment effective for December of the preceding year. There was no increase in these exempt amounts for 2010, 2011, or 2016 because there was no cost-of-living adjustment for the immediate prior December. Under all three sets of assumptions, the exempt amounts increase for all future years.

Table V.C1.—Cost-of-Living Benefit Increases, Average Wage Index, Contribution and Benefit Bases, and Retirement Earnings Test Exempt Amounts, 1975-2026

Calendar year	Cost-of-living benefit increase[a] (percent)	Average wage index (AWI)[b] Amount	Average wage index (AWI)[b] Increase (percent)	Contribution and benefit base[c]	Retirement earnings test exempt amount Under NRA[d]	Retirement earnings test exempt amount At NRA[e]
Historical data:						
1975	8.0	$8,630.92	7.5	$14,100	$2,520	$2,520
1976	6.4	9,226.48	6.9	15,300	2,760	2,760
1977	5.9	9,779.44	6.0	16,500	3,000	3,000
1978	6.5	10,556.03	7.9	17,700	3,240	4,000
1979	9.9	11,479.46	8.7	22,900	3,480	4,500
1980	14.3	12,513.46	9.0	25,900	3,720	5,000
1981	11.2	13,773.10	10.1	29,700	4,080	5,500
1982	7.4	14,531.34	5.5	32,400	4,440	6,000
1983	3.5	15,239.24	4.9	35,700	4,920	6,600
1984	3.5	16,135.07	5.9	37,800	5,160	6,960
1985	3.1	16,822.51	4.3	39,600	5,400	7,320
1986	1.3	17,321.82	3.0	42,000	5,760	7,800
1987	4.2	18,426.51	6.4	43,800	6,000	8,160
1988	4.0	19,334.04	4.9	45,000	6,120	8,400
1989	4.7	20,099.55	4.0	48,000	6,480	8,880
1990	5.4	21,027.98	4.6	51,300	6,840	9,360
1991	3.7	21,811.60	3.7	53,400	7,080	9,720
1992	3.0	22,935.42	5.2	55,500	7,440	10,200
1993	2.6	23,132.67	.9	57,600	7,680	10,560
1994	2.8	23,753.53	2.7	60,600	8,040	11,160
1995	2.6	24,705.66	4.0	61,200	8,160	11,280
1996	2.9	25,913.90	4.9	62,700	8,280	12,500
1997	2.1	27,426.00	5.8	65,400	8,640	13,500
1998	1.3	28,861.44	5.2	68,400	9,120	14,500
1999	[f]2.5	30,469.84	5.6	72,600	9,600	15,500
2000	3.5	32,154.82	5.5	76,200	10,080	17,000
2001	2.6	32,921.92	2.4	80,400	10,680	25,000
2002	1.4	33,252.09	1.0	84,900	11,280	30,000
2003	2.1	34,064.95	2.4	87,000	11,520	30,720
2004	2.7	35,648.55	4.6	87,900	11,640	31,080
2005	4.1	36,952.94	3.7	90,000	12,000	31,800
2006	3.3	38,651.41	4.6	94,200	12,480	33,240
2007	2.3	40,405.48	4.5	97,500	12,960	34,440
2008	5.8	41,334.97	2.3	102,000	13,560	36,120
2009	.0	40,711.61	-1.5	106,800	14,160	37,680
2010	.0	41,673.83	2.4	106,800	14,160	37,680
2011	3.6	42,979.61	3.1	106,800	14,160	37,680
2012	1.7	44,321.67	3.1	110,100	14,640	38,880
2013	1.5	44,888.16	1.3	113,700	15,120	40,080
2014	1.7	46,481.52	3.5	117,000	15,480	41,400
2015	.0	48,098.63	3.5	118,500	15,720	41,880
Intermediate:						
2016	[g].3	49,364.95	2.6	[g]118,500	[g]15,720	[g]41,880
2017	2.2	51,314.31	3.9	[g]127,200	[g]16,920	[g]44,880
2018	3.1	53,798.38	4.8	130,500	17,280	46,080
2019	2.6	56,223.60	4.5	135,600	18,000	47,880
2020	2.6	58,735.48	4.5	142,200	18,840	50,160
2021	2.6	61,211.89	4.2	148,500	19,680	52,440
2022	2.6	63,609.73	3.9	155,100	20,640	54,840
2023	2.6	65,987.64	3.7	161,700	21,480	57,120
2024	2.6	68,493.99	3.8	168,000	22,320	59,400
2025	2.6	71,119.99	3.8	174,300	23,160	61,560
2026	2.6	73,835.30	3.8	180,900	24,000	63,960

Table V.C1.—Cost-of-Living Benefit Increases, Average Wage Index, Contribution and Benefit Bases, and Retirement Earnings Test Exempt Amounts, 1975-2026 (Cont.)

Calendar year	Cost-of-living benefit increase[a] (percent)	Average wage index (AWI)[b] Amount	Average wage index (AWI)[b] Increase (percent)	Contribution and benefit base[c]	Retirement earnings test exempt amount Under NRA[d]	Retirement earnings test exempt amount At NRA[e]
Low-cost:						
2016	[g]0.3	$49,397.54	2.7	[g]$118,500	[g]$15,720	[g]$41,880
2017	2.9	51,754.23	4.8	[g]127,200	[g]16,920	[g]44,880
2018	4.0	55,183.94	6.6	130,500	17,280	46,080
2019	3.3	58,676.00	6.3	136,800	18,120	48,240
2020	3.2	62,137.45	5.9	145,800	19,320	51,480
2021	3.2	65,352.13	5.2	155,100	20,520	54,720
2022	3.2	68,560.54	4.9	164,100	21,840	57,960
2023	3.2	71,925.67	4.9	172,800	22,920	60,960
2024	3.2	75,501.62	5.0	181,200	24,000	63,960
2025	3.2	79,285.59	5.0	189,900	25,200	67,080
2026	3.2	83,321.83	5.1	199,500	26,520	70,440
High-cost:						
2016	[g].3	49,343.60	2.6	[g]118,500	[g]15,720	[g]41,880
2017	1.5	50,695.11	2.7	[g]127,200	[g]16,920	[g]44,880
2018	2.8	51,598.51	1.8	130,500	17,280	46,080
2019	2.1	53,039.20	2.8	133,800	17,760	47,280
2020	2.0	54,856.54	3.4	136,200	18,120	48,120
2021	2.0	56,567.87	3.1	140,100	18,600	49,440
2022	2.0	58,266.76	3.0	144,900	19,200	51,240
2023	2.0	59,941.26	2.9	149,400	19,800	52,800
2024	2.0	61,647.11	2.8	153,900	20,400	54,360
2025	2.0	63,324.94	2.7	158,400	21,000	55,920
2026	2.0	64,976.83	2.6	162,900	21,600	57,480

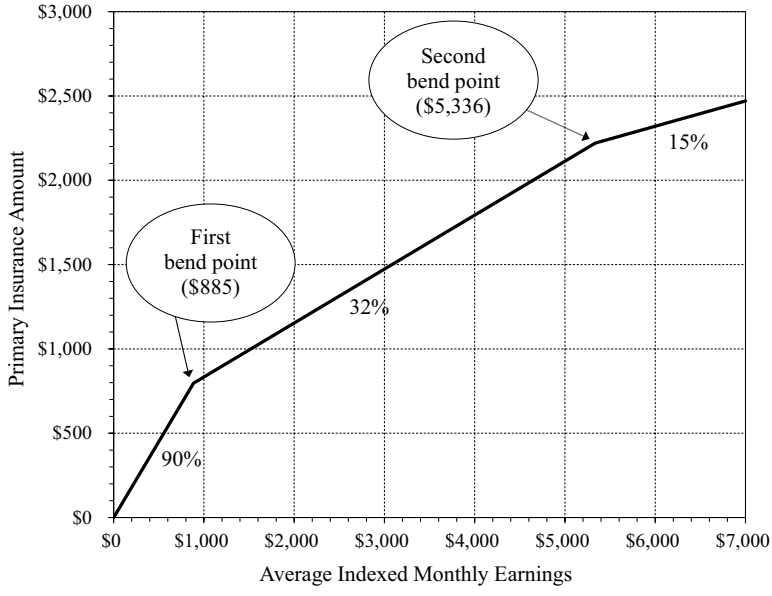
[a] Effective with benefits payable for June in each year 1975-82, and for December in each year after 1982.
[b] See table VI.G6 for projected dollar amounts of the AWI for years beyond the last year of this table.
[c] Public Law 95-216 specified amounts for 1978-81. Public Law 101-239 changed the indexing procedure and caused slightly higher bases after 1989.
[d] Normal retirement age. See table V.C3 for specific values.
[e] In 1955-82, the retirement earnings test did not apply at ages 72 and over. In 1983-99, the test did not apply at ages 70 and over. Beginning in 2000, the test does not apply beginning with the month of normal retirement age attainment. In the year of normal retirement age attainment, the higher exempt amount applies to earnings prior to the month of normal retirement age attainment. Public Law 95-216 specified amounts for 1978-82. Public Law 104-121 specified amounts for 1996-2002.
[f] Originally determined as 2.4 percent. Pursuant to Public Law 106-554, effectively 2.5 percent.
[g] Actual amount, as determined under automatic-adjustment provisions.

Table V.C2 shows values for other wage-indexed parameters. The table provides historical values from 1978, when indexing of the amount of earnings required for a quarter of coverage first began, through 2017, and also shows projected values through 2026. These other wage-indexed program parameters are:

- *The bend points in the formula for computing the primary insurance amount (PIA) for workers who reach age 62, become disabled, or die in a given year.* As figure V.C1 illustrates, these two bend points define three ranges in a worker's average indexed monthly earnings (AIME). The formula for the worker's PIA multiplies a 90, 32, or 15 percent fac-

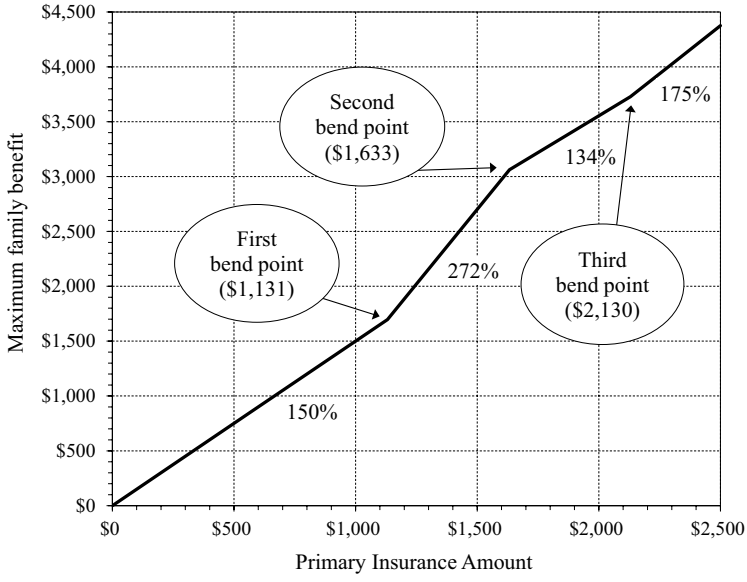
tor by the portion of the worker's AIME that falls within the three respective ranges, and then adds the resulting products together.

Figure V.C1.—Primary-Insurance-Amount Formula for Those Newly Eligible in 2017



- *The bend points in the formula for computing the maximum total amount of monthly benefits payable based on the earnings record of a retired or deceased worker (maximum family benefit).* As figure V.C2 illustrates, these three bend points define four ranges in a worker's PIA. The formula for the maximum family benefit multiplies a 150, 272, 134, or 175 percent factor by the portion of the worker's PIA that falls within the four respective ranges, and then adds the resulting products together.

Figure V.C2.—OASI Maximum-Family-Benefit Formula for Those Newly Eligible in 2017



- *The amount of earnings required in a year to earn a quarter of coverage (QC).* The number and timing of QCs earned determines an individual's insured status—the basic requirement for benefit eligibility under OASDI.
- *The old-law contribution and benefit base—the contribution and benefit base that would have been in effect without enactment of the 1977 amendments.* This old-law base is used in determining special-minimum benefits for certain workers who have many years of low earnings in covered employment. Since 1986, the calculation of OASDI benefits for certain workers who are eligible to receive pensions based on noncovered employment uses the old-law base. In addition, the Railroad Retirement program and the Employee Retirement Income Security Act of 1974 use the old-law base for certain purposes.

Table V.C2.—Values for Selected Wage-Indexed Program Parameters, Calendar Years 1978-2026

Calendar year	AIME bend points in PIA formula[a] First	AIME bend points in PIA formula[a] Second	PIA bend points in OASI maximum-family-benefit formula[b] First	PIA bend points in OASI maximum-family-benefit formula[b] Second	PIA bend points in OASI maximum-family-benefit formula[b] Third	Earnings required for a quarter of coverage	Old-law contribution and benefit base[c]
Historical data:							
1978	[d]	[d]	[d]	[d]	[d]	[e] $250	[e] $17,700
1979	[e] $180	[e] $1,085	[e] $230	[e] $332	[e] $433	260	18,900
1980	194	1,171	248	358	467	290	20,400
1981	211	1,274	270	390	508	310	22,200
1982	230	1,388	294	425	554	340	24,300
1983	254	1,528	324	468	610	370	26,700
1984	267	1,612	342	493	643	390	28,200
1985	280	1,691	358	517	675	410	29,700
1986	297	1,790	379	548	714	440	31,500
1987	310	1,866	396	571	745	460	32,700
1988	319	1,922	407	588	767	470	33,600
1989	339	2,044	433	626	816	500	35,700
1990	356	2,145	455	656	856	520	38,100
1991	370	2,230	473	682	890	540	39,600
1992	387	2,333	495	714	931	570	41,400
1993	401	2,420	513	740	966	590	42,900
1994	422	2,545	539	779	1,016	620	45,000
1995	426	2,567	544	785	1,024	630	45,300
1996	437	2,635	559	806	1,052	640	46,500
1997	455	2,741	581	839	1,094	670	48,600
1998	477	2,875	609	880	1,147	700	50,700
1999	505	3,043	645	931	1,214	740	53,700
2000	531	3,202	679	980	1,278	780	56,700
2001	561	3,381	717	1,034	1,349	830	59,700
2002	592	3,567	756	1,092	1,424	870	63,000
2003	606	3,653	774	1,118	1,458	890	64,500
2004	612	3,689	782	1,129	1,472	900	65,100
2005	627	3,779	801	1,156	1,508	920	66,900
2006	656	3,955	838	1,210	1,578	970	69,900
2007	680	4,100	869	1,255	1,636	1,000	72,600
2008	711	4,288	909	1,312	1,711	1,050	75,900
2009	744	4,483	950	1,372	1,789	1,090	79,200
2010	761	4,586	972	1,403	1,830	1,120	79,200
2011	749	4,517	957	1,382	1,803	1,120	79,200
2012	767	4,624	980	1,415	1,845	1,130	81,900
2013	791	4,768	1,011	1,459	1,903	1,160	84,300
2014	816	4,917	1,042	1,505	1,962	1,200	87,000
2015	826	4,980	1,056	1,524	1,987	1,220	88,200
2016	856	5,157	1,093	1,578	2,058	1,260	88,200
2017	885	5,336	1,131	1,633	2,130	1,300	94,500
Intermediate:							
2018	909	5,477	1,161	1,676	2,186	1,340	96,900
2019	944	5,693	1,207	1,742	2,272	1,390	100,800
2020	990	5,969	1,265	1,826	2,382	1,460	105,600
2021	1,035	6,238	1,322	1,909	2,489	1,520	110,400
2022	1,081	6,517	1,381	1,994	2,601	1,590	115,200
2023	1,127	6,791	1,440	2,078	2,710	1,660	120,000
2024	1,171	7,057	1,496	2,159	2,816	1,720	124,800
2025	1,215	7,321	1,552	2,240	2,922	1,790	129,600
2026	1,261	7,599	1,611	2,325	3,033	1,860	134,400

Table V.C2.—Values for Selected Wage-Indexed Program Parameters, Calendar Years 1978-2026 (Cont.)

Calendar year	AIME bend points in PIA formula[a] First	AIME bend points in PIA formula[a] Second	PIA bend points in OASI maximum-family-benefit formula[b] First	PIA bend points in OASI maximum-family-benefit formula[b] Second	PIA bend points in OASI maximum-family-benefit formula[b] Third	Earnings required for a quarter of coverage	Old-law contribution and benefit base[c]
Low-cost:							
2018	$909	$5,481	$1,162	$1,677	$2,187	$1,340	$96,900
2019	953	5,742	1,217	1,757	2,291	1,400	101,400
2020	1,016	6,122	1,298	1,873	2,443	1,500	108,300
2021	1,080	6,510	1,380	1,992	2,598	1,590	115,200
2022	1,144	6,894	1,461	2,109	2,751	1,680	121,800
2023	1,203	7,251	1,537	2,219	2,894	1,770	128,100
2024	1,262	7,607	1,612	2,328	3,036	1,860	134,400
2025	1,324	7,980	1,692	2,442	3,185	1,950	141,000
2026	1,390	8,377	1,776	2,563	3,343	2,050	148,200
High-cost:							
2018	908	5,475	1,160	1,675	2,185	1,340	96,900
2019	933	5,624	1,192	1,721	2,245	1,370	99,600
2020	950	5,725	1,214	1,752	2,285	1,400	101,100
2021	976	5,885	1,247	1,801	2,348	1,440	104,100
2022	1,010	6,086	1,290	1,862	2,429	1,490	107,700
2023	1,041	6,276	1,330	1,920	2,505	1,530	111,000
2024	1,072	6,465	1,370	1,978	2,580	1,580	114,300
2025	1,103	6,650	1,410	2,035	2,654	1,620	117,600
2026	1,135	6,840	1,450	2,093	2,730	1,670	120,900

[a] The formula to compute a PIA is: (1) 90% of AIME below the first bend point, plus (2) 32% of AIME in excess of the first bend point but not in excess of the second, plus (3) 15% of AIME in excess of the second bend point. The bend points are determined based on the first year a beneficiary becomes eligible for benefits.

[b] The formula to compute an OASI family maximum is: (1) 150% of PIA below the first bend point, plus (2) 272% of PIA in excess of the first bend point but not in excess of the second, plus (3) 134% of PIA in excess of the second bend point but not in excess of the third, plus (4) 175% of PIA in excess of the third bend point. This formula also determines family maximums for disabled workers first eligible after 1978 and entitled before July 1980.

[c] Contribution and benefit base that would have been in effect without enactment of the Social Security Amendments of 1977. Public Law 101-239 changed the indexing procedure and caused slightly higher bases after 1989.

[d] No provision in law for this amount in this year.

[e] Amount specified by Social Security Amendments of 1977.

In addition to the economic factors that affect the determination of OASDI benefits, there are certain legislated changes that affect current and future benefit amounts. Two such changes are the scheduled increases in the normal retirement age and in the delayed retirement credits. Table V.C3 shows the scheduled changes in these parameters and the resulting effects on benefit levels expressed as a percentage of PIA.

Table V.C3.—Legislated Changes in Normal Retirement Age and Delayed Retirement Credits for Persons Reaching Age 62 in Each Year 1986 and Later

Year of birth	Year of attainment of age 62	Normal retirement age (NRA)	Credit for each year of delayed retirement after NRA (percent)	Benefit, as a percentage of PIA, beginning at age —				
				62	65	66	67	70
1924	1986	65	3	80	100	103	106	115
1925	1987	65	3 1/2	80	100	103 1/2	107	117 1/2
1926	1988	65	3 1/2	80	100	103 1/2	107	117 1/2
1927	1989	65	4	80	100	104	108	120
1928	1990	65	4	80	100	104	108	120
1929	1991	65	4 1/2	80	100	104 1/2	109	122 1/2
1930	1992	65	4 1/2	80	100	104 1/2	109	122 1/2
1931	1993	65	5	80	100	105	110	125
1932	1994	65	5	80	100	105	110	125
1933	1995	65	5 1/2	80	100	105 1/2	111	127 1/2
1934	1996	65	5 1/2	80	100	105 1/2	111	127 1/2
1935	1997	65	6	80	100	106	112	130
1936	1998	65	6	80	100	106	112	130
1937	1999	65	6 1/2	80	100	106 1/2	113	132 1/2
1938	2000	65, 2 mo	6 1/2	79 1/6	98 8/9	105 5/12	111 11/12	131 5/12
1939	2001	65, 4 mo	7	78 1/3	97 7/9	104 2/3	111 2/3	132 2/3
1940	2002	65, 6 mo	7	77 1/2	96 2/3	103 1/2	110 1/2	131 1/2
1941	2003	65, 8 mo	7 1/2	76 2/3	95 5/9	102 1/2	110	132 1/2
1942	2004	65, 10 mo	7 1/2	75 5/6	94 4/9	101 1/4	108 3/4	131 1/4
1943-54	2005-16	66	8	75	93 1/3	100	108	132
1955	2017	66, 2 mo	8	74 1/6	92 2/9	98 8/9	106 2/3	130 2/3
1956	2018	66, 4 mo	8	73 1/3	91 1/9	97 7/9	105 1/3	129 1/3
1957	2019	66, 6 mo	8	72 1/2	90	96 2/3	104	128
1958	2020	66, 8 mo	8	71 2/3	88 8/9	95 5/9	102 2/3	126 2/3
1959	2021	66, 10 mo	8	70 5/6	87 7/9	94 4/9	101 1/3	125 1/3
1960 & later	2022 & later	67	8	70	86 2/3	93 1/3	100	124

2. Covered Employment

Projections of the total U.S. labor force and unemployment rate (see table V.B2) are based on Bureau of Labor Statistics definitions from the Current Population Survey (CPS). These projections represent the average weekly number of employed and unemployed persons, age 16 and over, in the U.S. in a calendar year. Covered employment for a calendar year is defined as the total number of persons who have any OASDI covered earnings (that is, earnings subject to the OASDI payroll tax) at any time during that year. For those age 16 and over, projected covered employment is the sum of age-sex components, each reflecting the growth projected for the component's total U.S employment and average weeks worked per year.[1] For the short-range period, the average weeks worked for each component is assumed to increase during the economic recovery. After 2026, the average weeks worked for each component is assumed to remain constant. The pro-

[1] For those under age 16, projected covered employment is the sum of age-sex components, each of which is projected as a ratio to the Social Security area population.

jection method also accounts for changes in non-OASDI-covered employment, the increase in coverage of Federal civilian employment as a result of the 1983 Social Security Amendments, and changes in the number and employment status of other immigrants residing within the Social Security coverage area.

The covered-worker rate is the ratio of OASDI covered workers to the Social Security area population. For men age 16 and over, the projected age-adjusted covered-worker rates[1] for 2091 are 69.0, 68.7, and 68.4 percent for the low-cost, intermediate, and high-cost assumptions, respectively. For women age 16 and over, the projected age-adjusted covered-worker rates for 2091 are 65.9, 64.7, and 63.4 percent for the low-cost, intermediate, and high-cost assumptions, respectively. For men, the intermediate projected rate is slightly lower than the 2015 age-adjusted rate of 68.9 percent primarily due to the projected increase in the portion of the Social Security area population that consists of other-than-legal permanent residents. For women, the intermediate projection is higher than the 2015 age-adjusted rate of 62.7 percent because the projected increase in the age-adjusted labor force participation rate more than offsets the projected increase in the portion of the population that will be other-than-legal permanent residents.

3. Insured Population

Eligibility for worker benefits under the OASDI program requires some threshold level of work in covered employment. A worker satisfies this requirement by his or her accumulation of quarters of coverage (QCs). Prior to 1978, a worker earned one QC for each calendar quarter in which he or she earned at least $50. In 1978, when annual earnings reporting replaced quarterly reporting, the amount required to earn a QC (up to a maximum of four per year) was set at $250. As specified in the law, the Social Security Administration has adjusted this amount each year since then according to changes in the AWI. Its value in 2017 is $1,300.

There are three types of insured status that a worker can acquire under the OASDI program. The number and recency of QCs earned determine each status. A worker acquires fully insured status when his or her total number of QCs is greater than or equal to the number of years elapsed after the year of attainment of age 21 (but not less than six). Once a worker has accumulated 40 QCs, he or she remains permanently fully insured. A worker acquires disability insured status if he or she is: (1) a fully insured worker who has accu-

[1] Age-adjusted covered-worker rates are adjusted to the 2011 age distribution of the Social Security area population.

mulated 20 QCs during the 40-quarter period ending with the current quarter, (2) a fully insured worker aged 24-30 who has accumulated QCs during one-half of the quarters elapsed after the quarter of attainment of age 21 and up to and including the current quarter, or (3) a fully insured worker under age 24 who has accumulated six QCs during the 12-quarter period ending with the current quarter. A worker acquires currently insured status when he or she has accumulated six QCs during the 13-quarter period ending with the current quarter. Periods of disability reduce the number of quarters required for insured status, but not below the minimum of six QCs.

There are many types of benefits payable to workers and their family members under the OASDI program. A worker must be fully insured to be eligible for a primary retirement benefit and for his or her spouse or children to be eligible for auxiliary benefits. A deceased worker must have been either currently insured or fully insured at the time of death for his or her children (and their mother or father) to be eligible for benefits. If there are no eligible surviving children, the deceased worker must have been fully insured at the time of death for his or her surviving spouse to be eligible. A worker must be disability insured to be eligible for a primary disability benefit and for his or her spouse or children to be eligible for auxiliary benefits.

The Office of the Chief Actuary estimates the fully insured population, as a percentage of the Social Security area population, by single year of age and sex starting in 1969. The short-range model extrapolates the historical trend in these rates from data in the Continuous Work History Sample. The model uses information on quarters of coverage earned due to employment covered by Social Security derived from tabulations of the Continuous Work History Sample. The model also uses historical administrative data on beneficiaries in force and estimated historical mortality rates. The model combines this information to estimate the proportion of individuals who were alive and fully insured as of the end of each historical year. Using projected mortality rates and covered workers, the model extrapolates these rates into the future and applies them to the historical and projected population to arrive at the fully insured population by age and sex through the end of the short-range period.

The long-range fully insured model uses 30,000 simulated work histories for each sex and birth cohort, representing everyone except the other immigrant population.[1] For the other immigrant population, the model generates substantially lower percentages attaining fully insured status. The model con-

[1] Those given legal work authorization through President Obama's 2012 Deferred Action for Childhood Arrivals program are included in the simulations.

structs simulated work histories using past coverage rates, earnings distributions, and amounts required for crediting QCs, and develops them in a manner that replicates historical individual variations in work patterns. The probability of covered employment in any year is assumed to be higher for those who have worked more consistently in the recent past. Model parameters are selected so that simulated fully insured percentages are consistent with the fully insured percentages estimated by the short-range model for the recent historical period.

The Office of the Chief Actuary estimates the disability insured population, as a percentage of the fully insured population, by age and sex starting in 1970. The office bases historical values on a tabulation of the disability insured population from the Continuous Work History Sample and estimates of the fully insured population. The short-range model projects these percentages by using the relationship between the historical percentages and covered-worker rates. The long-range model projects these percentages by using the same simulated work histories used to project the fully insured percentages. The long-range model makes additional adjustments to the model simulations in order to bring the disability insured percentages in the historical and short-range periods into close agreement with those estimated from the Continuous Work History Sample and the short-range model.

The office does not project the currently insured population because the number of beneficiaries who are entitled to benefits based solely on currently insured status has been very small and is likely to remain small in the future.

Using these insured models, the percentage of the Social Security area population aged 62 and over that is fully insured will increase from its estimated level of 85.9 for December 31, 2014, to 86.6, 87.4, and 88.5 for December 31, 2095, under the low-cost, intermediate, and high-cost alternatives, respectively. Over the projection period, the percentage for females increases significantly, reflecting the past substantial growth in the employment of younger cohorts of women. The percentage for males declines, reflecting, in part, increases in the percent of the population that is classified as other immigrants and is thus less likely to have earnings reported and credited to them. Under the intermediate assumptions, for example, the percentage for males decreases from 93.3 to 86.6, and the percentage for females increases from 79.7 to 88.1.

4. Old-Age and Survivors Insurance Beneficiaries

The Office of the Chief Actuary projects the number of OASI beneficiaries for each type of benefit separately by the sex of the worker on whose earn-

ings the benefits are based and by the age of the beneficiary. For the long-range period, the office also projects the number of beneficiaries by marital status for several types of benefits. The office uses two separate models in making these projections. The short-range model makes projections during the first 10 years of the projection period and the long-range model makes projections thereafter.

The short-range model develops the number of retired-worker beneficiaries by applying award rates to the aged fully insured population, excluding those already receiving retired-worker, disabled-worker, aged-widow(er)'s, or aged-spouse's benefits, and by applying termination rates to the number of retired-worker beneficiaries.

The long-range model projects the number of retired-worker beneficiaries who were not previously converted from disabled-worker beneficiary status as a percentage of the exposed population.[1] For age 62, the model projects this percentage by using a linear regression based on the historical relationship between this percentage, the labor force participation rate at age 62, and the number of months from age 62 to normal retirement age. The percentage for ages 70 and over is nearly 100 because delayed retirement credits cannot be earned after age 70. The long-range model projects the percentage for each age 63 through 69 based on historical experience with an adjustment for changes in the portion of the primary insurance amount that is payable at each age of entitlement. The model adjusts these percentages for ages 62 through 69 to reflect changes in the normal retirement age.

The long-range model calculates the number of retired-worker beneficiaries previously converted from disabled-worker beneficiary status using an extension of disabled-worker death rates by age, sex, and duration.

The Office of the Chief Actuary estimates the number of aged-spouse beneficiaries, excluding those who are also receiving a retired-worker benefit, from the population projected by age and sex. Benefits of aged-spouse beneficiaries depend on the earnings records of their husbands or wives, who are referred to as "earners." The short-range model projects insured aged-spouse beneficiaries in conjunction with the retired-worker beneficiaries. This model projects uninsured aged-spouse beneficiaries by applying award rates to the aged uninsured male or female population and by applying termination rates to the population already receiving such benefits.

[1] The exposed population is the fully insured population age 62 and over, excluding persons entitled to or converted from disabled-worker benefits and fully insured persons entitled only to widow(er)'s benefits.

The long-range model estimates aged-spouse beneficiaries separately for those married and divorced. The model projects the number of married aged-spouse beneficiaries, by age and sex, by applying a series of factors to the number of spouses, aged 62 and over, in the population. These factors are the probabilities that the spouse and the earner meet all of the conditions of eligibility—that is, the probabilities that: (1) the earner is 62 or over, (2) the earner is insured, (3) the earner is either receiving benefits or has suspended benefits, (4) the spouse is not receiving a benefit for the care of an entitled child, (5) the spouse is either not insured or is insured but not receiving benefits, and (6) the spouse is not eligible to receive a significant government pension based on earnings in noncovered employment. Due to the Bipartisan Budget Act of 2015, aged spouses will no longer be eligible to receive an aged-spouse benefit if the earner suspends their benefit after April 29, 2016. Additionally, for those turning age 62 in 2016 and later, deemed filing will now apply to all retired workers and spouses even after initial entitlement, regardless of age. Thus, spouses who are insured will no longer be eligible to delay their retired-worker benefit while receiving an aged-spouse benefit. To calculate the estimated number of aged-spouse beneficiaries, the model applies a projected prevalence rate to the resulting number of spouses.

The long-range model estimates the number of divorced aged-spouse beneficiaries, by age and sex, by applying the same factors to the number of divorced persons aged 62 and over in the population, with three differences. First, the model applies a factor to reflect the probability that the earner (former spouse) is still alive. If the former spouse is not alive, the person may be entitled to a divorced widow(er)'s benefit. Second, the model applies a factor to reflect the probability that the marriage to the former spouse lasted at least 10 years. Third, the model does not apply factor (3) in the previous paragraph because, effective January 1985, a divorced person is generally no longer required to wait for the former spouse to receive benefits.

The Office of the Chief Actuary bases the projected numbers of children under age 18, and students aged 18 and 19, who are eligible for benefits as children of retired-worker beneficiaries, on the projected number of children in the population. The short-range model develops the number of entitled children by applying award rates to the number of children in the population who have two living parents and by applying termination rates to the number of children already receiving benefits.

The long-range model projects separately the number of entitled children by sex of the earner parent. For each age under 18, the model multiplies the projected number of children with a parent aged 62 and over by the ratio of the number of retired workers aged 62 to 71 to the number of members of the

population aged 62 to 71. For student beneficiaries, the model multiplies the number of children aged 18 and 19 in the population by the probabilities that: (1) the parent is alive, aged 62 or over, insured, and receiving a retired-worker benefit; and (2) the child is attending high school.

The Office of the Chief Actuary projects the number of disabled children, aged 18 and over, of retired-worker beneficiaries from the adult population. The short-range model applies award rates to the population and applies termination rates to the number of disabled children already receiving benefits. The long-range model projects the number of disabled children in a manner similar to that used for student children except for a factor that reflects the probability of being disabled before age 22.

The short-range model develops the number of spouses of retired workers, who are entitled to spouse benefits because they are caring for a child who is under age 16 or disabled, by applying award rates to the number of awards to children of retired workers and by applying termination rates to the number of young spouses with a child in their care who are already receiving benefits. The long-range model projects the number of young-spouse beneficiaries with a child in their care as a proportion of the number of child beneficiaries of retired workers, including projected changes in average family size.

The Office of the Chief Actuary projects the number of aged-widow(er) beneficiaries, excluding those who are also receiving a retired-worker benefit, from the population by age and sex. The short-range model projects fully insured aged-widow(er) beneficiaries in conjunction with the retired-worker beneficiaries. The model projects the number of uninsured aged-widow(er) beneficiaries by applying award rates to the aged uninsured male or female population and by applying termination rates to the population already receiving such benefits. The long-range model projects uninsured aged-widow(er) beneficiaries by marital status. The model multiplies the number of widow(er)s in the population aged 60 and over by the probabilities that: (1) the deceased earner is fully insured at death, (2) the widow(er) is not receiving a benefit for the care of an entitled child, (3) the widow(er) is not fully insured, and (4) the widow(er)'s benefits are not withheld because of receipt of a significant government pension based on earnings in noncovered employment. In addition, the model applies the same factors to the number of divorced persons aged 60 and over in the population and includes additional factors representing the probability that the person's former earner spouse has died and that the marriage lasted at least 10 years. The model projects the number of insured aged-widow(er) beneficiaries who are ages 60 through 70 in a manner similar to that for uninsured aged-widow(er) benefi-

ciaries. In addition, the model assumes that some insured widow(er)s who had not applied for their retired-worker benefits will receive widow(er)'s benefits. The model projects insured aged-widow(er) beneficiaries over age 70 by applying termination rates to the population that started receiving such benefits prior to age 70.

The short-range model develops the number of disabled-widow(er) beneficiaries by applying award rates to the uninsured male or female population and by applying termination rates to the population already receiving a disabled-widow(er) benefit. The long-range model projects the number for each cohort by age from 50 to normal retirement age as percentages of the widowed and divorced populations, adjusted for the insured status of the deceased spouse, the prevalence of disability, and the probability that the disabled spouse is not receiving another type of benefit.

The Office of the Chief Actuary bases the projected number of children under age 18, and students aged 18 and 19, who are entitled to benefits as survivors of deceased workers, on the number of children in the population whose mothers or fathers are deceased. The short-range model develops the number of entitled children by applying award rates to the number of orphaned children and by applying termination rates to the number of children already receiving benefits.

The long-range model projects the number of child-survivor beneficiaries in a manner similar to that for student beneficiaries of retired workers, except that the model replaces the probability that the parent is aged 62 or over with the probability that the parent is deceased.

The Office of the Chief Actuary projects the number of disabled-child-survivor beneficiaries, aged 18 and over, from the adult population. The short-range model applies award rates to the population and applies termination rates to the number of disabled-child-survivor beneficiaries already receiving benefits. The long-range model projects the number of disabled-child-survivor beneficiaries in a manner similar to that for student-child-survivor beneficiaries, except for including an additional factor to reflect the probability of being disabled before age 22.

The short-range model develops the numbers of entitled mother-survivor and father-survivor beneficiaries by applying award rates to the number of awards to child-survivor beneficiaries, in cases where the children are either under age 16 or disabled, and by applying termination rates to the number of mother-survivors and father-survivors already receiving benefits. The long-range model estimates the numbers of mother-survivor and father-survivor

beneficiaries, assuming they are not remarried, from the number of child-survivor beneficiaries.

The Office of the Chief Actuary projects the number of parent-survivor beneficiaries based on the historical pattern of the number of such beneficiaries.

Table V.C4 shows the projected number of beneficiaries under the OASI program by type of benefit. The retired-worker beneficiary counts include those persons who receive a residual auxiliary benefit in addition to their retired-worker benefit. The office makes estimates of the number and amount of residual payments separately for spouses and widow(er)s.

Table V.C4.—OASI Beneficiaries With Benefits in Current-Payment Status at the End of Calendar Years 1945-2095
[In thousands]

	Retired workers and auxiliaries			Survivors				
Calendar year	Worker[a]	Spouse	Child	Widow-widower	Mother-father	Child	Parent	Total
Historical data:								
1945	518	159	13	94	121	377	6	1,288
1950	1,771	508	46	314	169	653	15	3,477
1955	4,474	1,192	122	701	292	1,154	25	7,961
1960	8,061	2,269	268	1,544	401	1,577	36	14,157
1965	11,101	2,614	461	2,371	472	2,074	35	19,128
1970	13,349	2,668	546	3,227	523	2,688	29	23,030
1975	16,589	2,867	643	3,888	582	2,919	21	27,509
1980	19,564	3,018	639	4,415	563	2,610	15	30,823
1985	22,435	3,069	456	4,862	372	1,918	10	33,122
1990	24,841	3,104	421	5,098	304	1,777	6	35,551
1995	26,679	3,027	441	5,213	275	1,884	4	37,522
2000	28,505	2,798	459	4,901	203	1,878	3	38,747
2005	30,461	2,524	488	4,569	178	1,903	2	40,126
2006	30,976	2,476	490	4,494	171	1,899	2	40,508
2007	31,528	2,431	494	4,436	165	1,892	2	40,947
2008	32,274	2,370	525	4,380	160	1,915	2	41,625
2009	33,514	2,343	561	4,327	160	1,921	2	42,828
2010	34,593	2,316	580	4,285	159	1,913	2	43,847
2011	35,600	2,291	594	4,239	158	1,907	2	44,791
2012	36,720	2,280	612	4,193	154	1,907	1	45,868
2013	37,893	2,285	625	4,139	150	1,899	1	46,992
2014	39,009	2,303	635	4,092	143	1,892	1	48,075
2015	40,089	2,335	648	4,050	140	1,893	1	49,155
2016	41,233	2,370	661	4,004	133	1,893	1	50,296
Intermediate:								
2017	42,633	2,400	679	3,973	129	1,900	1	51,716
2020	47,566	2,336	745	3,899	122	1,921	1	56,590
2025	55,590	1,952	870	3,833	117	1,949	1	64,312
2030	62,799	1,997	1,010	3,568	127	1,991	1	71,493
2035	67,722	1,988	1,136	3,338	137	2,053	1	76,375
2040	70,128	1,892	1,168	3,157	136	2,052	1	78,533
2045	71,416	1,859	1,153	3,028	131	2,001	1	79,590
2050	73,150	1,859	1,178	2,920	127	1,955	1	81,190
2055	75,658	1,898	1,210	2,832	123	1,908	1	83,629
2060	78,889	1,917	1,238	2,753	120	1,867	1	86,787

Table V.C4.—OASI Beneficiaries With Benefits in Current-Payment Status at the End of Calendar Years 1945-2095 (Cont.)
[In thousands]

	Retired workers and auxiliaries			Survivors				
Calendar year	Worker[a]	Spouse	Child	Widow-widower	Mother-father	Child	Parent	Total
Intermediate (Cont.):								
2065	82,056	1,939	1,252	2,709	119	1,846	1	89,922
2070	85,461	1,993	1,290	2,690	117	1,839	1	93,391
2075	88,623	2,017	1,325	2,670	114	1,827	1	96,578
2080	90,603	2,039	1,329	2,642	111	1,807	1	98,533
2085	92,878	2,123	1,353	2,624	108	1,784	1	100,872
2090	96,349	2,209	1,402	2,613	106	1,767	1	104,447
2095	100,044	2,262	1,439	2,610	104	1,755	1	108,216
Low-cost:								
2017	42,608	2,400	680	3,969	130	1,902	1	51,688
2020	47,430	2,337	747	3,888	123	1,933	1	56,459
2025	55,166	1,959	879	3,809	121	1,997	1	63,932
2030	61,753	1,972	1,040	3,607	125	2,141	1	70,640
2035	65,998	1,959	1,189	3,412	135	2,294	1	74,989
2040	67,731	1,846	1,242	3,253	135	2,376	1	76,583
2045	68,456	1,786	1,242	3,137	132	2,379	1	77,134
2050	69,757	1,765	1,288	3,032	131	2,375	1	78,348
2055	71,993	1,774	1,348	2,940	131	2,375	1	80,561
2060	74,974	1,767	1,406	2,851	133	2,392	1	83,525
2065	77,875	1,755	1,445	2,795	137	2,445	1	86,453
2070	80,950	1,754	1,513	2,763	141	2,517	1	89,639
2075	83,648	1,727	1,577	2,727	143	2,575	1	92,397
2080	85,236	1,709	1,599	2,694	144	2,611	1	93,995
2085	87,596	1,771	1,648	2,699	146	2,644	1	96,505
2090	91,998	1,839	1,745	2,732	148	2,688	1	101,152
2095	97,229	1,897	1,830	2,778	151	2,744	1	106,630
High-cost:								
2017	42,659	2,400	679	3,977	129	1,898	1	51,744
2020	47,699	2,334	741	3,910	121	1,904	1	56,711
2025	56,050	1,941	855	3,858	113	1,889	1	64,706
2030	63,957	2,031	980	3,501	128	1,834	1	72,432
2035	69,629	2,043	1,084	3,231	135	1,815	1	77,939
2040	72,817	1,968	1,102	3,025	130	1,751	1	80,794
2045	74,790	1,961	1,074	2,884	121	1,660	1	82,491
2050	77,065	1,988	1,072	2,775	113	1,580	1	84,594
2055	79,929	2,047	1,076	2,691	105	1,508	1	87,358
2060	83,442	2,115	1,075	2,617	98	1,436	1	90,784
2065	86,828	2,193	1,065	2,578	92	1,377	1	94,133
2070	90,525	2,305	1,078	2,560	86	1,332	1	97,888
2075	94,089	2,380	1,089	2,551	80	1,291	1	101,481
2080	96,422	2,441	1,079	2,528	75	1,250	1	103,796
2085	98,515	2,541	1,080	2,488	70	1,208	1	105,904
2090	100,936	2,638	1,093	2,444	66	1,170	1	108,348
2095	103,072	2,698	1,099	2,402	62	1,137	1	110,471

[a] Retired-worker beneficiaries include persons who also receive a residual benefit consisting of the excess of an auxiliary benefit over their retired-worker benefit.

Notes:
1. The number of beneficiaries does not include uninsured individuals who receive benefits under Section 228 of the Social Security Act. Transfers from the General Fund of the Treasury reimburse the OASI Trust Fund for the cost of most of these individuals.
2. Totals do not necessarily equal the sums of rounded components.

5. Disability Insurance Beneficiaries

The DI Trust Fund pays for benefits to disabled workers who: (1) satisfy the disability insured requirements, (2) are unable to engage in any substantial gainful activity due to a medically determinable physical or mental impairment severe enough to satisfy the requirements of the program, and (3) have not yet attained normal retirement age. Spouses and children of such disabled workers may also receive DI benefits provided they satisfy certain criteria, primarily age and earnings requirements.

The Office of the Chief Actuary projects the number of disabled-worker beneficiaries in current-payment status (disability prevalence) for each future year. The projections start with the number in current-payment status as of December 2016. Projections of the number of new beneficiaries awarded benefits each year (disability incidence) and the number of beneficiaries leaving the disability rolls each year then determine the number in current-payment status in later years. Beneficiaries leave the rolls due to death and recovery (disability terminations) and due to conversion from disabled-worker to retired-worker beneficiary status at normal retirement age, after which the OASI Trust Fund pays for benefits. The remainder of this section describes the concepts of disability incidence, termination, and prevalence.

a. Disability Incidence

The disability incidence rate is the ratio of the number of new beneficiaries awarded benefits each year to the number of individuals who meet insured requirements but are not yet receiving benefits (the disability-exposed population[1]). The Office of the Chief Actuary projects the number of newly awarded beneficiaries for each future year by multiplying assumed age-sex-specific disability incidence rates and the projected disability-exposed population by age and sex.

Figure V.C3 illustrates the historical and estimated incidence rates under the three alternatives. Incidence rates have varied substantially during the historical period since 1970 due to a variety of demographic and economic factors, along with changes in legislation and program administration. The solid lines in figure V.C3 show the incidence rate adjusted to the age-sex distribution of the disability-exposed population for 2000. This adjustment allows a comparison of incidence rates over time by focusing on the likelihood of becom-

[1] The disability-exposed population excludes those receiving benefits, while the disability insured population includes them. Section V.C.3 of this report describes the projection of the disability insured population.

ing disabled, and by excluding the effects of a changing distribution of the population toward ages where disability is more or less likely.

The dashed lines in figure V.C3 represent the gross (unadjusted) incidence rates. The changing age-sex distribution of the exposed population over time influences these unadjusted rates. The gross incidence rate fell substantially below the age-sex-adjusted rate between 1975 and 1995 as the baby-boom generation swelled the size of the younger working-age population, where disability incidence is lower than in older populations. After 1995, the gross rate increased relative to the age-sex-adjusted rate as the baby-boom generation moved into an age range where disability incidence peaks. After 2023, the projected gross incidence rate declines relative to the age-sex-adjusted rate as the baby-boom generation moves above the normal retirement age and the lower-birth-rate cohorts of the 1970s enter prime disability ages (50 to normal retirement age). As these smaller cohorts age beyond normal retirement age, by about 2050, the gross incidence rate returns to a higher relative level under the intermediate assumptions. Thereafter, the gross rate remains higher than the age-sex-adjusted rate, and reflects the persistently higher average age of the working-age population, which is largely due to lower birth rates since 1965, and to the increase in the normal retirement age.

For the first 10 years of the projection period (through 2026), incidence rates reflect several factors including: (1) aspects of program administration, such as efforts to reduce the disability determination backlogs and recent changes in procedures for adjudicating claims; (2) assumed future unemployment rates; and (3) recent trends in incidence. At the beginning of the recent period of high unemployment, disability incidence rates were well above the general trend level, with rates reaching a peak in 2010. Over the last few years, incidence rates have subsided as the economy has recovered, and have persisted at levels well below those expected over the long-term. Some of the elevation of disability incidence rates experienced during the recession and the lowering of incidence rates experienced during the recovery are likely due to many individuals applying for disability benefits earlier than they would have otherwise. For 2016, the actual incidence rate (4.2 per thousand) was substantially below the level projected in last year's report (5.1 per thousand). In this year's report, incidence rates are assumed to rise more gradually toward the ultimate level (5.4 per thousand) during the short-range period than in last year's report. Incidence rates are assumed to be somewhat elevated during the period 2017 through 2020, when the Social Security Administration is expected to eliminate a backlog of individuals who have appealed for a hearing on a prior disability claim denial. After 2026, age-sex-specific incidence rates trend toward the ultimate rates assumed for the long-

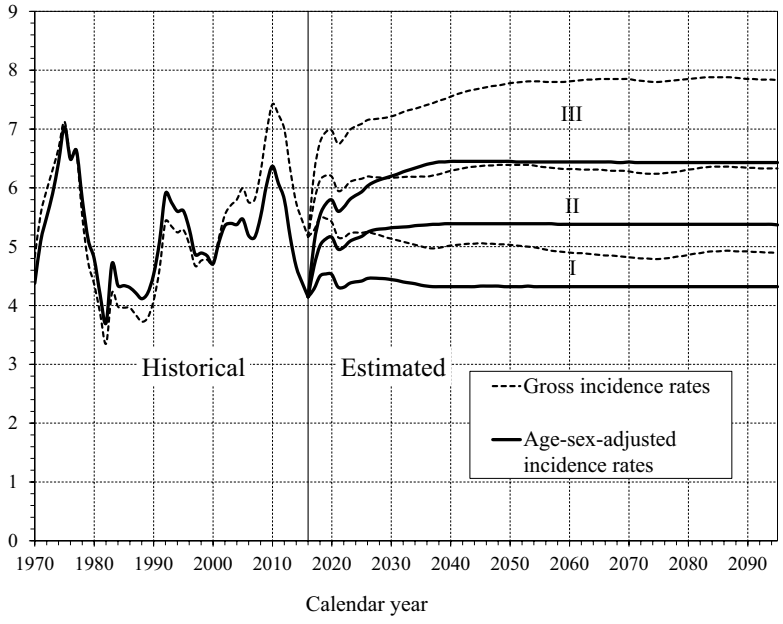
range projections and reach these ultimate rates by 2036. These ultimate age-sex-specific disability incidence rates were selected based on careful analysis of historical levels and patterns and expected future conditions, including the impact of scheduled increases in the normal retirement age.[1] The ultimate incidence rates represent the expected average rates of incidence for the future.

For the intermediate alternative, the Trustees assume that the ultimate age-sex-adjusted incidence rate (adjusted to the disability-exposed population for the year 2000) will be 5.4 awards per thousand exposed, which is the same as in last year's report. Figure V.C3 illustrates that the estimated ultimate age-sex-adjusted incidence rate of 5.4 is slightly higher than the average rate for the historical period 1970 through 2016, reflecting the increase in female incidence rates over this period. However, a similar comparison using gross incidence rates gives a very different result. The estimated ultimate gross incidence rate is substantially greater than the average gross rate over the historical period due to the large changes in the age-sex distribution of the disability-exposed population between 1970 and 2010.

The Trustees assume that the ultimate age-sex-adjusted incidence rates for the low-cost and high-cost alternatives will be 4.3 and 6.4 awards per thousand exposed, or about 17 percent lower and 23 percent higher than the average for the historical period, respectively. These ultimate age-sex-adjusted incidence rates are similar to those in last year's report.

[1] Projected incidence rates are adjusted upward to account for additional workers who are expected to file for disability benefits (rather than retirement benefits) in response to reductions in retirement benefits as the normal retirement age rises.

Figure V.C3.—DI Disability Incidence Rates, 1970-2095
[Awards per thousand disability-exposed]



b. Disability Termination

Beneficiaries stop receiving disability benefits when they die, recover from their medically-determinable disabling condition, or return to work. Disabled-worker beneficiaries who return to substantial work for an extended period are deemed to have recovered, and their benefits are then terminated. The termination rate is the ratio of the number of terminations for these reasons to the average number of disabled-worker beneficiaries during the year.

The Office of the Chief Actuary projects termination rates by age, sex, and reason for termination. In addition, the office projects termination rates by duration of entitlement to disabled-worker benefits in the long-range period (post-2026).

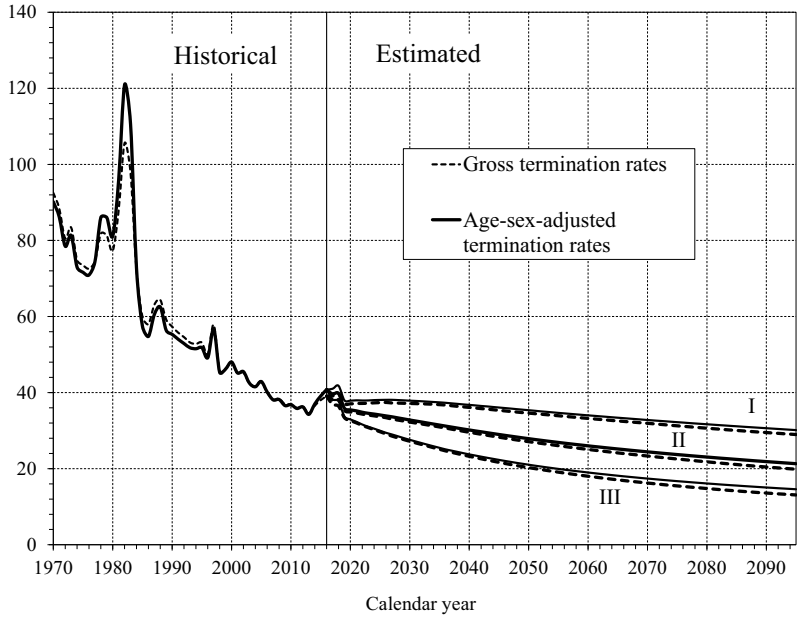
In the short-range period (through 2026), the projected age-sex-adjusted death rate (adjusted to the 2000 disabled-worker population) under the intermediate assumptions gradually declines from 25.3 deaths per thousand beneficiaries for 2016 to about 22.9 per thousand for 2026. The projected age-sex-adjusted recovery rate (medical improvement and return to work) under the intermediate assumptions evolves from a level of 15.5 per thousand beneficiaries for 2016 to 10.9 per thousand beneficiaries for 2026. Under the

low-cost and high-cost assumptions, total age-sex-adjusted termination rates due to death and recovery are roughly 10-15 percent higher or lower, respectively, than under the intermediate assumptions.

For the long-range period (post-2026), the Office of the Chief Actuary projects death and recovery rates by age, sex, and duration of entitlement relative to the average level of rates experienced over the base period 2006 through 2010. The assumed ultimate age-sex-adjusted recovery rate for disabled workers is about 10.4 per thousand beneficiaries. The assumed ultimate age-sex-adjusted recovery rates for the low-cost and high-cost alternatives are about 12.5 and 8.2 recoveries per thousand beneficiaries, respectively. Recovery rates by age, sex, and duration of entitlement reach ultimate levels in the twentieth year of the projection period (2036) for all three sets of assumptions. In contrast, death rates by age and sex change throughout the long-range period at the same rate as death rates in the general population. From the age-sex-adjusted death rate of 25.3 per thousand beneficiaries in 2016, this rate decreases to 17.7, 11.0, and 6.3 per thousand disabled-worker beneficiaries for 2095 under the low-cost, intermediate, and high-cost assumptions, respectively.

Figure V.C4 illustrates gross and age-sex-adjusted total termination rates (including both recoveries and deaths) for disabled-worker beneficiaries for the historical period since 1970, and for the projection period through 2095. In the near term, through 2018, recovery terminations are projected to remain at relatively high levels, consistent with the assumption that the Social Security Administration will receive sufficient budget appropriations to reduce the pending backlog of continuing disability reviews. As with incidence rates, the age-sex-adjusted termination rate illustrates the real change in the tendency to terminate benefits. Changes in the age-sex distribution of the beneficiary population influence the gross termination rate. A shift in the beneficiary population to older ages, as occurred over the past 20 years when the baby-boom generation moved into pre-retirement ages, increases gross death termination rates relative to the age-sex-adjusted rates.

Figure V.C4.—DI Disability Termination Rates, 1970-2095
[Terminations per thousand disabled-worker beneficiaries]



c. Comparison of Incidence, Termination, and Conversion

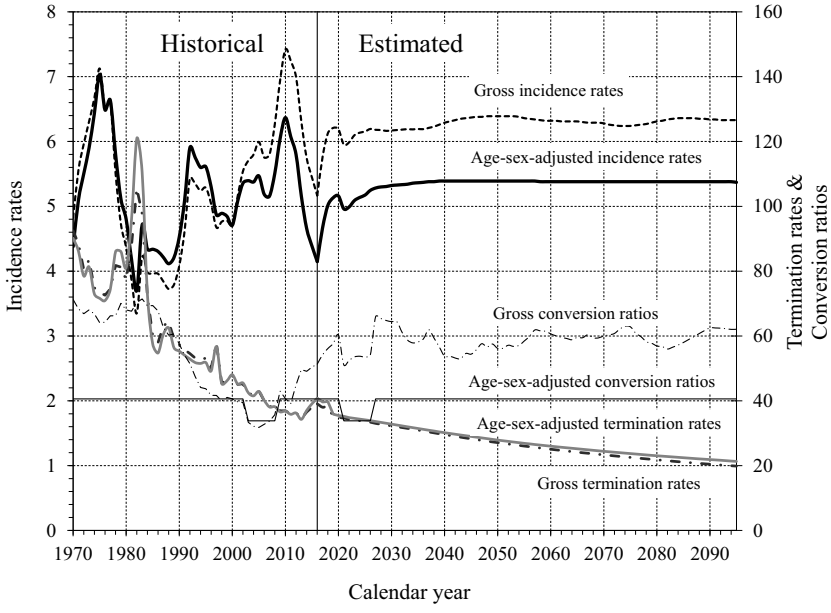
Incidence and termination rates are the foundation for projecting the number of disabled-worker beneficiaries in current-payment status. At normal retirement age, disabled-worker beneficiaries convert to retired-worker status and leave the DI rolls.

Figure V.C5 compares the historical and projected (intermediate) levels of incidence, termination, and conversion on both a gross basis and an age-sex-adjusted basis. Incidence rates have varied widely, and the Trustees expect the age-sex adjusted rates under the intermediate assumptions to remain near the middle of the high and low extremes experienced since 1970. Termination rates have declined and the Trustees expect them to continue to decline, largely because of declining death rates.

Conversions are simply a transfer of beneficiaries at normal retirement age from the DI Trust Fund account to the OASI Trust Fund account. Therefore, the disability "conversion" rate is 100 percent for disabled-worker beneficiaries reaching normal retirement age in a given year and zero at all other ages. After conversion, recovery from the disabling condition is no longer relevant for benefit eligibility. The conversion ratio is the number of conversions in a

given year (that is, beneficiaries who reach normal retirement age) divided by the average number of disabled-worker beneficiaries at all ages in that year. The ratio is constant on an age-sex-adjusted basis, except for the two periods during which normal retirement age increases under current law. On a gross basis, however, the conversion ratio rises and falls with the changing proportion of all disabled-worker beneficiaries who attain normal retirement age in a given year. The gross conversion ratio generally increases from 2002 to 2030 due to aging of the beneficiary population.

Figure V.C5.—Comparison of DI Disability Incidence Rates, Termination Rates and Conversion Ratios Under Intermediate Assumptions, 1970-2095
[Awards per thousand disability-exposed;
terminations and conversions per thousand disabled-worker beneficiaries]



d. DI Beneficiaries and Disability Prevalence Rates

The Office of the Chief Actuary makes detailed projections of disabled-worker awards, terminations, and conversions and combines these to project the number of disabled workers receiving benefits over the next 75 years. Table V.C5 presents the projected numbers of disabled workers in current-payment status. The number of disabled workers in current-payment status grows from 8.8 million at the end of 2016, to 12.9 million, 14.7 million, and 15.7 million at the end of 2095, under the low-cost, intermediate, and high-cost assumptions, respectively. Of course, much of this growth results from

the growth and aging of the population described earlier in this chapter. Table V.C5 also presents projected numbers of auxiliary beneficiaries and disability prevalence rates on both a gross basis and an age-sex-adjusted basis.

Table V.C5.—DI Beneficiaries With Benefits in Current-Payment Status at the End of Calendar Years 1960-2095

[Beneficiaries in thousands; prevalence rates per thousand persons insured for disability benefits]

Calendar year	Disabled-worker beneficiaries	Auxiliary beneficiaries		Total beneficiaries	Disability prevalence rates	
		Spouse	Child		Gross	Age-sex-adjusted[a]
Historical data:						
1960	455	77	155	687		
1965	988	193	558	1,739		
1970	1,493	283	889	2,665	20	18
1975	2,488	453	1,411	4,351	29	28
1980	2,856	462	1,359	4,677	28	31
1985	2,653	306	945	3,904	24	26
1990	3,007	266	989	4,261	25	28
1995	4,179	264	1,409	5,852	33	35
2000	5,036	165	1,466	6,667	36	36
2005	6,519	157	1,633	8,309	45	40
2006	6,807	156	1,652	8,615	46	40
2007	7,099	154	1,665	8,918	48	41
2008	7,427	155	1,692	9,273	50	41
2009	7,788	159	1,749	9,695	52	43
2010	8,204	161	1,820	10,185	55	44
2011	8,576	164	1,874	10,614	58	45
2012	8,827	163	1,900	10,890	59	46
2013	8,941	157	1,889	10,987	60	46
2014	8,955	150	1,828	10,932	60	46
2015	8,909	143	1,756	10,808	58	45
2016	8,809	136	1,667	10,612	57	43
Intermediate:						
2017	8,805	132	1,648	10,585	57	43
2020	8,926	127	1,647	10,700	57	43
2025	9,338	142	1,687	11,168	58	43
2030	9,437	149	1,875	11,460	58	43
2035	9,738	158	2,140	12,036	58	45
2040	10,178	163	2,303	12,643	60	46
2045	10,865	177	2,391	13,433	62	47
2050	11,374	183	2,465	14,022	63	47
2055	11,834	190	2,527	14,550	64	48
2060	12,036	186	2,592	14,814	64	48
2065	12,370	192	2,679	15,241	65	49
2070	12,691	201	2,778	15,670	65	49
2075	12,896	200	2,859	15,954	65	49
2080	13,394	206	2,925	16,526	65	49
2085	14,051	221	2,992	17,264	67	50
2090	14,418	224	3,064	17,706	67	50
2095	14,695	226	3,147	18,069	67	50

Table V.C5.—DI Beneficiaries With Benefits in Current-Payment Status at the End of Calendar Years 1960-2095 (Cont.)

[Beneficiaries in thousands; prevalence rates per thousand persons insured for disability benefits]

Calendar year	Disabled-worker beneficiaries	Auxiliary beneficiaries		Total beneficiaries	Disability prevalence rates	
		Spouse	Child		Gross	Age-sex-adjusted[a]
Low-cost:						
2017	8,729	132	1,625	10,486	56	42
2020	8,551	125	1,561	10,237	54	41
2025	8,476	140	1,536	10,153	52	38
2030	8,176	125	1,663	9,964	49	37
2035	8,119	124	1,874	10,117	48	37
2040	8,234	120	1,997	10,351	47	37
2045	8,639	126	2,057	10,823	48	37
2050	8,970	127	2,112	11,209	47	37
2055	9,307	129	2,174	11,610	48	37
2060	9,488	126	2,259	11,873	47	37
2065	9,804	128	2,383	12,315	47	38
2070	10,151	133	2,526	12,810	47	38
2075	10,473	132	2,650	13,255	46	38
2080	11,101	139	2,754	13,994	47	38
2085	11,917	152	2,857	14,926	48	38
2090	12,476	156	2,973	15,605	49	38
2095	12,875	158	3,106	16,139	48	38
High-cost:						
2017	8,880	133	1,670	10,683	58	43
2020	9,298	129	1,725	11,151	60	45
2025	10,198	143	1,814	12,155	65	47
2030	10,731	179	2,080	12,990	67	50
2035	11,416	203	2,389	14,008	69	53
2040	12,196	218	2,582	14,996	73	55
2045	13,174	243	2,683	16,100	77	57
2050	13,858	255	2,755	16,868	80	58
2055	14,429	266	2,808	17,503	83	59
2060	14,628	266	2,839	17,733	84	60
2065	14,933	274	2,871	18,078	85	61
2070	15,156	285	2,903	18,344	86	61
2075	15,128	279	2,919	18,327	86	61
2080	15,334	285	2,927	18,547	87	61
2085	15,629	297	2,940	18,866	88	62
2090	15,690	300	2,958	18,948	88	62
2095	15,682	298	2,979	18,959	88	62

[a] Adjusted to the age-sex distribution of the insured population for the year 2000.

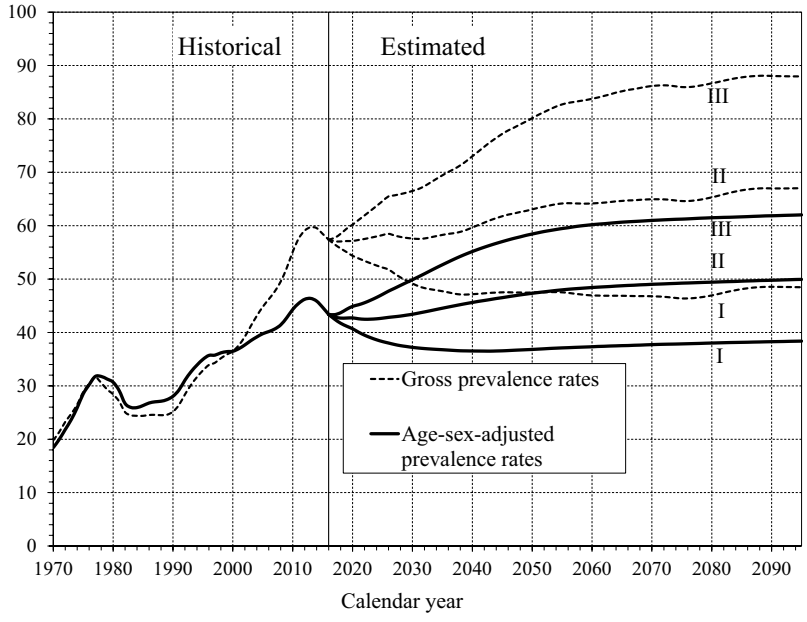
Note: Totals do not necessarily equal the sums of rounded components.

The disability prevalence rate is the ratio of the number of disabled-worker beneficiaries in current-payment status to the number of persons insured for disability benefits. Figure V.C6 illustrates the historical and projected disability prevalence rates on both a gross basis and on an age-sex-adjusted basis (adjusted to the age-sex distribution of the insured population for the year 2000).

Changes in prevalence rates are a direct result of changes in incidence rates and termination rates. Figure V.C5 depicts patterns for incidence and termi-

nation rates, which are helpful for understanding the trend in prevalence rates. Annual incidence and termination rates are not directly comparable or combinable because their denominators differ.

Figure V.C6.—DI Disability Prevalence Rates, 1970-2095
[Rate per thousand persons insured for disability benefits]



Age-sex-adjusted prevalence rates have increased primarily because: (1) termination rates have declined, (2) incidence rates at younger ages have increased relative to rates at older ages, and (3) incidence rates have increased substantially for women to parity with men. Gross prevalence rates have increased more than age-sex-adjusted prevalence rates ever since the baby-boom generation began to reach ages 45 through normal retirement age, a time of life when disability incidence rates are relatively high. The Office of the Chief Actuary projects both gross and age-sex adjusted prevalence rates to grow at a slower pace based on assumed stabilization in three factors: (1) the age distribution of the general population, (2) the age distribution of the disability insured population, and (3) incidence rates by age and gender. As these factors gradually stabilize, the declining death termination rate continues to have a small influence toward higher disability prevalence rates.

As mentioned above in the discussion of incidence and termination rates, the age-sex-adjusted prevalence rate isolates the changing trend in the underlying likelihood of receiving benefits for the insured population, without reflecting changes in the age distribution of the population. As with incidence rates, gross disability prevalence rates declined relative to the age-sex-adjusted rate when the baby-boom generation reached working age between 1970 and 1990; this trend reflects the lower disability prevalence rates associated with younger ages. Conversely, the gross rate of disability prevalence has increased relative to the age-sex-adjusted rate after 1990 due to the aging of the baby-boom generation into ages with higher disability prevalence rates.

Under the intermediate assumptions, the projected age-sex-adjusted disability prevalence rate grows from 43.4 per thousand disability insured at the end of 2016 to 49.9 per thousand at the end of 2095. As mentioned above, the Office of the Chief Actuary projects that the growth in prevalence will slow relative to the historical period.

Under the low-cost and high-cost assumptions, the age-sex-adjusted disability prevalence rate decreases to 38.4 per thousand and increases to 62.0 per thousand insured workers at the end of 2095, respectively.

Table V.C5 presents projections of the numbers of auxiliary beneficiaries paid from the DI Trust Fund. As indicated at the beginning of this subsection, auxiliary beneficiaries are qualifying spouses and children of disabled workers. A spouse must either be at least age 62 or have an eligible child beneficiary in his or her care who is either under age 16 or disabled prior to age 22. A child must be: (1) under age 18, (2) age 18 or 19 and still a student in high school, or (3) age 18 or older and disabled prior to age 22.

The projection of the number of auxiliary beneficiaries relies on the projected number of disabled-worker beneficiaries. In the short-range period (2017 through 2026), the Office of the Chief Actuary projects incidence and termination rates for each category of auxiliary beneficiary. After 2026, the office projects child beneficiaries at ages 18 and under in relation to the projected number of children in the population using the probability that either of their parents is a disabled-worker beneficiary. The office projects the remaining categories of children and spouses in a similar manner.

6. Covered and Taxable Earnings, Taxable Payroll, and Payroll Tax Contributions

Covered earnings are the sum of covered wages and covered self-employment net earnings. The Office of the Chief Actuary projects covered wages

for component sectors of the economy (i.e., private, State and local, Federal civilian, and military) based on the projected overall growth of sectoral and total wages in the U.S. economy. The projections of covered wages also reflect changes in covered employment due to a relative increase in non-covered undocumented immigrants and to the mandatory coverage of new hires in the Federal civilian sector. The office projects covered self-employment net earnings based on the growth in net proprietors' income in the U.S. economy.

Taxable earnings are the amount of covered earnings subject to the Social Security payroll tax. Taxable wages for an employee are total covered wages from all wage employment up to the contribution and benefit base. Taxable wages for an employer are the sum of all covered wages paid to each employee up to the base. Employees with multiple jobs whose total wages exceed the base are eligible for a refund of excess employee taxes withheld; employers are not eligible for a refund on this basis. For self-employed workers with no taxable wages, taxable earnings are the amount of covered self-employment net earnings up to the base. For self-employed workers with taxable wages less than the base, covered self-employment net earnings are taxable up to the difference between the base and their taxable wages. For projection purposes, the Office of the Chief Actuary computes taxable earnings based on a proportion of covered earnings that is at or below the base.

The OASDI taxable payroll (see table VI.G6) for a year is the amount of earnings which, when multiplied by the combined OASDI employee-employer payroll tax rate for that year, yields the total amount of payroll taxes due from wages paid and self-employment net earnings for the year. The Trustees use taxable payroll to determine income rates, cost rates, and actuarial balances. Taxable payroll is derived by adjusting total taxable earnings to account for categories of earnings that are taxed at rates other than the combined employee-employer rate and to take into account amounts credited as wages that were not included in normally reported wages. For 1951 and later, taxable earnings are reduced by one-half of the amount of wages paid to employees with multiple jobs that exceed the contribution and benefit base. For 1983 through 2001, deemed wage credits for military service after 1956 are added to taxable earnings. The self-employment tax rates for 1951 through 1983 were less than the combined employee-employer rates; therefore, the self-employment component of taxable payroll for those years is reduced by multiplying the ratio of the self-employment rate to the combined employee-employer rate times the taxable self-employment net earnings. Finally, for 1966 through 1979, employers were exempt from paying their

share of payroll tax on their employees' tips and, for 1980 through 1987, employers paid tax on only part of their employees' tips. For those years, the taxable payroll is reduced by half of the amount of tips for which the employer owed no payroll tax.

The ratio of taxable payroll to covered earnings (the taxable ratio) fell from 88.6 percent for 1984 to 82.6 percent for 2000, mostly due to much higher increases in wage levels for very high earners than for all other earners. From 2000 to 2010, the taxable ratio varied with the business cycle, rising during economic downturns and falling during recoveries. Specifically, the taxable ratio rose to 85.7 percent for 2002, declined to 82.4 percent for 2007, rose to 85.2 percent for 2009, and was 82.6 percent for 2015.

For this report, the Trustees assume a level for the taxable ratio at the end of the short-range period (2026) of 82.5 percent for the intermediate assumptions, 81.0 percent for the high-cost assumptions (or 1.5 percentage points lower than the intermediate assumptions), and 84.0 percent for the low-cost assumptions (or 1.5 percentage points higher than the intermediate assumptions). These are the same assumptions that the Trustees made for the end of the short-range period (2025) for the 2016 report.

The Office of the Chief Actuary projects payroll tax contributions using the patterns of tax collection required by Federal laws and regulations. The office determines payroll tax liabilities by multiplying the scheduled tax rates for each year by the amount of taxable wages and self-employment net earnings for that year. The office then splits these liabilities into amounts by collection period. For wages, Federal law requires that employers withhold OASDI and HI payroll taxes and Federal individual income taxes from employees' pay. As an employer's accumulation of such taxes (including the employer share of payroll taxes) meets certain thresholds, which the Department of the Treasury determines, the employer must deposit these taxes with the U.S. Treasury by a specific day, depending on the amount of money involved.[1] For projection purposes, the office splits the payroll tax contributions related to wages into amounts paid in the same quarter as incurred and in the following quarter. Self-employed workers must make estimated tax payments on their earnings four times during the year and make up any underestimate on their individual income tax returns. The projection splits

[1] Generally, the higher the amount of liability, the sooner the taxes must be paid. For smaller employers, payment is due by the middle of the month following when the liability was incurred. Medium-size employers have three banking days in which to make their deposits. Larger employers must make payment on the next business day after paying their employees.

the self-employed tax liabilities by collection quarter to reflect this pattern of receipts.

The projected tax contributions also reflect the method used to ensure that money transferred to the trust funds is adjusted, over time, to equal the actual liability owed. Because payers generally make tax payments without identifying the separate OASDI contribution amounts, Treasury makes daily transfers of money from the General Fund to the trust funds on an initial estimated basis. The Social Security Administration periodically certifies the amounts of wages and self-employment net earnings on which tax contributions are owed for each year, at which time Treasury determines adjustments to appropriations to reconcile tax liabilities with deposits in the trust funds. This process also includes periodic transfers from the trust funds to the General Fund for contributions on wages in excess of the contribution and benefit base.

Table V.C6 shows the payroll tax contribution rates applicable under current law in each calendar year and the allocation of these rates between the OASI and DI Trust Funds.[1] It also shows the contribution and benefit base for each year through 2017.

[1] Table VI.G1 shows the payroll tax contribution rates for the Hospital Insurance (HI) program.

Table V.C6.—Contribution and Benefit Base and Payroll Tax Contribution Rates

Calendar years	Contribution and benefit base	Payroll tax contribution rates (percent)					
		Employees and employers, combined[a]			Self-employed[b]		
		OASDI	OASI	DI	OASDI	OASI	DI
1937-49	$3,000	2.00	2.00	—	—	—	—
1950	3,000	3.00	3.00	—	—	—	—
1951-53	3,600	3.00	3.00	—	2.2500	2.2500	—
1954	3,600	4.00	4.00	—	3.0000	3.0000	—
1955-56	4,200	4.00	4.00	—	3.0000	3.0000	—
1957-58	4,200	4.50	4.00	0.50	3.3750	3.0000	0.3750
1959	4,800	5.00	4.50	.50	3.7500	3.3750	.3750
1960-61	4,800	6.00	5.50	.50	4.5000	4.1250	.3750
1962	4,800	6.25	5.75	.50	4.7000	4.3250	.3750
1963-65	4,800	7.25	6.75	.50	5.4000	5.0250	.3750
1966	6,600	7.70	7.00	.70	5.8000	5.2750	.5250
1967	6,600	7.80	7.10	.70	5.9000	5.3750	.5250
1968	7,800	7.60	6.65	.95	5.8000	5.0875	.7125
1969	7,800	8.40	7.45	.95	6.3000	5.5875	.7125
1970	7,800	8.40	7.30	1.10	6.3000	5.4750	.8250
1971	7,800	9.20	8.10	1.10	6.9000	6.0750	.8250
1972	9,000	9.20	8.10	1.10	6.9000	6.0750	.8250
1973	10,800	9.70	8.60	1.10	7.0000	6.2050	.7950
1974	13,200	9.90	8.75	1.15	7.0000	6.1850	.8150
1975	14,100	9.90	8.75	1.15	7.0000	6.1850	.8150
1976	15,300	9.90	8.75	1.15	7.0000	6.1850	.8150
1977	16,500	9.90	8.75	1.15	7.0000	6.1850	.8150
1978	17,700	10.10	8.55	1.55	7.1000	6.0100	1.0900
1979	22,900	10.16	8.66	1.50	7.0500	6.0100	1.0400
1980	25,900	10.16	9.04	1.12	7.0500	6.2725	.7775
1981	29,700	10.70	9.40	1.30	8.0000	7.0250	.9750
1982	32,400	10.80	9.15	1.65	8.0500	6.8125	1.2375
1983	35,700	10.80	9.55	1.25	8.0500	7.1125	.9375
1984[c]	37,800	11.40	10.40	1.00	11.4000	10.4000	1.0000
1985[c]	39,600	11.40	10.40	1.00	11.4000	10.4000	1.0000
1986[c]	42,000	11.40	10.40	1.00	11.4000	10.4000	1.0000
1987[c]	43,800	11.40	10.40	1.00	11.4000	10.4000	1.0000
1988[c]	45,000	12.12	11.06	1.06	12.1200	11.0600	1.0600
1989[c]	48,000	12.12	11.06	1.06	12.1200	11.0600	1.0600
1990	51,300	12.40	11.20	1.20	12.4000	11.2000	1.2000
1991	53,400	12.40	11.20	1.20	12.4000	11.2000	1.2000
1992	55,500	12.40	11.20	1.20	12.4000	11.2000	1.2000
1993	57,600	12.40	11.20	1.20	12.4000	11.2000	1.2000
1994	60,600	12.40	10.52	1.88	12.4000	10.5200	1.8800
1995	61,200	12.40	10.52	1.88	12.4000	10.5200	1.8800
1996	62,700	12.40	10.52	1.88	12.4000	10.5200	1.8800
1997	65,400	12.40	10.70	1.70	12.4000	10.7000	1.7000
1998	68,400	12.40	10.70	1.70	12.4000	10.7000	1.7000
1999	72,600	12.40	10.70	1.70	12.4000	10.7000	1.7000
2000	76,200	12.40	10.60	1.80	12.4000	10.6000	1.8000
2001	80,400	12.40	10.60	1.80	12.4000	10.6000	1.8000
2002	84,900	12.40	10.60	1.80	12.4000	10.6000	1.8000
2003	87,000	12.40	10.60	1.80	12.4000	10.6000	1.8000
2004	87,900	12.40	10.60	1.80	12.4000	10.6000	1.8000
2005	90,000	12.40	10.60	1.80	12.4000	10.6000	1.8000

Table V.C6.—Contribution and Benefit Base and Payroll Tax Contribution Rates (Cont.)

Calendar years	Contribution and benefit base	Payroll tax contribution rates (percent)					
		Employees and employers, combined[a]			Self-employed[b]		
		OASDI	OASI	DI	OASDI	OASI	DI
2006	$94,200	12.40	10.60	1.80	12.4000	10.6000	1.8000
2007	97,500	12.40	10.60	1.80	12.4000	10.6000	1.8000
2008	102,000	12.40	10.60	1.80	12.4000	10.6000	1.8000
2009	106,800	12.40	10.60	1.80	12.4000	10.6000	1.8000
2010[d]	106,800	12.40	10.60	1.80	12.4000	10.6000	1.8000
2011[d]	106,800	10.40	8.89	1.51	10.4000	8.8900	1.5100
2012[d]	110,100	10.40	8.89	1.51	10.4000	8.8900	1.5100
2013	113,700	12.40	10.60	1.80	12.4000	10.6000	1.8000
2014	117,000	12.40	10.60	1.80	12.4000	10.6000	1.8000
2015	118,500	12.40	10.60	1.80	12.4000	10.6000	1.8000
2016[e]	118,500	12.40	10.03	2.37	12.4000	10.0300	2.3700
2017[e]	127,200	12.40	10.03	2.37	12.4000	10.0300	2.3700
2018[e]	[f]	12.40	10.03	2.37	12.4000	10.0300	2.3700
2019 and later	[f]	12.40	10.60	1.80	12.4000	10.6000	1.8000

[a] Except as noted below, the combined employee/employer rate is divided equally between employees and employers.
[b] Beginning in 1990, self-employed persons receive a deduction, for purposes of computing their net earnings, equal to half of the combined OASDI and HI contributions that would be payable without regard to the contribution and benefit base. The OASDI contribution rate then applies to net earnings after this deduction, but subject to the OASDI base.
[c] In 1984 only, employees received an immediate credit of 0.3 percent of taxable wages against their OASDI payroll tax contributions. The self-employed received similar credits of 2.7 percent, 2.3 percent, and 2.0 percent against their combined OASDI and Hospital Insurance (HI) contributions on net earnings from self-employment in 1984, 1985, and 1986-89, respectively. The General Fund of the Treasury reimbursed the trust funds for these credits.
[d] Public Law 111-147 exempted most employers from paying the employer share of OASDI payroll tax on wages paid during the period March 19, 2010 through December 31, 2010 to certain qualified individuals hired after February 3, 2010. Public Law 111-312 reduced the OASDI payroll tax rate for 2011 by 2 percentage points for employees and for self-employed workers. Public Law 112-96 extended the 2011 rate reduction through 2012. These laws require that the General Fund of the Treasury reimburse the OASI and DI Trust Funds for these temporary reductions in 2010 through 2012 payroll tax revenue, in order to "replicate to the extent possible" revenue that would have been received if the combined employee/employer payroll tax rates had remained at 12.4 percent for OASDI (10.6 percent for OASI and 1.8 percent for DI).
[e] Section 833 of the Bipartisan Budget Act of 2015 reallocated payroll tax rates on a temporary basis. For earnings in calendar years 2016 through 2018, 0.57 percentage point of the 12.40 percent OASDI payroll tax rate is reallocated from OASI to DI.
[f] Subject to automatic adjustment based on increases in average wages.

7. Income From Taxation of Benefits

Under current law, the OASI and DI Trust Funds are credited with income tax revenue from the taxation of up to the first 50 percent of OASI and DI benefit payments. (The HI Trust Fund receives the remainder of the income tax revenue from the taxation of up to 85 percent of OASI and DI benefit payments.) Benefits are taxed for beneficiaries with adjusted income (including half of benefits and all non-taxable interest) exceeding specified threshold amounts. The threshold amounts are $25,000 for single filers, $32,000 for joint filers, and $0 for those married but filing separately.

For the short-range period, the Office of the Chief Actuary estimates the income to the trust funds from taxation of benefits by applying the following

two factors (projected by the Office of Tax Analysis, Department of the Treasury) to total OASI and DI scheduled benefits: (1) the percentage of scheduled benefits (limited to 50 percent) that is taxable and (2) the average marginal tax rate applicable to those benefits.

For the long-range period, the office estimates the income to the trust funds from taxation of benefits by applying projected ratios of taxation of OASI and DI benefits to total OASI and DI scheduled benefits. The income thresholds used for benefit taxation are, by law, constant in the future, while income and benefit levels continue to rise. Accordingly, projected ratios of income from taxation of benefits to the amount of benefits increase gradually. Ultimate tax ratios for OASI and DI benefits used in the projection rely on estimates from the Office of Tax Analysis in the Department of the Treasury.

8. Average Benefits

Projections of average benefits for each benefit type reflect recent historical averages, projected average primary insurance amounts (PIAs), and projected ratios of average benefits to average PIAs. Calculations of average PIAs are based on projected distributions of beneficiaries by duration from year of initial entitlement, average PIAs at initial entitlement, and increases in PIAs after initial entitlement. Projected increases in average PIAs after initial entitlement depend on automatic benefit increases, recomputations to reflect additional covered earnings, and differences in mortality by level of lifetime earnings. Calculations of future average PIAs at initial entitlement are based on projected earnings histories, which in turn reflect a combination of the actual earnings histories associated with a sample of 2013 initial entitlements and more recent actual earnings levels by age and sex for covered workers.

For retired-worker, aged-spouse, and aged-widow(er) benefits, the percentage of the PIA that is payable depends on the age at initial entitlement to benefits. Projected ratios of average benefits to average PIAs for these types of benefits are based on projections of age distributions at initial entitlement.

9. Scheduled Benefits

For each type of benefit, scheduled benefits are the product of the number of beneficiaries and the corresponding average monthly benefit. The short-range model calculates scheduled benefits on a quarterly basis. The long-range model calculates all scheduled benefits on an annual basis, using the number of beneficiaries at the beginning and end of the year. Adjustments to

these annual scheduled benefits include retroactive payments to newly awarded beneficiaries and other amounts not reflected in the regular monthly scheduled benefits.

Scheduled lump-sum death benefits are estimated as the product of: (1) the number of lump-sum death payments projected on the basis of the assumed death rates, the projected fully insured population, and the estimated percentage of the fully insured population that will qualify for lump-sum death payments; and (2) the amount of the lump-sum death payment, which is $255 (unindexed since 1973).

10. Illustrative Scheduled Benefit Amounts

Table V.C7 shows, under the intermediate assumptions, future benefit amounts payable upon retirement at the normal retirement age and at age 65, for various hypothetical workers attaining age 65 in 2017 and subsequent years. The illustrative benefit amounts in table V.C7 are presented in CPI-indexed 2017 dollars—that is, adjusted to 2017 levels by the CPI indexing series shown in table VI.G6. As a point of comparison, table V.C7 also shows the national average wage index (AWI) for 2017 and subsequent years in CPI-indexed 2017 dollars.

The normal retirement age was 65 for individuals who reached age 62 before 2000. It increased to age 66 during the period 2000 through 2005, at a rate of 2 months per year as workers attained age 62. Under current law, the normal retirement age increases to age 67 during the period 2017 through 2022, also by 2 months per year as workers attain age 62. The illustrative benefit amounts shown in table V.C7 for retirees at age 65 are lower than the amounts shown for retirees at normal retirement age because the statute requires an actuarial reduction for monthly benefits taken before normal retirement age to reflect the expected additional years benefits will be collected. For example, those who collect benefits starting in 2027 at age 65 will receive benefits for two more years than if they instead claim benefits at the normal retirement age (age 67) unless they die between the ages of 65 and 67.

Table V.C7 shows five different pre-retirement earnings patterns. Four of these patterns assume the earnings history of workers with scaled-earnings patterns[1] and reflect very low, low, medium, and high career-average levels of pre-retirement earnings starting at age 21. The fifth pattern assumes the

[1] Actuarial Note 2017.3 has more details on scaled-earnings patterns. See www.ssa.gov/OACT/NOTES/ran3/.

earnings history of a steady maximum earner starting at age 22. The four scaled-earnings patterns derive from earnings experienced by insured workers during 1994-2013. These earnings levels differ by age. The career-average level of earnings for each scaled case targets a percent of the AWI.

For the scaled medium earner, the career-average earnings level is about equal to the AWI (or $51,314 for 2017). For the scaled very low, low, and high earners, the career-average earnings level is about 25 percent, 45 percent, and 160 percent of the AWI, respectively (or $12,829, $23,091, and $82,103, respectively, for 2017). The steady maximum earner has earnings at or above the contribution and benefit base for each year starting at age 22 through the year prior to retirement (or $127,200 for 2017).

Table V.C7.—Annual Scheduled Benefit Amounts for Retired Workers With Various Pre-Retirement Earnings Patterns Based on Intermediate Assumptions, Calendar Years 2017-2095

Year attain age 65[b]	Age at retirement	Scaled very low earnings[c]	Scaled low earnings[d]	Scaled medium earnings[e]	Scaled high earnings[f]	Steady maximum earnings[g]	National Average Wage Index in 2017 dollars[h]
		Benefits in 2017 dollars[a] with retirement at normal retirement age					
2017	66:0	$9,359	$12,256	$20,190	$26,767	$32,644	$51,314
2020	66:2	10,011	13,104	21,622	28,628	35,016	54,172
2025	67:0	10,750	14,069	23,198	30,731	37,822	57,694
2030	67:0	11,452	14,982	24,707	32,720	40,324	61,345
2035	67:0	12,174	15,931	26,276	34,794	42,902	65,258
2040	67:0	12,952	16,951	27,948	37,010	45,599	69,233
2045	67:0	13,744	17,987	29,652	39,269	48,399	73,473
2050	67:0	14,582	19,085	31,471	41,672	51,297	78,045
2055	67:0	15,494	20,274	33,430	44,269	54,387	82,861
2060	67:0	16,451	21,527	35,492	46,999	57,675	87,909
2065	67:0	17,451	22,838	37,653	49,862	61,178	93,115
2070	67:0	18,484	24,190	39,880	52,811	64,802	98,460
2075	67:0	19,545	25,578	42,167	55,844	68,530	104,074
2080	67:0	20,663	27,037	44,574	59,027	72,444	109,945
2085	67:0	21,826	28,562	47,086	62,358	76,541	116,153
2090	67:0	23,060	30,177	49,747	65,880	80,874	122,793
2095	67:0	24,379	31,902	52,591	69,646	85,508	129,854
		Benefits in 2017 dollars[a] with retirement at age 65					
2017	65:0	$8,800	$11,517	$18,971	$25,150	$30,560	$51,314
2020	65:0	9,229	12,079	19,921	26,398	32,177	54,172
2025	65:0	9,317	12,195	20,107	26,633	32,536	57,694
2030	65:0	9,919	12,983	21,417	28,359	34,700	61,345
2035	65:0	10,551	13,811	22,770	30,151	36,921	65,258
2040	65:0	11,225	14,690	24,223	32,076	39,252	69,233
2045	65:0	11,911	15,589	25,702	34,033	41,665	73,473
2050	65:0	12,638	16,541	27,274	36,117	44,165	78,045
2055	65:0	13,429	17,571	28,972	38,362	46,822	82,861
2060	65:0	14,255	18,657	30,758	40,734	49,653	87,909
2065	65:0	15,124	19,792	32,630	43,211	52,674	93,115
2070	65:0	16,019	20,964	34,561	45,770	55,793	98,460

Table V.C7.—Annual Scheduled Benefit Amounts for Retired Workers With Various Pre-Retirement Earnings Patterns Based on Intermediate Assumptions, Calendar Years 2017-2095 (Cont.)

2075	65:0	$16,939	$22,167	$36,546	$48,397	$59,005	$104,074
2080	65:0	17,907	23,432	38,630	51,156	62,379	109,945
2085	65:0	18,916	24,755	40,808	54,042	65,906	116,153
2090	65:0	19,985	26,153	43,114	57,096	69,636	122,793
2095	65:0	21,128	27,648	45,579	60,360	73,625	129,854

[a] Annual amounts are the total for the 12-month period starting with the month of retirement, adjusted to be in 2017 dollars by using the CPI indexing series from table VI.G6.

[b] Attains age 65 on January 1 of the year.

[c] Career-average earnings at about 25 percent of the AWI.

[d] Career-average earnings at about 45 percent of the AWI.

[e] Career-average earnings at about 100 percent of the AWI. Such a worker would have career-average earnings at approximately the 56th percentile of all new retired-worker beneficiaries.

[f] Career-average earnings at about 160 percent of the AWI.

[g] Earnings for each year at or above the contribution and benefit base.

[h] Average Wage Index from table VI.G6, adjusted to be in 2017 dollars by using the CPI indexing series from table VI.G6.

Note: Benefits shown at age 65 reflect adjustments for early retirement. For early retirement as early as age 62, the benefit amount is reduced 5/9 of one percent for each month before normal retirement age, up to 36 months. If the number of months exceeds 36, then the benefit is further reduced 5/12 of one percent per month. For example, if the number of reduction months is 60 (the maximum number for retirement at 62 when normal retirement age is 67), then the benefit is reduced by 30 percent. *Delayed retirement credit* is generally given for retirement after the normal retirement age. The delayed retirement credit is 2/3 of one percent per month for persons born in 1943 and later. No credit is given for delaying benefits after attaining age 70. See table V.C3 for additional details, including adjustments applying to other birth years.

11. Administrative Expenses

The projection of administrative expenses through the short-range period is based on historical experience and the projected growth in average wages. The Office of Budget of the Social Security Administration provides estimates for the first several years of the projection. For years after the short-range period, projected administrative expenses reflect increases in the number of beneficiaries in current-payment status, and increases in the average wage. However, the increases in average wage are partially offset by assumed administrative productivity gains.

12. Railroad Retirement Financial Interchange

Railroad workers are covered under a separate multi-tiered benefit plan, with a first tier of coverage similar to OASDI coverage. An annual financial interchange between the Railroad Retirement fund and the OASI and DI Trust Funds is made to resolve the difference between: (1) the amount of OASDI benefits that would be paid to railroad workers and their families if railroad employment had been covered under the OASDI program, plus administrative expenses associated with these benefits; and (2) the amount of OASDI payroll tax and income tax that would be received with allowances for interest from railroad workers.

Calculation of the financial interchange with the Railroad Retirement reflects trends similar to those used in estimating the cost of OASDI benefits. The annual short-range net cost for the OASI and DI Trust Funds is about $5-$6 billion and the long-range summarized net cost for the OASI and DI Trust Funds is 0.04 percent of taxable payroll.

VI. APPENDICES

A. HISTORY OF OASI AND DI TRUST FUND OPERATIONS

The Federal Old-Age and Survivors Insurance (OASI) Trust Fund was established on January 1, 1940 as a separate account in the United States Treasury. The Federal Disability Insurance (DI) Trust Fund, another separate account in the United States Treasury, was established on August 1, 1956. These funds conduct the financial operations of the OASI and DI programs. The Board of Trustees is responsible for overseeing the financial operations of these funds. The following paragraphs describe the various components of trust fund income and outgo. Following this description, tables VI.A1 and VI.A2 present the historical operations of the separate trust funds since their inception, and table VI.A3 presents the operations of the hypothetical combined trust funds[1] during the period when they have co-existed.

The primary receipts of these two funds are amounts appropriated under permanent authority on the basis of payroll tax contributions. Federal law requires that all employees who work in OASDI covered employment, and their employers, make payroll tax contributions on their wages. Employees and their employers must also make payroll tax contributions on monthly cash tips if such tips are at least $20. Self-employed persons must make payroll tax contributions on their covered net earnings from self-employment. The Federal Government pays amounts equivalent to the combined employer and employee contributions that would be paid on deemed wage credits attributable to military service performed between 1957 and 2001, if such wage credits were covered wages. Treasury initially deposits payroll tax contributions to the trust funds each month on an estimated basis. Subsequently, Treasury makes adjustments based on the certified amount of wages and self-employment earnings in the records of the Social Security Administration.

Income also includes various reimbursements from the General Fund of the Treasury, such as: (1) the cost of noncontributory wage credits for military service before 1957, and periodic adjustments to previous determinations of this cost; (2) the cost in 1971 through 1982 of deemed wage credits for military service performed after 1956; (3) the cost of benefits to certain uninsured persons who attained age 72 before 1968; (4) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984 through 1989 by Public Law 98-21; (5) the cost in 2009 through 2017 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (6) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.

[1] The OASI and DI Trust Funds are distinct legal entities which operate independently. To illustrate the actuarial status of the program as a whole, the fund operations are often combined on a hypothetical basis.

Beginning in 1984, Federal law subjected up to 50 percent of an individual's or couple's OASDI benefits to Federal income taxation under certain circumstances. Effective for taxable years beginning after 1993, the law increased the maximum percentage from 50 percent to 85 percent. Treasury credits the proceeds from this taxation of up to 50 percent of benefits to the OASI and DI Trust Funds in advance, on an estimated basis, at the beginning of each calendar quarter, with no reimbursement to the General Fund for interest costs attributable to the advance transfers.[1] Treasury makes subsequent adjustments based on the actual amounts shown on annual income tax records. Each of the OASI and DI Trust Funds receives the income taxes paid on the benefits from that trust fund.[2]

Another source of income to the trust funds is interest received on investments held by the trust funds. On a daily basis, Treasury invests trust fund income not required to meet current operating expenses, primarily in interest-bearing obligations of the U.S. Government. These investments include the special public-debt obligations described in the next paragraph. The Social Security Act also authorizes the trust funds to hold obligations guaranteed as to both principal and interest by the United States. The act therefore permits the trust funds to hold certain Federally sponsored agency obligations and marketable obligations.[3] The trust funds may acquire any of these obligations on original issue at the issue price or by purchase of outstanding obligations at their market price.

The Social Security Act authorizes the issuance of special public-debt obligations for purchase exclusively by the trust funds. The act provides that the interest rate for special obligations newly issued in any month is the average market yield, as of the last business day of the prior month, on all of the outstanding marketable U.S. obligations that are due or callable more than 4 years in the future. This rate is rounded to the nearest one-eighth of one percent. Beginning January 1999, in calculating the average market yield rate for this purpose, the Treasury incorporates the yield to the call date when a callable bond's market price is above par.

Although the Social Security Act does not authorize the purchase or sale of special issues in the open market, Treasury redeems special issues prior to

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[1] The HI Trust Fund receives the additional tax revenue resulting from the increase to 85 percent.

[2] A special provision applies to benefits paid to nonresident aliens. Effective for taxable years beginning after 1994, Public Law 103-465 subjects benefits to a flat-rate tax, usually 25.5 percent, before they are paid. Therefore, this tax remains in the trust funds. From 1984 to 1994, the flat-rate tax was usually 15 percent.

[3] The Social Security Act requires the trust funds to acquire special-issue obligations unless the Managing Trustee determines that the purchase of marketable obligations is in the public interest. The purchase of marketable obligations has been quite limited and has not occurred since 1980.

maturity at par value when needed to meet current operating expenses. Given this separation from market-based valuations, changes in market yield rates do not cause fluctuations in principal value. As is true for marketable Treasury securities held by the public, the full faith and credit of the U.S. Government backs all of the investments held by the trust funds.

The primary annual expenditures of the OASI and DI Trust Funds are: (1) OASDI benefit payments[1], net of any reimbursements from the General Fund of the Treasury for unnegotiated benefit checks; and (2) expenses incurred by the Social Security Administration and the Department of the Treasury in administering the OASDI program and the provisions of the Internal Revenue Code relating to the collection of contributions. Such administrative expenses include, among other items, expenditures for (1) payroll, (2) construction, rental, lease, or purchase of office buildings and related facilities for the Social Security Administration, and (3) information technology systems. The Social Security Act prohibits expenditures from the OASI and DI Trust Funds for any purpose not related to the payment of benefits or administrative costs for the OASDI program.

The expenditures of the trust funds also include: (1) the costs of vocational rehabilitation services furnished to disabled persons receiving cash benefits because of their disabilities, where such services contributed to their successful rehabilitation; and (2) net costs of the provisions of the Railroad Retirement Act that provide for a system of coordination and financial interchange between the Railroad Retirement program and the Social Security program. Under the financial interchange provisions, the Railroad Retirement program's Social Security Equivalent Benefit Account and the trust funds interchange amounts on an annual basis so that each trust fund is in the same position it would have been had railroad employment always been covered under Social Security.

The statements of the operations of the trust funds in this report do not include the net worth of facilities and other fixed capital assets because the value of fixed capital assets is not available in the form of a financial asset redeemable for the payment of benefits or administrative expenditures. As a result of this unavailability, the actuarial status of the trust funds does not take these assets into account.

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[1] Periodically, benefit payments which were scheduled to be paid on January 3 were actually paid on December 31 of the preceding year as required by the statutory provision included in the 1977 Social Security Amendments for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. Such advance payments have occurred about every 7 years, first for benefits scheduled for January 3, 1982. The most recent such accelerated payment affected benefits scheduled to be paid on January 3, 2016. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year without regard to the accelerated payments described above.

Table VI.A1.— Operations of the OASI Trust Fund, Calendar Years 1937-2016
[Dollar amounts in billions]

Calendar year	Income					Cost				Asset Reserves[a]		
	Total	Net payroll tax contributions	GF reimbursements[b]	Taxation of benefits	Net interest[c]	Total[a]	Benefit payments[a,d]	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
1937[f]	$0.8	$0.8	—	—	[g]	[g]	[g]	—	—	$0.8	$0.8	—
1938[f]	.4	.4	—	—	[g]	[g]	[g]	—	—	.4	1.1	7,660
1939[f]	.6	.6	—	—	[g]	[g]	[g]	—	—	.6	1.7	8,086
1940	.4	.3	—	—	[g]	$0.1	[g]	[g]	—	.3	2.0	2,781
1941	.8	.8	—	—	$0.1	.1	$0.1	[g]	—	.7	2.8	1,782
1942	1.1	1.0	—	—	.1	.2	.1	[g]	—	.9	3.7	1,737
1943	1.3	1.2	—	—	.1	.2	.2	[g]	—	1.1	4.8	1,891
1944	1.4	1.3	—	—	.1	.2	.2	[g]	—	1.2	6.0	2,025
1945	1.4	1.3	—	—	.1	.3	.3	[g]	—	1.1	7.1	1,975
1946	1.4	1.3	—	—	.2	.4	.4	[g]	—	1.0	8.1	1,704
1947	1.7	1.6	[g]	—	.2	.5	.5	[g]	—	1.2	9.4	1,592
1948	2.0	1.7	[g]	—	.3	.6	.6	$0.1	—	1.4	10.7	1,542
1949	1.8	1.7	[g]	—	.1	.7	.7	.1	—	1.1	11.8	1,487
1950	2.9	2.7	[g]	—	.3	1.0	1.0	.1	—	1.9	13.7	1,156
1951	3.8	3.4	[g]	—	.4	2.0	1.9	.1	—	1.8	15.5	698
1952	4.2	3.8	—	—	.4	2.3	2.2	.1	—	1.9	17.4	681
1953	4.4	3.9	—	—	.4	3.1	3.0	.1	—	1.3	18.7	564
1954	5.6	5.2	—	—	.4	3.7	3.7	.1	[g]	1.9	20.6	500
1955	6.2	5.7	—	—	.5	5.1	5.0	.1	[g]	1.1	21.7	405
1956	6.7	6.2	—	—	.5	5.8	5.7	.1	[g]	.9	22.5	371
1957	7.4	6.8	—	—	.6	7.5	7.3	.2	[g]	-.1	22.4	300
1958	8.1	7.6	—	—	.6	8.6	8.3	.2	$0.1	-.5	21.9	259
1959	8.6	8.1	—	—	.5	10.3	9.8	.2	.3	-1.7	20.1	212
1960	11.4	10.9	—	—	.5	11.2	10.7	.2	.3	.2	20.3	180
1961	11.8	11.3	—	—	.5	12.4	11.9	.2	.3	-.6	19.7	163
1962	12.6	12.1	—	—	.5	14.0	13.4	.3	.4	-1.4	18.3	141
1963	15.1	14.5	—	—	.5	14.9	14.2	.3	.4	.1	18.5	123
1964	16.3	15.7	—	—	.6	15.6	14.9	.3	.4	.6	19.1	118
1965	16.6	16.0	—	—	.6	17.5	16.7	.3	.4	-.9	18.2	109
1966	21.3	20.6	$0.1	—	.6	19.0	18.3	.3	.4	2.3	20.6	96
1967	24.0	23.1	.1	—	.8	20.4	19.5	.4	.5	3.7	24.2	101
1968	25.0	23.7	.4	—	.9	23.6	22.6	.5	.4	1.5	25.7	103
1969	29.6	27.9	.4	—	1.2	25.2	24.2	.5	.5	4.4	30.1	102
1970	32.2	30.3	.4	—	1.5	29.8	28.8	.5	.6	2.4	32.5	101
1971	35.9	33.7	.5	—	1.7	34.5	33.4	.5	.6	1.3	33.8	94
1972	40.1	37.8	.5	—	1.8	38.5	37.1	.7	.7	1.5	35.3	88
1973	48.3	46.0	.4	—	1.9	47.2	45.7	.6	.8	1.2	36.5	75
1974	54.7	52.1	.4	—	2.2	53.4	51.6	.9	.9	1.3	37.8	68
1975	59.6	56.8	.4	—	2.4	60.4	58.5	.9	1.0	-.8	37.0	63
1976	66.3	63.4	.6	—	2.3	67.9	65.7	1.0	1.2	-1.6	35.4	54
1977	72.4	69.6	.6	—	2.2	75.3	73.1	1.0	1.2	-2.9	32.5	47
1978	78.1	75.5	.6	—	2.0	83.1	80.4	1.1	1.6	-5.0	27.5	39
1979	90.3	87.9	.6	—	1.8	93.1	90.6	1.1	1.4	-2.9	24.7	30
1980	105.8	103.5	.5	—	1.8	107.7	105.1	1.2	1.4	-1.8	22.8	23
1981	125.4	122.6	.7	—	2.1	126.7	123.8	1.3	1.6	-1.3	21.5	18
1982	125.2	123.7	.7	—	.8	142.1	138.8	1.5	1.8	[h] .6	22.1	15
1983	150.6	138.3	5.5	—	6.7	153.0	149.2	1.5	2.3	-2.4	19.7	14
1984	169.3	159.5	4.7	$2.8	2.3	161.9	157.8	1.6	2.4	7.4	27.1	[i]20
1985	184.2	175.1	4.0	3.2	1.9	171.2	167.2	1.6	2.3	[h]8.7	35.8	[i]24
1986	197.4	189.1	1.8	3.4	3.1	181.0	176.8	1.6	2.6	[h]3.2	39.1	[i]28
1987	210.7	201.1	1.7	3.3	4.7	187.7	183.6	1.5	2.6	23.1	62.1	[i]30
1988	240.8	227.7	2.1	3.4	7.6	200.0	195.5	1.8	2.8	40.7	102.9	[i]41
1989	264.7	248.1	2.1	2.4	12.0	212.5	208.0	1.7	2.8	52.2	155.1	[i]59
1990	286.7	266.1	-.7	4.8	16.4	227.5	223.0	1.6	3.0	59.1	214.2	[i]78
1991	299.3	272.5	.1	5.9	20.8	245.6	240.5	1.8	3.4	53.7	267.8	87
1992	311.2	281.1	-.1	5.9	24.3	259.9	254.9	1.8	3.1	51.3	319.1	103
1993	323.3	290.9	[g]	5.3	27.0	273.1	267.8	2.0	3.4	50.2	369.3	117
1994	328.3	293.3	[g]	5.0	29.9	284.1	279.1	1.6	3.4	44.1	413.5	130

Table VI.A1.— Operations of the OASI Trust Fund, Calendar Years 1937-2016 (Cont.)
[Dollar amounts in billions]

Calendar year	Income					Cost				Asset Reserves[a]		
	Total	Net payroll tax contributions	GF reimbursements[b]	Taxation of benefits	Net interest[c]	Total[a]	Benefit payments[a,d]	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
1995 . .	$342.8	$304.7	-$0.2	$5.5	$32.8	$297.8	$291.6	$2.1	$4.1	$45.0	$458.5	139
1996 . .	363.7	321.6	[g]	6.5	35.7	308.2	302.9	1.8	3.6	55.5	514.0	149
1997 . .	397.2	349.9	[g]	7.4	39.8	322.1	316.3	2.1	3.7	75.1	589.1	160
1998 . .	424.8	371.2	[g]	9.1	44.5	332.3	326.8	1.9	3.7	92.5	681.6	177
1999 . .	457.0	396.4	[g]	10.9	49.8	339.9	334.4	1.8	3.7	117.2	798.8	201
2000 . .	490.5	421.4	[g]	11.6	57.5	358.3	352.7	2.1	3.5	132.2	931.0	223
2001 . .	518.1	441.5	[g]	11.9	64.7	377.5	372.3	2.0	3.3	140.6	1,071.5	247
2002 . .	539.7	455.2	.4	12.9	71.2	393.7	388.1	2.1	3.5	146.0	1,217.5	272
2003 . .	543.8	456.1	[g]	12.5	75.2	406.0	399.8	2.6	3.6	137.8	1,355.3	300
2004 . .	566.3	472.8	[g]	14.6	79.0	421.0	415.0	2.4	3.6	145.3	1,500.6	322
2005 . .	604.3	506.9	-.3	13.8	84.0	441.9	435.4	3.0	3.6	162.4	1,663.0	340
2006 . .	642.2	534.8	[g]	15.6	91.8	461.0	454.5	3.0	3.5	181.3	1,844.3	361
2007 . .	675.0	560.9	[g]	17.2	97.0	495.7	489.1	3.1	3.6	179.3	2,023.6	372
2008 . .	695.5	574.6	[g]	15.6	105.3	516.2	509.3	3.2	3.6	179.3	2,202.9	392
2009 . .	698.2	570.4	[g]	19.9	107.9	564.3	557.2	3.4	3.7	133.9	2,336.8	390
2010 . .	677.1	544.8	2.0	22.1	108.2	584.9	577.4	3.5	3.9	92.2	2,429.0	400
2011 . .	698.8	482.4	87.8	22.2	106.5	603.8	596.2	3.5	4.1	95.0	2,524.1	402
2012 . .	731.1	503.9	97.7	26.7	102.8	645.5	637.9	3.4	4.1	85.6	2,609.7	391
2013 . .	743.8	620.8	4.2	20.7	98.1	679.5	672.1	3.4	3.9	64.3	2,674.0	384
2014 . .	769.4	646.2	.4	28.0	94.8	714.2	706.8	3.1	4.3	55.2	2,729.2	374
2015 . .	801.6	679.5	.3	30.6	91.2	750.5	742.9	3.4	4.3	51.0	2,780.3	364
2016 . .	797.5	678.8	.1	31.6	87.0	776.4	768.6	3.5	4.3	21.1	2,801.3	358

[a] Beginning in 1979, benefit payments scheduled to be paid on January 3 of a given year were paid on December 31 of the preceding year as required by the statutory provision included in the 1977 Social Security Amendments for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. Such advance payments have occurred about every 7 years, first for benefits scheduled for January 3, 1982. For comparability with other historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year without regard to the accelerated payments described above.

[b] Includes net reimbursements from the General Fund of the Treasury to the OASI Trust Fund for: (1) the cost of noncontributory wage credits for military service before 1957; (2) the cost in 1971-82 of deemed wage credits for military service performed after 1956; (3) the cost of benefits to certain uninsured persons who attained age 72 before 1968; (4) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21; (5) the cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (6) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.

[c] Net interest includes net profits or losses on marketable investments. Beginning in 1967, the trust fund pays administrative expenses on an estimated basis, with a final adjustment including interest made in the following fiscal year. Net interest includes the amounts of these interest adjustments. The 1970 report describes the accounting for administrative expenses for years prior to 1967. Beginning in October 1973, figures include relatively small amounts of gifts to the fund. Net interest for 1983-86 reflects payments for interest on amounts owed under the interfund borrowing provisions. During 1983-90, net interest reflects interest reimbursements paid from the trust fund to the General Fund on advance tax transfers.

[d] Beginning in 1966, includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities. Beginning in 1983, net benefit amounts include reimbursements paid from the General Fund to the trust fund for unnegotiated benefit checks. Excluding the portion attributable to vocational rehabilitation services and unnegotiated benefit checks, amounts are the same as benefits scheduled under law at that time for all historical years.

[e] The "Trust fund ratio" column represents asset reserves at the beginning of a year as a percentage of expenditures during the year. The table shows no ratio for 1937 because no reserves existed at the beginning of the year.

[f] Operations prior to 1940 are for the Old-Age Reserve Account established by the original Social Security Act. The 1939 Amendments transferred the asset reserves of the Account to the OASI Trust Fund effective January 1, 1940.

[g] Between -$50 million and $50 million.

[h] Reflects interfund borrowing and subsequent repayment of loans. The OASI Trust Fund borrowed $17.5 billion from the DI and HI Trust Funds in 1982 and repaid the loans in 1985 ($4.4 billion) and 1986 ($13.2 billion).

[i] Reserves used for the trust fund ratio calculation include January advance tax transfers.

Note: Totals do not necessarily equal the sums of rounded components.

Table VI.A2.— Operations of the DI Trust Fund, Calendar Years 1957-2016
[Dollar amounts in billions]

Calendar year	Income					Cost				Asset Reserves[a]		
	Total	Net payroll tax contributions	GF reimbursements[b]	Taxation of benefits	Net interest[c]	Total[a]	Benefit payments[a d]	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
1957 . .	$0.7	$0.7	—	—	[f]	$0.1	$0.1	[f]	—	$0.6	$0.6	—
1958 . .	1.0	1.0	—	—	[f]	.3	.2	[f]	—	.7	1.4	249
1959 . .	.9	.9	—	—	[f]	.5	.5	[f]	[f]	.4	1.8	284
1960 . .	1.1	1.0	—	—	$0.1	.6	.6	[f]	[f]	.5	2.3	304
1961 . .	1.1	1.0	—	—	.1	1.0	.9	$0.1	[f]	.1	2.4	239
1962 . .	1.1	1.0	—	—	.1	1.2	1.1	.1	[f]	-.1	2.4	206
1963 . .	1.2	1.1	—	—	.1	1.3	1.2	.1	[f]	-.1	2.2	183
1964 . .	1.2	1.2	—	—	.1	1.4	1.3	.1	[f]	-.2	2.0	159
1965 . .	1.2	1.2	—	—	.1	1.7	1.6	.1	[f]	-.4	1.6	121
1966 . .	2.1	2.0	[f]	—	.1	1.9	1.8	.1	[f]	.1	1.7	82
1967 . .	2.4	2.3	[f]	—	.1	2.1	1.9	.1	[f]	.3	2.0	83
1968 . .	3.5	3.3	[f]	—	.1	2.5	2.3	.1	[f]	1.0	3.0	83
1969 . .	3.8	3.6	[f]	—	.2	2.7	2.6	.1	[f]	1.1	4.1	111
1970 . .	4.8	4.5	[f]	—	.3	3.3	3.1	.2	[f]	1.5	5.6	126
1971 . .	5.0	4.6	$0.1	—	.4	4.0	3.8	.2	[f]	1.0	6.6	140
1972 . .	5.6	5.1	.1	—	.4	4.8	4.5	.2	[f]	.8	7.5	140
1973 . .	6.4	5.9	.1	—	.5	6.0	5.8	.2	[f]	.5	7.9	125
1974 . .	7.4	6.8	.1	—	.5	7.2	7.0	.2	[f]	.2	8.1	110
1975 . .	8.0	7.4	.1	—	.5	8.8	8.5	.3	[f]	-.8	7.4	92
1976 . .	8.8	8.2	.1	—	.4	10.4	10.1	.3	[f]	-1.6	5.7	71
1977 . .	9.6	9.1	.1	—	.3	11.9	11.5	.4	[f]	-2.4	3.4	48
1978 . .	13.8	13.4	.1	—	.3	13.0	12.6	.3	[f]	.9	4.2	26
1979 . .	15.6	15.1	.1	—	.4	14.2	13.8	.4	[f]	1.4	5.6	30
1980 . .	13.9	13.3	.1	—	.5	15.9	15.5	.4	[f]	-2.0	3.6	35
1981 . .	17.1	16.7	.2	—	.2	17.7	17.2	.4	[f]	-.6	3.0	21
1982 . .	22.7	22.0	.2	—	.5	18.0	17.4	.6	[f]	[g] -.4	2.7	17
1983 . .	20.7	18.0	1.1	—	1.6	18.2	17.5	.6	[f]	2.5	5.2	15
1984 . .	17.3	15.5	.4	$0.2	1.2	18.5	17.9	.6	[f]	-1.2	4.0	[h]35
1985 . .	19.3	17.0	1.2	.2	.9	19.5	18.8	.6	[f]	[g]2.4	6.3	[h]27
1986 . .	19.4	18.2	.2	.2	.8	20.5	19.9	.6	$0.1	[g]1.5	7.8	[h]38
1987 . .	20.3	19.5	.2	[f]	.6	21.4	20.5	.8	.1	-1.1	6.7	[h]44
1988 . .	22.7	21.8	.2	.1	.6	22.5	21.7	.7	.1	.2	6.9	[h]38
1989 . .	24.8	23.8	.2	.1	.7	23.8	22.9	.8	.1	1.0	7.9	[h]38
1990 . .	28.8	28.4	-.6	.1	.9	25.6	24.8	.7	.1	3.2	11.1	[h]40
1991 . .	30.4	29.1	[f]	.2	1.1	28.6	27.7	.8	.1	1.8	12.9	39
1992 . .	31.4	30.1	[f]	.2	1.1	32.0	31.1	.8	.1	-.6	12.3	40
1993 . .	32.3	31.2	[f]	.3	.8	35.7	34.6	1.0	.1	-3.4	9.0	35
1994 . .	52.8	51.4	[f]	.3	1.2	38.9	37.7	1.0	.1	14.0	22.9	23
1995 . .	56.7	54.4	-.2	.3	2.2	42.1	40.9	1.1	.1	14.6	37.6	55
1996 . .	60.7	57.3	[f]	.4	3.0	45.4	44.2	1.2	[f]	15.4	52.9	83
1997 . .	60.5	56.0	[f]	.5	4.0	47.0	45.7	1.3	.1	13.5	66.4	113
1998 . .	64.4	59.0	[f]	.6	4.8	49.9	48.2	1.6	.2	14.4	80.8	133
1999 . .	69.5	63.2	[f]	.7	5.7	53.0	51.4	1.5	.1	16.5	97.3	152
2000 . .	77.9	71.1	-.8	.7	6.9	56.8	55.0	1.6	.2	21.1	118.5	171
2001 . .	83.9	74.9	[f]	.8	8.2	61.4	59.6	1.7	[f]	22.5	141.0	193
2002 . .	87.4	77.3	[f]	.9	9.2	67.9	65.7	2.0	.2	19.5	160.5	208
2003 . .	88.1	77.4	[f]	.9	9.7	73.1	70.9	2.0	.2	15.0	175.4	219
2004 . .	91.4	80.3	[f]	1.1	10.0	80.6	78.2	2.2	.2	10.8	186.2	218
2005 . .	97.4	86.1	[f]	1.1	10.3	88.0	85.4	2.3	.3	9.4	195.6	212
2006 . .	102.6	90.8	[f]	1.2	10.6	94.5	91.7	2.3	.4	8.2	203.8	207
2007 . .	109.9	95.2	[f]	1.4	13.2	98.8	95.9	2.5	.4	11.1	214.9	206
2008 . .	109.8	97.6	[f]	1.3	11.0	109.0	106.0	2.5	.4	.9	215.8	197
2009 . .	109.3	96.9	[f]	2.0	10.5	121.5	118.3	2.7	.4	-12.2	203.5	178

Table VI.A2.— Operations of the DI Trust Fund, Calendar Years 1957-2016 (Cont.)
[Dollar amounts in billions]

Calendar year	Income					Cost				Asset Reserves[a]		
	Total	Net payroll tax contributions	GF reimbursements[b]	Taxation of benefits	Net interest[c]	Total[a]	Benefit payments[a d]	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
2010. . .	$104.0	$92.5	$0.4	$1.9	$9.3	$127.7	$124.2	$3.0	$0.5	-$23.6	$179.9	159
2011. . .	106.3	81.9	14.9	1.6	7.9	132.3	128.9	2.9	.5	-26.1	153.9	136
2012. . .	109.1	85.6	16.5	.6	6.4	140.3	136.9	2.9	.5	-31.2	122.7	110
2013. . .	111.2	105.4	.7	.4	4.7	143.4	140.1	2.8	.6	-32.2	90.4	86
2014. . .	114.9	109.7	.1	1.7	3.4	145.1	141.7	2.9	.4	-30.2	60.2	62
2015. . .	118.6	115.4	[f]	1.1	2.1	146.6	143.4	2.8	.4	-28.0	32.3	41
2016. . .	160.0	157.4	[f]	1.2	1.4	145.9	142.8	2.8	.4	14.1	46.3	22

[a] Beginning in 1979, benefit payments scheduled to be paid on January 3 of a given year were paid on December 31 of the preceding year as required by the statutory provision included in the 1977 Social Security Amendments for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. Such advance payments have occurred about every 7 years, first for benefits scheduled for January 3, 1982. For comparability with other historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year without regard to the accelerated payments described above.

[b] Includes net reimbursements from the General Fund of the Treasury to the DI Trust Fund for: (1) the cost of noncontributory wage credits for military service before 1957; (2) the cost in 1971-82 of deemed wage credits for military service performed after 1956; (3) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21; (4) the cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (5) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.

[c] Net interest includes net profits or losses on marketable investments. Beginning in 1967, the trust fund pays administrative expenses on an estimated basis, with a final adjustment including interest made in the following fiscal year. Net interest includes the amounts of these interest adjustments. The 1970 report describes the accounting for administrative expenses for years prior to 1967. Beginning in July 1974, figures include relatively small amounts of gifts to the fund. Net interest for 1983-86 reflects payments for interest on amounts owed under the interfund borrowing provisions. During 1983-90, net interest reflects interest reimbursements paid from the trust fund to the General Fund on advance tax transfers.

[d] Beginning in 1966, includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities. Beginning in 1983, net benefit amounts include reimbursements paid from the General Fund to the trust fund for unnegotiated benefit checks. Excluding the portion attributable to vocational rehabilitation services and unnegotiated benefit checks, amounts are the same as benefits scheduled under law at that time for all historical years.

[e] The "Trust fund ratio" column represents asset reserves at the beginning of a year as a percentage of expenditures during the year. The table shows no ratio for 1957 because no reserves existed at the beginning of the year.

[f] Between -$50 million and $50 million.

[g] Reflects interfund borrowing and subsequent repayment of loans. The DI Trust Fund loaned $5.1 billion to the OASI Trust Fund in 1982. The OASI Trust Fund repaid the loan in 1985 ($2.5 billion) and 1986 ($2.5 billion).

[h] Reserves used for the trust fund ratio calculation include January advance tax transfers.

Note: Totals do not necessarily equal the sums of rounded components.

Table VI.A3.— Operations of the Combined OASI and DI Trust Funds, Calendar Years 1957-2016
[Dollar amounts in billions]

Calendar year	Income					Cost				Asset Reserves[a]		
	Total	Net payroll tax contributions	GF reimbursements[b]	Taxation of benefits	Net interest[c]	Total[a]	Benefit payments[a,d]	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
1957 . .	$8.1	$7.5	—	—	$0.6	$7.6	$7.4	$0.2	[f]	$0.5	$23.0	298
1958	9.1	8.5	—	—	.6	8.9	8.6	.2	$0.1	.2	23.2	259
1959 . .	9.5	8.9	—	—	.6	10.8	10.3	.2	.3	-1.3	22.0	215
1960 . .	12.4	11.9	—	—	.6	11.8	11.2	.2	.3	.6	22.6	186
1961 . .	12.9	12.3	—	—	.6	13.4	12.7	.3	.3	-.5	22.2	169
1962 . .	13.7	13.1	—	—	.6	15.2	14.5	.3	.4	-1.5	20.7	146
1963 . .	16.2	15.6	—	—	.6	16.2	15.4	.3	.4	[f]	20.7	128
1964 . .	17.5	16.8	—	—	.6	17.0	16.2	.4	.4	.5	21.2	122
1965 . .	17.9	17.2	—	—	.7	19.2	18.3	.4	.5	-1.3	19.8	110
1966 . .	23.4	22.6	$0.1	—	.7	20.9	20.1	.4	.5	2.5	22.3	95
1967 . .	26.4	25.4	.1	—	.9	22.5	21.4	.5	.5	3.9	26.3	99
1968 . .	28.5	27.0	.4	—	1.0	26.0	25.0	.6	.5	2.5	28.7	101
1969 . .	33.3	31.5	.5	—	1.3	27.9	26.8	.6	.5	5.5	34.2	103
1970 . .	37.0	34.7	.5	—	1.8	33.1	31.9	.6	.6	3.9	38.1	103
1971 . .	40.9	38.3	.5	—	2.0	38.5	37.2	.7	.6	2.4	40.4	99
1972 . .	45.6	42.9	.5	—	2.2	43.3	41.6	.9	.7	2.3	42.8	93
1973 . .	54.8	51.9	.5	—	2.4	53.1	51.5	.8	.8	1.6	44.4	80
1974 . .	62.1	58.9	.5	—	2.7	60.6	58.6	1.1	.9	1.5	45.9	73
1975 . .	67.6	64.3	.5	—	2.9	69.2	67.0	1.2	1.0	-1.5	44.3	66
1976 . .	75.0	71.6	.7	—	2.7	78.2	75.8	1.2	1.2	-3.2	41.1	57
1977 . .	82.0	78.7	.7	—	2.5	87.3	84.7	1.4	1.2	-5.3	35.9	47
1978 . .	91.9	88.9	.8	—	2.3	96.0	93.0	1.4	1.6	-4.1	31.7	37
1979 . .	105.9	103.0	.7	—	2.2	107.3	104.4	1.5	1.5	-1.5	30.3	30
1980 . .	119.7	116.7	.7	—	2.3	123.5	120.6	1.5	1.4	-3.8	26.5	25
1981 . .	142.4	139.4	.8	—	2.2	144.4	141.0	1.7	1.6	-1.9	24.5	18
1982 . .	147.9	145.7	.9	—	1.4	160.1	156.2	2.1	1.8	[g] .2	24.8	15
1983 . .	171.3	156.3	6.7	—	8.3	171.2	166.7	2.2	2.3	.1	24.9	14
1984 . .	186.6	175.0	5.2	$3.0	3.4	180.4	175.7	2.3	2.4	6.2	31.1	[h]21
1985 . .	203.5	192.1	5.2	3.4	2.7	190.6	186.1	2.2	2.4	[g]11.1	42.2	[h]24
1986 . .	216.8	207.4	1.9	3.7	3.9	201.5	196.7	2.2	2.7	[g] 4.7	46.9	[h]29
1987 . .	231.0	220.6	1.9	3.2	5.3	209.1	204.1	2.4	2.6	21.9	68.8	[h]31
1988 . .	263.5	249.5	2.3	3.4	8.2	222.5	217.1	2.5	2.9	41.0	109.8	[h]41
1989 . .	289.4	271.9	2.3	2.5	12.7	236.2	230.9	2.4	2.9	53.2	163.0	[h]57
1990 . .	315.4	294.5	-1.3	5.0	17.2	253.1	247.8	2.3	3.0	62.3	225.3	[h]75
1991 . .	329.7	301.6	.1	6.1	21.9	274.2	268.2	2.6	3.5	55.5	280.7	82
1992 . .	342.6	311.3	-.1	6.1	25.4	291.9	286.0	2.7	3.2	50.7	331.5	96
1993 . .	355.6	322.0	.1	5.6	27.9	308.8	302.4	3.0	3.4	46.8	378.3	107
1994 . .	381.1	344.7	[f]	5.3	31.1	323.0	316.8	2.7	3.5	58.1	436.4	117
1995 . .	399.5	359.1	-.4	5.8	35.0	339.8	332.6	3.1	4.1	59.7	496.1	128
1996 . .	424.5	378.9	[f]	6.8	38.7	353.6	347.0	3.0	3.6	70.9	567.0	140
1997 . .	457.7	406.0	[f]	7.9	43.8	369.1	362.0	3.4	3.7	88.6	655.5	154
1998 . .	489.2	430.2	[f]	9.7	49.3	382.3	375.0	3.5	3.8	106.9	762.5	171
1999 . .	526.6	459.6	[f]	11.6	55.5	392.9	385.8	3.3	3.8	133.7	896.1	194
2000 . .	568.4	492.5	-.8	12.3	64.5	415.1	407.6	3.8	3.7	153.3	1,049.4	216
2001 . .	602.0	516.4	[f]	12.7	72.9	438.9	431.9	3.7	3.3	163.1	1,212.5	239
2002 . .	627.1	532.5	.4	13.8	80.4	461.7	453.8	4.2	3.6	165.4	1,378.0	263
2003 . .	631.9	533.5	[f]	13.4	84.9	479.1	470.8	4.6	3.7	152.8	1,530.8	288
2004 . .	657.7	553.0	[f]	15.7	89.0	501.6	493.3	4.5	3.8	156.1	1,686.8	305
2005 . .	701.8	592.9	-0.3	14.9	94.3	529.9	520.7	5.3	3.9	171.8	1,858.7	318
2006 . .	744.9	625.6	[f]	16.9	102.4	555.4	546.2	5.3	3.8	189.5	2,048.1	335
2007 . .	784.9	656.1	[f]	18.6	110.2	594.5	584.9	5.5	4.0	190.4	2,238.5	345
2008 . .	805.3	672.1	[f]	16.9	116.3	625.1	615.3	5.7	4.0	180.2	2,418.7	358
2009 . .	807.5	667.3	[f]	21.9	118.3	685.8	675.5	6.2	4.1	121.7	2,540.3	353

Table VI.A3.— Operations of the Combined OASI and DI Trust Funds, Calendar Years 1957-2016 (Cont.)
[Dollar amounts in billions]

	Income					Cost				Asset Reserves[a]		
Calendar year	Total	Net payroll tax contributions	GF reimbursements[b]	Taxation of benefits	Net interest[c]	Total[a]	Benefit payments[a,d]	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[e]
2010 . . .	$781.1	$637.3	$2.4	$23.9	$117.5	$712.5	$701.6	$6.5	$4.4	$68.6	$2,609.0	357
2011 . . .	805.1	564.2	102.7	23.8	114.4	736.1	725.1	6.4	4.6	69.0	2,677.9	354
2012 . . .	840.2	589.5	114.3	27.3	109.1	785.8	774.8	6.3	4.7	54.4	2,732.3	341
2013 . . .	855.0	726.2	4.9	21.1	102.8	822.9	812.3	6.2	4.5	32.1	2,764.4	332
2014 . . .	884.3	756.0	.5	29.6	98.2	859.2	848.5	6.1	4.7	25.0	2,789.5	322
2015 . . .	920.2	794.9	.3	31.6	93.3	897.1	886.3	6.2	4.7	23.0	2,812.5	311
2016 . . .	957.5	836.2	.1	32.8	88.4	922.3	911.4	6.2	4.7	35.2	2,847.7	305

[a] Beginning in 1979, benefit payments scheduled to be paid on January 3 of a given year were paid on December 31 of the preceding year as required by the statutory provision included in the 1977 Social Security Amendments for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. Such advance payments have occurred about every 7 years, first for benefits scheduled for January 3, 1982. For comparability with other historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year without regard to the accelerated payments described above.
[b] Includes net reimbursements from the General Fund of the Treasury to the OASI and DI Trust Funds for: (1) the cost of noncontributory wage credits for military service before 1957; (2) the cost in 1971-82 of deemed wage credits for military service performed after 1956; (3) the cost of benefits to certain uninsured persons who attained age 72 before 1968; (4) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21; (5) the cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (6) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.
[c] Net interest includes net profits or losses on marketable investments. Beginning in 1967, the trust funds pay administrative expenses on an estimated basis, with a final adjustment including interest made in the following fiscal year. Net interest includes the amounts of these interest adjustments. The 1970 report describes the accounting for administrative expenses for years prior to 1967. Beginning in October 1973, figures include relatively small amounts of gifts to the funds. Net interest for 1983-86 reflects payments for interest on amounts owed under the interfund borrowing provisions. During 1983-90, net interest reflects interest reimbursements paid from the trust funds to the General Fund on advance tax transfers.
[d] Beginning in 1966, includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities. Beginning in 1983, net benefit amounts include reimbursements paid from the General Fund to the trust funds for unnegotiated benefit checks. Excluding the portion attributable to vocational rehabilitation services and unnegotiated benefit checks, amounts are the same as benefits scheduled under law at that time for all historical years.
[e] The "Trust fund ratio" column represents asset reserves at the beginning of a year as a percentage of expenditures during the year.
[f] Between -$50 million and $50 million.
[g] Reflects interfund borrowing and subsequent repayment of loans. The OASI Trust Fund borrowed $12.4 billion from the HI Trust Fund in 1982 and repaid the loan in 1985 ($1.8 billion) and 1986 ($10.6 billion).
[h] Reserves used for the trust fund ratio calculation include January advance tax transfers.

Note: Totals do not necessarily equal the sums of rounded components.

Tables VI.A4 and VI.A5 show the total asset reserves of the OASI Trust Fund and the DI Trust Fund, respectively, at the end of calendar years 2015 and 2016. The tables show reserves by interest rate and year of maturity. Bonds issued to the trust funds in 2016 had an interest rate of 1.875 percent, compared with an interest rate of 2.000 percent for bonds issued in 2015.

Table VI.A4.—OASI Trust Fund Asset Reserves, End of Calendar Years 2015 and 2016

[In thousands]

	December 31, 2015	December 31, 2016
Obligations sold only to the trust funds (special issues):		
Certificates of indebtedness:		
2.125 percent, 2016	$38,935,438	—
2.375 percent, 2017	—	$50,383,106
Bonds:		
1.375 percent, 2017	6,693,020	—
1.375 percent, 2018-25	53,544,160	53,544,160
1.375 percent, 2026	6,693,019	6,693,019
1.375 percent, 2027	173,240,401	173,240,401
1.750 percent, 2017	4,908,186	—
1.750 percent, 2018	4,908,186	4,908,186
1.750 percent, 2019-25	34,357,295	34,357,295
1.750 percent, 2026-27	9,816,372	9,816,372
1.750 percent, 2028	178,148,587	178,148,587
1.875 percent, 2018-19	—	4,641,910
1.875 percent, 2020-27	—	18,567,648
1.875 percent, 2028-30	—	6,962,865
1.875 percent, 2031	—	188,111,583
2.000 percent, 2017	3,655,629	—
2.000 percent, 2018-19	7,311,258	7,311,258
2.000 percent, 2020-25	21,933,768	21,933,768
2.000 percent, 2026-29	14,622,516	14,622,516
2.000 percent, 2030	185,790,628	185,790,628
2.250 percent, 2017	3,986,412	—
2.250 percent, 2018	3,986,412	3,986,412
2.250 percent, 2019-25	27,904,891	27,904,891
2.250 percent, 2026-28	11,959,236	11,959,236
2.250 percent, 2029	182,134,999	182,134,999
2.500 percent, 2017	5,971,787	—
2.500 percent, 2018-25	47,774,296	47,774,296
2.500 percent, 2026	166,547,382	166,547,382
2.875 percent, 2017	7,264,432	—
2.875 percent, 2018-24	50,851,024	50,851,024
2.875 percent, 2025	160,575,595	160,575,595
3.250 percent, 2017	10,628,270	—
3.250 percent, 2018-23	63,769,620	63,769,620
3.250 percent, 2024	153,311,163	153,311,163
3.500 percent, 2017	9,513,752	—
3.500 percent, 2018	86,900,994	86,900,994
4.000 percent, 2017	12,075,192	—
4.000 percent, 2018-22	60,375,960	60,375,960
4.000 percent, 2023	142,682,893	142,682,893
4.125 percent, 2016	9,936,522	—
4.125 percent, 2017	10,516,946	6,883,312
4.125 percent, 2018-19	21,033,892	21,033,892
4.125 percent, 2020	106,585,700	106,585,700
4.625 percent, 2016	9,167,663	—
4.625 percent, 2017-18	18,335,326	18,335,326
4.625 percent, 2019	96,068,657	96,068,657
5.000 percent, 2016	12,454,232	—
5.000 percent, 2017-21	62,271,160	62,271,160
5.000 percent, 2022	130,607,701	130,607,701
5.125 percent, 2016	11,567,866	—

Table VI.A4.—OASI Trust Fund Asset Reserves, End of Calendar Years 2015 and 2016 (Cont.)

[In thousands]

	December 31, 2015	December 31, 2016
Bonds (Cont.):		
5.125 percent, 2017-19	$34,703,598	$34,703,598
5.125 percent, 2020	11,567,769	11,567,769
5.125 percent, 2021	118,153,469	118,153,469
5.250 percent, 2016	9,235,911	—
5.250 percent, 2017	77,387,242	77,387,242
5.625 percent, 2016	68,151,331	—
Total investments	2,760,517,758	2,801,405,593
Undisbursed balances[a]	19,733,589	-56,915
Total asset reserves	2,780,251,347	2,801,348,678

[a] A negative amount for a given year represents a situation where actual program cash expenditures exceeded the amount of invested securities of the OASI Trust Fund that were redeemed to pay for such expenditures. In this situation, future redemption of additional invested securities will be required to pay for this shortfall. For 2015 and other calendar years where January 3 of the following year is a Sunday, a positive amount is shown on a liability basis for benefits scheduled to be paid on January 3 of the following year that were, by law, actually paid on the preceding December 31.

Note: Amounts of special issues are at par value. The trust fund purchases and redeems special issues at par value. The table groups equal amounts that mature in two or more years at a given interest rate.

Table VI.A5.—DI Trust Fund Asset Reserves, End of Calendar Years 2015 and 2016

[In thousands]

	December 31, 2015	December 31, 2016
Obligations sold only to the trust funds (special issues):		
Certificates of indebtedness:		
2.375 percent, 2017	—	$8,437,206
Bonds:		
1.875 percent, 2018	—	180,001
1.875 percent, 2019-22	—	12,045,560
4.000 percent, 2023	$14,675,554	14,675,554
5.000 percent, 2022	11,425,890	11,142,596
Total investments	26,101,444	46,480,917
Undisbursed balances[a]	6,157,191	-143,066
Total asset reserves	32,258,635	46,337,851

[a] A negative amount for a given year represents a situation where actual program cash expenditures exceeded the amount of invested securities of the DI Trust Fund that were redeemed to pay for such expenditures. In this situation, future redemption of additional invested securities will be required to pay for this shortfall. For 2015 and other calendar years where January 3 of the following year is a Sunday, a positive amount is shown on a liability basis for benefits scheduled to be paid on January 3 of the following year that were, by law, actually paid on the preceding December 31.

Note: Amounts of special issues are at par value. The trust fund purchases and redeems special issues at par value. The table groups equal amounts that mature in two or more years at a given interest rate.

B. HISTORY OF ACTUARIAL STATUS ESTIMATES

This appendix chronicles the history of the OASDI actuarial balance and the year of combined OASI and DI Trust Fund reserve depletion since 1982. The actuarial balance is the principal summary measure of actuarial status for the long-range period as a whole. The year of trust fund reserve depletion is also critical, as it indicates the year by which legislative action would be needed in order to maintain timely payment of scheduled benefits.

The 1983 report was the last report for which the actuarial balance was positive. The two basic components of actuarial balance are the summarized income rate and the summarized cost rate, both of which are expressed as percentages of taxable payroll. Section IV.B.4 defines summarized income rate, summarized cost rate, and actuarial balance in detail. For any given period, the actuarial balance is the difference between the present value of non-interest income for the period and the present value of the cost for the period, each divided by the present value of taxable payroll for all years in the period. The computation of the actuarial balance also includes:

- In the reports for 1988 and later, the amount of the trust fund asset reserves on hand at the beginning of the valuation period; and
- In the reports for 1991 and later, the present value of a target trust fund asset reserve equal to 100 percent of the annual cost to be reached and maintained at the end of the valuation period.

Reports prior to 1973 used the current method of calculating the actuarial balance based on present values, but the reports of 1973-87 did not. During that period, the reports used the average-cost method, a simpler method which approximates the results of the present-value approach. Under the average-cost method, the sum of the annual cost rates over the 75-year projection period was divided by the total number of years, 75, to obtain the average cost rate per year. A similar computation produced the average income rate. The actuarial balance was the difference between the average income rate and the average cost rate.

When the 1973 report introduced the average-cost method, the long-range financing of the program was more nearly on a pay-as-you-go basis. Also, the long-range demographic and economic assumptions in that report produced an annual rate of growth in taxable payroll which was about the same as the annual rate at which the trust funds earned interest. In either situation (i.e., pay-as-you-go financing, where the annual income rate is the same as the annual cost rate, or an annual rate of growth in taxable payroll equal to the annual interest rate), the average-cost method produces the same result as

the present-value method. However, by 1988, neither of these situations still existed.

After the 1977 and 1983 Social Security Amendments, estimates showed substantial increases in the trust funds continuing well into the 21st century. These laws changed the program's financing from essentially pay-as-you-go to partial advance funding. Also, the reports from 1973 through 1987 phased in reductions in long-range fertility rates and average real-wage growth, which produced an annual rate of growth in long-range taxable earnings which was significantly lower than the assumed interest rate. As a result of the difference between this rate of growth and the assumed interest rate, the results of the average-cost method and the present-value method in the reports for 1973 through 1987 began to diverge, and by 1988 they were quite different. While the average-cost method still accounted for most of the effects of the assumed interest rate, it no longer accounted for all of the interest effects. The present-value method, by contrast, accounts for the full effect of the assumed interest rates. The 1988 report reintroduced the present-value method of calculating the actuarial balance in order to fully reflect the effects of interest.

A positive actuarial balance indicates that estimated income (plus starting reserves, beginning with the 1988 report) is more than sufficient to meet estimated trust fund obligations for the period as a whole. Even with a positive actuarial balance, it is possible for reserves to become temporarily depleted within the long-range period. An actuarial balance of zero indicates that the estimated income exactly matches estimated trust fund obligations for the period as a whole. A negative actuarial balance indicates that estimated income is insufficient to meet estimated trust fund obligations for the entire period.

Table VI.B1 contains the estimated OASDI actuarial balances, summarized income rates, and summarized cost rates for the 1982 report through the current report. The reports presented these values on the basis of the intermediate assumptions, which recent reports refer to as alternative II and reports prior to 1991 referred to as alternative II-B.

Table VI.B1.—Long-Range OASDI Actuarial Balances and Trust Fund Reserve Depletion Dates as Shown in the Trustees Reports for 1982-2017[a]

[As a percentage of taxable payroll]

Year of report	Summarized income rate	Summarized cost rate	Actuarial balance[b]	Change from previous year[c]	Year of combined trust fund reserve depletion
1982	12.27	14.09	-1.82	[d]	1983
1983	12.87	12.84	+.02	+1.84	solvent
1984	12.90	12.95	-.06	-.08	solvent
1985	12.94	13.35	-.41	-.35	2049
1986	12.96	13.40	-.44	-.03	2051
1987	12.89	13.51	-.62	-.18	2051
1988	12.94	13.52	-.58	+.04	2048
1989	13.02	13.72	-.70	-.13	2046
1990	13.04	13.95	-.91	-.21	2043
1991	13.11	14.19	-1.08	-.17	2041
1992	13.16	14.63	-1.46	-.38	2036
1993	13.21	14.67	-1.46	[d]	2036
1994	13.24	15.37	-2.13	-.66	2029
1995	13.27	15.44	-2.17	-.04	2030
1996	13.33	15.52	-2.19	-.02	2029
1997	13.37	15.60	-2.23	-.03	2029
1998	13.45	15.64	-2.19	+.04	2032
1999	13.49	15.56	-2.07	+.12	2034
2000	13.51	15.40	-1.89	+.17	2037
2001	13.58	15.44	-1.86	+.03	2038
2002	13.72	15.59	-1.87	-.01	2041
2003	13.78	15.70	-1.92	-.04	2042
2004	13.84	15.73	-1.89	+.03	2042
2005	13.87	15.79	-1.92	-.04	2041
2006	13.88	15.90	-2.02	-.09	2040
2007	13.92	15.87	-1.95	+.06	2041
2008	13.94	15.63	-1.70	+.26	2041
2009	14.02	16.02	-2.00	-.30	2037
2010	14.01	15.93	-1.92	+.08	2037
2011	14.02	16.25	-2.22	-.30	2036
2012	14.02	16.69	-2.67	-.44	2033
2013	13.88	16.60	-2.72	-.05	2033
2014	13.89	16.77	-2.88	-.16	2033
2015	13.86	16.55	-2.68	+.20	2034
2016	13.84	16.50	-2.66	+.02	2034
2017	13.84	16.67	-2.83	-.17	2034

[a] The reports compute the actuarial balance and year of trust fund reserve depletion based on the intermediate assumptions, which the 1982-90 reports referred to as alternative II-B and the 1991 and later reports refer to as alternative II.

[b] The definition and method of calculating the actuarial balance were changed in 1988 and 1991. See text for details.

[c] A detailed year-by-year breakdown of the reasons for the changes in the actuarial balance since the 1983 Trustees Report may be found in Actuarial Note 2017.8 at www.ssa.gov/OACT/NOTES/ran8/.

[d] Between -0.005 and 0.005 percent of taxable payroll.

Note: Totals do not necessarily equal the sums of rounded components.

For several of the years included in the table, significant legislative changes or definitional changes affected the estimated actuarial balance. The Social Security Amendments of 1983 accounted for the largest single change shown in the table: the actuarial balance of -1.82 for the 1982 report improved to +0.02 for the 1983 report. In 1985, the estimated actuarial balance changed largely because of an adjustment made to the method for estimating the age distribution of immigrants.

Rebenchmarking of the National Income and Product Accounts and changes in demographic assumptions contributed to the change in the actuarial balance for 1987. Various changes in assumptions and methods for the 1988 report had roughly offsetting effects on the actuarial balance. In 1989 and 1990, changes in economic assumptions accounted for most of the changes in the estimated actuarial balance.

In 1991, the effect of legislation, changes in economic assumptions, and the introduction of the cost of reaching and maintaining an ending target trust fund combined to produce the change in the actuarial balance. In 1992, changes in disability assumptions and the method for projecting average benefit levels accounted for most of the change in the actuarial balance. In 1993, numerous small changes in assumptions and methods had offsetting effects on the actuarial balance. In 1994, changes in the real-wage assumptions, disability rates, and the earnings sample used for projecting average benefit levels accounted for most of the change in the actuarial balance. In 1995, numerous small changes had largely offsetting effects on the actuarial balance, including a substantial reallocation of the payroll tax rate, which reduced the OASI actuarial balance, but increased the DI actuarial balance.

In 1996, a change in the method of projecting dually-entitled beneficiaries produced a large increase in the actuarial balance, which almost totally offset decreases produced by changes in the valuation period and in the demographic and economic assumptions. Various changes in assumptions and methods for the 1997 report had roughly offsetting effects on the actuarial balance. In 1998, increases caused by changes in the economic assumptions, although partially offset by decreases produced by changes in the valuation period and in the demographic assumptions, accounted for most of the changes in the estimated actuarial balance. In 1999, increases caused by changes in the economic assumptions (related to improvements in the CPI by the Bureau of Labor Statistics) accounted for most of the changes in the estimated actuarial balance. For the 2000 report, changes in economic assumptions and methodology caused increases in the actuarial balance, although reductions in the balance caused by the change in valuation period and changes in demographic assumptions partially offset these increases.

For the 2001 report, increases caused by changes in the demographic starting values, although partially offset by a decrease produced by the change in the valuation period, accounted for most of the changes in the estimated actuarial balance. For the 2002 report, changes in the valuation period and the demographic assumptions—both decreases in the actuarial balance—were offset by changes in the economic assumptions, while an increase due to disability assumptions was slightly more than offset by a decrease due to changes in the projection methods and data. For the 2003 report, an increase due to the change in program assumptions was more than offset by decreases due to the change in valuation period and changes in demographic assumptions. In the 2004 report, increases due to changing the method of projecting benefit levels for higher earners more than offset decreases in the actuarial balance arising from the change in the valuation period and the net effect of other changes in programmatic data and methods. For the 2005 report, an increase due to changing the method of projecting future average benefit levels was more than offset by decreases due to changes in the valuation period, updated starting values for the economic assumptions, and other methodological changes.

In 2006, decreases in the actuarial balance due to the change in the valuation period, a reduction in the ultimate annual real interest rate, and improvements in calculating mortality for disabled workers, were greater in aggregate than increases in the actuarial balance due to changes in demographic starting values and the ultimate total fertility rate, as well as other programmatic data and method changes. For the 2007 report, increases in the actuarial balance arising from revised disability incidence rate assumptions, improvements in average benefit level projections, and changes in near-term economic projections, more than offset decreases in the balance due to the valuation period change and updated historical mortality data. For the 2008 report, the large increase in the actuarial balance was primarily due to changes in immigration projection methods and assumptions. These changes more than offset the decreases in the actuarial balance due to the change in the valuation period and the lower starting and ultimate mortality rates. In 2009, changes in starting values and near-term economic assumptions due to the economic recession, faster ultimate rates of decline in death rates for ages 65-84, and the change in the valuation period accounted for most of the large decrease in the actuarial balance. Legislative changes, in particular the estimated effects of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, were the main reason for the increase in the actuarial balance for the 2010 report. The change in the valuation period partially offset this increase; there were also changes in

several assumptions, methods, and recent data which had largely offsetting effects.

For the 2011 report, changes in mortality projections, due to new starting values and revised methods, were the most significant of several factors contributing to the increase in the deficit. In 2012, changes in economic assumptions and starting values accounted for about half of the decrease in actuarial balance. Other factors worsening the actuarial balance were the change in valuation period, changes to starting demographic values, changes to ultimate disability incidence assumptions, and methodology changes and data updates. For the 2013 report, the change in valuation period accounted for the entire net change in the actuarial balance. The effects of substantially lower death rates for 2009 than previously projected and the American Taxpayer Relief Act of 2012 (which lowered the Federal marginal income tax rates) were offset by updates of program-specific data and methodology improvements. In 2014, changes in economic data and assumptions accounted for the majority of the net change in the actuarial balance. Other factors worsening the actuarial balance were the change in the valuation period and various methodology improvements and data updates. For the 2015 report, methodological improvements and updates of programmatic data accounted for the majority of the net increase in the actuarial balance. Also increasing the actuarial balance were a lower assumed ultimate average wage differential and changes in near-term economic assumptions. These increases were offset somewhat by the change in the valuation period and updates to historical and near-term projected birth rates.

For the 2016 report, the actuarial balance increased primarily due to the effects of the Bipartisan Budget Act of 2015 and improvements made to immigration methods. The most notable immigration change was a revision to the method for projecting emigration of the never-authorized population, to reflect lower rates of emigration for those who have resided here longer. These increases in the actuarial balance were largely offset by the effects of changes in ultimate economic assumptions, including a lower real interest rate and a lower annual increase in the rate of price inflation.

Section IV.B.6 describes changes affecting the actuarial balance shown for the 2017 report.

C. FISCAL YEAR HISTORICAL AND PROJECTED TRUST FUND OPERATIONS THROUGH 2026

Tables VI.C1, VI.C2, and VI.C3 contain details of the fiscal year 2016 operations of the OASI, DI, and the combined OASI and DI Trust Funds, respectively. The fiscal year for the U.S. Government is the 12-month period ending September 30. Fiscal year 2016 is the most recent fiscal year for which complete information is available. The descriptions of the values in these tables are similar to the corresponding descriptions and values in the calendar year operations tables in section III.A. Please see that section for a description of the various items of income and outgo.

Table VI.C1.—Operations of the OASI Trust Fund, Fiscal Year 2016
[In millions]

Total asset reserves, September 30, 2015		$2,766,554
Receipts:		
Net payroll tax contributions:		
Payroll tax contributions[a]	$682,243	
Payments from the General Fund of the Treasury for payroll tax contributions subject to refund[a]	-2,676	
Net payroll tax contributions[a]		679,566
Reimbursements from the General Fund:		
Reduction in payroll tax contributions due to P.L.s 111-312, 112-78, and 112-96[a]	132	
Reimbursements directed by P.L. 110-246	5	
Payroll tax credits due to P.L. 98-21[a]	[b]	
Net General Fund reimbursements[a]		138
Income based on taxation of benefit payments:		
Withheld from benefit payments to nonresident aliens	197	
All other, not subject to withholding[a]	30,924	
Total income from taxation of benefits[a]		31,121
Investment income and interest adjustments:		
Interest on investments	89,069	
Interest adjustments[c]	-2	
Total investment income and interest adjustments		89,067
Gifts		[b]
Total receipts		799,892
Disbursements:		
Benefit payments:		
Monthly benefits and lump-sum death payments[d]	762,152	
Reimbursement from the General Fund for unnegotiated checks	-33	
Payment for costs of vocational rehabilitation services for disabled beneficiaries	4	
Net benefit payments[d]		762,122
Financial interchange with the Railroad Retirement "Social Security Equivalent Benefit Account"		4,287
Administrative expenses:		
Costs incurred by:		
Social Security Administration	3,030	
Department of the Treasury	395	
Offsetting miscellaneous receipts	-2	
Miscellaneous reimbursements from the General Fund [e]	-6	
Net administrative expenses		3,417
Total disbursements		769,827
Net increase in asset reserves		30,066
Total invested assets	2,796,712	
Undisbursed balances[f]	-92	
Total asset reserves, September 30, 2016		2,796,620

[a] Includes adjustments for prior years
[b] Between -$0.5 and $0.5 million.
[c] Includes: (1) interest on adjustments in the allocation of administrative expenses between the trust fund and the General Fund account for the Supplemental Security Income program, (2) interest arising from the revised allocation of administrative expenses among the trust funds, and (3) interest on certain reimbursements to the trust fund.
[d] Includes net reductions for the recovery of overpayments.
[e] Reimbursements for costs incurred in performing certain legislatively mandated activities not directly related to administering the OASI program.
[f] A negative balance represents a situation where the actual program cash expenditures exceeded the amount of invested securities of the OASI Trust Fund that were redeemed to pay for such expenditures. In this situation, future redemption of additional invested securities will be required to pay for this shortfall.

Note: Totals do not necessarily equal the sums of rounded components.

Table VI.C2.—Operations of the DI Trust Fund, Fiscal Year 2016
[In millions]

Total asset reserves, September 30, 2015		$41,656
Receipts:		
Net payroll tax contributions:		
Payroll tax contributions[a]	$148,031	
Payments from the General Fund of the Treasury for payroll tax contributions subject to refund[a]	-454	
Net payroll tax contributions[a]		147,577
Reimbursements from the General Fund:		
Reduction in payroll tax contributions due to P.L.s 111-312, 112-78, and 112-96[a]	22	
Reimbursements directed by P.L. 110-246	1	
Payroll tax credits due to P.L. 98-21[a]	[b]	
Net General Fund reimbursements[a]		23
Income based on taxation of benefit payments:		
Withheld from benefit payments to nonresident aliens	4	
All other, not subject to withholding[a]	1,177	
Total income from taxation of benefits[a]		1,181
Investment income and interest adjustments:		
Interest on investments	1,505	
Interest adjustments[c]	6	
Total investment income and interest adjustments		1,512
Gifts		[b]
Total receipts		150,293
Disbursements:		
Benefit payments:		
Monthly benefits[d]	142,980	
Reimbursement from the General Fund for unnegotiated checks	-18	
Payment for costs of vocational rehabilitation services for disabled beneficiaries	92	
Net benefit payments[d]		143,053
Financial interchange with the Railroad Retirement "Social Security Equivalent Benefit Account"		376
Administrative expenses:		
Costs incurred by:		
Social Security Administration	2,691	
Department of the Treasury	81	
Demonstration projects	10	
Miscellaneous reimbursements from the General Fund[e]	-4	
Net administrative expenses		2,779
Total disbursements		146,208
Net increase in asset reserves		4,084
Total invested assets	45,880	
Undisbursed balances[f]	-140	
Total asset reserves, September 30, 2016		45,740

[a] Includes adjustments for prior years.
[b] Between -$0.5 and $0.5 million.
[c] Includes: (1) interest on adjustments in the allocation of administrative expenses between the trust fund and the General Fund account for the Supplemental Security Income program, (2) interest arising from the revised allocation of administrative expenses among the trust funds, and (3) interest on certain reimbursements to the trust fund.
[d] Includes net reductions for the recovery of overpayments.
[e] Reimbursements for costs incurred in performing certain legislatively mandated activities not directly related to administering the DI program.
[f] A negative balance represents a situation where the actual program cash expenditures exceeded the amount of invested securities of the DI Trust Fund that were redeemed to pay for such expenditures. In this situation, future redemption of additional invested securities will be required to pay for this shortfall.

Note: Totals do not necessarily equal the sums of rounded components.

Table VI.C3.—Operations of the Combined OASI and DI Trust Funds, Fiscal Year 2016
[In millions]

Total asset reserves, September 30, 2015		$2,808,210
Receipts:		
Net payroll tax contributions:		
Payroll tax contributions[a]	$830,274	
Payments from the General Fund of the Treasury for payroll tax contributions subject to refund[a]	-3,131	
Net payroll tax contributions[a]		827,143
Reimbursements from the General Fund:		
Reduction in payroll tax contributions due to P.L.s 111-312, 112-78, and 112-96[a]	155	
Reimbursements directed by P.L. 110-246	6	
Payroll tax credits due to P.L. 98-21[a]	[b]	
Net General Fund reimbursements[a]		161
Income based on taxation of benefit payments:		
Withheld from benefit payments to nonresident aliens	201	
All other, not subject to withholding[a]	32,101	
Total income from taxation of benefits[a]		32,302
Investment income and interest adjustments:		
Interest on investments	90,574	
Interest adjustments[c]	4	
Total investment income and interest adjustments		90,578
Gifts		[b]
Total receipts		950,185
Disbursements:		
Benefit payments:		
Monthly benefits and lump-sum death payments[d]	905,131	
Reimbursement from the General Fund for unnegotiated checks	-52	
Payment for costs of vocational rehabilitation services for disabled beneficiaries	96	
Net benefit payments[d]		905,175
Financial interchange with the Railroad Retirement "Social Security Equivalent Benefit Account"		4,663
Administrative expenses:		
Costs incurred by:		
Social Security Administration	5,722	
Department of the Treasury	477	
Offsetting miscellaneous receipts	-2	
Demonstration projects	10	
Miscellaneous reimbursements from the General Fund[e]	-10	
Net administrative expenses		6,197
Total disbursements		916,035
Net increase in asset reserves		34,150
Total invested assets	2,842,592	
Undisbursed balances[f]	-232	
Total asset reserves, September 30, 2016		2,842,360

[a] Includes adjustments for prior years.
[b] Between -$0.5 and $0.5 million.
[c] Includes: (1) interest on adjustments in the allocation of administrative expenses between the trust funds and the General Fund account for the Supplemental Security Income program, (2) interest arising from the revised allocation of administrative expenses among the trust funds, and (3) interest on certain reimbursements to the trust funds.
[d] Includes net reductions for the recovery of overpayments.
[e] Reimbursements for costs incurred in performing certain legislatively mandated activities not directly related to administering the OASI and DI programs.
[f] A negative net balance represents a situation where the actual combined program cash expenditures exceeded the amount of invested securities of the OASI and DI Trust Funds that were redeemed to pay for such expenditures. In this situation, future net redemption of additional invested securities will be required to pay for this shortfall.

Note: Totals do not necessarily equal the sums of rounded components.

Tables VI.C4, VI.C5, and VI.C6 show estimates of the operations and status of the OASI, DI, and the hypothetical combined OASI and DI Trust Funds, respectively, during fiscal years 2012 through 2026.

Table VI.C4.—Operations of the OASI Trust Fund, Fiscal Years 2012-2026
[Dollar amounts in billions]

Fiscal year	Income					Cost				Asset Reserves		
	Total	Net payroll tax contributions	GF reimbursements[a]	Taxation of benefits[b]	Net interest	Total	Scheduled benefits	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[c]
Historical data:												
2012 .	$729.0	$500.7	$95.9	$27.2	$105.2	$634.7	$627.2	$3.4	$4.1	$94.3	$2,585.9	393
2013 .	739.7	590.0	26.4	23.1	100.1	670.6	663.2	3.4	3.9	69.1	2,655.0	386
2014 .	763.3	642.3	.1	24.6	96.3	705.6	698.2	3.2	4.3	57.6	2,712.7	376
2015 .	795.3	672.2	.2	29.6	93.2	741.5	733.7	3.5	4.3	53.9	2,766.6	366
2016 .	799.9	679.6	.1	31.1	89.1	769.8	762.1	3.4	4.3	30.1	2,796.6	359
Intermediate:												
2017 .	828.4	708.0	[d]	35.5	84.9	799.0	791.3	3.3	4.4	29.4	2,826.0	350
2018 .	864.3	742.8	[d]	38.3	83.1	845.7	837.7	3.3	4.7	18.6	2,844.5	334
2019 .	941.0	814.0	[d]	42.1	84.9	906.6	898.4	3.4	4.8	34.4	2,879.0	314
2020 .	996.9	864.9	[d]	46.2	85.8	971.2	962.7	3.6	4.9	25.7	2,904.6	296
2021 .	1,054.6	915.0	[d]	50.7	89.0	1,036.4	1,027.8	3.7	5.0	18.2	2,922.8	280
2022 .	1,107.7	960.9	[d]	55.2	91.5	1,107.0	1,098.0	3.8	5.2	.6	2,923.4	264
2023 .	1,152.7	999.7	[d]	60.1	92.9	1,182.1	1,172.8	4.0	5.3	-29.4	2,894.0	247
2024 .	1,204.0	1,043.7	[d]	65.2	95.0	1,261.4	1,251.8	4.1	5.5	-57.4	2,836.5	229
2025 .	1,254.1	1,086.9	[d]	70.8	96.4	1,343.2	1,333.5	4.2	5.5	-89.1	2,747.4	211
2026 .	1,308.6	1,135.3	[d]	76.8	96.4	1,429.2	1,419.3	4.3	5.7	-120.7	2,626.8	192
Low-cost:												
2017 .	831.9	710.8	[d]	35.4	85.7	798.7	791.0	3.3	4.4	33.2	2,829.8	350
2018 .	889.1	764.3	[d]	38.5	86.4	848.9	840.9	3.3	4.7	40.2	2,870.0	333
2019 .	991.0	856.4	[d]	42.6	92.0	916.3	908.1	3.4	4.8	74.7	2,944.7	313
2020 .	1,072.9	925.7	[d]	47.0	100.2	987.3	978.7	3.7	4.9	85.7	3,030.4	298
2021 .	1,152.9	993.0	[d]	51.8	108.2	1,058.4	1,049.6	3.8	5.0	94.5	3,124.9	286
2022 .	1,229.1	1,056.2	[d]	56.6	116.3	1,135.3	1,126.1	4.0	5.2	93.8	3,218.7	275
2023 .	1,304.0	1,115.7	[d]	61.9	126.5	1,217.7	1,208.1	4.2	5.4	86.4	3,305.0	264
2024 .	1,388.4	1,182.9	[d]	67.5	138.1	1,305.2	1,295.3	4.4	5.5	83.2	3,388.3	253
2025 .	1,474.9	1,251.0	[d]	73.6	150.3	1,396.5	1,386.4	4.6	5.6	78.4	3,466.6	243
2026 .	1,570.5	1,327.3	[d]	80.3	162.9	1,493.6	1,483.1	4.8	5.8	76.9	3,543.5	232
High-cost:												
2017 .	825.6	705.3	[d]	35.5	84.8	799.4	791.7	3.3	4.4	26.3	2,822.9	350
2018 .	834.3	715.2	[d]	38.2	81.0	842.5	834.5	3.3	4.7	-8.2	2,814.7	335
2019 .	876.5	757.8	[d]	41.9	76.9	900.9	892.6	3.4	4.9	-24.4	2,790.3	312
2020 .	913.2	793.1	[d]	45.8	74.3	962.1	953.6	3.5	5.0	-49.0	2,741.4	290
2021 .	948.2	826.3	[d]	50.0	72.0	1,022.3	1,013.6	3.6	5.1	-74.0	2,667.3	268
2022 .	979.3	856.5	[d]	54.2	68.6	1,087.0	1,078.1	3.7	5.3	-107.7	2,559.6	245
2023 .	1,003.1	881.2	[d]	58.7	63.1	1,155.4	1,146.3	3.7	5.4	-152.3	2,407.3	222
2024 .	1,031.3	909.3	[d]	63.4	58.5	1,226.9	1,217.6	3.8	5.5	-195.6	2,211.7	196
2025 .	1,056.4	934.9	[d]	68.5	53.0	1,299.5	1,290.1	3.9	5.5	-243.1	1,968.6	170
2026 .	1,084.4	963.0	[d]	73.9	47.6	1,375.0	1,365.4	3.9	5.6	-290.5	1,678.1	143

[a] Includes reimbursements from the General Fund of the Treasury to the OASI Trust Fund for: (1) the cost of benefits to certain uninsured persons who attained age 72 before 1968; (2) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21; (3) the cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (4) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.
[b] Revenue from taxation of benefits is the amount that would be assessed on benefit amounts scheduled in the law.
[c] The "Trust fund ratio" column represents asset reserves at the beginning of a year (which are identical to reserves at the end of the prior year shown in the "Amount at end of year" column) as a percentage of cost for the year.
[d] Between -$50 million and $50 million.

Note: Totals do not necessarily equal the sums of rounded components.

Table VI.C5.—Operations of the DI Trust Fund, Fiscal Years 2012-2026[a]
[Dollar amounts in billions]

Fiscal year	Income					Cost				Asset Reserves		
	Total	Net payroll tax contributions	GF reimbursements[b]	Taxation of benefits[c]	Net interest	Total	Scheduled benefits	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[d]
Historical data:												
2012 .	$108.8	$85.1	$16.2	$0.4	$7.2	$138.5	$135.1	$2.9	$0.5	-$29.7	$132.0	117
2013 .	111.3	100.2	4.5	1.1	5.5	142.8	139.4	2.8	.6	-31.5	100.5	92
2014 .	114.1	109.1	[e]	1.0	4.0	144.7	141.3	2.9	.4	-30.6	69.9	69
2015 .	118.0	114.2	[e]	1.0	2.7	146.2	142.9	2.9	.4	-28.3	41.7	48
2016 .	150.3	147.6	[e]	1.2	1.5	146.2	143.1	2.8	.4	4.1	45.7	28
Intermediate:												
2017 .	170.9	167.3	[e]	2.0	1.6	147.0	143.8	3.0	.2	23.9	69.6	31
2018 .	180.1	175.5	[e]	2.1	2.4	151.2	148.2	2.9	.1	28.8	98.5	46
2019 .	157.7	151.9	[e]	2.3	3.5	157.0	154.0	2.9	.1	.6	99.1	63
2020 .	152.8	146.9	[e]	2.5	3.5	163.2	159.8	3.3	.1	-10.4	88.7	61
2021 .	161.2	155.4	[e]	2.7	3.2	169.7	165.9	3.6	.1	-8.5	80.2	52
2022 .	168.8	163.2	[e]	2.9	2.8	176.8	172.8	3.9	.1	-7.9	72.3	45
2023 .	175.4	169.8	[e]	3.1	2.5	184.7	180.5	4.2	.1	-9.4	62.9	39
2024 .	182.8	177.2	[e]	3.3	2.2	192.9	188.4	4.4	.1	-10.1	52.8	33
2025 .	189.9	184.6	[e]	3.6	1.8	201.9	197.1	4.7	.1	-11.9	40.8	26
2026 .	198.0	192.8	[e]	3.9	1.3	211.2	206.2	5.0	.1	-13.2	27.6	19
Low-cost:												
2017 .	171.6	168.0	[e]	1.9	1.7	145.6	142.3	3.0	.2	26.0	71.7	31
2018 .	185.6	180.6	[e]	2.1	3.0	148.4	145.4	2.9	.1	37.2	108.9	48
2019 .	166.8	159.6	[e]	2.2	5.0	153.4	150.3	2.9	.1	13.4	122.4	71
2020 .	165.2	157.2	[e]	2.4	5.6	158.6	155.1	3.3	.1	6.6	129.0	77
2021 .	177.5	168.6	[e]	2.6	6.3	164.0	160.2	3.7	.1	13.5	142.5	79
2022 .	189.4	179.4	[e]	2.7	7.3	170.1	166.0	4.0	.1	19.3	161.8	84
2023 .	201.2	189.5	[e]	2.9	8.8	177.1	172.7	4.4	.1	24.1	185.8	91
2024 .	214.5	200.9	[e]	3.2	10.5	184.5	179.7	4.7	.1	30.1	215.9	101
2025 .	228.5	212.4	[e]	3.4	12.6	192.8	187.7	5.0	[e]	35.7	251.6	112
2026 .	244.2	225.4	[e]	3.7	15.1	201.5	196.1	5.4	[e]	42.7	294.3	125
High-cost:												
2017 .	170.2	166.7	[e]	2.0	1.6	148.5	145.3	3.0	.2	21.7	67.4	31
2018 .	173.1	169.0	[e]	2.1	2.0	154.1	151.0	2.9	.2	19.0	86.5	44
2019 .	146.2	141.6	[e]	2.4	2.3	161.4	158.3	2.9	.1	-15.1	71.4	54
2020 .	139.2	134.7	[e]	2.6	1.9	168.7	165.3	3.2	.2	-29.5	41.8	42
2021 .	144.3	140.3	[e]	2.8	1.3	175.8	172.1	3.5	.2	-31.5	10.3	24
2022 .	[f]	145.4	[e]	3.0	[f]	183.3	179.4	3.7	.1	[f]	[f]	6
2023 .	[f]	149.6	[e]	3.2	[f]	191.6	187.6	3.9	.1	[f]	[f]	[f]
2024 .	[f]	154.4	[e]	3.4	[f]	199.9	195.7	4.1	.1	[f]	[f]	[f]
2025 .	[f]	158.8	[e]	3.7	[f]	209.0	204.6	4.3	.1	[f]	[f]	[f]
2026 .	[f]	163.5	[e]	4.0	[f]	218.3	213.7	4.5	.1	[f]	[f]	[f]

[a] The DI Trust Fund becomes depleted in fiscal year 2022 under the high-cost assumptions. For any period during which reserves would be depleted, scheduled benefits could not be paid in full on a timely basis, income from taxing benefits would be less than would apply to scheduled benefits, and interest on trust fund reserves would be negligible.

[b] Includes reimbursements from the General Fund of the Treasury to the DI Trust Fund for: (1) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21; (2) the cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (3) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.

[c] Revenue from taxation of benefits is the amount that would be assessed on benefit amounts scheduled in the law.

[d] The "Trust fund ratio" column represents asset reserves at the beginning of a year (which are identical to reserves at the end of the prior year shown in the "Amount at end of year" column) as a percentage of cost for the year.

[e] Between -$50 million and $50 million.

[f] While the fund is depleted, values under current law would reflect permissible expenditures only, which are inconsistent with the cost of scheduled benefits shown in this table.

Note: Totals do not necessarily equal the sums of rounded components.

Table VI.C6.—Operations of the Combined OASI and DI Trust Funds, Fiscal Years 2012-2026
[Dollar amounts in billions]

Fiscal year	Income					Cost				Asset Reserves		
	Total	Net payroll tax contributions	GF reimbursements[a]	Taxation of benefits[b]	Net interest	Total	Scheduled benefits	Administrative costs	RRB interchange	Net increase during year	Amount at end of year	Trust fund ratio[c]
Historical data:												
2012. .	$837.8	$585.7	$112.2	$27.5	$112.4	$773.2	$762.3	$6.3	$4.7	$64.6	$2,717.9	343
2013. .	850.9	690.1	30.9	24.2	105.7	813.3	802.6	6.2	4.5	37.6	2,755.5	334
2014. .	877.4	751.3	.2	25.7	100.3	850.3	839.6	6.0	4.7	27.1	2,782.6	324
2015. .	913.3	786.4	.3	30.7	96.0	887.7	876.6	6.4	4.7	25.6	2,808.2	313
2016. .	950.2	827.1	.2	32.3	90.6	916.0	905.2	6.2	4.7	34.1	2,842.4	307
Intermediate:												
2017. .	999.3	875.3	[d]	37.4	86.6	946.1	935.1	6.4	4.6	53.2	2,895.6	300
2018. .	1,044.3	918.4	[d]	40.4	85.5	996.9	985.9	6.2	4.9	47.4	2,943.0	290
2019. .	1,098.7	965.9	[d]	44.4	88.4	1,063.7	1,052.4	6.4	4.9	35.0	2,978.0	277
2020. .	1,149.7	1,011.7	[d]	48.7	89.3	1,134.4	1,122.5	6.9	5.1	15.2	2,993.3	263
2021. .	1,215.8	1,070.4	[d]	53.3	92.1	1,206.1	1,193.7	7.3	5.1	9.7	3,003.0	248
2022. .	1,276.5	1,124.1	[d]	58.1	94.3	1,283.8	1,270.7	7.7	5.3	-7.3	2,995.7	234
2023. .	1,328.1	1,169.5	[d]	63.1	95.4	1,366.9	1,353.3	8.1	5.4	-38.8	2,956.9	219
2024. .	1,386.7	1,221.0	[d]	68.5	97.2	1,454.3	1,440.2	8.5	5.5	-67.6	2,889.3	203
2025. .	1,444.0	1,271.4	[d]	74.4	98.2	1,545.0	1,530.6	8.9	5.6	-101.0	2,788.3	187
2026. .	1,506.6	1,328.1	[d]	80.7	97.8	1,640.4	1,625.4	9.3	5.7	-133.9	2,654.4	170
Low-cost:												
2017. .	1,003.5	878.8	[d]	37.4	87.4	944.3	933.3	6.4	4.6	59.2	2,901.6	301
2018. .	1,074.7	944.8	[d]	40.5	89.4	997.3	986.3	6.2	4.8	77.4	2,979.0	291
2019. .	1,157.8	1,016.0	[d]	44.8	97.0	1,069.7	1,058.4	6.4	4.9	88.1	3,067.1	278
2020. .	1,238.2	1,082.9	[d]	49.4	105.8	1,145.8	1,133.8	7.0	5.1	92.3	3,159.4	268
2021. .	1,330.4	1,161.6	[d]	54.3	114.4	1,222.4	1,209.8	7.5	5.1	108.0	3,267.4	258
2022. .	1,418.5	1,235.5	[d]	59.4	123.6	1,305.4	1,292.0	8.0	5.3	113.1	3,380.4	250
2023. .	1,505.2	1,305.2	[d]	64.8	135.3	1,394.8	1,380.8	8.6	5.5	110.4	3,490.9	242
2024. .	1,603.0	1,383.7	[d]	70.7	148.6	1,489.7	1,475.0	9.1	5.6	113.3	3,604.2	234
2025. .	1,703.3	1,463.4	[d]	77.0	162.9	1,589.3	1,574.1	9.6	5.6	114.1	3,718.2	227
2026. .	1,814.7	1,552.7	[d]	84.0	178.0	1,695.2	1,679.2	10.2	5.8	119.5	3,837.8	219
High-cost:												
2017. .	995.9	872.0	[d]	37.4	86.4	947.9	936.9	6.4	4.6	48.0	2,890.3	300
2018. .	1,007.4	884.2	[d]	40.3	83.0	996.6	985.5	6.2	4.9	10.8	2,901.2	290
2019. .	1,022.7	899.4	[d]	44.2	79.1	1,062.2	1,050.9	6.4	5.0	-39.5	2,861.7	273
2020. .	1,052.4	927.7	[d]	48.3	76.3	1,130.9	1,118.9	6.8	5.2	-78.5	2,783.2	253
2021. .	1,092.6	966.6	[d]	52.7	73.2	1,198.1	1,185.8	7.1	5.2	-105.5	2,677.7	232
2022. .	1,127.5	1,001.9	[d]	57.2	68.4	1,270.3	1,257.5	7.4	5.4	-142.8	2,534.9	211
2023. .	1,154.3	1,030.9	[d]	61.9	61.6	1,347.0	1,333.8	7.7	5.5	-192.7	2,342.2	188
2024. .	1,185.7	1,063.7	[d]	66.9	55.1	1,426.8	1,413.3	8.0	5.6	-241.1	2,101.1	164
2025. .	1,213.5	1,093.7	[d]	72.2	47.6	1,508.5	1,494.7	8.2	5.6	-295.0	1,806.1	139
2026. .	1,244.3	1,126.5	[d]	77.9	39.9	1,593.2	1,579.1	8.5	5.7	-348.9	1,457.2	113

[a] Includes reimbursements from the General Fund of the Treasury to the OASI and DI Trust Funds for: (1) the cost of benefits to certain uninsured persons who attained age 72 before 1968; (2) the cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21; (3) the cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246; and (4) payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.
[b] Revenue from taxation of benefits is the amount that would be assessed on benefit amounts scheduled in the law.
[c] The "Trust fund ratio" column represents asset reserves at the beginning of a year (which are identical to reserves at the end of the prior year shown in the "Amount at end of year" column) as a percentage of cost for the year.
[d] Between -$50 million and $50 million.

D. LONG-RANGE SENSITIVITY ANALYSIS

This appendix presents estimates that illustrate the sensitivity of the long-range actuarial status of the OASDI program to changes in selected individual assumptions. The estimates based on the three alternative sets of assumptions, which were presented earlier in this report, illustrate the effects of varying all of the principal assumptions simultaneously, in order to portray a significantly more optimistic or pessimistic future. For each sensitivity analysis presented in this appendix, the intermediate alternative II projection is the reference point, and one assumption is varied within that alternative. The variation used for each individual assumption is the same as the level used for that assumption in the low-cost alternative I and high-cost alternative III projections.

Each table in this section shows the effects of changing a particular assumption on the OASDI summarized income rates, summarized cost rates, and actuarial balances for 25-year, 50-year, and 75-year valuation periods. Following each table is a discussion of the estimated changes in cost rates. The change in each of the actuarial balances is approximately equal to the change in the corresponding cost rate, but in the opposite direction. This appendix does not discuss income rates following each table because income rates vary only slightly with changes in assumptions that affect revenue from taxation of benefits.

1. Total Fertility Rate

Table VI.D1 shows OASDI income rates, cost rates, and actuarial balances on the basis of alternative II with three different assumptions about the ultimate total fertility rate. The Trustees assume that total fertility will ultimately be 1.8, 2.0, and 2.2 children per woman under alternatives III, II, and I, respectively. The total fertility rate reaches ultimate values in 2032, 2027, and 2024 under alternatives III, II, and I, respectively.

Table VI.D1.—Sensitivity of OASDI Measures to Fertility Assumptions
[As a percentage of taxable payroll]

Valuation period	Ultimate total fertility rate[a] [b]		
	1.8	2.0	2.2
Summarized income rate:			
25-year: 2017-41	14.65	14.65	14.65
50-year: 2017-66	14.04	14.02	14.00
75-year: 2017-91	13.88	13.84	13.80
Summarized cost rate:			
25-year: 2017-41	16.31	16.32	16.33
50-year: 2017-66	16.59	16.44	16.27
75-year: 2017-91	17.07	16.67	16.25
Actuarial balance:			
25-year: 2017-41	-1.66	-1.67	-1.69
50-year: 2017-66	-2.55	-2.42	-2.27
75-year: 2017-91	-3.19	-2.83	-2.45
Annual balance for 2091	-5.97	-4.48	-3.17
Year of combined trust fund reserve depletion	2034	2034	2034

[a] The total fertility rate for any year is the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is reached in 2032, 2027, and 2024 under alternatives III, II, and I, respectively.
[b] Ultimate total fertility rates used for this analysis are: 1.8 from the alternative III assumptions, 2.0 from the alternative II assumptions, and 2.2 from the alternative I assumptions. All other assumptions used for this analysis are from alternative II.

For the 25-year period, the cost rate for the three fertility assumptions varies by only about 0.03 percent of taxable payroll. In contrast, the 75-year cost rate varies over a wide range, decreasing from 17.07 to 16.25 percent, as the assumed ultimate total fertility rate increases from 1.8 to 2.2. Similarly, while the 25-year actuarial balance varies by only 0.03 percent of taxable payroll, the 75-year actuarial balance varies over a much wider range, from -3.19 to -2.45 percent.

During the 25-year period, the very slight increases in the working population resulting from higher fertility (than that experienced in an alternative scenario) are more than offset by decreases in the female labor force and increases in the number of child beneficiaries. Therefore, program cost increases slightly with higher fertility. For the 75-year long-range period, however, changes in fertility have a relatively greater effect on the labor force than on the beneficiary population. As a result, an increase in fertility significantly reduces the cost rate. Each increase of 0.1 in the ultimate total fertility rate increases the long-range actuarial balance by about 0.19 percent of taxable payroll.

2. Death Rates

Table VI.D2 shows OASDI income rates, cost rates, and actuarial balances on the basis of alternative II with three different assumptions about future

reductions in death rates for the period from 2016 to 2091. These assumptions are described in section V.A.2. The Trustees assume that the age-sex-adjusted death rates will decline at average annual rates of 0.42 percent, 0.77 percent, and 1.16 percent for alternatives I, II, and III, respectively.

Table VI.D2.—Sensitivity of OASDI Measures to Death-Rate Assumptions
[As a percentage of taxable payroll]

Valuation period	Average annual death-rate reduction[a] [b]		
	0.42 percent	0.77 percent	1.16 percent
Summarized income rate:			
25-year: 2017-41	14.65	14.65	14.64
50-year: 2017-66	14.01	14.02	14.03
75-year: 2017-91	13.82	13.84	13.86
Summarized cost rate:			
25-year: 2017-41	16.16	16.32	16.50
50-year: 2017-66	16.08	16.44	16.83
75-year: 2017-91	16.16	16.67	17.20
Actuarial balance:			
25-year: 2017-41	-1.51	-1.67	-1.85
50-year: 2017-66	-2.07	-2.42	-2.80
75-year: 2017-91	-2.34	-2.83	-3.34
Annual balance for 2091	-3.48	-4.48	-5.47
Year of combined trust fund reserve depletion	2035	2034	2034

[a] The average annual death-rate reduction is the average annual geometric rate of decline in the age-sex-adjusted death rate between 2016 and 2091. The overall age-sex-adjusted death rate decreases from 2016 to 2091 by 27 percent, 44 percent, and 58 percent for alternatives I, II, and III, respectively.
[b] The average annual death-rate reductions used for this analysis are: 0.42 percent from the alternative I assumptions, 0.77 percent from the alternative II assumptions, and 1.16 percent from the alternative III assumptions. All other assumptions used for this analysis are from alternative II.

The variation in cost for the 25-year period is less pronounced than the variation for the 75-year period because decreases in death rates have cumulative effects. The 25-year cost rate increases from 16.16 percent (for an average annual death-rate reduction of 0.42 percent) to 16.50 percent (for an average annual death-rate reduction of 1.16 percent). The 75-year cost rate increases from 16.16 to 17.20 percent. The actuarial balance decreases from -1.51 to -1.85 percent for the 25-year period, and from -2.34 to -3.34 percent for the 75-year period.

Lower death rates raise both the income (through increased taxable payroll) and the cost of the OASDI program. The relative increase in cost, however, exceeds the relative increase in taxable payroll. For any given year, reductions in the death rates for people who are age 62 and over (ages at which death rates are the highest) increase the number of retired-worker beneficiaries (and, therefore, the amount of retirement benefits paid) without adding significantly to the number of covered workers (and, therefore, to the taxable payroll). Reductions for people at age 50 to retirement eligibility age result

in significant increases to the taxable payroll. However, those increases are not large enough to offset the sum of the additional retirement benefits mentioned above and the disability benefits paid to additional beneficiaries at these pre-retirement ages, which are ages of high disability incidence. At ages under 50, death rates are so low that even substantial reductions in death rates do not result in significant increases in the numbers of covered workers or beneficiaries. Consequently, if death rates decline by about the same relative amount for all ages, the cost increases faster than the rate of growth in payroll, which results in higher cost rates and lower actuarial balances. Each additional 0.1-percentage-point increase in the average annual rate of decline in the death rate decreases the long-range actuarial balance by about 0.14 percent of taxable payroll.

3. Immigration

Table VI.D3 shows OASDI income rates, cost rates, and actuarial balances under alternative II with three different assumptions about the magnitude of net immigration (immigration minus emigration). The Trustees assume annual levels of immigration and emigration, with net annual immigration averaging 961,000 persons, 1,286,000 persons, and 1,623,000 persons over the long-range period under alternatives III, II, and I, respectively.

Table VI.D3.—Sensitivity of OASDI Measures to Net-Immigration Assumptions
[As a percentage of taxable payroll]

Valuation period	Average annual net immigration[a] [b]		
	961,000	1,286,000	1,623,000
Summarized income rate:			
25-year: 2017-41	14.68	14.65	14.62
50-year: 2017-66	14.06	14.02	13.99
75-year: 2017-91	13.88	13.84	13.80
Summarized cost rate:			
25-year: 2017-41	16.52	16.32	16.15
50-year: 2017-66	16.71	16.44	16.20
75-year: 2017-91	16.98	16.67	16.39
Actuarial balance:			
25-year: 2017-41	-1.84	-1.67	-1.53
50-year: 2017-66	-2.65	-2.42	-2.21
75-year: 2017-91	-3.11	-2.83	-2.59
Annual balance for 2091	-4.97	-4.48	-4.08
Year of combined trust fund reserve depletion	2034	2034	2035

[a] Net immigration per year is the annual net immigration to the Social Security area, including both legal and other immigration, averaged over the 75-year projection period.
[b] The average annual net immigration assumptions used for this analysis are: 961,000 from the alternative III assumptions, 1,286,000 from the alternative II assumptions, and 1,623,000 from the alternative I assumptions. All other assumptions used for this analysis are from alternative II.

For all three periods, when net immigration increases, the cost rate decreases. For the 25-year period, the cost rate decreases from 16.52 percent of taxable

payroll (for average annual net immigration of 961,000 persons) to 16.15 percent (for average annual net immigration of 1,623,000 persons). For the 50-year period, it decreases from 16.71 percent to 16.20 percent, and for the 75-year period, it decreases from 16.98 percent to 16.39 percent. The actuarial balance increases from -1.84 to -1.53 percent for the 25-year period, from -2.65 to -2.21 percent for the 50-year period, and from -3.11 to -2.59 percent for the 75-year period.

The cost rate decreases with an increase in net immigration because immigration occurs at relatively young ages, thereby increasing the numbers of covered workers earlier than the numbers of beneficiaries. Increasing average annual net immigration by 100,000 persons improves the long-range actuarial balance by about 0.08 percent of taxable payroll.

4. Real-Wage Differential

Table VI.D4 shows OASDI income rates, cost rates, and actuarial balances on the basis of alternative II with three different assumptions about the real-wage differential. The Trustees assume the ultimate real-wage differential will be 0.58 percentage point, 1.20 percentage points, and 1.82 percentage points under alternatives III, II, and I, respectively. In each case, the ultimate annual increase in the CPI is 2.60 percent (consistent with alternative II). Therefore, the ultimate percentage increases in average annual wages in covered employment are 3.18, 3.80, and 4.42 percent.

For the 25-year period, the cost rate decreases from 17.10 percent (for a real-wage differential of 0.58 percentage point) to 15.56 percent (for a differential of 1.82 percentage points). For the 50-year period, it decreases from 17.58 to 15.34 percent, and for the 75-year period it decreases from 17.92 to 15.45 percent. The actuarial balance increases from -2.32 to -1.04 percent for the 25-year period, from -3.39 to -1.48 percent for the 50-year period, and from -3.90 to -1.78 percent for the 75-year period.

Table VI.D4.—Sensitivity of OASDI Measures to Real-Wage Assumptions
[As a percentage of taxable payroll]

Valuation period	Ultimate percentage increase in wages-CPI[a b] 3.18-2.60	3.80-2.60	4.42-2.60
Summarized income rate:			
25-year: 2017-41	14.78	14.65	14.52
50-year: 2017-66	14.19	14.02	13.86
75-year: 2017-91	14.02	13.84	13.67
Summarized cost rate:			
25-year: 2017-41	17.10	16.32	15.56
50-year: 2017-66	17.58	16.44	15.34
75-year: 2017-91	17.92	16.67	15.45
Actuarial balance:			
25-year: 2017-41	-2.32	-1.67	-1.04
50-year: 2017-66	-3.39	-2.42	-1.48
75-year: 2017-91	-3.90	-2.83	-1.78
Annual balance for 2091	-6.43	-4.48	-2.79
Year of combined trust fund reserve depletion	2033	2034	2037

[a] The first value in each pair is the ultimate annual percentage increase in average wages in covered employment. The second value is the ultimate annual percentage increase in the Consumer Price Index. The difference between the two values is the ultimate real-wage differential.
[b] The ultimate real-wage differentials of 0.58, 1.20, and 1.82 percentage points are the same as in alternatives III, II, and I, respectively. All other assumptions used for this analysis are from alternative II.

The cost rate decreases with increasing real-wage differentials. Higher wages increase taxable payroll immediately, but they increase benefit levels only gradually as new beneficiaries become entitled. In addition, cost-of-living adjustments (COLAs) to benefits depend not on changes in wages, but on changes in prices. Each 0.1-percentage-point increase in the real-wage differential increases the long-range actuarial balance by about 0.17 percent of taxable payroll.

5. Consumer Price Index

Table VI.D5 shows OASDI income rates, cost rates, and actuarial balances on the basis of alternative II with three different assumptions about the rate of increase for the Consumer Price Index (CPI). The Trustees assume the annual increase in the CPI will be 3.20 percent, 2.60 percent, and 2.00 percent under alternatives I, II, and III, respectively.[1] In each case, the ultimate real-wage differential is 1.20 percentage points (consistent with alternative II), yielding ultimate percentage increases in average annual wages in covered employment of 4.40, 3.80, and 3.20 percent.

[1] Prior to the 2014 report, alternative I included a lower ultimate annual change in the CPI and alternative III included a higher ultimate annual change in the CPI than was included for alternative II.

Table VI.D5.—Sensitivity of OASDI Measures to CPI-Increase Assumptions
[As a percentage of taxable payroll]

Valuation period	Ultimate percentage increase in wages-CPI[a b] 4.40-3.20	3.80-2.60	3.20-2.00
Summarized income rate:			
25-year: 2017-41	14.62	14.65	14.67
50-year: 2017-66	14.00	14.02	14.04
75-year: 2017-91	13.82	13.84	13.85
Summarized cost rate:			
25-year: 2017-41	16.22	16.32	16.42
50-year: 2017-66	16.30	16.44	16.57
75-year: 2017-91	16.52	16.67	16.81
Actuarial balance:			
25-year: 2017-41	-1.59	-1.67	-1.75
50-year: 2017-66	-2.30	-2.42	-2.53
75-year: 2017-91	-2.70	-2.83	-2.96
Annual balance for 2091	-4.31	-4.48	-4.65
Year of combined trust fund reserve depletion	2035	2034	2034

[a] The first value in each pair is the ultimate annual percentage increase in average wages in covered employment. The second value is the ultimate annual percentage increase in the Consumer Price Index. The difference between the two values is the ultimate real-wage differential.
[b] The ultimate CPI increases of 3.20, 2.60, and 2.00 percent are the same as in alternatives I, II, and III, respectively. The ultimate real-wage differential of 1.20 percentage points is the same as in alternative II. All other assumptions used for this analysis are also from alternative II.

For all three periods, the cost rate increases when the assumed rates of increase in the CPI are smaller. For the 25-year period, the cost rate increases from 16.22 (for CPI increases of 3.20 percent) to 16.42 percent (for CPI increases of 2.00 percent). For the 50-year period, it increases from 16.30 to 16.57 percent, and for the 75-year period, it increases from 16.52 to 16.81 percent. The actuarial balance decreases from -1.59 to -1.75 percent for the 25-year period, from -2.30 to -2.53 percent for the 50-year period, and from -2.70 to -2.96 percent for the 75-year period.

The time lag between the effects of the CPI changes on taxable payroll and on scheduled benefits explains these patterns. When the rate of increase in the CPI is greater and the real-wage differential is constant, then: (1) the effect on taxable payroll due to a greater rate of increase in average wages occurs immediately and (2) the effect on benefits due to a larger COLA occurs with a lag of about 1 year. As a result of these effects, the higher taxable payrolls have a stronger effect than the higher benefits, which results in lower cost rates. Each 0.1-percentage-point decrease in the rate of the change in the CPI decreases the long-range actuarial balance by about 0.02 percent of taxable payroll.

6. Real Interest Rate

Table VI.D6 shows OASDI income rates, cost rates, and actuarial balances under alternative II with three different assumptions about the annual real interest rate (compounded semiannually) for special public-debt obligations issuable to the trust funds. The Trustees assume that the ultimate annual real interest rate will be 2.2 percent, 2.7 percent, and 3.2 percent under alternatives III, II, and I, respectively. In each case, the ultimate annual increase in the CPI is 2.60 percent, which is consistent with alternative II. Therefore, the ultimate annual yields are 4.9, 5.4, and 5.9 percent, respectively.

Table VI.D6.—Sensitivity of OASDI Measures to Real-Interest Assumptions
[As a percentage of taxable payroll]

Valuation period	Ultimate annual real interest rate[a] [b]		
	2.2 percent	2.7 percent	3.2 percent
Summarized income rate:			
25-year: 2017-41	14.59	14.65	14.70
50-year: 2017-66	13.95	14.02	14.09
75-year: 2017-91	13.76	13.84	13.92
Summarized cost rate:			
25-year: 2017-41	16.39	16.32	16.25
50-year: 2017-66	16.53	16.44	16.35
75-year: 2017-91	16.79	16.67	16.55
Actuarial balance:			
25-year: 2017-41	-1.80	-1.67	-1.54
50-year: 2017-66	-2.58	-2.42	-2.26
75-year: 2017-91	-3.03	-2.83	-2.63
Annual balance for 2091	-4.48	-4.48	-4.48
Year of combined trust fund reserve depletion	2034	2034	2035

[a] The ultimate real interest rate is the effective annual yield on asset reserves held by the trust funds divided by the annual rate of growth in the CPI.
[b] The ultimate annual real interest rates used for this analysis are: 2.2 percent from the alternative III assumptions, 2.7 percent from the alternative II assumptions, and 3.2 percent from the alternative I assumptions. All other assumptions used for this analysis are from alternative II.

For the 25-year period, the cost rate decreases with increasing real interest rates from 16.39 percent (for an ultimate real interest rate of 2.2 percent) to 16.25 percent (for an ultimate real interest rate of 3.2 percent). For the 50-year period, it decreases from 16.53 to 16.35 percent and, for the 75-year period, it decreases from 16.79 to 16.55 percent. The actuarial balance increases from -1.80 to -1.54 percent for the 25-year period, from -2.58 to -2.26 percent for the 50-year period, and from -3.03 to -2.63 percent for the 75-year period. Each 0.1-percentage-point increase in the real interest rate increases the long-range actuarial balance by about 0.04 percent of taxable payroll.

7. Taxable Ratio

Table VI.D7 shows OASDI income rates, cost rates, and actuarial balances under alternative II with three different assumptions about the ratio of taxable payroll to covered earnings (the taxable ratio). Note that covered earnings are the sum of wages and net self-employment earnings covered by Social Security, and taxable payroll is essentially the amount of covered earnings subject to the Social Security payroll tax up to the contribution and benefit base ($127,200 for 2017). The Trustees assume that the ultimate taxable ratio will be 81.0 percent, 82.5 percent, and 84.0 percent under alternatives III, II, and I, respectively.

Table VI.D7.—Sensitivity of OASDI Measures to Taxable Ratio Assumptions
[As a percentage of taxable payroll]

Valuation period	Ultimate taxable ratio[a] [b]		
	81.0 percent	82.5 percent	84.0 percent
Summarized income rate:			
25-year: 2017-41	14.69	14.65	14.62
50-year: 2017-66	14.06	14.02	14.00
75-year: 2017-91	13.87	13.84	13.83
Summarized cost rate:			
25-year: 2017-41	16.55	16.32	16.10
50-year: 2017-66	16.65	16.44	16.23
75-year: 2017-91	16.86	16.67	16.48
Actuarial balance:			
25-year: 2017-41	-1.86	-1.67	-1.48
50-year: 2017-66	-2.59	-2.42	-2.23
75-year: 2017-91	-2.99	-2.83	-2.65
Annual balance for 2091	-4.59	-4.48	-4.36
Year of combined trust fund reserve depletion	2034	2034	2035

[a] The taxable ratio is the ratio of taxable payroll to covered earnings. These concepts are described in further detail in section V.C.6 of this report.
[b] The ultimate taxable ratios used for this analysis are: 81.0 percent from the alternative III assumptions, 82.5 percent from the alternative II assumptions, and 84.0 percent from the alternative I assumptions. All other assumptions used for this analysis are from alternative II.

Because the combined employee-employer tax rate of 12.4 percent is unchanged across all alternatives, the income rate changes a relatively small amount as the taxable ratio increases, due to changes in taxation of benefits and the initial fund as a percentage of taxable payroll.

For the 25-year period, the cost rate decreases with increasing taxable ratios, from 16.55 percent (for an ultimate taxable ratio of 81.0 percent) to 16.10 percent (for an ultimate taxable ratio of 84.0 percent). For the 50-year period, it decreases from 16.65 to 16.23 percent and, for the 75-year period, it decreases from 16.86 to 16.48 percent. The actuarial balance increases from -1.86 to -1.48 percent for the 25-year period, from -2.59 to

-2.23 percent for the 50-year period, and from -2.99 to -2.65 for the 75-year period.

The cost rate decreases with an increase in taxable payroll because the increase in taxable payroll occurs immediately. The increase in benefit amounts occurs much more gradually as new beneficiaries become entitled. In addition, the change in the taxable ratio does not affect COLAs or AWIs. Each 1.0 percentage-point increase in the ultimate taxable ratio increases (improves) the long-range actuarial balance by about 0.11 percent of taxable payroll.

8. Disability Incidence Rates

Table VI.D8 shows OASDI income rates, cost rates, and actuarial balances on the basis of alternative II with three different assumptions concerning future disability incidence rates. For all three alternatives, the Trustees assume that incidence rates by age and sex will vary during the early years of the projection period before attaining ultimate levels. In comparison to the historical period 1970 through 2016, the ultimate age-sex-adjusted incidence rate is about 17 percent lower for alternative I, 4 percent higher for alternative II, and 23 percent higher for alternative III.

Table VI.D8.—Sensitivity of OASDI Measures to Disability Incidence Assumptions
[As a percentage of taxable payroll]

Valuation period	Disability incidence rates based on alternative— I	II	III
Summarized income rate:			
25-year: 2017-41	14.64	14.65	14.65
50-year: 2017-66	14.02	14.02	14.02
75-year: 2017-91	13.83	13.84	13.84
Summarized cost rate:			
25-year: 2017-41	16.12	16.32	16.52
50-year: 2017-66	16.18	16.44	16.69
75-year: 2017-91	16.40	16.67	16.93
Actuarial balance:			
25-year: 2017-41	-1.47	-1.67	-1.87
50-year: 2017-66	-2.16	-2.42	-2.67
75-year: 2017-91	-2.56	-2.83	-3.09
Annual balance for 2091	-4.17	-4.48	-4.78
Year of combined trust fund reserve depletion	2035	2034	2034

For the 25-year period, the cost rate increases with increasing disability incidence rates, from 16.12 percent (for the relatively low rates assumed for alternative I) to 16.52 percent (for the relatively high rates assumed for alternative III). For the 50-year period, it increases from 16.18 to 16.69 percent, and for the 75-year period, it increases from 16.40 to 16.93 percent. The actuarial balance decreases from -1.47 to -1.87 percent for the 25-year

period, from -2.16 to -2.67 percent for the 50-year period, and from -2.56 to -3.09 percent for the 75-year period.

9. Disability Termination Rates

Table VI.D9 shows OASDI income rates, cost rates, and actuarial balances on the basis of alternative II with three different assumptions about future disability termination rates, including deaths and recoveries up to the age at which disabled-worker beneficiaries convert to retired-worker status.

For all three alternatives, the Trustees assume that death rates for disabled-worker beneficiaries will decline throughout the long-range period. For alternative I, the age-sex-adjusted[1] disability death rate declines to a level in 2091 that is about 28 percent lower than the level in 2016. For alternative II, the age-sex-adjusted disability death rate declines to a level in 2091 that is about 55 percent lower than the level in 2016. For alternative III, the age-sex-adjusted disability death rate declines to a level in 2091 that is about 74 percent lower than the level in 2016.

For all three alternatives, ultimate recovery rates by age, sex, and duration are attained in the twentieth year of the projection period. For alternative I, the age-sex-adjusted[1] recovery rate for 2036 is about 13 recoveries per thousand disabled-worker beneficiaries. For alternative II, the age-sex-adjusted recovery rate for 2036 is about 10 recoveries per thousand disabled-worker beneficiaries. For alternative III, the age-sex-adjusted recovery rate for 2036 is about 8 recoveries per thousand disabled-worker beneficiaries.

[1] Age adjusted to the total disabled workers in current-payment status as of the year 2000.

Table VI.D9.—Sensitivity of OASDI Measures to Disability Termination Assumptions
[As a percentage of taxable payroll]

Valuation period	Disability termination rates based on alternative— I	II	III
Summarized income rate:			
25-year: 2017-41	14.65	14.65	14.65
50-year: 2017-66	14.02	14.02	14.02
75-year: 2017-91	13.84	13.84	13.84
Summarized cost rate:			
25-year: 2017-41	16.29	16.32	16.35
50-year: 2017-66	16.40	16.44	16.47
75-year: 2017-91	16.64	16.67	16.68
Actuarial balance:			
25-year: 2017-41	-1.64	-1.67	-1.70
50-year: 2017-66	-2.38	-2.42	-2.45
75-year: 2017-91	-2.80	-2.83	-2.85
Annual balance for 2091	-4.47	-4.48	-4.46
Year of combined trust fund reserve depletion	2034	2034	2034

For the 25-year period, the cost rate increases with decreasing disability termination rates, from 16.29 percent (for the relatively high termination rates assumed for alternative I) to 16.35 percent (for the relatively low termination rates assumed for alternative III). For the 50-year period, it increases from 16.40 to 16.47 percent, and for the 75-year period, it increases from 16.64 to 16.68 percent. The actuarial balance decreases from -1.64 to -1.70 percent for the 25-year period, from -2.38 to -2.45 percent for the 50-year period, and from -2.80 to -2.85 percent for the 75-year period.

E. STOCHASTIC PROJECTIONS AND UNCERTAINTY

Significant uncertainty surrounds the estimates under the intermediate assumptions, especially for a period as long as 75 years. This appendix presents a way to illustrate the uncertainty of these estimates. The stochastic projections supplement the traditional methods of examining such uncertainty.

1. Background

The Trustees have traditionally shown estimates using the low-cost and high-cost sets of specified assumptions to illustrate the presence of uncertainty. These alternative estimates provide a range of possible outcomes for the projections. However, they do not provide an indication of the probability that actual future experience will be inside or outside this range. This appendix presents the results of a model, based on stochastic modeling techniques, that estimates a probability distribution of future outcomes of the financial status of the combined OASI and DI Trust Funds. This model, which was first included in the 2003 report, is subject to further development in the future, most notably by incorporating parameter uncertainty. This will allow the stochastic model to reflect persistent uncertainties that are now reflected in the low-cost and high-cost alternatives.

2. Stochastic Methodology

Other sections of this report provide estimates of the financial status of the combined OASI and DI Trust Funds using a scenario-based model. For the scenario-based model, the Trustees use three alternative scenarios (low-cost, intermediate, and high-cost) that make assumptions about levels of fertility, changes in mortality, legal and other immigration levels, legal and other emigration levels, changes in the Consumer Price Index, changes in average real wages, unemployment rates, trust fund real yield rates, and disability incidence and recovery rates. In general, the Trustees assume that each of these variables will reach an ultimate value at a specific point during the long-range period, and will maintain that value throughout the remainder of the period. The three alternative scenarios assume separate, specified values for each of these variables. Chapter V contains more details about each of these assumptions.

This appendix presents estimates of the probability that key measures of OASDI solvency will fall in certain ranges, based on 5,000 independent stochastic simulations. Each simulation allows the above variables to vary throughout the long-range period. The fluctuation of each variable over time is simulated using historical data and standard time-series techniques. Gener-

ally, each variable is modeled using an equation that: (1) captures a relationship between current and prior years' values of the variable; and (2) introduces year-by-year random variation as observed in the historical period. For some variables, the equations also reflect relationships with other variables. The equations contain parameters that are estimated using historical data for periods from 10 years to over 110 years, depending on the nature and quality of the available data. Each time-series equation is designed so that, in the absence of random variation over time, the value of the variable for each year equals its value under the intermediate assumptions.[1]

For each simulation, the stochastic method develops year-by-year random variation for each variable using Monte Carlo techniques. Each simulation produces an estimate of the financial status of the combined OASI and DI Trust Funds. This appendix shows the distribution of results from 5,000 simulations of the model.

Readers should interpret the results from this model with caution and with an understanding of the model's limitations. Results are sensitive to equation specifications, degrees of interdependence among variables, and the historical periods used for the estimates. For some variables, recent historical variation may not provide a realistic representation of the potential variation for the future. Also, results would differ if additional variables (such as labor force participation rates, retirement rates, marriage rates, and divorce rates) were also allowed to vary randomly. Furthermore, more variability would result if statistical approaches were used to model uncertainty in the central tendencies of the variables. Time-series modeling reflects only what occurred in the historical period. Future uncertainty exists not only for the underlying central tendency but also for the frequency and size of occasional longer-term shifts in the central tendency. Many experts predict, and history suggests, that the future will likely bring substantial shifts that are not fully reflected in the current model. As a result, readers should understand that the true range of uncertainty is larger than indicated in this appendix.

3. Stochastic Results

This section illustrates the results for the stochastic simulations of two fundamental measures of actuarial status: the annual cost rates and the trust fund ratio. The latter measure is highlighted in the Overview of this report. Section 4 follows with a comparison of stochastic results to results from the

[1] More detail on this model, and stochastic modeling in general, is available at www.ssa.gov/OACT/stochastic/index.html.

alternative scenarios for these and other measures, and an analysis of the differences.

Figure VI.E1 displays the probability distribution of the year-by-year OASDI cost rates (that is, cost as a percentage of taxable payroll). The range of the annual cost rates widens as the projections move further into the future, which reflects increasing uncertainty. Because there is relatively little variation in income rates across the 5,000 stochastic simulations, the figure includes the income rate only under the intermediate assumptions. The two extreme lines in this figure illustrate the range within which future annual cost rates are projected by the current model to occur 95 percent of the time (i.e., a 95-percent confidence interval). In other words, the current model indicates that there is a 2.5 percent probability that the cost rate for a given year will exceed the upper end of this range and a 2.5 percent probability that it will fall below the lower end of this range. Other lines in the figure delineate additional confidence intervals (80-percent, 60-percent, 40-percent, and 20-percent) around future annual cost rates. The median (50th percentile) cost rate for each year is the rate for which half of the simulated outcomes are higher and half are lower for that year. These lines do not represent the results of individual stochastic simulations. Instead, for each given year, they represent the percentile distribution of annual cost rates based on all stochastic simulations for that year.

Figure VI.E1.—Long-Range OASDI Cost Rates From Stochastic Modeling

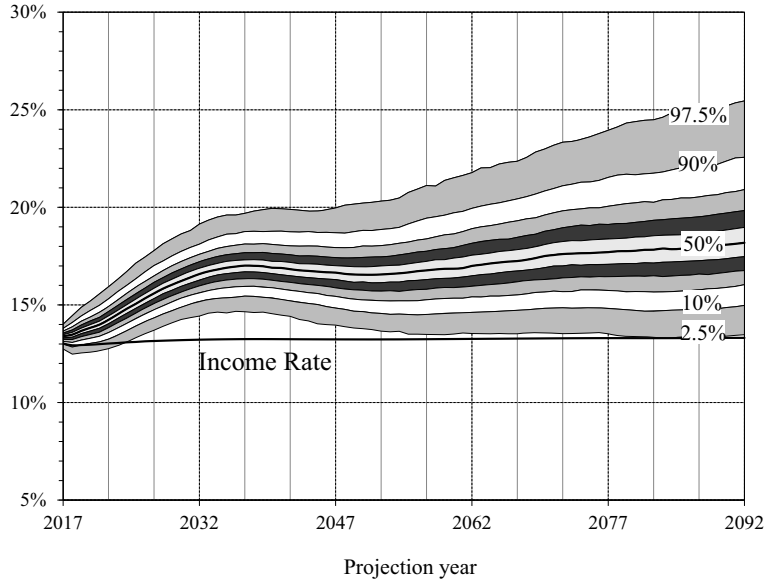
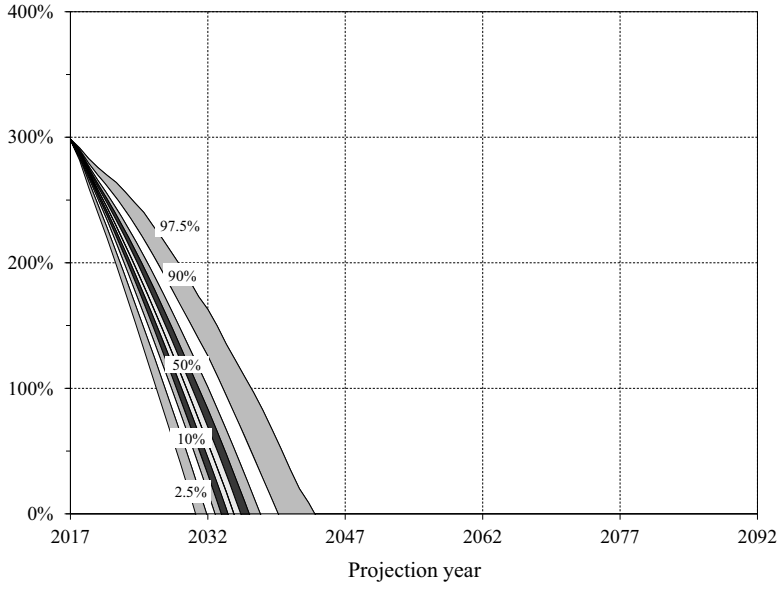


Figure VI.E2 presents the simulated probability distribution of the annual trust fund ratios for the combined OASI and DI Trust Funds. The lines in this figure display the median set (50th percentile) of estimated annual trust fund ratios and delineate the 95-percent, 80-percent, 60-percent, 40-percent, and 20-percent confidence intervals expected for future annual trust fund ratios. Again, none of these lines represents the time path of a single simulation. For each given year, they represent the percentile distribution of trust fund ratios based on all stochastic simulations for that year.

Figure VI.E2 shows that the 95-percent confidence interval for the trust fund depletion year ranges from 2030 to 2043, and there is a 50-percent probability of trust fund depletion by the end of 2034 (the median depletion year). The median depletion year is the same as the Trustees project under the intermediate assumptions. The figure also shows confidence intervals for the trust fund ratio in each year. For example, the 95-percent confidence interval for the trust fund ratio at the beginning of 2025 ranges from 240 to 132 percent of annual cost.

Figure VI.E2.—Long-Range OASDI Trust Fund Ratios From Stochastic Modeling



4. Comparison of Results: Stochastic to Low-Cost, Intermediate, and High-Cost Alternatives

This section compares results from two different approaches for illustrating ranges of uncertainty for trust fund actuarial status. One approach uses results from the low-cost, intermediate, and high-cost alternative scenarios. The other approach uses distributions of results from 5,000 independent stochastic simulations. Each of these approaches provides insights into uncertainty. Comparison of the results requires an understanding of fundamental differences in the approaches.

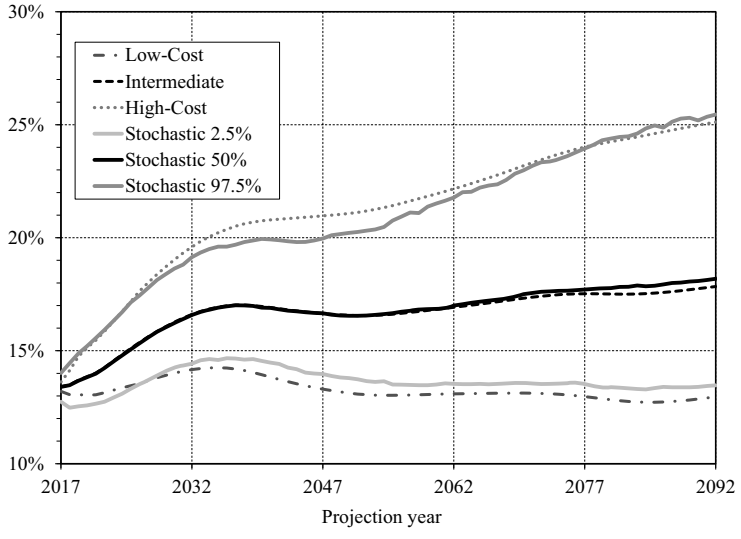
One fundamental difference relates to the presentation of distributional results. Figure VI.E3 shows projected OASDI annual cost rates for the low-cost, intermediate, and high-cost alternatives along with the annual cost rates at the 97.5th percentile, 50th percentile, and 2.5th percentile for the stochastic simulations. While all values on each line for the alternatives are results from a single specified scenario, the values on each stochastic line may be results from different simulations for different years. The one stochastic simulation (from the 5,000 simulations) that yields results closest to a particular

percentile for one projected year may yield results that are distant from that percentile in another projected year.

Because each stochastic simulation shows substantial variability from year to year, the range shown between the 97.5th and 2.5th percentiles is broader than would be seen if simulations followed a smooth trend like in the alternatives. In spite of this effect, the range from high-cost to low-cost annual rates for the stochastic distribution is generally contained slightly within the range for the high-cost and low-cost alternatives. With introduction of parameter uncertainty for the stochastic simulations expected in future reports, the range for the 95-percent confidence interval is expected to expand.

Both the alternatives and the stochastic results suggest that the range of potential cost rates above the central levels (those for the intermediate alternative and for the median, respectively) is larger than the range below these central results. The difference between the central results and the higher cost levels (the high-cost alternative and the upper end of the 95-percent confidence range, respectively) is about 1.5 times as large as the difference between the central and lower cost levels for both models by the end of the projection period.

Figure VI.E3.—OASDI Cost Rates: Comparison of Stochastic to Low-Cost, Intermediate, and High-Cost Alternatives
[As a percentage of taxable payroll]

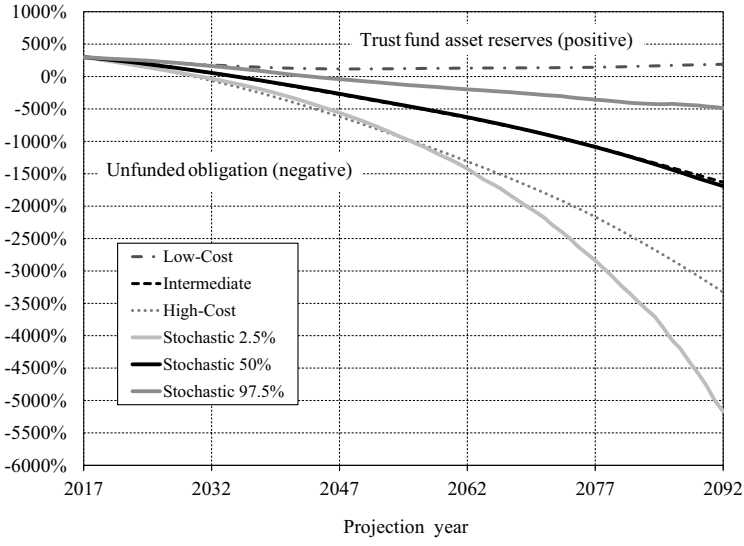


Another fundamental difference between the alternatives and the stochastic simulations is the method of assigning values for assumptions. For the alternatives, specific values are assigned for each of the key demographic and economic variables. Values for all parameters that affect annual cost or payroll are assigned to the high-cost alternative in order to raise estimated annual cost as a percent of payroll, and values are assigned to the low-cost alternative in order to reduce it. (One parameter, the interest rate, has no effect on annual cost as a percent of payroll.) In contrast, the stochastic method essentially randomly assigns values for each of the key demographic and economic variables for each year in each of the 5,000 independent stochastic simulations. For each of the stochastic simulations, randomly assigned values for different variables result in varying and often offsetting effects on projected cost as a percent of payroll, with some tending toward higher cost and some tending toward lower cost. This difference tends to reduce the range of cost as a percent of payroll across the 95-percent confidence interval. Again, the future introduction of parameter uncertainty is expected to broaden this range.

It is important to understand that the stochastic model's 95-percent confidence intervals for any summary measure of trust fund finances would tend to be narrower than the range produced for the low-cost and high-cost alternatives, even if the stochastic model's 95-percent confidence interval for annual cost rates were identical to the range defined by the low-cost and high-cost projections. This is true because summary measures of trust fund finances depend on cost rates for many years, and the probability that annual cost rates, on average for individual stochastic simulations, will be at least as low (high) as the 2.5 (97.5) percentile line is significantly lower than 2.5 percent. As a result, the relationship between the ranges presented for annual cost rates and summary measures of trust fund finances is fundamentally different for the stochastic model than it is for the low-cost and high-cost alternatives.

Figure VI.E4 compares the ranges of trust fund (unfunded obligation) ratios for the alternative scenarios and the 95-percent confidence interval of the stochastic simulations. This figure extends figure VI.E2 to show unfunded obligation ratios, expressed as negative values below the zero percent line. An unfunded obligation ratio is the ratio of the unfunded obligation accumulated through the beginning of the year to the cost for that year.

Figure VI.E4.—OASDI Trust Fund (Unfunded Obligation) Ratios: Comparison of Stochastic to Low-Cost, Intermediate, and High-Cost Alternatives[a]
[Asset reserves (unfunded obligation) as a percentage of annual cost]



[a] An unfunded obligation, shown as a negative value in this figure, is equivalent to the amount the trust funds would need to have borrowed to date in order to pay all scheduled benefits (on a timely basis) after trust fund asset reserves are depleted. Note that current law does not permit the trust funds to borrow.

As mentioned above, a summary measure that accumulates annual values tends to smooth the kind of annual fluctuations that occur in stochastic simulations. Therefore, one might expect the range across the stochastic confidence interval for trust fund (unfunded obligation) ratios to be narrower and fall within the range seen across the high-cost and low-cost alternatives, as it does for the actuarial balance measure. But this is not the case, largely due to the way interest rates are assigned.

For the stochastic model, real interest rates for each simulation are assigned essentially randomly, so the rate for compounding of trust fund reserves (unfunded obligations) is essentially uncorrelated with the level of cost as a percent of payroll. On the other hand, real interest rates are assigned to be higher for the low-cost alternative and lower for the high-cost alternative. High interest rates raise the level of the positive trust fund ratio in the low-cost alternative somewhat, but this effect is limited because the magnitude of reserves is small. However, low interest rates substantially reduce the magnitude of the unfunded obligation ratio for the high-cost alternative because the

magnitude of unfunded obligations is relatively large. As a result, the trust fund (unfunded obligation) ratios are shifted, albeit unevenly, higher (or less negative) for both the high-cost and low-cost alternatives.

This interest rate effect on the alternatives is not as evident for some other summary measures of actuarial status, such as the actuarial balance. Because the actuarial balance reflects the cumulative effects of interest in both its numerator and denominator, the interest rate effect is much less pronounced. In contrast, cumulative interest affects only the numerator of the trust fund (unfunded obligation) ratio. There is also no significant interest rate effect on the trust fund depletion date.

Other factors also contribute, to varying degrees, to the difference in ranges between the results of the alternative scenarios and the stochastic simulations. The contrasts in results and methods do not mean that either approach to illustrating ranges of uncertainty is superior to the other. The ranges are different and explainable.

Table VI.E1 displays long-range actuarial estimates for the combined OASDI program using the two methods of illustrating uncertainty: alternative scenarios and stochastic simulations. The table shows stochastic estimates for the median (50th percentile) and for the 95-percent and 80-percent confidence intervals. For comparison, the table shows scenario-based estimates for the intermediate, low-cost, and high-cost assumptions. Each individual stochastic estimate in the table is the level at that percentile from the distribution of the 5,000 simulations. For each given percentile, the values in the table for each long-range actuarial measure are generally from different stochastic simulations.

The median stochastic estimates displayed in table VI.E1 are similar to the intermediate scenario-based estimates. The median estimate of the long-range actuarial balance is -2.81 percent of taxable payroll, about 0.02 percentage point higher than projected under the intermediate assumptions. The median first projected year that cost exceeds non-interest income (as it did in 2010 through 2016), and remains in excess of non-interest income throughout the remainder of the long-range period, is 2017. This is the same year as projected under the intermediate assumptions. The median year that asset reserves first become depleted is 2034, also the same as projected under the intermediate assumptions. The median estimates of the annual cost rate for the 75th year of the projection period are 18.13 percent of taxable payroll and 6.24 percent of gross domestic product (GDP). The comparable estimates under the intermediate assumptions are 17.80 percent of payroll and 6.12 percent of GDP.

For three measures in table VI.E1 (the actuarial balance, the first year cost exceeds non-interest income and remains in excess through 2091, and the first projected year asset reserves become depleted), the 95-percent stochastic confidence interval is narrower than the range defined by the low-cost and high-cost alternatives. In other words, for these measures, the range defined by the low-cost and high-cost alternatives contains the 95-percent confidence interval of the stochastic modeling projections. For the remaining three measures (the open group unfunded obligation, the annual cost in the 75th year as a percent of taxable payroll, and the annual cost in the 75th year as a percent of GDP), one or both of the bounds of the 95-percent stochastic confidence interval fall outside the range defined by the low-cost and high-cost alternatives.

Table VI.E1.—Long-Range Estimates Relating to the Actuarial Status of the Combined OASDI Program
[Comparison of scenario-based and stochastic results]

	Traditional scenario-based model			Stochastic model				
					80-percent confidence interval		95-percent confidence interval	
	Intermediate	Low-cost	High-cost	Median 50th percentile	10th percentile	90th percentile	2.5th percentile	97.5th percentile
Actuarial balance	-2.83	0.12	-6.63	-2.81	-4.19	-1.67	-5.01	-1.07
Open group unfunded obligation (in trillions)	$12.5	-$1.5	$25.6	$12.5	$6.2	$23.0	$3.9	$31.4
First projected year cost exceeds non-interest income and remains in excess through 2091[a]	2017	[b]	2017	2017	2017	2028	2017	2089
First year asset reserves become depleted[c]	2034	[d]	2029	2034	2031	2039	2030	2043
Annual cost in 75th year (percent of taxable payroll)	17.80	12.91	25.05	18.13	14.91	22.53	13.44	25.36
Annual cost in 75th year (percent of GDP)	6.12	4.84	7.92	6.24	5.16	7.67	4.66	8.61

[a] Cost also exceeded non-interest income in 2010 through 2016.
[b] The annual balance is projected to be negative for a temporary period, returning to positive levels before the end of the projection period.
[c] For some stochastic simulations, the first year in which trust fund reserves become depleted does not indicate a permanent depletion of reserves.
[d] Trust fund reserves are not estimated to be depleted within the projection period.

F. INFINITE HORIZON PROJECTIONS

Another measure of trust fund financial status is the infinite horizon unfunded obligation, which takes account of all annual balances, even those after 75 years. The extension of the time period past 75 years assumes that the current-law OASDI program and the demographic and economic trends used for the 75-year projection continue indefinitely.

Table VI.F1 shows that the OASDI open group unfunded obligation over the infinite horizon is $34.2 trillion in present value, which is $21.7 trillion larger than for the 75-year period. The $21.7 trillion increment reflects a significant financing gap projected for OASDI for years after 2091 into perpetuity. Of course, the degree of uncertainty associated with estimates increases substantially for years further in the future.

The $34.2 trillion infinite horizon open group unfunded obligation is equivalent to 4.2 percent of taxable payroll or 1.4 percent of GDP. These relative measures of the unfunded obligation over the infinite horizon express its magnitude in relation to the resources potentially available to finance the shortfall.

The summarized shortfalls for the 75-year period and through the infinite horizon both reflect annual cash-flow shortfalls for all years after trust fund reserve depletion. The annual shortfalls after trust fund reserve depletion rise slowly and reflect increases in life expectancy after 2034. As a result, the summarized shortfalls over the infinite horizon, as percentages of taxable payroll and GDP, are larger than the shortfalls for the 75-year period.

To illustrate the magnitude of the projected infinite horizon shortfall, consider that it could be eliminated with additional revenue equivalent to an immediate increase in the combined payroll tax rate from 12.4 percent to about 16.7 percent,[1] or with cost reductions equivalent to an immediate and permanent reduction in benefits for all current and future beneficiaries by about 25 percent.

[1] The indicated increase in the payroll tax rate of 4.3 percent is somewhat larger than the 4.2 percent infinite horizon actuarial deficit because the indicated increase reflects a behavioral response to tax rate changes. In particular, the calculation assumes that an increase in payroll taxes results in a small shift of wages and salaries to forms of employee compensation that are not subject to the payroll tax.

Table VI.F1.—Unfunded OASDI Obligations Through the Infinite Horizon, Based on Intermediate Assumptions
[Present values as of January 1, 2017; dollar amounts in trillions]

	Present value	Expressed as a percentage of future payroll and GDP	
		Taxable payroll	GDP
Unfunded obligation through the infinite horizon[a]	$34.2	4.2	1.4
Unfunded obligation through 2091[b]	12.5	2.7	0.9

[a] Present value of future cost less future non-interest income, reduced by the amount of trust fund asset reserves at the beginning of 2017. Expressed as a percentage of payroll and GDP for the period 2017 through the infinite horizon.
[b] Present value of future cost less future non-interest income through 2091, reduced by the amount of trust fund reserves at the beginning of 2017. Expressed as a percentage of payroll and GDP for the period 2017 through 2091.

Notes:
1. The present values of future taxable payroll for 2017-91 and for 2017 through the infinite horizon are $469.6 trillion and $822.4 trillion, respectively.
2. The present values of GDP for 2017-91 and for 2017 through the infinite horizon are $1,317.0 trillion and $2,445.0 trillion, respectively. Present values of GDP shown in the Medicare Trustees Report differ slightly due to the use of discount rates that are specific to each program's trust fund holdings.

Last year, the Trustees projected that the infinite horizon unfunded obligation was $32.1 trillion in present value. If the assumptions, methods, and starting values had not changed, moving the valuation date forward by 1 year would have increased the unfunded obligation by about $1.0 trillion, to $33.1 trillion. The net effects of changes in assumptions, methods, law, and starting values increased the infinite horizon unfunded obligation by an additional $1.1 trillion.

The infinite horizon unfunded obligation is 0.2 percentage point higher than in last year's report when expressed as a share of taxable payroll, and is unchanged from last year when expressed as a share of GDP. See section IV.B.6 for details regarding changes in law, data, methods, and assumptions.

a. Unfunded Obligations for Past, Current, and Future Participants

Table VI.F2 separates the components of the infinite horizon unfunded obligation (with the exception of General Fund reimbursements) among past, current, and future participants. The table does not separate past General Fund reimbursements among participants because there is no clear basis for attributing the reimbursements across generations.

Past participants are defined as those no longer alive as of the valuation date. Current participants are those age 15 and older as of 2017. Future participants are those under age 15 or not yet born.

The excess of the present value of cost for past and current participants over the present value of dedicated tax income for past and current participants produces an unfunded obligation for past and current participants of $31.4 trillion. Table VI.F2 also shows an unfunded obligation of $30.8 trillion for past and current participants, including past and future General Fund reimbursements. Future participants are scheduled to pay dedicated taxes of $3.4 trillion less into the system than the cost of their scheduled benefits ($77.8 trillion of dedicated tax income as compared to $81.2 trillion of cost). The unfunded obligation for all participants through the infinite horizon thus equals $34.2 trillion.

Making Social Security solvent over the infinite horizon requires some combination of increased revenue or reduced benefits for current and future participants amounting to $34.2 trillion in present value, 4.2 percent of future taxable payroll, or 1.4 percent of future GDP.

Table VI.F2.—Present Values of OASDI Cost Less Non-interest Income and Unfunded Obligations for Program Participants, Based on Intermediate Assumptions

[Present values as of January 1, 2017; dollar amounts in trillions]

	Present value	Expressed as a percentage of future payroll and GDP	
		Taxable payroll	GDP
Present value of past cost	$59.1	7.2	2.4
Less present value of past dedicated tax income	61.3	7.5	2.5
Plus present value of future cost for current participants	65.3	7.9	2.7
Less present value of future dedicated tax income for current participants	31.7	3.9	1.3
Equals unfunded obligation for past and current participants excluding General Fund reimbursements	31.4	3.8	1.3
Less present value of past General Fund reimbursements[a]	.6	.1	[b]
Less present value of future General Fund reimbursements over the infinite horizon[a]	[c]	[d]	[b]
Equals unfunded obligation for past and current participants including General Fund reimbursements	30.8	3.7	1.3
Plus present value of cost for future participants over the infinite horizon	81.2	9.9	3.3
Less present value of dedicated tax income for future participants over the infinite horizon	77.8	9.5	3.2
Equals unfunded obligation for all participants through the infinite horizon	34.2	4.2	1.4

[a] Distribution of General Fund reimbursements among past, current, and future participants cannot be determined.

[b] Less than 0.05 percent of GDP.

[c] Less than $50 billion.

[d] Less than 0.05 percent of taxable payroll.

Notes:

1. The present value of future taxable payroll for 2017 through the infinite horizon is $822.4 trillion.
2. The present value of GDP for 2017 through the infinite horizon is $2,445.0 trillion.
3. Totals do not necessarily equal the sums of rounded components.

G. ESTIMATES FOR OASDI AND HI, SEPARATE AND COMBINED

In this appendix, the Trustees present long-range actuarial estimates for the OASDI and Hospital Insurance (HI) programs both separately and on a combined basis. These estimates facilitate analysis of the adequacy of the income and asset reserves of these programs relative to their cost under current law. This appendix does not include estimates for the Supplementary Medical Insurance (SMI) program because adequate financing is guaranteed in the law, and because the SMI program is not financed through a payroll tax. For more information on Medicare estimates, please see the 2017 Medicare Trustees Report.

The information in this appendix on combined operations, while significant, should not obscure the analysis of the financial status of the individual trust funds, which are legally separate and cannot be commingled. In addition, the factors which determine the costs of the OASI, DI, and HI programs differ substantially.

1. Estimates as a Percentage of Taxable Payroll

Comparing cost and income rates for the OASDI and HI programs as percentages of taxable payroll requires a note of caution. The taxable payrolls for the HI program are larger than those estimated for the OASDI program because: (1) a larger maximum taxable amount was established for the HI program in 1991, with the maximum eliminated altogether for the HI program in 1994; (2) a larger proportion of Federal, State, and local government employees are covered under the HI program; and (3) the earnings of railroad workers are included directly in the HI taxable payroll but not in the OASDI taxable payroll. (Railroad contributions for the equivalent of OASDI benefits are accounted for in a net interchange that occurs annually between the OASDI and Railroad Retirement programs.) As a result, the HI taxable payroll is about 26 percent larger than the OASDI taxable payroll throughout the long-range period.

As with the OASI and DI Trust Funds, income to the HI Trust Fund comes primarily from contributions paid by employees, employers, and self-employed persons. Table VI.G1 shows the OASDI and HI contribution rates that are authorized in the Federal Insurance Contributions Act.

Table VI.G1.—Payroll Tax Contribution Rates for the OASDI and HI Programs
[In percent]

Calendar years	Employees and employers, combined[a]		Employees only	Self employed[b]		
	OASDI up to base[c]	HI all earnings[d]	HI over limit[e]	OASDI up to base[c]	HI all earnings[d]	HI over limit[e]
1966	7.70	0.70	—	5.80	0.35	—
1967	7.80	1.00	—	5.90	.50	—
1968	7.60	1.20	—	5.80	.60	—
1969-70	8.40	1.20	—	6.30	.60	—
1971-72	9.20	1.20	—	6.90	.60	—
1973	9.70	2.00	—	7.00	1.00	—
1974-77	9.90	1.80	—	7.00	.90	—
1978	10.10	2.00	—	7.10	1.00	—
1979-80	10.16	2.10	—	7.05	1.05	—
1981	10.70	2.60	—	8.00	1.30	—
1982-83	10.80	2.60	—	8.05	1.30	—
1984[f]	11.40	2.60	—	11.40	2.60	—
1985[f]	11.40	2.70	—	11.40	2.70	—
1986-87[f]	11.40	2.90	—	11.40	2.90	—
1988-89[f]	12.12	2.90	—	12.12	2.90	—
1990-2010[g]	12.40	2.90	—	12.40	2.90	—
2011-2012[g]	10.40	2.90	—	10.40	2.90	—
2013 and later	12.40	2.90	0.90	12.40	2.90	0.90

[a] Except as noted below, the combined employee/employer rate is divided equally between employees and employers.
[b] Beginning in 1990, self-employed persons receive a deduction, for purposes of computing their net earnings, equal to half of the combined OASDI and HI contributions that would be payable without regard to the contribution and benefit base. The OASDI contribution rate then applies to net earnings after this deduction, but subject to the OASDI base.
[c] The payroll tax on earnings for the OASDI program applies to annual earnings up to a contribution and benefit base indexed to the average wage level. The base is $127,200 for 2017.
[d] Prior to 1994, the payroll tax on earnings for the HI program applied to annual earnings up to a contribution base. The HI contribution base was eliminated beginning in 1994.
[e] Starting with Federal personal income tax returns for tax year 2013, earned income exceeding $200,000 for individual filers and $250,000 for married couples filing jointly is subject to an additional HI tax of 0.9 percent. These income limits are not indexed after 2013.
[f] In 1984 only, employees received an immediate credit of 0.3 percent of taxable wages against their OASDI payroll tax contributions. The self-employed received similar credits of 2.7 percent, 2.3 percent, and 2.0 percent against their combined OASDI and Hospital Insurance (HI) contributions on net earnings from self-employment in 1984, 1985, and 1986-89, respectively. The General Fund of the Treasury reimbursed the trust funds for these credits.
[g] Public Law 111-147 exempted most employers from paying the employer share of OASDI payroll tax on wages paid during the period March 19, 2010 through December 31, 2010 to certain qualified individuals hired after February 3, 2010. Public Law 111-312, Public Law 112-78, and Public Law 112-96 reduced the OASDI payroll tax rate for 2011 and 2012 by 2 percentage points for employees and for self-employed workers. These laws require that the General Fund of the Treasury reimburse the OASI and DI Trust Funds for these temporary reductions in 2010, 2011, and 2012 payroll tax revenue, in order to "replicate to the extent possible" revenue that would have been received if the combined employee/employer payroll tax rates had remained at 12.4 percent for OASDI (10.6 percent for OASI and 1.8 percent for DI).

Table VI.G2 shows the Trustees' estimates of annual income rates and cost rates for the OASDI program and the HI program under the low-cost, intermediate, and high-cost sets of assumptions described earlier in this report. The income rates reflect the payroll tax rates shown in table VI.G1 and reve-

nue from taxation of OASDI benefits for both the OASDI and HI Trust Funds. For the HI program, the income rates also reflect: (1) the additional 0.9-percent tax on employees for relatively high earnings and the portion of total payroll to which the 0.9-percent rate applies; (2) premium revenues; (3) monies from fraud and abuse control activities; and (4) reimbursements from the General Fund of the Treasury, if any. Annual income and cost rates indicate the cash-flow operation of the programs. Therefore, income rates exclude interest earned on trust fund asset reserves. Table VI.G2 also shows annual balances, which are the differences between annual income rates and cost rates.

The Trustees project that the OASDI and HI cost rates will rise generally above current levels under the intermediate and high-cost sets of assumptions. The greatest increase occurs from 2018 to 2035 under both sets of assumptions for OASDI and under the intermediate assumptions for HI. Under the intermediate assumptions, the OASDI cost rate increases by 33 percent from its current level by 2091, while under the high-cost assumptions, the cost rate increases by 84 percent by 2091. For HI, cost rates increase 49 percent and 209 percent from 2017 to 2091 under the intermediate and high-cost assumptions, respectively. Under the low-cost assumptions, the OASDI and HI cost rates decrease from 2017 to 2091 by 2 percent and 29 percent, respectively.

The Trustees project annual deficits for every year of the projection period under the intermediate and high-cost assumptions for the OASDI program, and under the high-cost assumptions for the HI program. Under the intermediate assumptions, HI annual balances are positive for 2017 through 2020, and negative thereafter. Under the low-cost assumptions, OASDI annual balances are negative through 2052, positive for 2053 through 2058, negative for 2059 through 2074, and then positive through the remainder of the 75-year projection period. HI annual balances are positive throughout the projection period.

Table VI.G2.—OASDI and HI Annual Income Rates, Cost Rates, and Balances, Calendar Years 2017-2095

[As a percentage of taxable payroll[a]]

	OASDI			HI		
Calendar year	Income rate	Cost rate[b]	Balance[b]	Income rate	Cost rate	Balance
Intermediate:						
2017	13.03	13.41	-0.38	3.37	3.33	0.04
2018	12.93	13.49	-.56	3.38	3.28	.10
2019	12.95	13.70	-.75	3.40	3.32	.08
2020	12.96	13.85	-.89	3.42	3.38	.04
2021	12.99	14.02	-1.03	3.44	3.45	-.01
2022	13.02	14.26	-1.23	3.46	3.54	-.07
2023	13.05	14.54	-1.50	3.49	3.63	-.15
2024	13.08	14.83	-1.74	3.51	3.71	-.20
2025	13.10	15.10	-2.00	3.53	3.77	-.23
2026	13.14	15.37	-2.24	3.56	3.92	-.36
2030	13.20	16.27	-3.07	3.64	4.18	-.54
2035	13.24	16.93	-3.69	3.73	4.50	-.77
2040	13.25	16.96	-3.71	3.79	4.68	-.89
2045	13.24	16.72	-3.48	3.84	4.78	-.93
2050	13.23	16.57	-3.34	3.90	4.79	-.89
2055	13.24	16.62	-3.38	3.96	4.75	-.79
2060	13.25	16.83	-3.58	4.03	4.75	-.72
2065	13.27	17.07	-3.80	4.10	4.79	-.69
2070	13.28	17.33	-4.04	4.16	4.87	-.71
2075	13.30	17.50	-4.21	4.22	4.94	-.72
2080	13.30	17.51	-4.21	4.27	4.97	-.70
2085	13.30	17.55	-4.25	4.31	4.96	-.65
2090	13.31	17.75	-4.44	4.35	4.96	-.61
2095	13.33	17.97	-4.65	4.39	4.96	-.56
Low-cost:						
2017	12.96	13.20	-.24	3.36	3.21	.15
2018	12.90	13.06	-.15	3.37	3.06	.31
2019	12.91	13.06	-.15	3.39	3.03	.36
2020	12.92	13.03	-.11	3.40	3.02	.38
2021	12.94	13.05	-.11	3.42	3.03	.39
2022	12.97	13.14	-.18	3.44	3.05	.39
2023	12.98	13.26	-.27	3.46	3.07	.39
2024	13.01	13.36	-.35	3.48	3.07	.40
2025	13.02	13.45	-.43	3.50	3.06	.44
2026	13.04	13.55	-.51	3.52	3.12	.40
2030	13.08	14.01	-.93	3.60	3.08	.52
2035	13.11	14.25	-1.14	3.69	2.99	.70
2040	13.10	13.94	-.85	3.76	2.82	.94
2045	13.07	13.45	-.38	3.83	2.61	1.21
2050	13.06	13.13	-.07	3.89	2.43	1.46
2055	13.05	13.03	.03	3.96	2.28	1.68
2060	13.06	13.08	-.02	4.03	2.21	1.82
2065	13.06	13.11	-.05	4.09	2.20	1.89
2070	13.07	13.13	-.06	4.14	2.24	1.91
2075	13.06	13.05	.01	4.19	2.27	1.91
2080	13.05	12.83	.22	4.22	2.29	1.93
2085	13.04	12.72	.32	4.25	2.29	1.96
2090	13.05	12.86	.19	4.29	2.29	2.00
2095	13.06	13.09	-.02	4.33	2.29	2.05

Table VI.G2.—OASDI and HI Annual Income Rates, Cost Rates, and Balances, Calendar Years 2017-2095 (Cont.)
[As a percentage of taxable payroll[a]]

	OASDI			HI		
Calendar year	Income rate	Cost rate[b]	Balance[b]	Income rate	Cost rate	Balance
High-cost:						
2017	13.09	13.62	-0.53	3.37	3.44	-0.07
2018	12.97	14.13	-1.16	3.40	3.53	-.13
2019	13.00	14.75	-1.75	3.43	3.64	-.22
2020	13.03	15.13	-2.11	3.45	3.77	-.32
2021	13.06	15.47	-2.40	3.48	3.92	-.45
2022	13.10	15.86	-2.76	3.50	4.10	-.60
2023	13.13	16.30	-3.16	3.53	4.29	-.76
2024	13.18	16.73	-3.56	3.56	4.46	-.91
2025	13.21	17.18	-3.97	3.58	4.62	-1.04
2026	13.25	17.64	-4.39	3.62	4.90	-1.29
2030	13.33	19.03	-5.70	3.70	5.66	-1.96
2035	13.40	20.22	-6.82	3.80	6.71	-2.92
2040	13.43	20.75	-7.31	3.87	7.72	-3.85
2045	13.44	20.91	-7.46	3.92	8.65	-4.74
2050	13.46	21.08	-7.62	3.97	9.34	-5.37
2055	13.48	21.43	-7.95	4.02	9.80	-5.78
2060	13.51	21.94	-8.43	4.09	10.12	-6.04
2065	13.55	22.52	-8.97	4.15	10.34	-6.19
2070	13.59	23.19	-9.60	4.22	10.50	-6.28
2075	13.63	23.81	-10.19	4.29	10.64	-6.35
2080	13.65	24.25	-10.60	4.34	10.68	-6.33
2085	13.67	24.61	-10.94	4.40	10.65	-6.25
2090	13.70	24.98	-11.29	4.45	10.63	-6.18
2095	13.72	25.29	-11.57	4.50	10.61	-6.11

[a] The taxable payroll for HI is significantly larger than the taxable payroll for OASDI because the HI taxable maximum amount was eliminated beginning in 1994, and because HI covers all Federal civilian employees, all State and local government employees hired after April 1, 1986, and railroad employees.

[b] OASDI benefit payments which were scheduled to be paid on January 3 for some past and future years were actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.

Notes:

1. The income rate excludes interest income.

2. The Trustees show income and cost estimates generally on a cash basis for the OASDI program and on an incurred basis for the HI program.

3. Totals do not necessarily equal the sums of rounded components.

Table VI.G3 shows summarized values over the 25-year, 50-year, and 75-year valuation periods. For each of those periods, the summarized income rates include beginning trust fund asset reserves, and the summarized cost rates include the cost of accumulating an ending fund reserve equal to 100 percent of annual cost at the end of the period.

Table VI.G3.—Summarized OASDI and HI Income Rates and Cost Rates for Valuation Periods,[a] Calendar Years 2017-2091
[As a percentage of taxable payroll[b]]

Valuation period	OASDI			HI		
	Income rate	Cost rate[c]	Actuarial balance	Income rate	Cost rate	Actuarial balance
Intermediate:						
25-year:						
2017-41	14.65	16.32	-1.67	3.69	4.22	-0.53
50-year:						
2017-66	14.02	16.44	-2.42	3.81	4.45	-.64
75-year:						
2017-91	13.84	16.67	-2.83	3.92	4.56	-.64
Low-cost:						
25-year:						
2017-41	14.41	14.27	.14	3.66	3.13	.53
50-year:						
2017-66	13.79	13.71	.08	3.79	2.76	1.03
75-year:						
2017-91	13.58	13.46	.12	3.91	2.62	1.29
High-cost:						
25-year:						
2017-41	14.93	18.88	-3.95	3.75	5.73	-1.98
50-year:						
2017-66	14.30	19.90	-5.60	3.86	7.33	-3.47
75-year:						
2017-91	14.15	20.79	-6.63	3.97	8.05	-4.08

[a] Income rates include beginning trust fund asset reserves and cost rates include the cost of reaching an ending target trust fund equal to 100 percent of annual cost at the end of the period.

[b] The taxable payroll for HI is significantly larger than the taxable payroll for OASDI because the HI taxable maximum amount was eliminated beginning 1994, and because HI covers all Federal civilian employees, all State and local government employees hired after April 1, 1986, and railroad employees.

[c] OASDI benefit payments which were scheduled to be paid on January 3 for some past and future years were actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.

Note: Totals do not necessarily equal the sums of rounded components.

The Trustees project that the OASDI and HI programs will each experience large actuarial deficits for the 25-year, 50-year, and 75-year valuation periods under the high-cost assumptions. Actuarial deficits under the intermediate assumptions are smaller than those for the high-cost assumptions for all three valuation periods. Under the low-cost assumptions, the OASDI and HI programs have positive actuarial balances for all three valuation periods.

2. Estimates as a Percentage of Gross Domestic Product

This section contains long-range projections of the operations of the combined Old-Age and Survivors Insurance and Disability Insurance (OASI and DI) Trust Funds and of the Hospital Insurance (HI) Trust Fund, expressed as a percentage of gross domestic product (GDP). While expressing fund operations as a percentage of taxable payroll is a very useful approach for assessing the financial status of the programs (see section IV.B.1), expressing them as a percentage of the total value of goods and services produced in the United States provides an additional perspective.

Table VI.G4 shows non-interest income, total cost, and the resulting balance of the combined OASI and DI Trust Funds, of the HI Trust Fund, and of the combined OASI, DI, and HI Trust Funds, expressed as percentages of GDP on the basis of each of the three alternative sets of assumptions. Table VI.G4 also contains estimates of GDP. For OASDI, non-interest income consists of payroll tax contributions, proceeds from taxation of benefits, and reimbursements from the General Fund of the Treasury, if any. Cost consists of scheduled benefits, administrative expenses, financial interchange with the Railroad Retirement program, and payments for vocational rehabilitation services for disabled beneficiaries. For HI, non-interest income consists of payroll tax contributions (including contributions from railroad employment), up to an additional 0.9 percent tax on earned income for relatively high earners, proceeds from taxation of OASDI benefits, premium revenues, monies from fraud and abuse control activities, and reimbursements from the General Fund of the Treasury, if any. Cost consists of outlays (benefits and administrative expenses) for beneficiaries. The Trustees show income and cost estimates generally on a cash basis for the OASDI program[1] and on an incurred basis for the HI program.

The Trustees project the OASDI annual balance (non-interest income less cost) as a percentage of GDP to be negative throughout the projection period under the intermediate and high-cost assumptions. Under the low-cost assumptions, the OASDI annual deficit as a percentage of GDP decreases through 2021. After 2021, deficits increase to a peak in 2035 and then decrease through 2052. The annual balances are positive for 2053 through 2058, negative for 2059 through 2074, and positive for 2075 through the remainder of the 75-year projection period. Under the intermediate assump-

[1] OASDI benefits paid for entitlement for a particular month are generally paid in the succeeding month. There are two primary exceptions to this general rule. First, payments can occur with a greater delay when a benefit award is made after the month of initial benefit entitlement. At the time of benefit award, benefits owed for months of prior entitlement are then also paid to the beneficiary. For the projections in this report, such retroactive payments are included in the period where they are paid (at time of award). Second, when benefit payments scheduled for January 3 are paid on the prior December 31, because January 3 falls on a Sunday, such payments are shown in this report for the period they were scheduled to be paid.

tions, annual deficits increase through 2037, decrease through 2052, and mostly increase thereafter. Under the high-cost assumptions, annual deficits increase throughout the projection period.

The Trustees project that the HI balance as a percentage of GDP will be positive throughout the projection period under the low-cost assumptions. Under the intermediate assumptions, the HI balance is positive for 2017 through 2020, and then negative thereafter. Annual deficits increase through 2045, and then generally decline thereafter. Under the high-cost assumptions, the HI balance is negative for all years of the projection period. Annual deficits reach a peak in 2073 and decline slowly thereafter.

The combined OASDI and HI annual balance as a percentage of GDP is negative throughout the projection period under both the intermediate and high-cost assumptions. Under the low-cost assumptions, the combined OASDI and HI balance is negative for 2017, positive for 2018 through 2025, negative for 2026 through 2037, and then positive and mostly rising thereafter. Under the intermediate assumptions, combined OASDI and HI annual deficits increase through 2038, decrease through 2054, and generally rise thereafter, reaching 1.80 percent of GDP by 2091. Under the high-cost assumptions, combined annual deficits rise throughout the 75-year projection period.

By 2091, the combined OASDI and HI annual balances as percentages of GDP range from a positive balance of 0.98 percent for the low-cost assumptions to a deficit of 6.09 percent for the high-cost assumptions. Balances differ by a much smaller amount for the tenth projection year, 2026, ranging from a deficit of 0.01 percent for the low-cost assumptions to a deficit of 2.16 percent for the high-cost assumptions.

The summarized long-range (75-year) balance as a percentage of GDP for the combined OASDI and HI programs varies among the three alternatives by a relatively large amount, from a positive balance of 0.64 percent under the low-cost assumptions to a deficit of 4.07 percent under the high-cost assumptions. The 25-year summarized balance varies by a smaller amount, from a positive balance of 0.29 percent to a deficit of 2.30 percent. Summarized rates are calculated on a present-value basis. They include the trust fund balances on January 1, 2017 and the cost of reaching a target trust fund level equal to 100 percent of the following year's annual cost at the end of the period. (See section IV.B.4 for further explanation.)

Table VI.G4.—OASDI and HI Annual and Summarized Income, Cost, and Balance as a Percentage of GDP, Calendar Years 2017-2095

	Percentage of GDP									GDP in dollars (billions)
	OASDI			HI			Combined			
Calendar year	Income[a]	Cost[b]	Balance[b]	Income[a]	Cost	Balance	Income[a]	Cost[b]	Balance[b]	
Intermediate:										
2017	4.77	4.91	-0.14	1.54	1.52	0.02	6.31	6.43	-0.12	$19,455
2018	4.72	4.93	-.20	1.55	1.50	.05	6.27	6.43	-.16	20,531
2019	4.73	5.00	-.28	1.56	1.52	.04	6.29	6.53	-.24	21,618
2020	4.74	5.07	-.33	1.57	1.55	.02	6.32	6.62	-.31	22,734
2021	4.76	5.13	-.38	1.58	1.59	[c]	6.34	6.72	-.38	23,865
2022	4.77	5.22	-.45	1.59	1.63	-.03	6.36	6.85	-.49	24,974
2023	4.78	5.32	-.55	1.60	1.67	-.07	6.38	6.99	-.61	26,078
2024	4.78	5.42	-.64	1.61	1.70	-.09	6.39	7.12	-.73	27,242
2025	4.78	5.51	-.73	1.62	1.73	-.11	6.40	7.24	-.84	28,458
2026	4.79	5.60	-.82	1.63	1.79	-.17	6.42	7.40	-.98	29,707
2030	4.78	5.90	-1.11	1.66	1.90	-.25	6.44	7.80	-1.36	35,314
2035	4.77	6.10	-1.33	1.69	2.03	-.35	6.45	8.13	-1.68	43,718
2040	4.75	6.08	-1.33	1.71	2.11	-.40	6.45	8.18	-1.73	54,260
2045	4.73	5.97	-1.24	1.72	2.14	-.42	6.45	8.11	-1.66	67,488
2050	4.71	5.90	-1.19	1.74	2.14	-.40	6.46	8.04	-1.58	83,787
2055	4.70	5.90	-1.20	1.77	2.12	-.35	6.47	8.03	-1.55	103,729
2060	4.69	5.96	-1.27	1.79	2.11	-.32	6.49	8.07	-1.59	128,183
2065	4.68	6.02	-1.34	1.82	2.12	-.31	6.50	8.14	-1.65	158,326
2070	4.66	6.08	-1.42	1.84	2.15	-.31	6.50	8.23	-1.73	195,725
2075	4.65	6.12	-1.47	1.85	2.17	-.32	6.50	8.29	-1.79	242,244
2080	4.62	6.09	-1.46	1.86	2.17	-.31	6.48	8.25	-1.77	299,875
2085	4.60	6.07	-1.47	1.87	2.16	-.28	6.47	8.23	-1.75	370,790
2090	4.59	6.11	-1.53	1.88	2.15	-.26	6.47	8.26	-1.79	457,775
2095	4.57	6.17	-1.59	1.90	2.14	-.24	6.47	8.30	-1.84	564,614
Summarized rates: [d]										
25-year:										
2017-41 . .	5.31	5.92	-.61	1.68	1.92	-.24	6.99	7.84	-.85	
50-year:										
2017-66 . .	5.04	5.91	-.87	1.72	2.01	-.29	6.76	7.92	-1.16	
75-year:										
2017-91 . .	4.93	5.94	-1.01	1.76	2.04	-.29	6.69	7.98	-1.30	
Low-cost:										
2017	4.75	4.84	-.09	1.54	1.47	.07	6.28	6.30	-.02	19,694
2018	4.71	4.77	-.06	1.54	1.40	.14	6.26	6.17	.09	21,235
2019	4.72	4.78	-.05	1.56	1.39	.16	6.28	6.17	.11	22,803
2020	4.75	4.79	-.04	1.57	1.39	.18	6.32	6.19	.13	24,306
2021	4.78	4.82	-.04	1.58	1.40	.18	6.36	6.22	.14	25,761
2022	4.80	4.87	-.07	1.58	1.40	.18	6.39	6.27	.11	27,248
2023	4.82	4.92	-.10	1.59	1.41	.18	6.41	6.33	.08	28,822
2024	4.83	4.96	-.13	1.60	1.41	.19	6.43	6.37	.06	30,509
2025	4.84	5.00	-.16	1.60	1.40	.20	6.44	6.40	.04	32,293
2026	4.86	5.05	-.19	1.61	1.43	.18	6.47	6.48	-.01	34,137
2030	4.86	5.20	-.34	1.65	1.41	.24	6.51	6.61	-.11	42,546
2035	4.85	5.28	-.42	1.68	1.37	.32	6.54	6.64	-.10	55,906
2040	4.84	5.16	-.31	1.72	1.29	.43	6.56	6.44	.12	73,815
2045	4.84	4.98	-.14	1.75	1.19	.55	6.59	6.17	.41	97,938
2050	4.85	4.87	-.03	1.78	1.11	.67	6.63	5.98	.64	129,868
2055	4.86	4.85	.01	1.82	1.05	.77	6.67	5.89	.78	171,688
2060	4.87	4.87	-.01	1.85	1.01	.84	6.72	5.89	.83	226,527
2065	4.88	4.89	-.02	1.88	1.01	.87	6.76	5.91	.85	298,962
2070	4.88	4.90	-.02	1.91	1.03	.88	6.79	5.93	.85	395,425
2075	4.88	4.88	.01	1.93	1.05	.88	6.81	5.92	.89	524,333
2080	4.88	4.80	.08	1.94	1.05	.89	6.82	5.85	.97	695,701
2085	4.88	4.76	.12	1.96	1.05	.90	6.84	5.82	1.02	921,310
2090	4.89	4.82	.07	1.98	1.06	.92	6.87	5.88	.99	1,216,718
2095	4.90	4.91	-.01	2.00	1.06	.94	6.91	5.97	.94	1,604,573

Table VI.G4.—OASDI and HI Annual and Summarized Income, Cost, and Balance as a Percentage of GDP, Calendar Years 2017-2095 (Cont.)

	Percentage of GDP									GDP in dollars (billions)
	OASDI			HI			Combined			
Calendar year	Income[a]	Cost[b]	Balance[b]	Income[a]	Cost	Balance	Income[a]	Cost[b]	Balance[b]	
Low-cost (Cont.):										
Summarized rates: [d]										
25-year:										
2017-41 . .	5.34	5.29	0.05	1.67	1.43	0.24	7.01	6.72	0.29	
50-year:										
2017-66 . .	5.12	5.09	.03	1.74	1.26	.47	6.85	6.35	.50	
75-year:										
2017-91 . .	5.05	5.01	.05	1.79	1.20	.59	6.85	6.21	.64	
High-cost:										
2017	4.80	4.99	-.19	1.54	1.57	-.03	6.34	6.57	-.22	$19,182
2018	4.75	5.17	-.42	1.55	1.61	-.06	6.30	6.78	-.48	19,540
2019	4.73	5.37	-.64	1.56	1.66	-.10	6.29	7.02	-.73	20,132
2020	4.73	5.49	-.76	1.57	1.72	-.14	6.30	7.21	-.91	20,917
2021	4.73	5.60	-.87	1.59	1.79	-.20	6.32	7.39	-1.07	21,699
2022	4.74	5.74	-1.00	1.60	1.88	-.27	6.34	7.61	-1.27	22,467
2023	4.74	5.88	-1.14	1.62	1.97	-.35	6.36	7.85	-1.49	23,239
2024	4.74	6.02	-1.28	1.63	2.05	-.42	6.37	8.07	-1.70	24,027
2025	4.74	6.16	-1.42	1.64	2.12	-.47	6.38	8.28	-1.90	24,816
2026	4.74	6.31	-1.57	1.65	2.24	-.59	6.39	8.55	-2.16	25,603
2030	4.73	6.75	-2.02	1.68	2.57	-.89	6.41	9.31	-2.91	29,038
2035	4.70	7.09	-2.39	1.70	3.01	-1.31	6.41	10.11	-3.70	33,894
2040	4.67	7.21	-2.54	1.72	3.43	-1.71	6.39	10.65	-4.26	39,552
2045	4.64	7.21	-2.57	1.73	3.82	-2.09	6.37	11.03	-4.67	46,144
2050	4.61	7.22	-2.61	1.74	4.10	-2.36	6.35	11.31	-4.96	53,658
2055	4.58	7.28	-2.70	1.75	4.27	-2.51	6.33	11.55	-5.22	62,148
2060	4.55	7.39	-2.84	1.76	4.37	-2.61	6.32	11.77	-5.45	71,831
2065	4.52	7.52	-3.00	1.78	4.42	-2.65	6.30	11.94	-5.64	82,918
2070	4.49	7.66	-3.17	1.79	4.45	-2.66	6.28	12.11	-5.83	95,660
2075	4.45	7.79	-3.33	1.80	4.46	-2.66	6.25	12.24	-5.99	110,347
2080	4.41	7.84	-3.43	1.80	4.43	-2.63	6.22	12.27	-6.05	127,202
2085	4.37	7.87	-3.50	1.81	4.37	-2.57	6.18	12.25	-6.07	146,490
2090	4.34	7.91	-3.58	1.81	4.33	-2.52	6.15	12.24	-6.09	168,587
2095	4.30	7.93	-3.63	1.81	4.28	-2.46	6.12	12.21	-6.09	193,948
Summarized rates: [d]										
25-year:										
2017-41 . .	5.31	6.72	-1.41	1.70	2.59	-.90	7.01	9.31	-2.30	
50-year:										
2017-66 . .	4.99	6.95	-1.95	1.72	3.27	-1.54	6.71	10.21	-3.50	
75-year:										
2017-91 . .	4.85	7.13	-2.28	1.74	3.53	-1.79	6.59	10.66	-4.07	

[a] Income for individual years excludes interest on the trust funds. Interest is implicit in all summarized values.

[b] OASDI benefit payments which were scheduled to be paid on January 3 for some past and future years were actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.

[c] Between -0.005 and 0 percent of GDP.

[d] Summarized rates are calculated on a present-value basis. They include the value of the trust funds on January 1, 2017 and the cost of reaching a target trust fund level equal to 100 percent of annual cost at the end of the period.

Notes:

1. The Trustees show income and cost estimates generally on a cash basis for the OASDI program and on an incurred basis for the HI program.

2. Totals do not necessarily equal the sums of rounded components.

To compare trust fund operations expressed as percentages of taxable payroll and those expressed as percentages of GDP, table VI.G5 displays ratios of OASDI taxable payroll to GDP. HI taxable payroll is about 26 percent larger than the OASDI taxable payroll throughout the long-range period; see section 1 of this appendix for a detailed description of the difference. The cost as a percentage of GDP is equal to the cost as a percentage of taxable payroll multiplied by the ratio of taxable payroll to GDP.

Table VI.G5.—Ratio of OASDI Taxable Payroll to GDP, Calendar Years 2017-2095

Calendar year	Intermediate	Low-cost	High-cost
2017	0.366	0.366	0.367
2018	.365	.365	.366
2019	.365	.366	.364
2020	.366	.368	.363
2021	.366	.369	.362
2022	.366	.370	.362
2023	.366	.371	.361
2024	.366	.371	.360
2025	.365	.372	.359
2026	.365	.372	.357
2030	.363	.371	.354
2035	.360	.370	.351
2040	.358	.370	.348
2045	.357	.370	.345
2050	.356	.371	.342
2055	.355	.372	.340
2060	.354	.373	.337
2065	.353	.373	.334
2070	.351	.374	.330
2075	.349	.374	.327
2080	.348	.374	.323
2085	.346	.374	.320
2090	.344	.375	.317
2095	.343	.375	.314

Projections of GDP reflect projected increases in U.S. employment, labor productivity, average hours worked, and the GDP deflator. Projections of taxable payroll reflect the components of growth in GDP along with assumed changes in the ratio of worker compensation to GDP, the ratio of earnings to worker compensation, the ratio of OASDI covered earnings to total earnings, and the ratio of taxable to total covered earnings.

Over the long-range period, the ratio of OASDI taxable payroll to GDP is projected to decline mostly due to a projected decline in the ratio of wages to employee compensation. Over the last five complete economic cycles, the ratio of wages to employee compensation declined at an average annual rate of 0.23 percent. Over the 65-year period ending in 2091, the ratio of wages to employee compensation is projected to decline at an average annual rate of 0.08 and 0.18 percent for the intermediate and high-cost assumptions, respectively, and to increase at an average annual rate of 0.02 percent for the low-cost assumptions.

3. Estimates in Dollars

This section contains long-range projections, in dollars, of the operations of the combined OASI and DI Trust Funds and in some cases the HI Trust Fund. Comparing current dollar values over long periods of time is difficult because of the effect of inflation. In order to compare dollar values in a meaningful way, table VI.G6 provides several economic series or indices which can be used to adjust current dollars for changes in prices, wages, or other aspects of economic growth during the projection period. Any series of values can be adjusted by dividing the value for each year by the corresponding index value for the year.

One of the most common forms of standardization is price indexing, which uses some measure of change in the prices of consumer goods. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W, hereafter referred to as CPI), published by the Bureau of Labor Statistics, Department of Labor, is one such price index. The Social Security Administration (SSA) uses this index to determine the annual cost-of-living increases for OASDI monthly benefits. The ultimate annual rate of increase in the CPI is assumed to be 3.2, 2.6, and 2.0 percent for the low-cost, intermediate, and high-cost sets of assumptions, respectively. Table VI.G7 provides CPI-indexed dollar values (those adjusted using the CPI in table VI.G6), which indicate the relative purchasing power of the values over time.

Wage indexing is another type of standardization. It combines the effects of price inflation and real-wage growth. The wage index presented here is the national average wage index, as defined in section 209(k)(1) of the Social Security Act. SSA uses this index to annually adjust the contribution and benefit base and other earnings-related program amounts. The average wage is assumed to grow by an average rate of 5.0, 3.8, and 2.6 percent under the low-cost, intermediate, and high-cost assumptions, respectively, between 2026 and 2091. Wage-indexed values indicate the level of a series relative to the changing standard of living of workers over time.

The taxable payroll index adjusts for the effects of changes in the number of workers and changes in the proportion of earnings that are taxable, as well as for the effects of price inflation and real-wage growth. The OASDI taxable payroll consists of all earnings subject to OASDI taxation, with an adjustment for the lower effective tax rate on multiple-employer excess wages. A series of values, divided by the taxable payroll, indicates the percentage of payroll that each value represents, and thus the extent to which the series of values increases or decreases as a percent of payroll over time.

The GDP index adjusts for the growth in the aggregate amount of goods and services produced in the United States. Values adjusted by GDP (see section 2 of this appendix) indicate their relative share of the total output of the economy. No explicit assumption is made about growth in taxable payroll or GDP. These series reflect the basic demographic and economic assumptions, as discussed in sections V.A and V.B, respectively.

Discounting at the rate of interest is another way of adjusting current dollars. The compound new-issue interest factor shown in table VI.G6 increases each year by the assumed annualized nominal yield for special public-debt obligations issuable to the trust funds in the 12 months of the prior year. The compound effective trust-fund interest factor shown in table VI.G6 uses the effective annual yield on all currently-held securities in the combined OASI and DI Trust Funds. The reciprocal of the compound effective trust-fund interest factor approximates the cumulative discount factor used to convert nominal dollar values to present values as of the start of the valuation period in order to create summarized values for this report.

Table VI.G6.—Selected Economic Variables, Calendar Years 2016-2095
[GDP and taxable payroll in billions]

Calendar year	Adjusted CPI[a]	Average wage index	Taxable payroll[b]	Gross domestic product	Compound new-issue interest factor[c]	Compound effective trust-fund interest factor[d]
Intermediate:						
2016	97.88	$49,364.95	$6,730	$18,568	0.9821	0.9845
2017	100.00	51,314.31	7,125	19,455	1.0000	1.0150
2018	102.97	53,798.38	7,499	20,531	1.0272	1.0454
2019	105.68	56,223.60	7,896	21,618	1.0655	1.0768
2020	108.42	58,735.48	8,319	22,734	1.1123	1.1096
2021	111.24	61,211.89	8,736	23,865	1.1644	1.1439
2022	114.13	63,609.73	9,145	24,974	1.2215	1.1800
2023	117.10	65,987.64	9,543	26,078	1.2832	1.2182
2024	120.15	68,493.99	9,958	27,242	1.3486	1.2589
2025	123.27	71,119.99	10,387	28,458	1.4192	1.3025
2026	126.48	73,835.30	10,830	29,707	1.4947	1.3495
2030	140.15	85,975.35	12,802	35,314	1.8426	1.6010
2035	159.34	103,983.22	15,743	43,718	2.3934	2.0764
2040	181.16	125,424.18	19,443	54,260	3.1089	2.6971
2045	205.97	151,333.65	24,099	67,488	4.0382	3.5034
2050	234.18	182,762.47	29,842	83,787	5.2454	4.5507
2055	266.24	220,611.01	36,850	103,729	6.8135	5.9111
2060	302.70	266,101.95	45,403	128,183	8.8503	7.6781
2065	344.15	320,460.29	55,852	158,326	11.4960	9.9734
2070	391.28	385,257.44	68,718	195,725	14.9327	12.9548
2075	444.86	462,986.37	84,644	242,244	19.3966	16.8276
2080	505.78	556,082.90	104,211	299,875	25.1951	21.8580
2085	575.04	667,931.06	128,235	370,790	32.7269	28.3922
2090	653.79	802,807.74	157,681	457,775	42.5103	36.8798
2095	743.32	965,223.22	193,712	564,614	55.2183	47.9046
Low-cost:						
2016	97.31	49,397.54	6,734	18,581	.9821	.9845
2017	100.00	51,754.23	7,216	19,694	1.0000	1.0153
2018	103.80	55,183.94	7,756	21,235	1.0353	1.0468
2019	107.29	58,676.00	8,341	22,803	1.0887	1.0810
2020	110.72	62,137.45	8,941	24,306	1.1512	1.1183
2021	114.27	65,352.13	9,517	25,761	1.2182	1.1589
2022	117.92	68,560.54	10,093	27,248	1.2892	1.2030
2023	121.70	71,925.67	10,693	28,822	1.3664	1.2513
2024	125.59	75,501.62	11,330	30,509	1.4509	1.3048
2025	129.61	79,285.59	12,004	32,293	1.5430	1.3641
2026	133.76	83,321.83	12,713	34,137	1.6428	1.4300
2030	151.72	101,768.17	15,800	42,546	2.1143	1.7782
2035	177.60	130,580.71	20,700	55,906	2.8971	2.4333
2040	207.89	166,884.87	27,307	73,815	3.9698	3.3343
2045	243.35	213,272.82	36,268	97,938	5.4395	4.5687
2050	284.86	273,042.76	48,198	129,868	7.4535	6.2603
2055	333.45	349,618.54	63,872	171,688	10.2131	8.5781
2060	390.33	447,370.18	84,457	226,527	13.9944	11.7540
2065	456.91	571,412.52	111,604	298,962	19.1757	16.1058
2070	534.84	728,475.85	147,724	395,425	26.2753	22.0689
2075	626.07	928,334.51	196,049	524,333	36.0035	30.2397
2080	732.86	1,182,372.93	260,182	695,701	49.3334	41.4357
2085	857.87	1,506,091.40	344,830	921,310	67.5987	56.7769
2090	1,004.20	1,919,536.93	456,077	1,216,718	92.6265	77.7980
2095	1,175.49	2,447,034.97	602,367	1,604,573	126.9206	106.6020

Table VI.G6.—Selected Economic Variables, Calendar Years 2016-2095 (Cont.)
[GDP and taxable payroll in billions]

Calendar year	Adjusted CPI[a]	Average wage index	Taxable payroll[b]	Gross domestic product	Compound new-issue interest factor[c]	Compound effective trust-fund interest factor[d]
High-cost:						
2016	98.31	$49,343.60	$6,728	$18,559	0.9821	0.9845
2017	100.00	50,695.11	7,034	19,182	1.0000	1.0149
2018	102.42	51,598.51	7,151	19,540	1.0203	1.0443
2019	104.63	53,039.20	7,325	20,132	1.0385	1.0733
2020	106.72	54,856.54	7,588	20,917	1.0705	1.1024
2021	108.85	56,567.87	7,857	21,699	1.1113	1.1318
2022	111.03	58,266.76	8,125	22,467	1.1558	1.1610
2023	113.25	59,941.26	8,384	23,239	1.2038	1.1901
2024	115.52	61,647.11	8,646	24,027	1.2552	1.2192
2025	117.83	63,324.94	8,903	24,816	1.3091	1.2482
2026	120.18	64,976.83	9,151	25,603	1.3653	1.2776
2030	130.09	72,106.19	10,292	29,038	1.6121	1.4249
2035	143.63	82,170.66	11,890	33,894	1.9844	1.7553
2040	158.58	93,527.24	13,750	39,552	2.4428	2.1608
2045	175.09	106,468.14	15,915	46,144	3.0071	2.6600
2050	193.31	121,279.10	18,370	53,658	3.7017	3.2744
2055	213.43	138,017.54	21,116	62,148	4.5568	4.0307
2060	235.64	156,890.98	24,207	71,831	5.6093	4.9618
2065	260.17	178,068.56	27,680	82,918	6.9050	6.1079
2070	287.25	201,776.47	31,605	95,660	8.5001	7.5188
2075	317.14	228,565.08	36,076	110,347	10.4635	9.2556
2080	350.15	258,790.36	41,122	127,202	12.8805	11.3936
2085	386.59	293,059.28	46,859	146,490	15.8558	14.0255
2090	426.83	332,099.81	53,406	168,587	19.5183	17.2652
2095	471.26	376,451.76	60,854	193,948	24.0269	21.2534

[a] CPI-W indexed to calendar year 2017.
[b] Total earnings subject to OASDI contribution rates, adjusted to reflect the lower effective contribution rates (compared to the combined employee-employer rate) that apply to multiple-employer "excess wages."
[c] For each alternative, incorporates the average of the assumed annual yield for special public-debt obligations issuable to the trust funds in the 12 months of the prior year.
[d] For each alternative, incorporates the annual effective yield for all outstanding special public-debt obligations held by the trust fund, with a half-year's interest effect in each row. The effective yield for a period equals total interest earned during the period divided by the total exposure to interest on asset reserves and all income and outgo items during the period. The reciprocals of the factors approximate the discounting/accumulation factors that are used to calculate summarized rates and balances in this report.

Table VI.G7 shows the operations of the combined OASI and DI Trust Funds in CPI-indexed 2017 dollars—that is, adjusted by the CPI indexing series as discussed above. The following items are presented in the table: (1) non-interest income, (2) interest income, (3) total income, (4) cost, and (5) asset reserves at the end of the year. Non-interest income consists of payroll tax contributions, income from taxation of benefits, and reimbursements from the General Fund of the Treasury, if any. Cost consists of scheduled benefits, administrative expenses, financial interchange with the Railroad Retirement program, and payments for vocational rehabilitation services for disabled beneficiaries. Table VI.G7 shows trust fund operations under the low-cost, intermediate, and high-cost sets of assumptions.

Table VI.G7.—Operations of the Combined OASI and DI Trust Funds, in CPI-indexed 2017 Dollars,[a] Calendar Years 2017-2095
[In billions]

Calendar year	Non-interest income	Interest income	Total income	Cost[b]	Asset reserves at end of year[b]
Intermediate:					
2017	$928.1	$85.7	$1,013.8	$955.2	$2,906.2
2018	941.7	84.0	1,025.7	982.3	2,865.7
2019	967.2	84.0	1,051.2	1,023.5	2,820.2
2020	994.5	84.0	1,078.5	1,062.9	2,764.2
2021	1,020.2	83.5	1,103.7	1,100.7	2,697.1
2022	1,043.4	82.8	1,126.3	1,142.2	2,612.8
2023	1,063.4	82.3	1,145.7	1,185.3	2,507.0
2024	1,084.3	81.5	1,165.8	1,228.8	2,380.5
2025	1,104.1	79.8	1,183.9	1,272.2	2,231.8
2026	1,124.8	77.8	1,202.5	1,316.2	2,061.6
2030[c]	1,205.3	64.7	1,270.0	1,485.8	1,180.7
Low-cost:					
2017	935.0	87.1	1,022.2	952.7	2,917.2
2018	964.3	89.4	1,053.7	975.7	2,888.3
2019	1,003.8	94.4	1,098.2	1,015.1	2,877.4
2020	1,043.2	99.3	1,142.5	1,052.3	2,878.4
2021	1,078.0	104.0	1,181.9	1,086.9	2,884.1
2022	1,109.9	109.6	1,219.5	1,125.0	2,889.2
2023	1,140.8	116.4	1,257.2	1,164.9	2,892.0
2024	1,173.6	123.9	1,297.5	1,205.3	2,894.5
2025	1,205.8	131.5	1,337.3	1,246.0	2,896.0
2026	1,239.5	139.8	1,379.3	1,287.6	2,897.9
2030	1,362.5	172.2	1,534.7	1,459.2	2,864.9
2035	1,527.6	171.0	1,698.6	1,660.5	2,696.7
2040	1,720.2	157.3	1,877.5	1,831.2	2,479.4
2045	1,948.2	156.2	2,104.4	2,005.0	2,483.1
2050	2,209.2	172.3	2,381.5	2,220.8	2,763.6
2055	2,500.5	202.7	2,703.2	2,495.4	3,262.7
2060	2,825.8	239.0	3,064.8	2,829.2	3,845.5
2065	3,190.8	278.6	3,469.4	3,202.4	4,479.8
2070	3,608.6	322.6	3,931.2	3,625.9	5,188.5
2075	4,090.1	376.0	4,466.1	4,085.9	6,061.1
2080	4,632.7	454.7	5,087.4	4,555.1	7,375.0
2085	5,242.3	571.7	5,814.0	5,113.7	9,302.7
2090	5,927.0	710.7	6,637.8	5,842.7	11,541.5
2095	6,694.4	847.9	7,542.3	6,706.6	13,720.9
High-cost:					
2017	920.6	84.8	1,005.4	957.9	2,895.2
2018	905.7	79.2	984.8	986.4	2,825.3
2019	909.9	74.3	984.1	1,032.3	2,717.4
2020	926.1	70.2	996.3	1,075.8	2,584.6
2021	942.8	64.9	1,007.7	1,116.4	2,425.3
2022	958.6	58.4	1,017.0	1,160.7	2,234.1
2023	972.3	51.8	1,024.1	1,206.6	2,007.8
2024	986.2	44.8	1,031.0	1,252.5	1,747.0
2025	997.9	37.2	1,035.1	1,297.9	1,449.9
2026[c]	1,008.9	30.3	1,039.2	1,343.5	1,117.2

[a] CPI-indexed 2017 dollars equal current dollars adjusted by the CPI indexing series in table VI.G6.
[b] Benefit payments which were scheduled to be paid on January 3 for some past and future years were actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.
[c] The combined OASI and DI Trust Funds become depleted in 2034 under the intermediate assumptions and in 2029 under the high-cost assumptions, so estimates for later years are not shown.

Note: Totals do not necessarily equal the sums of rounded components.

Figure VI.G1 compares annual cost with annual total income and annual non-interest income. The figure shows only the OASDI program under intermediate assumptions, and presents values in CPI-indexed 2017 dollars, consistent with table VI.G7. The difference between the income values for each year is equal to the trust fund interest earnings. The figure illustrates that, under intermediate assumptions: (1) annual cost exceeds non-interest income in each year of the projection period; (2) total annual income, which includes interest earnings on trust fund asset reserves, is sufficient to cover annual cost for years 2017 through 2021; and (3) total annual income is not sufficient to cover annual cost for years beginning in 2022. For 2022 through 2033 (the year preceding the year of trust fund reserve depletion), annual cost is covered by drawing down combined trust fund reserves.

Figure VI.G1.—Estimated OASDI Income and Cost in CPI-indexed 2017 Dollars, Based on Intermediate Assumptions
[In billions]

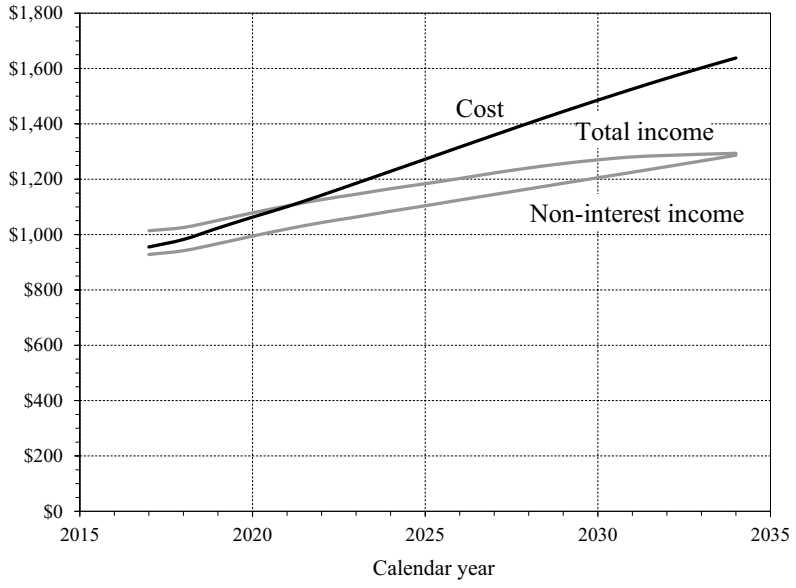


Table VI.G8 shows the operations of the combined OASI and DI Trust Funds in current, or nominal, dollars—that is, in dollars unadjusted for inflation. The following items are presented in the table: (1) non-interest income, (2) interest income, (3) total income, (4) cost, and (5) asset reserves at the end of the year. The Trustees present these estimates using the low-cost, intermediate, and high-cost sets of demographic and economic assumptions to facilitate independent analysis.

Table VI.G8.—Operations of the Combined OASI and DI Trust Funds, in Current Dollars, Calendar Years 2017-2095
[In billions]

Calendar year	Non-interest income	Interest income	Total income	Cost[a]	Asset reserves at end of year[a]
Intermediate:					
2017	$928.1	$85.7	$1,013.8	$955.2	$2,906.2
2018	969.7	86.5	1,056.2	1,011.5	2,950.9
2019	1,022.1	88.8	1,110.9	1,081.6	2,980.2
2020	1,078.2	91.1	1,169.3	1,152.5	2,997.1
2021	1,134.9	92.8	1,227.7	1,224.5	3,000.3
2022	1,190.9	94.6	1,285.4	1,303.6	2,982.2
2023	1,245.2	96.4	1,341.6	1,388.0	2,935.8
2024	1,302.8	97.9	1,400.7	1,476.3	2,860.1
2025	1,361.0	98.3	1,459.3	1,568.3	2,751.2
2026	1,422.6	98.4	1,520.9	1,664.7	2,607.4
2030[b]	1,689.2	90.7	1,779.9	2,082.3	1,654.8
Low-cost:					
2017	935.0	87.1	1,022.2	952.7	2,917.2
2018	1,001.0	92.8	1,093.7	1,012.8	2,998.1
2019	1,077.0	101.3	1,178.2	1,089.1	3,087.2
2020	1,155.1	109.9	1,265.0	1,165.1	3,187.0
2021	1,231.7	118.8	1,350.6	1,242.0	3,295.6
2022	1,308.8	129.2	1,438.0	1,326.7	3,407.0
2023	1,388.4	141.7	1,530.0	1,417.6	3,519.4
2024	1,474.0	155.6	1,629.5	1,513.7	3,635.2
2025	1,562.8	170.4	1,733.2	1,614.9	3,753.5
2026	1,657.9	187.0	1,844.9	1,722.2	3,876.2
2030	2,067.1	261.2	2,328.4	2,213.9	4,346.5
2035	2,713.0	303.7	3,016.7	2,949.0	4,789.2
2040	3,576.1	327.1	3,903.2	3,806.9	5,154.4
2045	4,741.0	380.2	5,121.2	4,879.1	6,042.7
2050	6,293.2	490.9	6,784.1	6,326.2	7,872.3
2055	8,338.0	675.9	9,013.9	8,320.8	10,879.3
2060	11,029.9	933.1	11,962.9	11,043.1	15,010.0
2065	14,579.1	1,272.8	15,851.8	14,631.7	20,468.6
2070	19,300.1	1,725.6	21,025.7	19,392.7	27,750.2
2075	25,607.0	2,353.7	27,960.7	25,580.3	37,946.5
2080	33,951.3	3,332.3	37,283.5	33,382.3	54,048.3
2085	44,972.4	4,904.3	49,876.7	43,868.7	79,805.1
2090	59,519.1	7,137.3	66,656.4	58,671.9	115,899.0
2095	78,691.2	9,967.5	88,658.8	78,835.0	161,287.6
High-cost:					
2017	920.6	84.8	1,005.4	957.9	2,895.2
2018	927.6	81.1	1,008.7	1,010.2	2,893.6
2019	952.0	77.7	1,029.7	1,080.1	2,843.2
2020	988.3	74.9	1,063.3	1,148.1	2,758.3
2021	1,026.3	70.7	1,097.0	1,215.2	2,640.1
2022	1,064.4	64.8	1,129.2	1,288.7	2,480.5
2023	1,101.2	58.6	1,159.8	1,366.4	2,273.9
2024	1,139.3	51.7	1,191.0	1,446.8	2,018.1
2025	1,175.8	43.8	1,219.6	1,529.3	1,708.4
2026[b]	1,212.6	36.4	1,249.0	1,614.7	1,342.7

[a] Benefit payments which were scheduled to be paid on January 3 for some past and future years were actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.

[b] The combined OASI and DI Trust Funds become depleted in 2034 under the intermediate assumptions and in 2029 under the high-cost assumptions, so estimates for later years are not shown.

Note: Totals do not necessarily equal the sums of rounded components.

Table VI.G9 shows values in CPI-indexed 2017 dollars—that is, adjusted by the CPI indexing series discussed at the beginning of this section. This table contains the annual non-interest income and cost of the combined OASI and DI Trust Funds, of the HI Trust Fund, and of the combined OASI, DI, and HI Trust Funds, based on the low-cost, intermediate, and high-cost sets of assumptions. For OASDI, non-interest income consists of payroll tax contributions, proceeds from taxation of OASDI benefits, and reimbursements from the General Fund of the Treasury, if any. Cost consists of scheduled benefits, administrative expenses, financial interchange with the Railroad Retirement program, and payments for vocational rehabilitation services for disabled beneficiaries. For HI, non-interest income consists of payroll tax contributions (including contributions from railroad employment), up to an additional 0.9 percent tax on earned income for relatively high earners, proceeds from the taxation of OASDI benefits, premium revenues, monies from fraud and abuse control activities, and reimbursements from the General Fund of the Treasury, if any. Total cost consists of outlays (scheduled benefits and administrative expenses) for beneficiaries. The Trustees show income and cost estimates generally on a cash basis for the OASDI program[1] and on an incurred basis for the HI program. Table VI.G9 also shows the balance, which equals the difference between non-interest income and cost.

[1] OASDI benefits paid for entitlement for a particular month are generally paid in the succeeding month. There are two primary exceptions to this general rule. First, payments can occur with a greater delay when a benefit award is made after the month of initial benefit entitlement. At the time of benefit award, benefits owed for months of prior entitlement are then also paid to the beneficiary. For the projections in this report, such retroactive payments are included in the period where they are paid (at time of award). Second, when benefit payments scheduled for January 3 are paid on the prior December 31, because January 3 falls on a Sunday, such payments are shown in this report for the period they were scheduled to be paid.

Table VI.G9.—OASDI and HI Annual Non-interest Income, Cost, and Balance in CPI-Indexed Dollars, Calendar Years 2017-2095
[In billions]

Calendar year	OASDI			HI			Combined		
	Non-interest income	Cost[a]	Balance[a]	Non-interest income	Cost	Balance	Non-interest income	Cost[a]	Balance[a]
Intermediate:									
2017	$928	$955	-$27	$299	$296	$3	$1,227	$1,251	-$24
2018	942	982	-41	309	300	9	1,250	1,282	-31
2019	967	1,023	-56	319	312	8	1,287	1,335	-49
2020	994	1,063	-68	330	326	4	1,324	1,389	-64
2021	1,020	1,101	-81	340	340	-1	1,360	1,441	-81
2022	1,043	1,142	-99	349	356	-7	1,392	1,498	-106
2023	1,063	1,185	-122	357	372	-15	1,420	1,557	-137
2024	1,084	1,229	-144	365	386	-21	1,449	1,615	-165
2025	1,104	1,272	-168	374	399	-25	1,478	1,671	-193
2026	1,125	1,316	-191	383	422	-39	1,507	1,738	-230
2030	1,205	1,486	-280	418	480	-62	1,623	1,966	-342
2035	1,308	1,672	-364	463	558	-95	1,771	2,230	-460
2040	1,422	1,820	-399	511	631	-120	1,933	2,451	-519
2045	1,549	1,956	-407	565	702	-137	2,113	2,658	-545
2050	1,686	2,111	-425	624	766	-142	2,310	2,877	-567
2055	1,832	2,300	-468	689	826	-138	2,521	3,127	-606
2060	1,988	2,524	-536	760	895	-135	2,747	3,419	-671
2065	2,153	2,770	-616	836	977	-141	2,989	3,747	-758
2070	2,333	3,043	-710	919	1,074	-156	3,252	4,117	-866
2075	2,530	3,330	-800	1,009	1,181	-172	3,539	4,511	-972
2080	2,740	3,608	-868	1,105	1,286	-181	3,845	4,893	-1,049
2085	2,966	3,914	-948	1,207	1,390	-183	4,173	5,304	-1,131
2090	3,210	4,280	-1,070	1,319	1,503	-184	4,530	5,784	-1,254
2095	3,473	4,683	-1,211	1,440	1,623	-184	4,912	6,307	-1,395
Low-cost:									
2017	935	953	-18	303	289	14	1,238	1,241	-4
2018	964	976	-11	316	287	29	1,280	1,262	18
2019	1,004	1,015	-11	331	296	35	1,335	1,311	24
2020	1,043	1,052	-9	344	306	39	1,388	1,358	30
2021	1,078	1,087	-9	356	315	41	1,434	1,402	32
2022	1,110	1,125	-15	366	325	42	1,476	1,450	27
2023	1,141	1,165	-24	377	334	42	1,518	1,499	18
2024	1,174	1,205	-32	388	343	45	1,562	1,548	13
2025	1,206	1,246	-40	400	350	50	1,606	1,596	10
2026	1,239	1,288	-48	412	365	46	1,651	1,653	-2
2030	1,362	1,459	-97	462	395	67	1,824	1,854	-30
2035	1,528	1,661	-133	530	430	100	2,058	2,091	-33
2040	1,720	1,831	-111	609	457	152	2,329	2,288	41
2045	1,948	2,005	-57	702	480	222	2,651	2,485	166
2050	2,209	2,221	-12	811	506	305	3,020	2,727	294
2055	2,501	2,495	5	935	539	396	3,435	3,034	401
2060	2,826	2,829	-3	1,074	588	486	3,900	3,417	483
2065	3,191	3,202	-12	1,230	662	569	4,421	3,864	557
2070	3,609	3,626	-17	1,409	761	648	5,018	4,387	631
2075	4,090	4,086	4	1,614	876	737	5,704	4,962	742
2080	4,633	4,555	78	1,843	999	843	6,476	5,554	921
2085	5,242	5,114	129	2,102	1,131	971	7,344	6,245	1,099
2090	5,927	5,843	84	2,397	1,279	1,118	8,324	7,122	1,203
2095	6,694	6,707	-12	2,733	1,443	1,290	9,427	8,149	1,278

Table VI.G9.—OASDI and HI Annual Non-interest Income, Cost, and Balance in CPI-Indexed Dollars, Calendar Years 2017-2095 (Cont.)
[In billions]

Calendar year	OASDI			HI			Combined		
	Non-interest income	Cost[a]	Balance[a]	Non-interest income	Cost	Balance	Non-interest income	Cost[a]	Balance[a]
High-cost:									
2017	$921	$958	-$37	$296	$302	-$6	$1,217	$1,260	-$43
2018	906	986	-81	296	307	-11	1,201	1,293	-92
2019	910	1,032	-122	300	319	-19	1,210	1,351	-141
2020	926	1,076	-150	309	337	-28	1,235	1,413	-178
2021	943	1,116	-174	317	358	-41	1,260	1,474	-214
2022	959	1,161	-202	325	380	-55	1,283	1,541	-257
2023	972	1,207	-234	332	403	-72	1,304	1,610	-306
2024	986	1,252	-266	339	426	-87	1,325	1,678	-353
2025	998	1,298	-300	346	446	-100	1,344	1,744	-400
2026	1,009	1,344	-335	352	478	-125	1,361	1,821	-460
2030	1,055	1,506	-451	375	573	-198	1,430	2,079	-649
2035	1,109	1,674	-565	402	711	-309	1,512	2,385	-874
2040	1,165	1,799	-634	429	856	-427	1,594	2,656	-1,062
2045	1,222	1,901	-679	456	1,007	-551	1,678	2,908	-1,230
2050	1,279	2,003	-724	483	1,137	-654	1,762	3,140	-1,378
2055	1,333	2,120	-786	510	1,242	-732	1,843	3,362	-1,519
2060	1,388	2,254	-866	538	1,332	-795	1,926	3,586	-1,661
2065	1,441	2,396	-955	566	1,410	-844	2,007	3,806	-1,799
2070	1,495	2,551	-1,057	595	1,481	-886	2,090	4,032	-1,942
2075	1,550	2,709	-1,159	625	1,552	-926	2,175	4,261	-2,085
2080	1,603	2,848	-1,244	655	1,609	-954	2,258	4,456	-2,198
2085	1,657	2,983	-1,326	684	1,657	-973	2,341	4,640	-2,299
2090	1,714	3,126	-1,412	715	1,708	-993	2,429	4,834	-2,405
2095	1,771	3,265	-1,494	746	1,759	-1,013	2,518	5,025	-2,507

[a] OASDI benefit payments which were scheduled to be paid on January 3 for some past and future years were actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.

Note: Totals do not necessarily equal the sums of rounded components.

Table VI.G10 shows values in current, or nominal, dollars—that is, in dollars unadjusted for inflation. This table contains the annual non-interest income, cost, and balance of the combined OASI and DI Trust Funds, of the HI Trust Fund, and of the combined OASI, DI, and HI Trust Funds, based on the low-cost, intermediate, and high-cost sets of assumptions.

Table VI.G10.—OASDI and HI Annual Non-interest Income, Cost, and Balance in Current Dollars, Calendar Years 2017-2095

[In billions]

Calendar year	OASDI			HI			Combined		
	Non-interest income	Cost[a]	Balance[a]	Non-interest income	Cost	Balance	Non-interest income	Cost[a]	Balance[a]
Intermediate:									
2017	$928	$955	-$27	$299	$296	$3	$1,227	$1,251	-$24
2018	970	1,012	-42	318	308	10	1,288	1,320	-32
2019	1,022	1,082	-59	337	329	8	1,360	1,411	-51
2020	1,078	1,152	-74	358	353	4	1,436	1,506	-70
2021	1,135	1,224	-90	378	379	-1	1,513	1,603	-90
2022	1,191	1,304	-113	398	407	-8	1,589	1,710	-121
2023	1,245	1,388	-143	418	435	-18	1,663	1,823	-160
2024	1,303	1,476	-174	439	464	-25	1,742	1,940	-199
2025	1,361	1,568	-207	461	491	-31	1,822	2,060	-238
2026	1,423	1,665	-242	484	533	-49	1,907	2,198	-291
2030	1,689	2,082	-393	586	672	-87	2,275	2,755	-480
2035	2,084	2,665	-580	737	889	-152	2,821	3,554	-733
2040	2,576	3,298	-722	925	1,143	-218	3,501	4,441	-940
2045	3,190	4,029	-839	1,163	1,445	-283	4,353	5,474	-1,122
2050	3,949	4,944	-995	1,461	1,793	-332	5,410	6,737	-1,328
2055	4,878	6,124	-1,246	1,834	2,200	-366	6,712	8,324	-1,613
2060	6,017	7,641	-1,624	2,299	2,708	-409	8,317	10,349	-2,033
2065	7,411	9,532	-2,121	2,876	3,362	-486	10,287	12,894	-2,607
2070	9,129	11,906	-2,777	3,595	4,204	-610	12,724	16,110	-3,387
2075	11,255	14,816	-3,561	4,490	5,254	-764	15,745	20,070	-4,325
2080	13,858	18,248	-4,390	5,587	6,502	-915	19,445	24,750	-5,305
2085	17,055	22,506	-5,452	6,942	7,994	-1,053	23,996	30,501	-6,504
2090	20,989	27,985	-6,996	8,624	9,828	-1,204	29,614	37,813	-8,200
2095	25,813	34,811	-8,999	10,700	12,067	-1,367	36,513	46,878	-10,366
Low-cost:									
2017	935	953	-18	303	289	14	1,238	1,241	-4
2018	1,001	1,013	-12	328	298	30	1,329	1,310	19
2019	1,077	1,089	-12	355	317	38	1,432	1,407	25
2020	1,155	1,165	-10	381	339	43	1,536	1,504	33
2021	1,232	1,242	-10	407	360	47	1,638	1,602	37
2022	1,309	1,327	-18	432	383	49	1,741	1,709	31
2023	1,388	1,418	-29	459	407	52	1,847	1,825	22
2024	1,474	1,514	-40	487	431	57	1,961	1,944	17
2025	1,563	1,615	-52	518	453	65	2,081	2,068	13
2026	1,658	1,722	-64	551	489	62	2,209	2,211	-2
2030	2,067	2,214	-147	701	599	102	2,768	2,813	-45
2035	2,713	2,949	-236	942	764	178	3,655	3,713	-58
2040	3,576	3,807	-231	1,266	949	317	4,842	4,756	86
2045	4,741	4,879	-138	1,709	1,168	541	6,450	6,047	403
2050	6,293	6,326	-33	2,311	1,442	869	8,604	7,768	836
2055	8,338	8,321	17	3,117	1,796	1,320	11,455	10,117	1,337
2060	11,030	11,043	-13	4,192	2,295	1,897	15,222	13,338	1,884
2065	14,579	14,632	-53	5,622	3,023	2,599	20,201	17,655	2,546
2070	19,300	19,393	-93	7,536	4,071	3,465	26,836	23,463	3,373
2075	25,607	25,580	27	10,102	5,486	4,617	35,709	31,066	4,643
2080	33,951	33,382	569	13,505	7,324	6,182	47,457	40,706	6,751
2085	44,972	43,869	1,104	18,031	9,706	8,326	63,004	53,574	9,429
2090	59,519	58,672	847	24,072	12,843	11,230	83,591	71,514	12,077
2095	78,691	78,835	-144	32,122	16,959	15,163	110,813	95,794	15,019

Table VI.G10.—OASDI and HI Annual Non-interest Income, Cost, and Balance in Current Dollars, Calendar Years 2017-2095 (Cont.)
[In billions]

Calendar year	OASDI			HI			Combined		
	Non-interest income	Cost[a]	Balance[a]	Non-interest income	Cost	Balance	Non-interest income	Cost[a]	Balance[a]
High-cost:									
2017	$921	$958	-$37	$296	$302	-$6	$1,217	$1,260	-$43
2018	928	1,010	-83	303	314	-11	1,230	1,325	-94
2019	952	1,080	-128	314	334	-20	1,266	1,414	-148
2020	988	1,148	-160	329	360	-30	1,318	1,508	-190
2021	1,026	1,215	-189	345	389	-44	1,371	1,605	-233
2022	1,064	1,289	-224	361	422	-62	1,425	1,711	-286
2023	1,101	1,366	-265	376	457	-81	1,477	1,823	-346
2024	1,139	1,447	-308	392	492	-100	1,531	1,938	-408
2025	1,176	1,529	-353	408	525	-118	1,583	2,054	-471
2026	1,213	1,615	-402	423	574	-151	1,636	2,189	-553
2030	1,372	1,959	-587	488	746	-258	1,860	2,704	-844
2035	1,593	2,404	-811	578	1,021	-444	2,171	3,426	-1,255
2040	1,847	2,853	-1,006	680	1,358	-678	2,528	4,211	-1,684
2045	2,140	3,328	-1,188	799	1,763	-965	2,938	5,091	-2,153
2050	2,472	3,872	-1,400	933	2,197	-1,264	3,405	6,069	-2,664
2055	2,846	4,524	-1,678	1,088	2,651	-1,563	3,934	7,175	-3,241
2060	3,271	5,311	-2,041	1,267	3,140	-1,872	4,538	8,451	-3,913
2065	3,749	6,233	-2,484	1,472	3,668	-2,196	5,222	9,902	-4,680
2070	4,294	7,329	-3,035	1,709	4,253	-2,544	6,003	11,582	-5,579
2075	4,915	8,591	-3,675	1,983	4,921	-2,938	6,899	13,512	-6,613
2080	5,614	9,971	-4,357	2,292	5,633	-3,341	7,906	15,604	-7,698
2085	6,407	11,532	-5,125	2,645	6,406	-3,762	9,052	17,938	-8,886
2090	7,315	13,342	-6,027	3,051	7,291	-4,240	10,366	20,633	-10,267
2095	8,347	15,389	-7,042	3,517	8,291	-4,774	11,864	23,680	-11,816

[a] OASDI benefit payments which were scheduled to be paid on January 3 for some past and future years were actually paid on December 31 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. For comparability with the values for historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment each year.

Note: Totals do not necessarily equal the sums of rounded components.

H. ANALYSIS OF BENEFIT DISBURSEMENTS FROM THE OASI TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES

(Required by section 201(c) of the Social Security Act)

Effective January 1957, the OASI Trust Fund pays monthly benefits to disabled children aged 18 and over of retired and deceased workers if the disability began before age 18. The age by which disability must have begun was later changed to age 22. Effective February 1968, the OASI Trust Fund pays reduced monthly benefits to disabled widows and widowers at ages 50 and over. Effective January 1991, the requirements for the disability of the widow or widower were made less restrictive.

At the end of 2016, the OASI Trust Fund was providing monthly benefit payments to about 1,109,000 people because of their disabilities or the disabilities of children. This total includes approximately 25,000 mothers and fathers (wives or husbands under normal retirement age of retired-worker beneficiaries and widows or widowers of deceased insured workers) who met all other qualifying requirements and were receiving unreduced benefits solely because they had disabled-child beneficiaries (or disabled children aged 16 or 17) in their care. In calendar year 2016, the OASI Trust Fund paid a total of $11,025[1] million to the people described above. Table VI.H1 shows OASI scheduled benefits for disability for selected calendar years during 1960 through 2016 and estimates for 2017 through 2026 based on the intermediate set of assumptions.

[1] Benefit payments which were scheduled to be paid on January 3, 2016 were actually paid on December 31, 2015 as required by the statutory provision for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or public holiday. For comparability with the values for historical years and the projections in this report, all benefit amounts in this section reflect the 12 months of benefits scheduled for payment in each year.

Table VI.H1.—Scheduled Benefit Disbursements From the OASI Trust Fund With Respect to Disabled Beneficiaries

[Beneficiaries in thousands; scheduled benefits in millions]

Calendar year	Disabled beneficiaries, end of year			Amount of scheduled benefits[a] [b]		
	Total	Children[c]	Widows-widowers[d]	Total	Children[c]	Widows-widowers[e]
Historical data:						
1960	117	117	—	$59	$59	—
1965	214	214	—	134	134	—
1970	316	281	36	301	260	$41
1975	435	376	58	664	560	104
1980	519	460	59	1,223	1,097	126
1985	594	547	47	2,072	1,885	187
1990	662	613	49	2,882	2,649	233
1995	772	681	91	4,202	3,672	531
2000	811	707	104	5,203	4,523	680
2005	836	728	108	6,449	5,556	834
2006	840	732	108	6,720	5,852	864
2007	851	744	107	7,053	6,181	869
2008	922	813	109	7,688	6,776	908
2009	969	857	112	8,595	7,618	974
2010	996	879	117	8,858	7,848	1,008
2011	1,020	899	121	9,136	8,085	1,050
2012	1,045	920	125	9,698	8,595	1,102
2013	1,065	939	126	9,953	8,840	1,109
2014	1,079	954	125	10,326	9,217	1,108
2015	1,096	972	124	10,736	9,624	1,109
2016	1,109	988	121	11,025	9,933	1,087
Estimates under the intermediate assumptions:						
2017	1,123	1,005	117	11,227	10,167	1,048
2018	1,136	1,022	114	11,708	10,659	1,038
2019	1,149	1,039	110	12,297	11,251	1,034
2020	1,161	1,055	107	12,853	11,811	1,031
2021	1,174	1,070	104	13,410	12,364	1,034
2022	1,186	1,085	101	13,986	12,934	1,038
2023	1,199	1,100	99	14,573	13,520	1,039
2024	1,211	1,114	97	15,208	14,141	1,053
2025	1,223	1,128	95	15,889	14,810	1,063
2026	1,235	1,141	94	16,602	15,500	1,085

[a] Beginning in 1966, includes payments for vocational rehabilitation services.

[b] Amounts for 2015 and 2016 are adjusted to include in 2016 operations those benefit payments regularly scheduled in the law to be paid on January 3, 2016, which were actually paid on December 31, 2015 as required by the statutory provision for early benefit payments when the normal delivery date is on a Saturday, Sunday, or public holiday. Such shifts in payments across calendar years occur periodically whenever January 3rd falls on a Sunday. In order to provide a consistent perspective on scheduled benefits over time, scheduled benefits in each year reflect the 12 months of benefits that are regularly scheduled for payment in that year.

[c] Also includes certain mothers and fathers (see text).

[d] In 1984 and later years, includes only disabled widows and widowers aged 50-59, because disabled widows and widowers age 60 and older are eligible for the same benefit as a nondisabled aged widow or widower. Therefore, they are not receiving benefits solely because of a disability.

[e] In 1983 and prior years, includes the offsetting effect of lower benefits payable to disabled widows and widowers who continued to receive benefits after attaining age 60 (62, for disabled widowers prior to 1973), compared to the higher nondisabled widow's and widower's benefits that would otherwise be payable. In 1984 and later years, includes only scheduled benefits to disabled widows and widowers aged 50-59 (see footnote d).

Note: Totals do not necessarily equal the sums of rounded components.

Under the intermediate assumptions, estimated total scheduled benefits from the OASI Trust Fund with respect to disabled beneficiaries will increase

from $11,227 million in calendar year 2017 to $16,602 million in calendar year 2026.

In calendar year 2016, benefit payments (including expenditures for vocational rehabilitation services) with respect to disabled persons from the OASI Trust Fund and from the DI Trust Fund (including payments from the DI fund to all children and spouses of disabled-worker beneficiaries) totaled $153,824 million. Of this amount, $11,025 million, or 7.2 percent, represented payments from the OASI Trust Fund. Table VI.H2 contains these and similar figures for selected calendar years during 1960 through 2016 and estimates for calendar years 2017 through 2026.

Table VI.H2.—Scheduled Benefit Disbursements[a] Under the OASDI Program With Respect to Disabled Beneficiaries
[Amounts in millions]

Calendar year	Total[b]	DI Trust Fund[c]	OASI Trust Fund	
			Amount[d]	Percentage of total
Historical data:				
1960	$627	$568	$59	9.4
1965	1,707	1,573	134	7.9
1970	3,386	3,085	301	8.9
1975	9,169	8,505	664	7.2
1980	16,738	15,515	1,223	7.3
1985	20,908	18,836	2,072	9.9
1990	27,717	24,835	2,882	10.4
1995	45,140	40,937	4,202	9.3
2000	60,204	55,001	5,203	8.6
2005	91,835	85,386	6,449	7.0
2006	99,165	92,446	6,720	6.8
2007	106,200	99,147	7,053	6.6
2008	114,064	106,376	7,688	6.7
2009	127,002	118,407	8,595	6.8
2010	133,103	124,245	8,858	6.7
2011	138,115	128,979	9,136	6.6
2012	146,623	136,925	9,698	6.6
2013	150,108	140,155	9,953	6.6
2014	152,031	141,705	10,326	6.8
2015	154,124	143,388	10,736	7.0
2016	153,824	142,800	11,025	7.2
Estimates under the intermediate assumptions:				
2017	155,892	144,665	11,227	7.2
2018	161,196	149,488	11,708	7.3
2019	167,924	155,627	12,297	7.3
2020	174,038	161,185	12,853	7.4
2021	180,969	167,559	13,410	7.4
2022	188,632	174,646	13,986	7.4
2023	197,180	182,607	14,573	7.4
2024	205,774	190,565	15,208	7.4
2025	215,147	199,258	15,889	7.4
2026	225,008	208,405	16,602	7.4

[a] Amounts for 2015 and 2016 are adjusted to include in 2016 operations those benefit payments regularly scheduled in the law to be paid on January 3, 2016, which were actually paid on December 31, 2015 as required by the statutory provision for early benefit payments when the normal delivery date is on a Saturday, Sunday, or public holiday. Such shifts in payments across calendar years occur periodically whenever January 3rd falls on a Sunday. In order to provide a consistent perspective on scheduled benefits over time, scheduled benefits in each year reflect the 12 months of benefits that are regularly scheduled for payment in that year.

[b] Beginning in 1966, includes payments for vocational rehabilitation services.

[c] Scheduled benefits for disabled workers and their children and spouses.

[d] Scheduled benefits for disabled children aged 18 and over, for certain mothers and fathers (see text), and for disabled widows and widowers (see footnote e, table VI.H1).

Note: Totals do not necessarily equal the sums of rounded components.

I. GLOSSARY

Actuarial balance. The difference between the summarized income rate and the summarized cost rate as a percentage of taxable payroll over a given valuation period.

Actuarial deficit. A negative actuarial balance.

Administrative expenses. Expenses incurred by the Social Security Administration and the Department of the Treasury in administering the OASDI program and the provisions of the Internal Revenue Code relating to the collection of contributions. Such administrative expenses are paid from the OASI and DI Trust Funds.

Advance tax transfers. Amounts representing the estimated total OASDI tax contributions for a given month. From May 1983 through November 1990, such amounts were credited to the OASI and DI Trust Funds at the beginning of each month. The trust funds reimbursed the General Fund of the Treasury for the associated loss of interest. Advance tax transfers are no longer made unless needed in order to pay benefits.

Alternatives I, II, or III. See "Assumptions."

Annual balance. The difference between the income rate and the cost rate for a given year.

Asset reserves. Treasury notes and bonds, other securities guaranteed by the Federal Government, certain Federally sponsored agency obligations, and cash, held by the trust funds for investment purposes.

Assumptions. Values related to future trends in key factors that affect the trust funds. Demographic assumptions include fertility, mortality, net immigration, marriage, and divorce. Economic assumptions include unemployment rates, average earnings, inflation, interest rates, and productivity. Program-specific assumptions include retirement patterns, and disability incidence and termination rates. This report presents three sets of demographic, economic, and program-specific assumptions:

- Alternative II is the intermediate set of assumptions, and represents the Trustees' best estimates of likely future demographic, economic, and program-specific conditions.
- Alternative I is a low-cost set of assumptions—it assumes relatively rapid economic growth, high inflation, and favorable (from the standpoint of program financing) demographic and program-specific conditions.
- Alternative III is a high-cost set of assumptions—it assumes relatively slow economic growth, low inflation, and unfavorable (from the standpoint of program financing) demographic and program-specific conditions.

See tables V.A2, V.B1, and V.B2.

Automatic cost-of-living benefit increase. The annual increase in benefits, effective for December, reflecting the increase, if any, in the cost of living. A benefit increase is applicable only after a beneficiary becomes eligible for benefits. In general, the benefit increase equals the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) measured from the third quarter of the previous year to the third quarter of the current year. If there is no increase in the CPI-W, there is no cost-of-living benefit increase. See table V.C1.

Auxiliary benefits. Monthly benefits payable to a spouse or child of a retired or disabled worker, or to a survivor of a deceased worker.

Average indexed monthly earnings—AIME. The measure of lifetime earnings used in determining the primary insurance amount (PIA) for most workers who attain age 62, become disabled, or die after 1978. A worker's actual past earnings are adjusted by changes in the average wage index, in order to bring them up to their approximately equivalent value at the time of retirement or other eligibility for benefits.

Average wage index—AWI. A series that generally increases with the average amount of total wages for each year after 1950, including wages in noncovered employment and wages in covered employment in excess of the OASDI contribution and benefit base. (See Title 20, Chapter III, section 404.211(c) of the Code of Federal Regulations for a more precise definition.) These average wage amounts are used to index the taxable earnings of most workers first becoming eligible for benefits in 1979 or later, and for automatic adjustments in the contribution and benefit base, bend points, earnings test exempt amounts, and other wage-indexed amounts. See table V.C1.

Award. An administrative determination that an individual is entitled to receive a specified type of OASDI benefit. Awards can represent not only new entrants to the benefit rolls but also persons already on the rolls who become entitled to a different type of benefit. Awards usually result in the immediate payment of benefits, although payments may be deferred or withheld depending on the individual's particular circumstances.

Baby boom. The period from the end of World War II (1946) through 1965 marked by unusually high birth rates.

Bend points. The dollar amounts defining the AIME or PIA brackets in the benefit formulas. For the bend points for years 1979 and later, see table V.C2.

Beneficiary. A person who has been awarded benefits on the basis of his or her own or another's earnings record. The benefits may be either in current-payment status or withheld.

Benefit award. See "Award."

Benefit conversion. See "Disability conversion."

Benefit payments. The amounts disbursed for OASI and DI benefits by the Department of the Treasury.

Benefit termination. See "Termination."

Best estimate assumptions. See "Assumptions."

Board. See "Board of Trustees."

Board of Trustees. A Board established by the Social Security Act to oversee the financial operations of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund. The Board is composed of six members. Four members serve by virtue of their positions in the Federal Government: the Secretary of the Treasury, who is the Managing Trustee; the Secretary of Labor; the Secretary of Health and Human Services; and the Commissioner of Social Security. The President appoints and the Senate confirms the other two members to serve as public representatives. Also referred to as the "Board" or the "Trustees."

Cash flow. Actual or projected revenue and costs reflecting the levels of payroll tax contribution rates and benefits scheduled in the law. Net cash flow is the difference between non-interest income and cost.

Consumer Price Index—CPI. An official measure of inflation in consumer prices. In this report, CPI refers to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The Bureau of Labor Statistics, Department of Labor, publishes historical values for the CPI-W.

Contribution and benefit base. Annual dollar amount above which earnings in employment covered under the OASDI program are neither taxable nor creditable for benefit-computation purposes. (Also referred to as maximum contribution and benefit base, annual creditable maximum, taxable maximum, and maximum taxable.) See tables V.C1 and V.C6. See "Hospital Insurance (HI) contribution base."

Contributions. See "Payroll tax contributions."

Conversion. See "Disability conversion."

Cost. The cost shown for a year includes benefits scheduled for payment in the year, administrative expenses, financial interchange with the Railroad Retirement program, and payments for vocational rehabilitation services for disabled beneficiaries.

Cost-of-living adjustment. See "Automatic cost-of-living benefit increase."

Cost rate. The cost rate for a year is the ratio of the cost of the program to the taxable payroll for the year.

Covered earnings. Wages or earnings from self-employment covered by the OASDI program.

Covered employment. All employment for which earnings are creditable for Social Security purposes. The program covers almost all employment. Some exceptions are:

- State and local government employees whose employer has not elected to be covered under Social Security and who are participating in an employer-provided pension plan.
- Current Federal civilian workers hired before 1984 who have not elected to be covered.
- Self-employed workers earning less than $400 in a calendar year.

Covered worker. A person who has earnings creditable for Social Security purposes based on services for wages in covered employment or income from covered self-employment.

CPI-indexed dollars. Amounts adjusted by the CPI to the value of the dollar in a particular year.

Creditable earnings. Wages or self-employment earnings posted to a worker's earnings record. Such earnings determine eligibility for benefits and the amount of benefits on that worker's record. The contribution and benefit base is the maximum amount of creditable earnings for each worker in a calendar year.

Current-cost financing. See "Pay-as-you-go financing."

Current dollars. Amounts expressed in nominal dollars with no adjustment for inflation.

Currently insured status. A worker acquires currently insured status when he or she has accumulated six quarters of coverage during the 13-quarter period ending with the current quarter.

Current-payment status. Status of a beneficiary to whom a benefit is being paid for a given month (with or without deductions, provided the deductions add to less than a full month's benefit).

Deemed filing. Under certain circumstances, a person applying for or receiving either an aged-spouse benefit or a retired-worker benefit is required to also file for the other of these two types of benefits. For those first eligible for benefits before 2016, this requirement applies to any person under normal retirement age who is eligible for the other benefit as of the starting month for the first benefit. For those first eligible for benefits in 2016 and later, this requirement applies whenever the person is eligible for the other benefit. This can occur at any age, and in months after the starting month of the first benefit.

Deemed wage credit. See "Military service wage credits."

Delayed retirement credits. Increases in the benefit amount for certain individuals who did not receive benefits for months after attaining normal retirement age but before age 70. Delayed retirement credits apply to benefits for

January of the year following the year they are earned or for the month of attainment of age 70, whichever comes first. See table V.C3.

Demographic assumptions. See "Assumptions."

Disability. For Social Security purposes, the inability to engage in substantial gainful activity (see "Substantial gainful activity—SGA") by reason of any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than 12 months. Special rules apply for workers at ages 55 and over whose disability is based on blindness.

The law generally requires that a person be disabled continuously for 5 months before he or she can qualify for a disabled-worker benefit.

Disability conversion ratio. For a given year, the ratio of the number of disability conversions to the average number of disabled-worker beneficiaries at all ages during the year.

Disability conversion. Upon attainment of normal retirement age, a disabled-worker beneficiary is automatically converted to retired-worker status.

Disability incidence rate. The proportion of workers in a given year, insured for but not receiving disability benefits, who apply for and are awarded disability benefits.

Disability Insurance (DI) Trust Fund. See "Trust fund."

Disability insured status. A worker acquires disability insured status if he or she is: (1) a fully insured worker who has accumulated 20 quarters of coverage during the 40-quarter period ending with the current quarter, (2) a fully insured worker aged 24-30 who has accumulated quarters of coverage during one-half of the quarters elapsed after the quarter of attainment of age 21 and up to and including the current quarter, or (3) a fully insured worker under age 24 who has accumulated six quarters of coverage during the 12-quarter period ending with the current quarter.

Disability prevalence rate. The proportion of persons insured for disability benefits who are disabled-worker beneficiaries in current-payment status.

Disability termination rate. The proportion of disabled-worker beneficiaries in a given year whose disability benefits terminate as a result of their recovery or death.

Disabled-worker benefit. A monthly benefit payable to a disabled worker under normal retirement age and insured for disability. Before November 1960, disability benefits were limited to disabled workers aged 50-64.

Disbursements. Actual expenditures (outgo) made or expected to be made under current law, including benefits paid or payable, administrative expenses, financial interchange with the Railroad Retirement program, and payments for vocational rehabilitation services for disabled beneficiaries.

Dual entitlement. A person may be entitled to more than one benefit at the same time. For example, a person may be entitled as a retired worker on his or her own record and as a spouse on another record. However, a person's benefit amount can never exceed the highest single benefit to which that person is entitled. Some benefits are calculated independently with the larger benefit being paid or the smaller benefit being paid plus the excess amount of the larger one.

Earnings. Unless otherwise qualified, all wages from employment and net earnings from self-employment, whether or not they are taxable or covered.

Earnings test. The provision requiring the withholding of benefits if beneficiaries under normal retirement age have earnings in excess of certain exempt amounts. See table V.C1.

Economic assumptions. See "Assumptions."

Effective interest rate. See "Interest rate."

Excess wages. Wages in excess of the contribution and benefit base on which a worker initially makes payroll tax contributions, usually as a result of working for more than one employer during a year. Employee payroll taxes on excess wages are refundable to affected employees, while the employer taxes are not refundable.

Expenditures. See "Disbursements."

Federal Insurance Contributions Act—FICA. Provision authorizing payroll taxes on the wages of employed persons to provide for Old-Age, Survivors, and Disability Insurance, and for Hospital Insurance. Workers and their employers generally pay the tax in equal amounts.

File and suspend. The ability to apply for a retired-worker benefit at or after normal retirement age, then voluntarily suspend it, allowing the worker to earn delayed retirement credits and a spouse or child to receive benefits on the worker's record. Voluntary suspensions which are requested after April 29, 2016 will no longer allow spouses (other than divorced spouses) and children to receive benefits while the worker's benefit is suspended.

Financial interchange. Provisions of the Railroad Retirement Act providing for transfers between the trust funds and the Social Security Equivalent Benefit Account of the Railroad Retirement program in order to place each trust fund in the same financial position it would have been had railroad employment always been covered under Social Security.

Fiscal year. The accounting year of the United States Government. A fiscal year is the 12-month period ending September 30. For example, fiscal year 2017 began October 1, 2016, and will end September 30, 2017.

Full advance funding. A financing method in which contributions are established to match the full cost of future benefits as these costs are incurred through current service. Such financing methods also provide for amortiza-

tion over a fixed period of any financial obligation that is incurred at the beginning of the program (or subsequent modification) as a result of granting credit for past service.

Fully insured status. A worker acquires fully insured status when his or her total number of quarters of coverage is greater than or equal to the number of years elapsed after the year of attainment of age 21 (but not less than six). Once a worker has accumulated 40 quarters of coverage, he or she remains permanently fully insured.

General Fund of the Treasury. Funds held by the Treasury of the United States, other than receipts collected for a specific purpose (such as Social Security), and maintained in a separate account for that purpose.

General Fund reimbursements. Payments from the General Fund of the Treasury to the trust funds for specific purposes defined in the law, including:

- The cost of noncontributory wage credits for military service before 1957, and periodic adjustments of previous determinations.
- The cost in 1971-82 of deemed wage credits for military service performed after 1956.
- The cost of benefits to certain uninsured persons who attained age 72 before 1968.
- The cost of payroll tax credits provided to employees in 1984 and self-employed persons in 1984-89 by Public Law 98-21.
- The cost in 2009-17 of excluding certain self-employment earnings from SECA taxes under Public Law 110-246.
- Payroll tax revenue forgone under the provisions of Public Laws 111-147, 111-312, 112-78, and 112-96.

The General Fund also reimburses the trust funds for various other items, including interest on checks which are not negotiated 6 months after the month of issue and costs incurred in performing certain legislatively mandated activities not directly related to administering the OASI and DI programs.

Gross domestic product—GDP. The total dollar value of all goods and services produced by labor and property located in the United States, regardless of who supplies the labor or property.

Hospital Insurance (HI) contribution base. Annual dollar amount above which earnings in employment covered under the HI program are not taxable. (Also referred to as maximum contribution base, taxable maximum, and maximum taxable.) Beginning in 1994, the HI contribution base was eliminated.

High-cost assumptions. See "Assumptions."

Hospital Insurance (HI) Trust Fund. See "Trust fund."

Immigration. See "Legal immigration" and "Other immigration."

Income. Income for a given year is the sum of tax revenue on a cash basis (payroll tax contributions and income from the taxation of scheduled benefits), reimbursements from the General Fund of the Treasury, if any, and interest credited to the trust funds.

Income rate. Ratio of non-interest income to the OASDI taxable payroll for the year.

Infinite horizon. The period extending indefinitely into the future.

Inflation. An increase in the general price level of goods and services.

Insured status. The state or condition of having sufficient quarters of coverage to meet the eligibility requirements for retired-worker or disabled-worker benefits, or to permit the worker's spouse and children or survivors to establish eligibility for benefits in the event of his or her disability, retirement, or death. See "Quarters of coverage."

Interest. A payment in exchange for the use of money during a specified period.

Interest rate. Interest rates on new public-debt obligations issuable to Federal trust funds (see "Special public-debt obligation") are determined monthly. Such rates are equal to the average market yield on all outstanding marketable U.S. securities not due or callable until after 4 years from the date the rate is determined. See table V.B2 for historical and assumed future interest rates on new special-issue securities. The effective interest rate for a trust fund is the ratio of the interest earned by the fund over a given period of time to the average level of asset reserves held by the fund during the period. The effective rate of interest thus represents a measure of the overall average interest earnings on the fund's portfolio of investments.

Interfund borrowing. The borrowing of asset reserves by a trust fund (OASI, DI, or HI) from another trust fund when the first fund is in danger of depletion. The Social Security Act permitted interfund borrowing only during 1982 through 1987, and required all amounts borrowed to be repaid prior to the end of 1989. The only exercise of this authority occurred in 1982, when the OASI Trust Fund borrowed from the DI and HI Trust Funds. The final repayment of borrowed amounts occurred in 1986.

Intermediate assumptions. See "Assumptions."

Legal emigration. Legal emigration for a given year consists of those legal permanent residents and native-born citizens who leave the Social Security area during the year.

Legal immigration. Consistent with the definition used by the Department of Homeland Security, legal immigration for a given year consists of foreign-born individuals who are granted legal permanent resident status during the year.

Life expectancy. Average remaining number of years expected prior to death. Period life expectancy is calculated for a given year using the actual or expected death rates at each age for that year. Cohort life expectancy, sometimes referred to as generational life expectancy, is calculated for individuals at a specific age in a given year using actual or expected death rates from the years in which the individuals would actually reach each succeeding age if they survive.

Long-range. The next 75 years. The Trustees make long-range actuarial estimates for this period because it covers approximately the maximum remaining lifetime for virtually all current Social Security participants.

Low-cost assumptions. See "Assumptions."

Lump-sum death payment. A lump sum, generally $255, payable on the death of a fully or currently insured worker. The lump sum is payable to the surviving spouse of the worker, under most circumstances, or to the worker's children.

Maximum family benefit. The maximum monthly amount that can be paid on a worker's earnings record. Whenever the total of the individual monthly benefits payable to all the beneficiaries entitled on one earnings record exceeds the maximum, each dependent's or survivor's benefit is proportionately reduced. Benefits payable to divorced spouses or surviving divorced spouses are not reduced under the family maximum provision.

Medicare. A nationwide, Federally administered health insurance program authorized in 1965 under Title XVIII of the Social Security Act to cover the cost of hospitalization, medical care, and some related services for most people age 65 and over. In 1972, lawmakers extended coverage to people receiving Social Security Disability Insurance payments for 2 years and people with End-Stage Renal Disease. (For beneficiaries whose primary or secondary diagnosis is Amyotrophic Lateral Sclerosis, the 2-year waiting period is waived.) In 2010, people exposed to environmental health hazards within areas under a corresponding emergency declaration became Medicare-eligible. In 2006, prescription drug coverage was added as well. Medicare consists of two separate but coordinated trust funds—Hospital Insurance (HI, Part A) and Supplementary Medical Insurance (SMI). The SMI trust fund is composed of two separate accounts—the Part B account and the Part D account. Almost all persons who are aged 65 and over or disabled and who are entitled to HI are eligible to enroll in Part B and Part D on a voluntary basis by paying monthly premiums.

Military service wage credits. Credits toward OASDI earnings records for benefit computation purposes, recognizing that military personnel receive non-wage compensation (such as food and shelter) in addition to their basic pay and other cash payments. Military personnel do not pay payroll taxes on these credits. Noncontributory wage credits of $160 were provided for each

month of active military service from September 16, 1940, through December 31, 1956. For years after 1956, the basic pay of military personnel is covered under the Social Security program on a contributory basis. In addition to the contributory credits for basic pay, noncontributory wage credits of $300 were granted for each calendar quarter, from January 1957 through December 1977, in which a person received pay for military service. Noncontributory wage credits of $100 were granted for each $300 of military wages, up to a maximum credit of $1,200 per calendar year, from January 1978 through December 2001.

National average wage index—AWI. See "Average wage index—AWI."

Non-interest income. Non-interest income for a given year is the sum of tax revenue on a cash basis (payroll tax contributions and income from the taxation of scheduled benefits) and reimbursements from the General Fund of the Treasury, if any.

Normal retirement age—NRA. The age at which a person may first become entitled to retirement benefits without reduction based on age. For persons reaching age 62 before 2000, the normal retirement age is 65. It will increase gradually to 67 for persons reaching that age in 2027 or later, beginning with an increase to 65 years and 2 months for persons reaching age 65 in 2003. See table V.C3.

Old-Age and Survivors Insurance (OASI) Trust Fund. See "Trust fund."

Old-law base. Amount the contribution and benefit base would have been if the 1977 amendments had not provided for ad hoc increases. The Social Security Amendments of 1972 provided for automatic annual indexing of the contribution and benefit base. The Social Security Amendments of 1977 specified ad hoc bases for 1978-81, with subsequent bases updated in accordance with the normal indexing procedure. See table V.C2.

Open group unfunded obligation. See "Unfunded obligation."

Other emigration. Other emigration for a given year consists of individuals from the other-immigrant population who leave the Social Security area during the year or who adjust status to become legal permanent residents during the year.

Other immigration. Other immigration for a given year consists of individuals who enter the Social Security area and stay 6 months or more but without legal permanent resident status, such as undocumented immigrants and temporary workers and students.

Outgo. See "Disbursements."

Par value. The value printed on the face of a bond. For both public and special issues held by the trust funds, par value is also the redemption value at maturity.

Partial advance funding. A financing method in which contributions are established to provide a substantial accumulation of trust fund asset reserves, thereby generating additional interest income to the trust funds and reducing the need for payroll tax increases in periods when costs are relatively high. Higher general contributions or additional borrowing may be required, however, to support the payment of such interest. While substantial, the trust fund buildup under partial advance funding is much smaller than it would be with full advance funding.

Pay-as-you-go financing. A financing method in which contributions are established to produce just as much income as required to pay current benefits, with trust fund asset reserves built up only to the extent needed to prevent depletion of the fund by random economic fluctuations.

Payroll tax contributions. The amount based on a percent of earnings, up to an annual maximum, that must be paid by:

- employers and employees on wages from employment under the Federal Insurance Contributions Act,
- the self-employed on net earnings from self-employment under the Self-Employment Contributions Act, and
- States on the wages of State and local government employees covered under the Social Security Act through voluntary agreements under section 218 of the act.

Also referred to as payroll taxes.

Population in the Social Security area. See "Social Security area population."

Present value. The equivalent value, at the present time, of a stream of values (either income or cost, past or future). Present values are used widely in calculations involving financial transactions over long periods of time to account for the time value of money, by discounting or accumulating these transactions at the rate of interest. Present-value calculations for this report use the effective yield on trust fund asset reserves.

Primary insurance amount—PIA. The monthly amount payable to a retired worker who begins to receive benefits at normal retirement age or, generally, to a disabled worker. This amount, which is typically related to the worker's average monthly wage or average indexed monthly earnings, is also used as a base for computing all types of benefits payable on an individual's earnings record.

Primary-insurance-amount formula. The mathematical formula relating the PIA to the AIME for workers who attain age 62, become disabled, or die after 1978. The PIA is equal to the sum of 90 percent of AIME up to the first bend point, plus 32 percent of AIME above the first bend point up to the second bend point, plus 15 percent of AIME in excess of the second bend point.

Automatic benefit increases are applied beginning with the year of eligibility. See table V.C2 for historical and assumed future bend points and table V.C1 for historical and assumed future benefit increases.

Quarters of coverage. Basic unit of measurement for determining insured status. In 2017, a worker receives one quarter of coverage (up to a total of four) for each $1,300 of annual covered earnings. For years after 1978, the amount of earnings required for a quarter of coverage is subject to annual automatic increases in proportion to increases in average wages. See table V.C2.

Railroad Retirement. A Federal insurance program, similar to Social Security, designed for workers in the railroad industry. The provisions of the Railroad Retirement Act provide for a system of coordination and financial interchange between the Railroad Retirement program and the Social Security program.

Reallocation of payroll tax rates. An increase in the payroll tax rate for either the OASI or DI Trust Fund, with a corresponding reduction in the rate for the other fund, so that the total OASDI payroll tax rate is not changed.

Real-wage differential. The difference between the percentage increases in: (1) the average annual wage in covered employment and (2) the average annual Consumer Price Index. See table V.B1.

Recession. A period of adverse economic conditions; in particular, two or more successive calendar quarters of negative growth in gross domestic product.

Reserves. See "Asset reserves."

Retired-worker benefit. A monthly benefit payable to a fully insured retired worker aged 62 or older or to a person entitled under the transitionally insured status provision in the law.

Retirement earnings test. See "Earnings test."

Retirement eligibility age. The age, currently age 62, at which a fully insured individual first becomes eligible to receive retired-worker benefits.

Retirement test. See "Earnings test."

Scheduled benefits. The level of benefits specified under current law.

Scenario-based model. A model with specified assumptions for and relationships among variables. Under such a model, any specified set of assumptions determines a single outcome directly reflecting the specifications.

Self-employment. Operation of a trade or business by an individual or by a partnership in which an individual is a member.

Self-Employment Contributions Act–SECA. Provision authorizing Social Security payroll taxes on the net earnings of most self-employed persons.

Short-range. The next 10 years. The Trustees prepare short-range actuarial estimates for this period because of the test of short-range financial adequacy. The Social Security Act requires estimates for 5 years; the Trustees prepare estimates for an additional 5 years to help clarify trends which are only starting to develop in the mandated first 5-year period.

Social Security Act. Provisions of the law governing most operations of the Social Security program. The original Social Security Act is Public Law 74-271, enacted August 14, 1935. With subsequent amendments, the Social Security Act consists of 21 titles, of which three have been repealed. Title II of the Social Security Act authorized the Old-Age, Survivors, and Disability Insurance program.

Social Security area population. The population comprised of: (1) residents of the 50 States and the District of Columbia (adjusted for net census undercount); (2) civilian residents of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands; (3) Federal civilian employees and persons in the U.S. Armed Forces abroad and their dependents; (4) non-citizens living abroad who are insured for Social Security benefits; and (5) all other U.S. citizens abroad.

Solvency. A program is solvent at a point in time if it is able to pay scheduled benefits when due with scheduled financing. For example, the OASDI program is solvent over any period for which the trust funds maintain a positive level of asset reserves.

Special public-debt obligation. Securities of the United States Government issued exclusively to the OASI, DI, HI, and SMI Trust Funds and other Federal trust funds. Section 201(d) of the Social Security Act provides that the public-debt obligations issued for purchase by the OASI and DI Trust Funds shall have maturities fixed with due regard for the needs of the funds. The usual practice has been to spread the holdings of special issues, as of each June 30, so that the amounts maturing in each of the next 15 years are approximately equal. Special public-debt obligations are redeemable at par value at any time and carry interest rates determined by law (see "Interest rate"). See tables VI.A4 and VI.A5 for a listing of the obligations held by the OASI and DI Trust Funds, respectively.

Stochastic model. A model used for projecting a probability distribution of potential outcomes. Such models allow for random variation in one or more variables through time. The random variation is generally based on fluctuations observed in historical data for a selected period. A large number of simulations, each of which reflects random variation in the variable(s), produce a distribution of potential outcomes.

Substantial gainful activity—SGA. The level of work activity used to establish disability. A finding of disability requires that a person be unable to engage in substantial gainful activity. A person who earns more than a certain monthly amount (net of impairment-related work expenses) is ordinarily

considered to be engaging in SGA. The amount of monthly earnings considered as SGA depends on the nature of a person's disability. The Social Security Act specifies a higher SGA amount for statutorily blind individuals; Federal regulations specify a lower SGA amount for non-blind individuals. Both SGA amounts increase with increases in the national average wage index.

Summarized balance. The difference between the summarized income rate and the summarized cost rate, expressed as a percentage of GDP. The difference between the summarized income rate and cost rate as a percentage of taxable payroll is referred to as the actuarial balance.

Summarized cost rate. The ratio of the present value of cost to the present value of the taxable payroll (or GDP) for the years in a given period, expressed as a percentage. To evaluate the financial adequacy of the program, the summarized cost rate is adjusted to include the cost of reaching and maintaining a target trust fund level. A trust fund level of about 1 year's cost is considered to be an adequate reserve for unforeseen contingencies; therefore, the targeted trust fund ratio is 100 percent of annual cost. Accordingly, the adjusted summarized cost rate is equal to the ratio of: (1) the sum of the present value of the cost during the period plus the present value of the targeted ending trust fund level to (2) the present value of the taxable payroll (or GDP) during the projection period.

Summarized income rate. The ratio of the present value of scheduled noninterest income to the present value of taxable payroll (or GDP) for the years in a given period, expressed as a percentage. To evaluate the financial adequacy of the program, the summarized income rate is adjusted to include asset reserves on hand at the beginning of the period. Accordingly, the adjusted summarized income rate equals the ratio of: (1) the sum of the trust fund reserve at the beginning of the period plus the present value of noninterest income during the period to (2) the present value of the taxable payroll (or GDP) for the years in the period.

Supplemental Security Income—SSI. A Federally administered program (often with State supplementation) of cash assistance for needy aged, blind, or disabled persons. The General Fund of the Treasury funds SSI and the Social Security Administration administers it.

Supplementary Medical Insurance (SMI) Trust Fund. See "Trust fund."

Survivor benefit. Benefit payable to a survivor of a deceased worker.

Sustainable solvency. Sustainable solvency for the financing of the program under a specified set of assumptions is achieved when the projected trust fund ratio is positive throughout the 75-year projection period and is either stable or rising at the end of the period.

Taxable earnings. Wages or self-employment income, in employment covered by the OASDI or HI programs, that is under the applicable annual maximum taxable limit. For 1994 and later, no maximum taxable limit applies to the HI program.

Taxable payroll. A weighted sum of taxable wages and taxable self-employment income. When multiplied by the combined employee-employer payroll tax rate, taxable payroll yields the total amount of payroll taxes incurred by employees, employers, and the self-employed for work during the period.

Taxable self-employment income. The maximum amount of net earnings from self-employment by an earner which, when added to any taxable wages, does not exceed the contribution and benefit base. For HI beginning in 1994, all net earnings from self-employment.

Taxable wages. See "Taxable earnings."

Taxation of benefits. Beginning in 1984, Federal law subjected up to 50 percent of an individual's or a couple's OASDI benefits to Federal income taxation under certain circumstances. Treasury allocates the revenue derived from this provision to the OASI and DI Trust Funds on the basis of the income taxes paid on the benefits from each fund. Beginning in 1994, the law increased the maximum percentage from 50 percent to 85 percent. The HI Trust Fund receives the additional tax revenue resulting from the increase to 85 percent.

Taxes. See "Payroll tax contributions" and "Taxation of benefits."

Termination. Cessation of payment because the beneficiary is no longer entitled to receive a specific type of benefit. For example, benefits might terminate as a result of the death of the beneficiary, the recovery of a disabled beneficiary, or the attainment of age 18 by a child beneficiary. In some cases, an individual may cease one benefit and this is not a termination because they become immediately entitled to another type of benefit, such as the conversion of a disabled-worker beneficiary at normal retirement age to a retired-worker beneficiary.

Test of long-range close actuarial balance. The conditions required to meet this test are:

- The trust fund satisfies the test of short-range financial adequacy; and
- The trust fund ratios stay above zero throughout the 75-year projection period, such that benefits would be payable in a timely manner throughout the period.

The Trustees apply the test to OASI, DI, and the combined OASDI program based on the intermediate set of assumptions.

Test of short-range financial adequacy. The conditions required to meet this test are:

- If the trust fund ratio for a fund is at least 100 percent at the beginning of the projection period, the test requires that it remain at or above 100 percent throughout the 10-year projection period;
- If the ratio is initially less than 100 percent, then it must reach at least 100 percent within 5 years (without asset reserve depletion at any time during this period) and then remain at or above 100 percent throughout the remainder of the 10-year period.

The Trustees apply the test to OASI, DI, and the combined OASDI program based on the intermediate set of assumptions.

Total-economy productivity. The ratio of real GDP to hours worked by all workers. Also referred to as "labor productivity."

Total fertility rate. The sum of the single year of age birth rates for women aged 14 through 49, where the rate for age 14 includes births to women aged 14 and under, and the rate for age 49 includes births to women aged 49 and over. The total fertility rate may be interpreted as the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, a specified year, and if she were to survive the entire childbearing period.

Trust fund. Separate accounts in the United States Treasury which hold the payroll taxes received under the Federal Insurance Contributions Act and the Self-Employment Contributions Act; payroll taxes resulting from coverage of State and local government employees; any sums received under the financial interchange with the railroad retirement account; voluntary hospital and medical insurance premiums; and reimbursements or payments from the General Fund of the Treasury. As required by law, the Department of the Treasury invests funds not required to meet current expenditures in interest-bearing securities backed by the full faith and credit of the U.S. Government. The interest earned is also deposited in the trust funds.

- **Old-Age and Survivors Insurance (OASI).** The trust fund used for paying monthly benefits to retired-worker (old-age) beneficiaries, their spouses and children, and to survivors of deceased insured workers.
- **Disability Insurance (DI).** The trust fund used for paying monthly benefits to disabled-worker beneficiaries, their spouses and children, and for providing rehabilitation services to the disabled.
- **Hospital Insurance (HI).** The trust fund used for paying part of the costs of inpatient hospital services and related care for aged and disabled individuals who meet the eligibility requirements. Also known as Medicare Part A.
- **Supplementary Medical Insurance (SMI).** The Medicare trust fund composed of the Part B Account, the Part D Account, and the Transitional Assistance Account. The Part B Account pays for a portion of the

costs of physicians' services, outpatient hospital services, and other related medical and health services for voluntarily enrolled aged and disabled individuals. The Part D Account pays private plans to provide prescription drug coverage, beginning in 2006. The Transitional Assistance Account paid for transitional assistance under the prescription drug card program in 2004 and 2005.

The trust funds are distinct legal entities which operate independently. Fund operations are sometimes combined on a hypothetical basis.

Trust fund ratio. A measure of trust fund adequacy. The asset reserves at the beginning of a year, which do not include advance tax transfers, expressed as a percentage of the cost for the year. The trust fund ratio represents the proportion of a year's cost which could be paid solely with the reserves at the beginning of the year.

Trustees. See "Board of Trustees."

Undisbursed balances. In general, refers to the cumulative differences between the actual cash expenditures that the Social Security Administration (SSA) made each month compared to security redemptions from the Trust Fund reserves made on a preliminary basis to cover such cash expenditures during the same month. On a monthly basis, SSA pays benefits and makes payments for other programmatic expenses associated with the Trust Funds. During each month, SSA draws cash from the Trust Funds on a preliminary basis, which results in Treasury redeeming invested securities to cover these expenditures. This monthly difference can be either positive or negative depending on net monthly activity, and is added to the balance at the end of the prior month.

A net positive undisbursed balance represents a situation where cumulative redemptions from the Trust Fund's securities are more than was needed to cover actual program cash expenditures through the end of the month. A net negative balance represents a situation where cumulative program cash expenditures exceeded the amount redeemed from the invested securities. A negative value requires future redemption of additional invested securities.

In addition, about every seven years, when January 3 falls on a Sunday, benefit payments scheduled to be paid on January 3rd are actually paid on December 31 of the preceding year, as required by the statutory provision included in the 1977 Social Security Amendments for early delivery of benefit payments when the normal payment delivery date is a Saturday, Sunday, or legal public holiday. Consistent with practice in prior reports and for comparability with other historical years and the projections in this report, all trust fund operations and asset reserves reflect the 12 months of benefits scheduled for payment in each year. Therefore, such advance payments are included as positive values in the undisbursed balance at the end of the calendar years in which the advance payments are made.

Unfunded obligation. A measure of the shortfall of trust fund income to fully cover program cost through a specified date after depletion of trust fund asset reserves. This measure can be expressed in present value dollars, discounted to the beginning of the valuation period, by computing the excess of the present value of the projected cost of the program through a specified date over the sum of: (1) the value of trust fund reserves at the beginning of the valuation period; and (2) the present value of the projected non-interest income of the program through a specified date, assuming scheduled tax rates and benefit levels. This measure can apply for all participants through a specified date, i.e., the open group, or be limited to a specified subgroup of participants.

Unfunded obligation ratio. The unfunded obligation accumulated through the beginning of a year expressed as a percentage of the cost for the year.

Unnegotiated check. A check which has not been cashed 6 months after the end of the month in which the check was issued. When a check has been outstanding for a year, the Department of the Treasury administratively cancels the check and reimburses the issuing trust fund separately for the amount of the check and interest for the period the check was outstanding. The appropriate trust fund also receives an interest adjustment for the time the check was outstanding if it is cashed 6-12 months after the month of issue. If a check is presented for payment after it has been administratively canceled, a replacement check is issued.

Valuation period. A period of years which is considered as a unit for purposes of calculating the financial status of a trust fund.

Vocational rehabilitation. Services provided to disabled persons to help them to return to gainful employment. The trust funds reimburse the providers of such services only in those cases where the services contributed to the successful rehabilitation of the beneficiaries.

Year of depletion. The year in which a trust fund becomes unable to pay benefits when due because the fund's asset reserves have been used up.

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STATEMENT OF ACTUARIAL OPINION

It is my opinion that, with the important caveat noted below: (1) the techniques and methodology used herein to evaluate the actuarial status of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds are based upon sound principles of actuarial practice and are generally accepted within the actuarial profession; and (2) the assumptions used and the resulting actuarial estimates are, individually and in the aggregate, reasonable for the purpose of evaluating the actuarial status of the trust funds, taking into consideration the past experience and future expectations for the population, the economy, and the program. I am an Associate of the Society of Actuaries, a member of the American Academy of Actuaries, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Federal Budget Accounting

This report focuses on the actuarial status of the OASI and DI Trust Funds, as required by law. It includes important information on (1) the years in which trust fund asset reserves are projected to be depleted and (2) the degree to which benefits scheduled in the law would no longer be fully payable on a timely basis after reserve depletion. However, the footnote on page 44 of this report directs the reader to an appendix in the Medicare Trustees Report, which states, "The trust fund perspective does not encompass the interrelationship between the Medicare and Social Security trust funds and the overall Federal budget." The reader of this report should consider this "overall" Federal unified budget perspective with care because the assumptions underlying unified budget accounting are inconsistent with the assumptions of trust fund accounting.

In particular, trust fund accounting accurately reflects the law, under which benefits cannot be paid in full on a timely basis after reserve depletion. In contrast, unified budget accounting assumes that full scheduled benefits will continue to be paid through transfers from the General Fund of the Treasury, thus representing "a draw on other Federal resources for which there is no earmarked source of revenue from the public." Not only are such "draws" not permissible under the law, no precedent exists for a change in the Social Security Act to finance unfunded trust fund obligations with such draws on other Federal resources. Under this unified budget accounting assumption, $12.5 trillion of OASDI unfunded obligations, which are not payable under the law over the next 75 years, are referred to as "expenditures" requiring a "draw" from the General Fund of the Treasury.

In addition, unified budget accounting treats redemptions of trust fund reserves as an addition to annual Federal deficits, referring to these redemptions also as "a draw on other Federal resources." In fact, redemptions of trust fund reserves represent a deferred use of revenues earmarked for the trust fund program alone, which have been collected in prior years and saved for later use. These redemptions utilize the entire $2.8 trillion accumulation of net past earmarked revenue for OASDI, but are referred to as draws on the General Fund of the Treasury under the unified budget perspective.

Therefore, the actual operations of the trust funds under current law do not draw on other Federal resources. Expenditures can only be paid from current or deferred earmarked resources for the specific program financed from the trust fund. Assertions that trust fund reserve redemption and shortfalls after reserve depletion represent draws on other Federal resources are based on assumptions that are inconsistent with the law and with actual trust fund annual cash-flow operations.

In addition to Federal budget annual cash flows, the budget perspective is equally concerned with the build-up of Federal debt. The total Federal debt subject to limit includes trust fund reserves. Thus, as trust fund reserves are accumulated or redeemed, they are offset in the total Federal debt by securities issued to the public, with no net effect on the total Federal debt. Moreover, even in considering the Federal debt owed to (held by) the public, there is no net direct effect on that debt from accumulating and then redeeming trust fund asset reserves. However, budget analysis frequently refers to both trust fund reserve redemptions and trust fund obligations not payable under the law after reserve depletion as factors that increase the Federal debt held by the public in the future. This assertion is not consistent with a full assessment of the investment and redemption flows of the trust funds or with the limitations in the law on paying benefits after trust fund reserves are depleted.



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