

Disability Insurance Trust Fund

A-15-15-15024



December 2014

Office of Audit Report Summary

Purpose

To review various proposals for addressing the pending depletion of the Disability Insurance (DI) Trust Fund.

Background

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 DI program. Benefits under both programs are paid from the Social Security Trust Funds.

The Board of Trustees of the Social Security Trust Funds 2014 Annual Report projected that the reserves of the DI Trust Fund, which have been declining since 2009, will continue declining until they are depleted in 2016. When reserves are depleted, continuing income to the DI Trust Fund will be sufficient to pay 81 percent of scheduled DI benefits.

We reviewed various proposals to identify how several scenarios would affect the DI Trust Fund.

Summary

The 2014 Trustees' Annual Report has projected that the DI Trust Fund reserves will be depleted in the fourth quarter of 2016, and the combined OASI and DI Trust Funds would be depleted in 2033. Although the DI Trust Fund is estimated to be depleted in the fourth quarter of 2016, the Trustees have recommended that lawmakers address the projected Trust Fund shortfalls for the combined OASI and DI Trust Funds in a timely way to phase in necessary changes and give workers and beneficiaries time to adjust to them. Implementing changes soon would allow more generations to share in the needed revenue increases or reductions in scheduled benefits.

SSA's Office of the Chief Actuary (OCACT) has responded to several congressional requests and issued estimates for various proposals addressing changes that would affect the financial position of the Social Security Trust Funds. These proposals offer various options for Congress to consider to address the long-range actuarial status of the OASDI programs and the looming depletion of the DI Trust Fund. While we are providing no opinion as to the merits of each option, we do believe some action needs to be taken to permit beneficiaries to receive their full benefit payments.

Absent another act of Congress, the *Social Security Act* does not permit further inter-Fund borrowing. The *Social Security Act* also specifies that benefit payments shall be made only from the Trust Funds (that is, accumulated Trust Fund assets and current tax income). Consequently, if the Social Security Trust Funds become depleted—that is, if current tax income and accumulated assets are not sufficient to pay the benefits to which people are entitled—current law would effectively prohibit full Social Security benefits from being paid on time. The Agency would then have to decide whether to pay disabled beneficiaries 81 percent of their scheduled benefits on time, delay benefit payments until enough funds are available, or determine another alternative. The Agency reviewed the draft report and provided technical comments, which we incorporated, as appropriate.