BOARD OF TRUSTEES OF THE FEDERAL
OLD-AGE AND SURVIVORS INSURANCE AND
FEDERAL DISABILITY INSURANCE TRUST FUNDS
WASHINGTON, D.C., March 31, 2023

HON. KEVIN MCCARTHY,
Speaker of the House of Representatives.

DEAR MR. SPEAKER:

In accordance with the requirements of section 709 of the Social Security Act, "Recommendations by Board of Trustees to Remedy Inadequate Balances in the Social Security Trust Funds," we are writing to notify you that we project that the asset reserves held in the Federal Old-Age and Survivors Insurance (OASI) Trust Fund will become inadequate under the meaning of this section within the next 10 years. As shown in the 2023 OASDI Trustees Report, which we are issuing today and a copy of which is attached, the asset reserves expressed as a percentage of annual program cost (the balance ratio[1]) of the OASI Trust Fund are projected to fall below 20 percent by the beginning of calendar year 2033 based on our intermediate set of economic, demographic, and programmatic assumptions. Moreover, we project that the reserves of the OASI Trust Fund will be depleted soon afterwards, during 2033, and only about 77 percent of benefits scheduled in current law will be payable at that time if no legislative action is taken.

Background—Section 709 of the Social Security Act specifies:

> *If the Board of Trustees . . . determines at any time that the balance ratio of any such Trust Fund for any calendar year may become less than 20 percent, the Board shall promptly submit to each House of the Congress a report setting forth its recommendations for statutory adjustments affecting the receipts and disbursements of such Trust Fund necessary to maintain the balance ratio of such Trust Fund at not less than 20 percent, with due regard to the economic conditions which created such inadequacy in the balance ratio and the amount of time necessary to alleviate such inadequacy in a prudent manner. The report shall set forth specifically the extent to which benefits would have to be reduced, taxes . . . would have to be increased, or a combination thereof, in order to obtain the objectives referred to in the preceding sentence.*

The Board believes that issuing a report under this section, whenever the balance ratio of a trust fund is expected to fall below 20 percent within the next ten years, provides reasonable advance notice and time for prudent action to alleviate inadequacy in the balance ratio. The annual report that the Board submits to the Congress under section 201(c) of the Social Security Act (commonly referred to as the Trustees Report) provides a

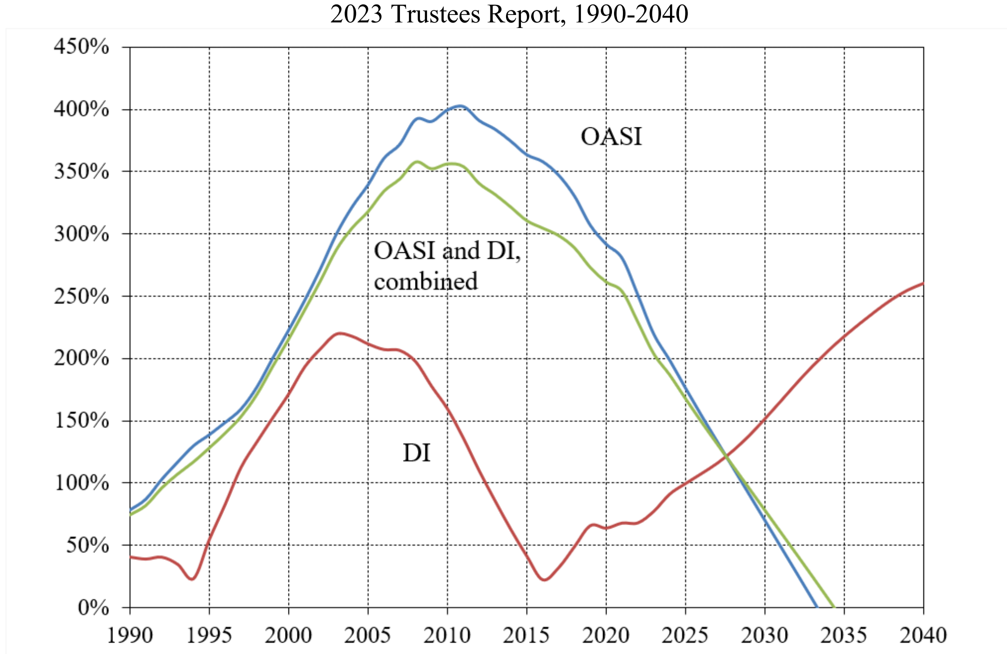
[1] This ratio is also called a *trust fund ratio* in the 2023 OASDI Trustees Report.

more extensive evaluation of the actuarial status of the trust funds through the next 75 years.

The Old-Age and Survivors Insurance Trust Fund—Estimates in the 2023 Trustees Report show that although the Disability Insurance (DI) Trust Fund and the hypothetical combined OASI and DI Trust Funds are adequately financed in the meaning of this section (709) through the next 10 years under the intermediate assumptions (those representing the Trustees' best estimate of future economic and demographic trends), the OASI fund alone is not.

Under the intermediate assumptions of the 2023 Trustees Report, the OASI Trust Fund reserves decline throughout the projection period, reaching 28 percent of annual cost at the beginning of 2032, falling to 7 percent of annual cost by the beginning of calendar year 2033, and becoming depleted in the first half of 2033. The figure below shows the estimated balance ratios for the combined OASI and DI Trust Funds and for the OASI Trust Fund up to the date of trust fund reserve depletion, and for the DI Trust Fund through 2040. The DI Trust Fund reserves are projected to not be depleted in the 75-year projection period of the 2023 Trustees Report.

Balance ratios for the OASI and DI Trust Funds, separately and combined, based on present law under the Intermediate Assumptions of the 2023 Trustees Report, 1990-2040



Maintaining a Balance Ratio of at Least 20 Percent—The following table shows annual amounts of change necessary for each year within the next 10 years where a change would be required to keep the OASI balance ratio from dropping below 20 percent. Because the OASI balance ratio first falls below 20 percent for the beginning of calendar year 2033, by 2032 changes would be required. For calendar years 2032 and 2033, the table shows the amounts of: (1) additional payroll tax revenue alone, (2) benefit cost reductions alone, and

(3) a combination of equal amounts of payroll tax revenue increases and benefit cost reductions needed to meet this goal. Additional changes in OASI revenue and/or benefit cost would be required in subsequent years in increasing amounts in order to maintain an OASI balance ratio of at least 20 percent beyond calendar year 2033.

The additional payroll tax revenue amounts required for 2032 and 2033 to meet the 20-percent minimum OASI balance ratio differ from the required reductions in benefit cost for that year, particularly in 2032, the first-year change would be needed. In order to maintain a balance ratio of 20 percent for 2033 with only payroll tax increases, the entire improvement of the balance ratio must be accomplished through payroll tax change in 2032. However, maintaining a balance ratio of 20 percent for 2033 with only benefit cost reductions is accomplished with both the reduced benefit cost in 2032, which increases the trust fund reserves at the start of 2033 (the numerator of the 2033 balance ratio), and the reduced benefit cost in 2033 (the denominator of the 2033 balance ratio). As a result, the amount of benefit cost reduction needed in the first year is less than the amount of additional payroll tax needed in that first year. Increases in payroll tax and reductions in benefit cost are much closer in 2033 (and would continue to be close in subsequent years). Under the combined approach, roughly one-half of the change required would be made through additional payroll tax revenue and one-half would be implemented through benefit cost reductions.

Changes required in 2032 and 2033 to prevent the OASI balance ratio from declining below 20 percent through 2033 under the Intermediate Assumptions of the 2023 Trustees Report
(In billions)

Calendar year	Additional payroll tax revenue only	Benefit cost reduction only	Total amounts of additional payroll tax revenue and benefit cost reductions under a combined approach
2032	$285.2	$199.4	$242.5
2033	469.0	496.7	482.8
Total, 2032-2033	754.2	696.1	725.3

Recommendation—Based on the intermediate projections in the 2023 Trustees Report, the OASI Trust Fund reserves will fall below 20 percent of annual cost by the beginning of calendar year 2033 and will become depleted in 2033 in the absence of legislation to address this imbalance between scheduled benefits and revenue.

Lawmakers need to take prompt action to strengthen the actuarial status of the OASI Trust Fund. Lawmakers could choose (1) to increase revenues to the OASI Trust Fund, (2) to reduce cost through modification of the OASI program benefit levels or eligibility requirements, or (3) to use a combination of methods to strengthen the financial condition of the OASI Trust Fund. Such actions could apply only to the OASI program benefits and revenue or might have effects also on the DI program.

The Board recommends that lawmakers enact timely legislation to make necessary adjustments for the OASI program.

Respectfully,

JANET YELLEN,
Secretary of the Treasury,
and Managing Trustee
of the Trust Funds.

JULIE A. SU,
Acting Secretary of Labor,
and Trustee.

XAVIER BECERRA,
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KILOLO KIJAKAZI,
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VACANT,
Public Trustee.

VACANT,
Public Trustee.

SCOTT L. FREY,
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Social Security Administration,
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