SOCIAL SECURITY
Office of the Chief Actuary

June 1, 2017

The Honorable Tom Cotton
United States Senate
Washington, D.C. 20510

Dear Senator Cotton:

Thank you for your letter of April 12 regarding the implications for Social Security of increasing the rate at which disabled workers have their benefits terminated on the basis of returning to work. As you indicate, the annual rate of Social Security Disability Insurance (DI) benefit termination based on return to work has been about 0.5 percent overall for disabled workers in current payment status. Under the intermediate assumptions of the 2016 Trustees Report, this rate is assumed to remain roughly at this level in the future. Because the average DI beneficiary remains on the DI rolls for 10 to 11 years, the average new disabled worker beneficiary has about a 5 percent probability of leaving the DI rolls based on return to work. Increasing the annual rate of disabled worker benefit termination by 1 percentage point, from 0.5 to 1.5 percent, would require an increase in the percentage of new disabled worker beneficiaries that will terminate on the basis of work from the 5 percent expected under current law to about 15 percent. Note that termination based on return to work is limited for disabled worker beneficiaries, because most of them leave the DI rolls due to medical recovery, death, or conversion to retired worker benefits at normal retirement age (NRA), before they have worked long enough to complete the trial work period and the extended period of eligibility.

The estimates provided in this letter reflect the baseline intermediate assumptions of the 2016 Trustees Report. If changes were made that would immediately increase the rate of work termination as described above for 2018 and all later years, we estimate that the long-range OASDI actuarial deficit would decrease from 2.66 percent of payroll under current law to 2.60 percent of payroll. Please see the attached Table 1 that shows estimated annual effects on the OASDI program as a whole of achieving this change over the next 75 years. This net reduction in OASDI cost is due to a reduction in DI cost of 0.07 percent of payroll, with a partially offsetting increase in OASI cost of about 0.02 percent of payroll. The increase in OASI cost occurs because many of the disabled workers terminated for work would be expected to begin receiving OASI retirement benefits before NRA, earlier than if they had remained on the DI rolls until conversion to retirement benefits at NRA. In the near term, over the period 2018 through 2027, the reduction in OASDI cost would average about 0.04 percent of payroll, for a net reduction in OASDI cost over that period of roughly $36 billion.

In developing these estimates, we have assumed that the rate of disabled worker benefit termination from work would be increased immediately for 2018 and later by the same proportion (to roughly triple our baseline assumption) for each age-sex-duration of benefit entitlement. In addition, we assume that the some of the additional beneficiaries terminated for work would return to the DI rolls in the years following termination, consistent with experience under current law.

In your letter, you also requested estimates of the effects of increases of 2 and 3 percentage points in the annual rate of disabled worker benefit termination due to return to work. Such increases would reduce OASDI cost by roughly 2 times and 3 times, respectively, the values provided above and in the attached table.

We have enjoyed working with Alex Hanson and Matt Shannon of your staff in developing the requested estimates. Development of these estimates reflects the efforts of many in our office, but particularly Karen Glenn, Tiffany Bosley, Johanna Maleh, Chris Chaplain, and Anna Kirjusina. Please let me know if we may be of any further assistance on this or any other matter related to Social Security.

Sincerely,

Stephen C. Goss

Stephen C. Goss, ASA, MAAA
Chief Actuary

Enclosures

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio

Effect of a 1-percentage-point increase in the overall annual disabled-worker termination rate for return to work, effective for 2018 and later.

	Proposal: Expressed as a percentage of present-law taxable payroll			Proposal	Change from Present Law: Expressed as a percentage of present-law taxable payroll		
Year	Cost Rate	Income Rate	Annual Balance	Trust Fund Ratio 1-1-year	Cost Rate	Income Rate	Annual Balance
2016	14.05	12.94	-1.10	303	0.00	0.00	0.00
2017	13.72	12.92	-0.80	293	0.00	0.00	0.00
2018	13.85	12.96	-0.89	277	-0.01	0.00	0.01
2019	13.97	12.97	-1.00	262	-0.02	0.00	0.02
2020	14.11	12.98	-1.13	247	-0.03	0.00	0.03
2021	14.24	13.00	-1.24	232	-0.03	0.00	0.03
2022	14.45	13.03	-1.42	217	-0.04	0.00	0.04
2023	14.72	13.06	-1.66	201	-0.04	0.00	0.04
2024	14.98	13.09	-1.89	184	-0.05	0.00	0.05
2025	15.24	13.11	-2.13	167	-0.05	0.00	0.05
2026	15.42	13.13	-2.29	151	-0.05	0.00	0.05
2027	15.59	13.14	-2.45	134	-0.06	0.00	0.05
2028	15.76	13.16	-2.60	118	-0.06	0.00	0.06
2029	15.91	13.17	-2.74	101	-0.06	0.00	0.06
2030	16.04	13.18	-2.86	84	-0.06	0.00	0.06
2031	16.16	13.19	-2.97	67	-0.06	0.00	0.06
2032	16.26	13.20	-3.06	50	-0.07	0.00	0.06
2033	16.34	13.21	-3.14	31	-0.07	0.00	0.07
2034	16.40	13.21	-3.19	13	-0.07	0.00	0.07
2035	16.43	13.21	-3.21	----	-0.07	0.00	0.07
2036	16.49	13.22	-3.27	----	-0.07	0.00	0.07
2037	16.53	13.23	-3.30	----	-0.07	0.00	0.07
2038	16.54	13.23	-3.32	----	-0.07	0.00	0.07
2039	16.54	13.23	-3.31	----	-0.07	0.00	0.07
2040	16.52	13.23	-3.29	----	-0.07	0.00	0.07
2041	16.49	13.23	-3.26	----	-0.07	0.00	0.07
2042	16.46	13.23	-3.23	----	-0.07	0.00	0.07
2043	16.43	13.23	-3.20	----	-0.07	0.00	0.07
2044	16.40	13.23	-3.17	----	-0.07	0.00	0.07
2045	16.38	13.23	-3.15	----	-0.07	0.00	0.07
2046	16.36	13.23	-3.13	----	-0.07	0.00	0.07
2047	16.34	13.23	-3.11	----	-0.07	0.00	0.06
2048	16.32	13.23	-3.09	----	-0.07	0.00	0.06
2049	16.30	13.23	-3.07	----	-0.06	0.00	0.06
2050	16.29	13.23	-3.06	----	-0.06	0.00	0.06
2051	16.30	13.23	-3.06	----	-0.06	0.00	0.06
2052	16.31	13.23	-3.08	----	-0.06	0.00	0.06
2053	16.33	13.24	-3.10	----	-0.06	0.00	0.06
2054	16.36	13.24	-3.12	----	-0.06	0.00	0.06
2055	16.40	13.24	-3.16	----	-0.06	0.00	0.06
2056	16.45	13.25	-3.20	----	-0.06	0.00	0.06
2057	16.50	13.25	-3.25	----	-0.06	0.00	0.06
2058	16.55	13.25	-3.30	----	-0.06	0.00	0.06
2059	16.60	13.26	-3.34	----	-0.06	0.00	0.06
2060	16.65	13.26	-3.39	----	-0.06	0.00	0.06
2061	16.70	13.27	-3.44	----	-0.06	0.00	0.06
2062	16.75	13.27	-3.48	----	-0.06	0.00	0.06
2063	16.80	13.27	-3.53	----	-0.06	0.00	0.05
2064	16.85	13.28	-3.57	----	-0.05	0.00	0.05
2065	16.90	13.28	-3.62	----	-0.05	0.00	0.05
2066	16.95	13.28	-3.67	----	-0.05	0.00	0.05
2067	17.01	13.29	-3.72	----	-0.05	0.00	0.05
2068	17.06	13.29	-3.77	----	-0.05	0.00	0.05
2069	17.11	13.29	-3.82	----	-0.05	0.00	0.05
2070	17.16	13.30	-3.87	----	-0.05	0.00	0.05
2071	17.21	13.30	-3.91	----	-0.05	0.00	0.05
2072	17.25	13.30	-3.95	----	-0.05	0.00	0.05
2073	17.29	13.31	-3.98	----	-0.05	0.00	0.05
2074	17.32	13.31	-4.01	----	-0.05	0.00	0.05
2075	17.34	13.31	-4.03	----	-0.05	0.00	0.05
2076	17.35	13.31	-4.04	----	-0.05	0.00	0.05
2077	17.36	13.31	-4.05	----	-0.05	0.00	0.05
2078	17.36	13.31	-4.05	----	-0.05	0.00	0.05
2079	17.35	13.31	-4.04	----	-0.05	0.00	0.05
2080	17.35	13.31	-4.04	----	-0.05	0.00	0.05
2081	17.35	13.31	-4.04	----	-0.05	0.00	0.05
2082	17.36	13.31	-4.04	----	-0.05	0.00	0.05
2083	17.37	13.31	-4.06	----	-0.05	0.00	0.05
2084	17.39	13.31	-4.08	----	-0.05	0.00	0.05
2085	17.42	13.32	-4.10	----	-0.05	0.00	0.05
2086	17.45	13.32	-4.14	----	-0.05	0.00	0.05
2087	17.49	13.32	-4.17	----	-0.05	0.00	0.05
2088	17.54	13.32	-4.21	----	-0.05	0.00	0.05
2089	17.58	13.33	-4.25	----	-0.05	0.00	0.05
2090	17.63	13.33	-4.30	----	-0.05	0.00	0.05
2091	17.67	13.33	-4.34	----	-0.05	0.00	0.05

Summarized Rates: OASDI

	Cost Rate	Income Rate	Actuarial Balance	Year of reserve depletion[1]
2016 - 2090	16.45%	13.84%	-2.60%	2034

Summarized Rates: OASDI

Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
-0.05%	0.00%	0.05%

Office of the Chief Actuary
Social Security Administration
June 1, 2017

Based on Intermediate Assumptions of the 2016 Trustees Report.

[1] Under present law the year of combined Trust Fund reserve depletion is 2034.

United States Senate
WASHINGTON, DC 20510

April 12, 2017

Chief Actuary Stephen Goss
Office of the Chief Actuary, Social Security

Chief Actuary Goss,

I would appreciate your budgetary assessment of increasing Social Security's return to work rate. As you know, the current return to work rate in any given year is less than .5%. I am evaluating legislative proposals to increase the return to work rate to historical levels, and am seeking your assessment of both the 10-year budgetary savings and the potential long-term savings from:

1. Increasing the rate at which SSDI beneficiaries exit the program to return to work by **one-percentage point**, on an on-going basis

2. Increasing the rate at which SSDI beneficiaries exit the program to return to work by **two-percentage points**, on an on-going basis

3. Increasing the rate at which SSDI beneficiaries exit the program to return to work by **three-percentage points**, on an on-going basis

Thank you for your help with this matter. Please reach out to my staffer Brian Colas at Brian_Colas@cotton.senate.gov if he can provide you with any additional information.

Sincerely,

Senator Cotton

Tom Cotton