Supplemental Information

Chief Actuary's "Statement of Actuarial Opinion*"

It is my opinion that (1) the techniques and methodology used herein to evaluate the financial and actuarial status of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds are generally accepted within the actuarial profession; and (2) the assumptions used and the resulting actuarial estimates are, in the aggregate, reasonable for the purpose of evaluating the financial and actuarial status of the trust funds, taking into consideration the experience and expectations of the program.

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* Taken from the 1999 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.

Social Insurance Statement for
Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Combined
(For the 75-Year Projection Period Beginning with the Valuation Date)

(In Billions)

Old-Age and Survivors Insurance and Disability Insurance, Combined	Present Value[1/] as of January 1 of: 1995	1996	1997	1998	1999
Estimated Future Tax Income	$17,190.5	$18,710.0	$17,127.2	$18,413.4	$19,593.4
Estimated Future Expenditures	20,300.2	22,135.3	20,462.4	21,983.0	23,291.0
Excess of Estimated Future Tax Income over Estimated Future Expenditures	(3,109.7)	(3,425.3)	(3,335.2)	(3,569.6)	(3,697.5)
Trust Fund Assets at Valuation Date[2/]	436.4	496.1	567.0	655.5	762.5
Excess[3/] of Estimated Future Tax Income and Trust Fund Assets at Valuation Date over Estimated Future Expenditures	(2,673.3)	(2,929.3)	(2,768.3)	(2,914.1)	(2,935.1)

1/ Computed on the basis of the intermediate economic and demographic assumptions specified in the Report of the Board of Trustees for the year shown. Totals do not necessarily equal the sum of rounded components.

2/ Equal to the excess of all income, including interest, over expenditures from the initial establishment of the trust funds to the valuation date.

3/ Equal to the present value (as of the valuation date) of the estimated trust fund assets at the end of the 75-year projection period.

Statement of Social Insurance Trust Fund Status
Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Combined

Each year workers in OASDI covered employment contribute a percentage of their earnings up to an annual maximum taxable amount to the OASI and DI Trust Funds. Contributions also include general fund appropriations for military service. Beneficiaries pay Federal income taxes on up to 85 percent of their Social Security benefits, and amounts equivalent to such income taxes are transferred from the general fund to the trust funds.

Workers who become insured receive benefits, along with their eligible spouses and children, after they retire or become disabled. After the death of an insured worker, eligible spouses and children receive survivor benefits. Expenses required to administer the OASI and DI programs are paid from the respective trust funds. Transfers are also made between the trust funds and the Railroad Retirement Board's (RRB) Social Security Equivalent Benefit Account, reflecting the difference between the OASDI contributions and benefits of railroad workers, which are directly administered by the RRB.

Various measures are used to compare projections of the tax income and expenditures described above in order to assess the long-range financial status of the OASI and DI Trust Funds. Measures that summarize or combine values over long periods of time necessarily include an adjustment to account for differences in the time-value of money. For programs with trust funds that have changing levels of assets over time as a result of receiving deposits (such as tax payments), accruing interest and making disbursements (such as benefit payments and costs of administration), it is appropriate to make that adjustment by means of an investment interest rate. In this case the adjusted values are referred to as "present values."

The table on the previous page includes present values of estimated future tax income to, and expenditures from, the combined OASI and DI Trust Funds. Present values are presented for five separate valuation dates, January 1 of each of the last 5 years, using the estimated income and expenditures for the 75-year period following each valuation date. These estimates are based on the intermediate assumptions defined in the Annual Reports of the Board of Trustees to the Congress for each of those valuation years.

The excess of estimated future income over estimated future expenditures, as presented in the table, represents the present value of the net cash flow over the long-range period. If this excess, combined with the starting trust fund assets as of the valuation date, is positive, it represents the estimated trust fund assets at the end of the 75-year projection period (expressed in present value dollars); if negative, it represents the estimated magnitude of the unfunded obligation of the program for the 75-year projection period.

For the 75-year period beginning January 1, 1999, estimated future tax income is less than estimated future expenditures by $3,697.5 billion. When the combined assets of the two trust funds as of January 1, 1999 ($762.5 billion) are included, that estimated deficit is reduced to $2,935.1 billion, the unfunded obligation of the program for the 75-year projection period. For comparison purposes, similar estimates made for the prior four reports of the Board of Trustees are also shown in the table.

When the Board of Trustees of the OASI and DI Trust Funds submits its annual report to the Congress, it is required to include "a statement of the actuarial status of the Trust Funds." One measure used to assess the actuarial status is the 75-year "actuarial balance" of the programs. The actuarial balance is a ratio of present values. The numerator of this ratio is equal to (a) the present value of tax income less the present value of expenditures, plus the trust fund assets at the valuation date (a negative amount represents the unfunded obligation for the 75-year period), augmented by (b) the present value of the estimated cost of reaching a "target trust fund" balance at the end of the 75-year period that is equal to the expenditures estimated for the 76th year. The cost of reaching this target trust fund balance is included in the actuarial balance because the trustees believe that the maintenance of such a minimal contingency reserve is needed. The denominator of the actuarial balance is the sum of the present values of the taxable payroll (i.e., the payroll subject to taxes payable to the OASI and DI Trust Funds, adjusted so that, when multiplied by the combined employer and employee tax rate, currently 12.4 percent, the product is the amount of payroll taxes due for earnings in the year) for each of the years in the 75-year projection period beginning with the valuation date.

For the Board's 1999 report, when the estimated cost of reaching the target trust fund assets ($183.8 billion in present value) is added to the unfunded obligation ($2,935.1 billion in present value), the result is an actuarial deficit (expressed in present value dollars) of $3,118.9 billion. This amount, when divided by the estimated present value of taxable payroll ($150,908.3 billion), results in an actuarial balance of -2.07 percent of taxable payroll, that is, an actuarial deficit of 2.07 percent of taxable payroll.

Adequacy of Trust Fund Financing

	Calendar Year					
° Trends in factors affecting revenues	**1949**	**1959**	**1969**	**1979**	**1989**	**1999**
— Taxable wage base for coverage:						
Social Security	$3,000	$4,800	$7,800	$22,900	$48,000	$72,600
Medicare (HI)	NA	NA	7,800	22,900	48,000	No Limit
— Tax contribution & distribution rates:						
° FICA tax rate (employers and employees, each)						
OASI (initiated 1937)	1.00%	2.25%	3.725%	4.33%	5.53%	5.35%
DI (initiated 1957)	NA	.25	.475	.75	.53	.85
HI (initiated 1966)	NA	NA	.60	1.05	1.45	1.45
Combined	1.00%	2.50%	4.80%	6.13%	7.51%	7.65%
° SECA tax rate						
OASI (initiated 1951)	NA	3.375%	5.5875%	6.01%	11.06%	10.70%
DI (initiated 1957)	NA	.375	.7125	1.04	1.06	1.70
HI (initiated 1966)	NA	NA	.60	1.05	2.90	2.90
Combined	NA	3.75%	6.90%	8.10%	15.02%	15.30%
— Percent of benefits taxed	NA	NA	NA	NA	50.0%[1]	85.0%[2]
° Trends in factors affecting outlays						
— No. of beneficiaries (in millions)[3]	2.7	13.7	25.3	35.1	39.2	44.7[4]
Retirees/dependents	1.7	9.9	16.6	22.7	27.9	31.0[4]
Survivors of deceased workers	1.0	3.3	6.2	7.6	7.2	7.1[4]
Disabled workers/dependents	NA	.5	2.5	4.8	4.1	6.5[4]
— Benefit payment COLA increase[5]	NA	NA	NA	9.9%	4.0%	1.3%
— No. of workers per beneficiary[6]	17.1	5.2	3.6	3.2	3.4	3.4[4]
— Retirement age						
Full benefits	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.	65 yrs.
Reduced benefits	NA[7]	62 yrs.[7]	62 yrs.	62 yrs.	62 yrs.	62 yrs.

1 Income over $25,000 for an individual or $32,000 for a couple.
2 Income over $34,000 for an individual and $44,000 for a couple; income between $25,000 and $34,000 for an individual and between $32,000 and $44,000 for a couple are taxed at 50%.
3 The first old-age and survivors benefit checks were issued in 1940 and the first disability checks in 1957. Number of beneficiaries are those in current-payment status for December 31.
4 Estimated, based on the intermediate economic and demographic assumptions in the 1999 Trustees Report. Totals may not add due to rounding.
5 Prior to 1975, benefit increases were at the discretion of Congress. Data represents the increase in the benefit check received during the calendar year.
6 Per OASI beneficiary in 1949; per OASDI beneficiary in 1959, 1969, 1979, 1989 & 1999.
7 Reduced benefits were not offered until 1956 for women and 1961 for men.

Management Follow-up to OIG Recommendations

SSA's follow-up to actions on audit findings and recommendations are essential to improving the effectiveness and efficiency of SSA's program operations. When reporting on our follow-up activities, SSA only includes those recommendations with which SSA management concurs. The Inspector General's Report to Congress includes all recommendations.

For FY 1999, SSA began the year with 19 reports carried over from FY 1998 which contained approximately $1 million in costs that management determined should not be charged to the Agency's programs (disallowed costs) and $72 million which could be used more efficiently (funds put to better use). During the year, SSA has monitored and analyzed 9 audit reports that contained approximately $3 million in disallowed costs and approximately $13 million in funds which could be put to better use.

Management completed action on 5 audit reports containing 28 recommendations relating to Disability Determination Service initial disability claims processing. As a result, over $4 million was recovered in disallowed costs. In addition, SSA completed action on one recommendation related to the claims process and one related to the postentitlement process which will put nearly $13 million to use more efficiently.

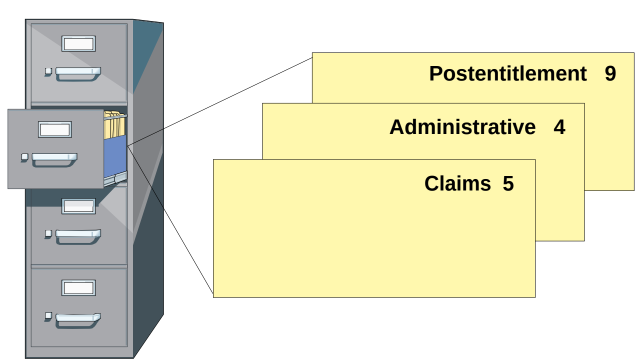
	# of Audit Reports Identifying Disallowed Costs	Amount of Disallowed Costs	# of Audit Reports Identifying Funds to be Put to Better Use	Amount of Funds to be Put to Better Use
Beginning of FY	6	$1,286,472	13	$72,256,182
New Audits During FY	6	$3,313,786	3	$13,469,879
Total Audits	12	$4,600,258	16	$85,726,061
Implemented Action	(5)	$(4,173,478)*	(2)	$(12,916,667)
End of FY	7	$426,780	14	$72,809,394

* Includes adjustments for 2 audit reports still open which total $87,724.

SSA is currently tracking 21 audits containing 49 recommendations for which final action has not been taken. These audits contain nearly $427 thousand in disallowed costs and recommended actions which when implemented could result in up to $73 million being better used. The Agency is working to bring to close the 18 audits (see graphic below) more than 1 year old as well as continuing to work on the remaining three.

18 Audits Over One Year Old Requiring Final Action

(Categorized by Business Process)



Anti-Fraud Activities

SSA is committed to a policy of zero tolerance for fraud, waste and abuse (see page 11 for more information). Section 206(g) of the Social Security Independence and Program Improvements Act, Public Law, 103-296, requires SSA to report annually on the extent to which cases of entitlement to monthly OASI, DI and SSI benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the Agency along with a page reference for further discussion of these reviews.

- OASI and SSI quality assurance reviews (page 88)
- Disability quality reviews (page 85)
- SSI redeterminations (page 69)
- CDRs (pages 19, 71 and 88)

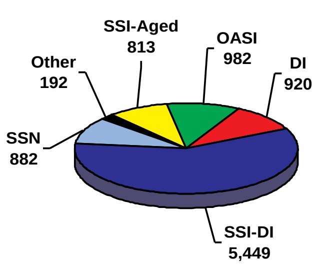
Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. SSA processed over 9 million alerts generated by these activities, resulting in overpayment savings of over $7.5 billion in FY 1999. Most of the increase in alert volume and benefits was a result of the Agency's efforts in improving the payment accuracy of the SSI program.

Anti-Fraud Activities

In FY 1999, as part of its fraud detection and prevention program for safeguarding the Agency's assets, SSA worked with our OIG, the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The following charts summarize OIG's involvement in fraud activities throughout the FY.

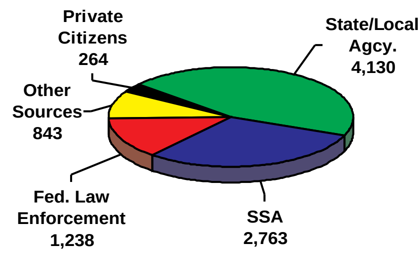
Total Fraud Cases by Category

Fiscal Year 1999



Sources of All Fraud Case Referrals

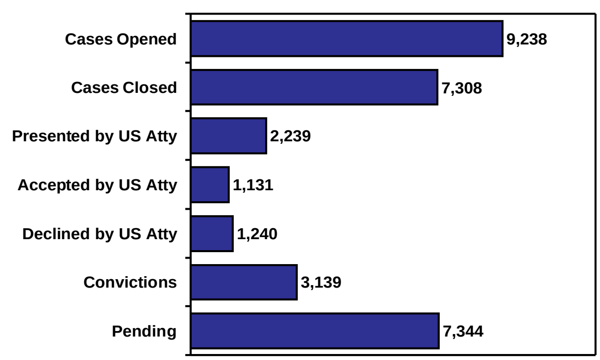
Fiscal Year 1999



The integrity of SSA's records and payments is maintained through an overall security program which controls access to SSA data bases and refers suspected fraud and abuse cases to OIG for investigation and, if indicated, prosecution by the Department of Justice. Protection of data from security violations continues to remain excellent with 99.9 percent of business transactions occurring without incident.

Disposition of All Fraud Cases

Fiscal Year 1999



Debt Management

During the 1990's, SSA has focused on expanding its use of aggressive debt collection tools. As a result of its efforts, the Agency has had many noteworthy successes. In 1992, SSA implemented its tax refund offset (TRO) program to collect delinquent title II overpayments, in the process collecting over $50 million in that year alone. In 1995 and again in 1998, the Agency expanded its use of the TRO program to include other classes of title II delinquent debts, as well as title XVI debts. To date, TRO has yielded almost $250 million in debt collections.

In addition, SSA began using the Treasury Offset Program (TOP) in 1998. TOP assimilated the former TRO program and added the capability of using administrative offset, or collection of a debt from a Federal payment other than a tax refund. Also in 1998, SSA began reporting its delinquent title II debtors to credit repositories as a way to induce repayment of the delinquent debts. To date, SSA has reported over 60,000 delinquent debtors to two major credit repositories—Trans Union and Equifax Credit Information Services, Inc. As a result of credit bureau reporting, many debtors have repaid their debts in full or have resumed regular monthly payments of their debts.

FY 1999 saw a continuance of all of the foregoing debt collection activities. For example, SSA collected over $33 million in delinquent title XVI debts via TOP in FY 1999 and over $18 million in voluntary repayments. FY 1999 was also a time of planning and development of two major debt collection projects that are expected to yield direct collections of more than $175 million over 5 years. The two projects, cross-program recovery and administrative wage garnishment, will enable SSA to collect both title II and title XVI delinquent debts.

Cross-program recovery was authorized as law in October 1998, and SSA immediately began developing this tool. Implementation is planned for FY 2000. Administrative wage garnishment was authorized by the Debt Collection Improvement Act of 1996; it allows Federal agencies to serve garnishment orders directly upon a debtor's employer. SSA also plans to implement this tool in FY 2000.

In addition, SSA is also seeking legislation that will authorize the use of all available debt collection tools for recovering title XVI debts. These tools include interest charging, Federal salary offset, credit bureau reporting and the use of private collection agencies. This legislation is pending with Congress.

SSA continues to make progress in resolving a material weakness in SSI debt management reported to Congress in 1991 under the Federal Managers' Financial Integrity Act. The SSI Strategy plan prescribes implementing corrective actions on both reengineering and modernization tracks in concert with initiatives contained in the SSI 5-Year Plan. This initiative supports the Agency goals and objectives in the Strategic Plan by providing more complete and accurate information, reducing error rates and improving processing times through increased automation. In July 1999, SSA successfully implemented the Terminated Record Balancing and Debt Transfer project to improve control over SSI debt and continues to pursue further automation enhancements.

The collection data shown below and on the following page include all the program debt owed to SSA. Collection data shown in the GPRA Performance Report on page 72 only includes legally defined overpayments in which beneficiaries have certain due process rights.

FY 1999 Quarterly Data (Cumulative In Millions)

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
° Total receivables	$5,604.1	$5,973.9	$6,321.5	$6,524.4
° Total collections	497.3	1,079.5	1,658.0	2,215.3
° Total writeoffs	148.7	344.0	578.5	807.6
° Treasury Offset Program collections	0.4	22.0	43.6	51.1
° Aging schedule of delinquent debt:				
— 180 days or less	$381.8	$395.4	$452.9	$480.1
— 181 to 10 years	427.2	446.6	376.3	389.9
— Over 10 years	0.0	9.3	9.5	9.9
— Total delinquent debt	$809.0	$851.3	$838.7	$879.9

SSA's Debt Management Activities

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
° Total Debt Outstanding end of FY (*in millions*)	$4,543.2	$4,973.8	$5,119.1	$5,727.3	$6,524.4
° % of outstanding debt:					
– Delinquent	5.8%	6.6%	14.5%	14.6%	13.5%
– Estimated to be uncollectible	26.3%	27.5%	28.0%	29.0%	30.2%
° New debt as a % of benefit outlays	0.7%	0.8%	0.8%	0.8%	1.0%
° % of debt collected	37.8%	35.6%	38.9%	33.2%	34.0%
° Cost to collect $1	$0.13	$0.12	$0.09	$0.11	$0.11
° % change in collections from prior FY	5.7%	3.1%	12.4%	(11.9%)	16.5%
° % change in delinquencies from prior FY	9.9%	24.5%	125.1%	12.1%	5.4%
° Debt clearance rate	32.1%	30.0%	36.1%	30.1%	30.8%
° Collections as % of clearances	79.2%	79.7%	69.2%	76.2%	73.3%
° Total writeoffs of debt (*in millions*)	$452.2	$450.8	$887.6	$595.1	$807.6
° Average number of months to clear receivables:					
– OASI	11	11	12	13	12
– DI	27	26	29	29	25
– SSI	29	28	25	23	20