## Statement of Social Insurance
## Old-Age, Survivors and Disability Insurance
## 75-Year Projection as of January 1, 2000
**(In billions)**

| | | Estimates from Prior Years | | | |
|---|---|---|---|---|---|
| | **2000** | **1999** | **1998** | **1997** | **1996** |
| ***Actuarial present value[1] for the 75-year projection period of estimated future income (excluding interest)[2] received from or on behalf of:*** | | | | | |
| Current participants[3] who, at the start of projection period: | | | | | |
| Have not yet attained retirement eligibility age (Ages 15-61) | $11,335 | $10,325 | $9,482 | $8,760 | $8,827 |
| Have attained retirement eligibility age (Age 62 and over) | 266 | 235 | 204 | 186 | 186 |
| Those expected to become participants (Under Age 15)[4] | 10,088 | 9,033 | 8,727 | 8,181 | 9,697 |
| All participants | 21,688 | 19,593 | 18,413 | 17,127 | 18,710 |
| ***Actuarial present value[1] for the 75-year projection period of estimated future expenditures[5] paid to or on behalf of:*** | | | | | |
| Current participants[3] who, at the start of projection period: | | | | | |
| Have not yet attained retirement eligibility age (Ages 15-61) | 17,217 | 15,676 | 14,605 | 13,405 | 14,346 |
| Have attained retirement eligibility age (Age 62 and over) | 4,020 | 3,856 | 3,659 | 3,518 | 3,440 |
| Those expected to become participants (Under Age 15)[4] | 4,297 | 3,758 | 3,719 | 3,539 | 4,350 |
| All participants | 25,534 | 23,291 | 21,983 | 20,462 | 22,135 |
| ***Actuarial present value[1] for the 75-year projection period of estimated future excess of income (excluding interest) over expenditures*** | -$3,845 | -$3,698 | -$3,570 | -$3,335 | -$3,425 |
| ***Trust Fund Assets[6] at Start of Period*** | 896 | 763 | 656 | 567 | 496 |
| ***Actuarial Present Value[1] for the 75-year Projection Period of Estimated Future Excess [7] of Income (excluding interest) and Trust Fund Assets at Start of Period Over Expenditures*** | -$2,949 | -$2,935 | -$2,914 | -$2,768 | -$2,929 |

## Footnotes to the Statement of Social Insurance

[1]Present values are computed on the basis of the intermediate economic and demographic assumptions specified in the Report of the Board of Trustees for the year shown and over the 75-year projection period beginning January 1 of that year. Totals do not necessarily equal the sum of the rounded components.

[2]Income (excluding interest) consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury.

[3]Current participants are the "closed group" of individuals age 15 and over at the start of the period. To calculate the actuarial present value of the excess of future income (excluding interest) from or on behalf of these individuals over future expenditures for them or on their behalf, subtract the actuarial present value of future expenditures for them or on their behalf from the actuarial present value of future income (excluding interest) from them or on their behalf. The projection period for the closed group would theoretically include all future working and retirement years, a period which may exceed 75 years in some instances. While the estimates are limited to the 75-year projection period, the present value of future income and expenditures for the closed group participants beyond 75 years is not material.

[4]Includes births during the period.

[5]Expenditures include benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries.

[6]Trust fund assets represent the accumulated excess of all past income, including interest on trust fund assets, over all past expenditures for the social insurance program. The assets are invested only in securities backed by the full faith and credit of the Federal Government.

[7]If this excess is positive, it represents the estimated trust fund assets (expressed in present value dollars) at the end of the 75-year projection period; if negative, the absolute value of the excess represents the magnitude of the unfunded obligation of the program over the 75-year projection period. The calculation of the actuarial balance used for analysis by the Social Security trustees differs from the calculation of the amount presented on this line. The trustees' actuarial balance is expressed as a percentage of the taxable payroll and includes the cost of attaining a target fund balance equal to the estimated next year's expenditures at the end of the period.

# Program Description

The Old-Age, Survivors, and Disability Insurance (OASDI) program, collectively referred to as “Social Security,” provides cash benefits for eligible U.S. citizens and residents. At the end of calendar year 1999, OASDI benefits were paid to approximately 45 million beneficiaries. Eligibility and benefit amounts are determined under the laws applicable for the period. Current law provides that the amount of the monthly benefit payments for workers, or their eligible dependents or survivors, is based on the workers’ lifetime earnings histories.

The OASDI program has been described as an income transfer program--that is, a program to reduce economic disparity by redistributing income among households. The program transfers income in at least two ways. First, because the program is financed largely on a pay-as-you-go basis--that is, OASDI payroll taxes paid each year by current workers are primarily used to pay the benefits provided during that year to current beneficiaries--the program transfers income generally from younger to older people. Second, because the retired-worker benefits it pays replace a larger proportion of earned income for lower earners than for higher earners, income is transferred among workers with different earnings levels, even if they are of the same age. The amount of OASDI income and benefits may be altered by changes in laws governing the program.

# Program Finances and Sustainability

As discussed in Note 8 to the consolidated financial statements, a liability of $38 billion as of September 30, 2000 is included in “Benefits Due and Payable” on the balance sheet for unpaid amounts of OASDI benefits due to recipients on or before that date ($36 billion as of September 30, 1999, as presented in last year’s report). Virtually all of this amount was paid in October 2000. Also, an asset of $1,007 billion is recognized for the “investments in Treasury securities” as of September 30, 2000 ($855 billion as of September 30, 1999). These investments are referred to as “trust fund assets” or “balance” throughout the remainder of this disclosure. They represent the accumulated excess for the OASDI program of all past income, including interest, over all past expenditures. They are invested only in securities backed by the full faith and credit of the Federal government.

No liability has been recognized on the balance sheet for future payments to be made to current and future program participants beyond the unpaid amounts as of September 30, 2000. This is because OASDI is accounted for as a social insurance program rather than as a pension program. Accounting for a social insurance program recognizes the expense of benefits when they are actually paid, or are due to be paid, because benefit payments are primarily nonexchange transactions and are not considered deferred compensation, as would employer-sponsored pension benefits for employees. Accrual accounting for a pension program, by contrast, recognizes retirement benefit expenses as they are earned so that the full estimated actuarial present value of the worker’s expected retirement benefits has been recognized by the time the worker retires.

*Supplementary Stewardship Information* - While no liability has been recognized on the balance sheet for future payments beyond those due at the reporting date, actuarial estimates are made of the long-range financial condition of the OASDI program and are presented here. Throughout this section, the following terms will generally be used as indicated:

- **income:** payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of OASDI benefits; interest income from Treasury securities held as assets of the trust funds; and miscellaneous reimbursements from the General Fund of the Treasury;
- **income excluding interest:** income, as defined above, excluding the interest income from Treasury securities held as assets of the trust funds;
- **expenditures:** benefit payments, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries;
- **cashflow:** either income excluding interest, or expenditures, depending on the context, expressed in nominal dollars;
- **net cashflow:** income excluding interest less expenditures, expressed in nominal dollars.

All estimates in this section are based on the intermediate assumptions in the 2000 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (see Table 7). Estimates are generally based on a 75-year projection period but are displayed in the charts through the year in which the OASDI trust funds are projected to become exhausted (2037 for this accountability report). The statement presented on page 56 and the supplementary stewardship information below are derived from estimates of future income and expenditures based on these assumptions and on the current Social Security Act, including future changes previously enacted. Estimates extending far into the future are inherently uncertain, and uncertainty is greater for the more distant years. This information includes:

(1) actuarial present values of future estimated expenditures for, and estimated income (excluding interest) from, or on behalf of, current and future program participants;

(2) estimated annual income excluding interest and expenditures in nominal dollars and as percentages of taxable payroll and GDP;

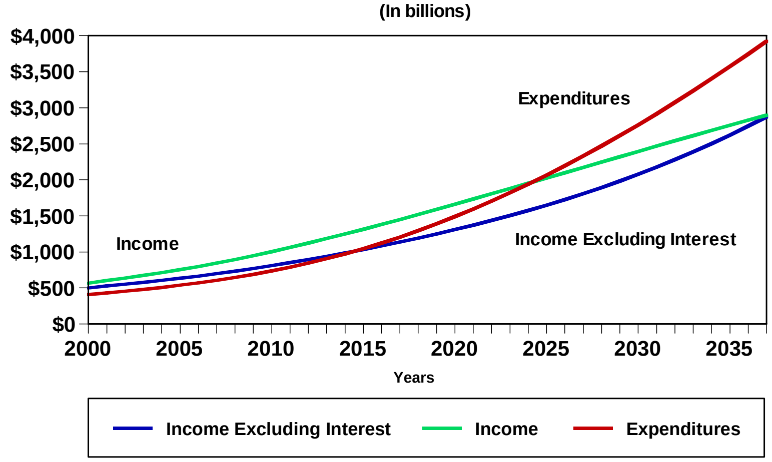
(3) the ratio of estimated covered workers to estimated beneficiaries showing the relationship between the program's tax payers and benefit recipients; and

(4) an analysis of the sensitivity of the projections to changes in selected assumptions, which is included in recognition of the inherent uncertainty noted above.

*Cashflow Projections* - Chart 1 shows actuarial estimates of OASDI annual income, income excluding interest, and expenditures for 2000-2037 in nominal dollars. The estimates are for the open group population, all persons projected to participate in the OASDI program as covered workers or beneficiaries, or both, during that period. Thus, the estimates include payments from, and on behalf of, workers who will enter covered employment during the period as well as those already in covered employment at the beginning of that period. They also include expenditures made to, and on behalf of, such workers during that period.

As chart 1 shows, estimated expenditures start to exceed income (including interest) in 2025. This occurs because of a variety of factors including the retirement of the "baby boom" generation, the relatively small number of people born during the subsequent period of low birth rates, and the projected increases in life expectancy, which increase the average number of years of receiving benefits relative to the average number of years of paying taxes. Estimated expenditures start to exceed income excluding interest even earlier, in 2015. At that time, to meet all OASDI expenditures on a timely basis, the trust funds would begin to redeem assets (Treasury securities). To finance this redemption, the government would have to increase its borrowing from the public, raise taxes (other than OASDI payroll taxes), and/or reduce expenditures (other than OASDI expenditures). (The government, of course, could avert this redemption by changing the law to increase OASDI taxes and/or reduce OASDI benefits.)

**Chart 1 - Estimated OASDI Income and Expenditures, 2000-2037**
(In billions)



*Percentage of Taxable Payroll* - Chart 2 shows estimated annual income excluding interest and expenditures expressed as percentages of taxable payroll. As presently constructed, the program receives most of its income from the 6.2 percent payroll tax that employees and employers each pay on taxable wages and salaries (for a combined payroll tax rate of 12.4 percent of taxable payroll), and the 12.4 percent that is paid on taxable self-employment income. Because estimated annual income excluding interest consists primarily of payroll taxes, when expressed as a percentage of taxable payroll, it is close in magnitude to the OASDI payroll tax rate. The amount by which the income exceeds the tax rate reflects revenue transferred to the trust funds based on Federal income-taxation of OASDI benefits. When estimated expenditures are compared to income as percentages of taxable payroll, they necessarily reflect a similar pattern as when compared in current dollars. Whether expressed as percentages of taxable payroll or in current dollars, prior to 2015 estimated annual expenditures are less than estimated annual income, excluding interest, whereas thereafter they are more.

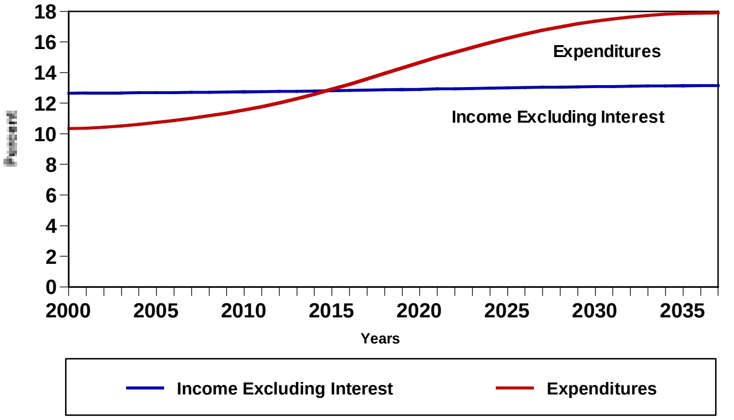
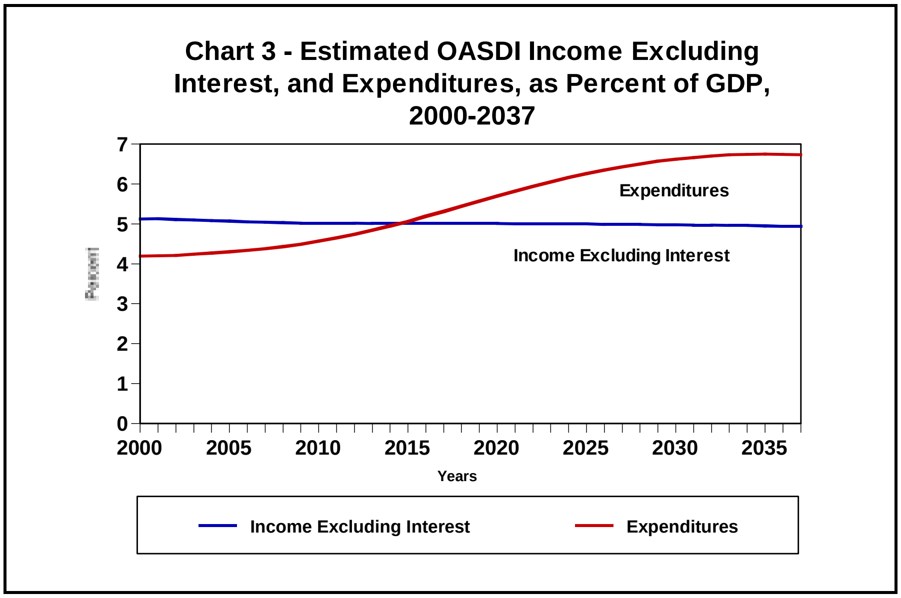


**Chart 2 - Estimated OASDI Income Excluding Interest, and Expenditures, as a Percent of Taxable Payroll, 2000-2037**

The statement of social insurance on page 56 shows that the present value of the excess of income over expenditures for the 75-year period is -$3,845 billion. If augmented by the trust fund assets at the start of the period (December 31, 1999), it is -$2,949 billion. This excess does not equate to the actuarial balance in the Trustees Report. To reconcile these values, the excess (including the starting trust fund assets) would need to consider the cost of attaining a target Trust Fund balance by the end of the period. This cost is $217 billion, which reduces the excess to -$3,166 billion. This reduced excess, when expressed as a percent of taxable payroll, is defined by the Trustees in their annual reports to be the actuarial balance. Thus, the excess of -$3,166 billion equates to an actuarial balance of -1.89 percent of taxable payroll.

One interpretation of this negative actuarial balance (-1.89 percent of payroll) is that it represents the magnitude of the increase in the average combined payroll tax rate for the 75-year period that would result in an actuarial balance of zero. The combined payroll tax rate is 12.4 percent today and is currently scheduled to remain at that level. An increase of 1.89 percentage points in this rate--about 0.95 percentage points for employees and employers each, resulting in a total rate for each of 7.15 percent--is estimated to produce enough income to pay all benefits due under current law for the next 75 years. Equivalent benefits reductions, or combinations of both tax increases and benefit reductions, could be made to achieve the same effect. Any accumulation and subsequent redemption of substantial trust fund assets may have economic and public policy implications that go beyond the operation of the OASDI program itself. Discussion of these broader issues is not within the scope of this report.

*Percentage of Gross Domestic Product (GDP)* - Chart 3 shows estimated annual income, excluding interest, and expenditures, expressed as percentages of GDP. Analyzing these cashflows in terms of percentage of the GDP, which represents the total value of goods and services produced in the United States, provides a measure of the size of the OASDI program in relation to the capacity of the national economy to sustain it.




In 1999, OASDI expenditures were about $393 billion, which was about 4.2 percent of GDP. When the baby boomers will have retired, the cost of the program (based on current law) is estimated to be equal to 6.7 percent of GDP, which is significantly more than it is today. Nearly all of the increase between now and 2037 will occur because baby boomers will become eligible for OASDI benefits, while subsequent lower birth rates will result in fewer workers per beneficiary.

*Sensitivity Analysis* - As indicated by the assumptions shown at the end of this section (Table 7), projections of the future financial status of the OASDI program depend on many economic and demographic assumptions, including GDP, labor force, unemployment, average wages and self-employment earnings, interest rates on Treasury securities, productivity, inflation, fertility, mortality, net immigration, marriage, divorce, retirement patterns and disability incidence and termination. The income will depend on how these factors affect the size and composition of the working population and the level and distribution of wages and earnings. Similarly, the expenditures will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because precise long-range projections of these factors are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in assumptions by analyzing six key assumptions: total fertility rate, death rate, net immigration, real-wage differential, consumer price index, and real interest rate.

For this analysis, the intermediate economic and demographic assumptions in the 2000 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (2000 Trustees Report) are used as the reference point, and each selected assumption is varied individually. All present values are calculated as of January 1, 2000 and are based on estimates of income and expenditures during the 75-year projection period 2000-2074.

For each assumption analyzed, one table and two charts are presented. The table shows the present value of the estimated excess of OASDI income over expenditures based on each of three selected values of the assumption being analyzed. The first chart shows estimated annual OASDI net cashflow based on each of those values. The second chart, labeled with the suffix "A," shows the present value of each net cashflow amount shown in the first chart and is included to facilitate interpreting net cashflow in terms of today's dollar. Because of the discounting process used to calculate present value, the magnitude of the present value for each year in the second chart is lower than the corresponding net cashflow amount in the first chart--positive values are less positive and negative values are less negative.

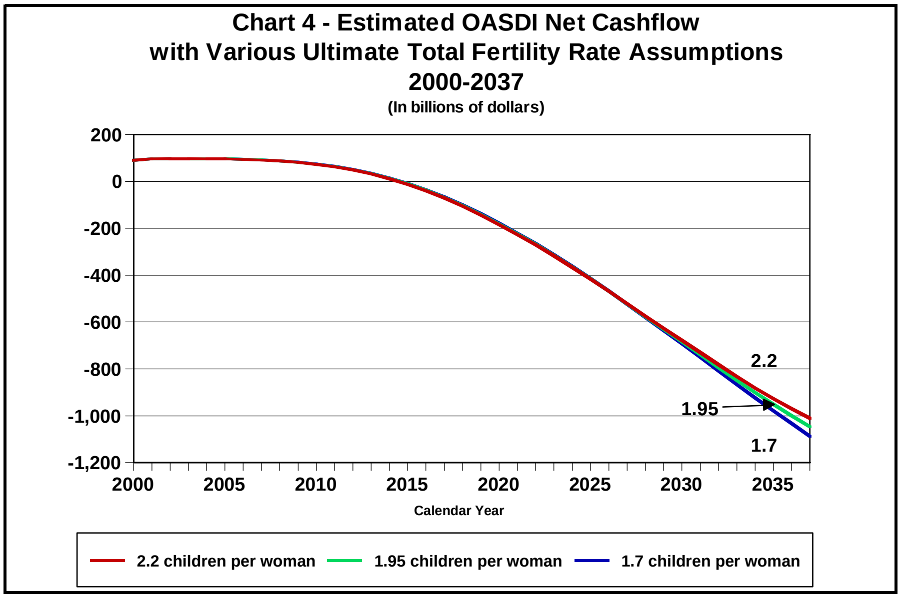
*Total Fertility Rate* - Table 1 shows the present value of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate total fertility rate[1]. These assumptions are 1.7, 1.95 and 2.2 children per woman, where 1.95 is the intermediate assumption in the 2000 Trustees Report. The total fertility rate is assumed to change gradually from its current level and to reach the selected ultimate value in 2024.

Table 1 demonstrates that, if the ultimate total fertility rate is changed from 1.95 children per woman, the Trustees' intermediate assumption, to 1.7, the shortfall for the period of estimated OASDI income relative to expenditures would increase to $4,252 billion, from $3,845 billion; if the ultimate rate were changed to 2.2, the shortfall would decrease to $3,437 billion.

**Table 1: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Ultimate Total Fertility Rate Assumptions Valuation Period: 2000-2074**

| Ultimate Total Fertility Rate | 1.7 | 1.95 | 2.2 |
|---|---|---|---|
| Excess in Present Value Dollars (In billions) | -$4,252 | -$3,845 | -$3,437 |

Charts 4 and 4A show estimates using the same total fertility rates used for the estimates in Table 1. Chart 4 shows the estimated annual OASDI net cashflow.

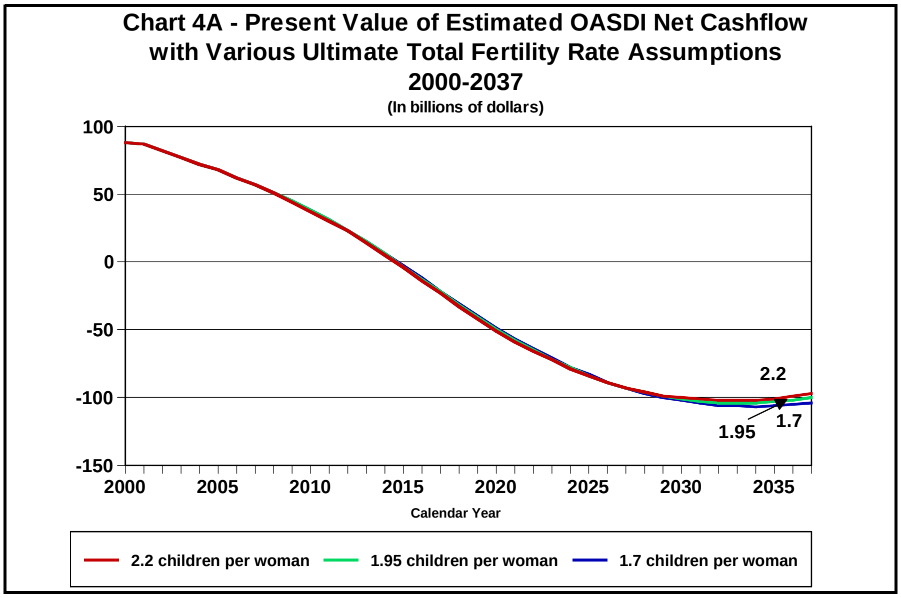



The three patterns of estimated annual OASDI net cashflow shown in Chart 4 are similar. After increasing slightly in the first few years, the net cashflow estimates decrease steadily through 2037. They remain positive through 2014 and are negative thereafter.

1. The total fertility rate for any year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rate by age observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period.

Very little difference is discernible among the estimates of annual net cashflow based on the three ultimate total fertility rates throughout this period. In particular, it is difficult to discern from Chart 4 that annual net cashflow based on higher fertility rates is lower in the early years, although higher thereafter. In the early years, more births are assumed to result in fewer women in the labor force and more children receiving OASDI benefits. Thus, in the early years, higher fertility rates result in both reduced payroll taxes and increased benefits and, therefore, lower net cashflow. As the larger birth cohorts age and enter the labor force, however, the effect on payroll taxes gradually changes from a reduction to a net increase. By 2027 and for all years thereafter, increased payroll taxes more than offset increased benefits. Thus, from that year on, annual net cashflow based on higher fertility rates is higher (less negative) than annual net cashflow based on lower fertility rates.

Chart 4A shows the present value of the estimated annual OASDI net cashflow.




The three patterns of the present values shown in Chart 4A are similar. The present values decrease steadily through the early 2030's. They remain positive through 2014 and are negative thereafter. Present values based on all three ultimate total fertility rates begin to increase (become less negative) in the 2030's (2035 for 1.7 and 2034 for the others). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time. For example, based on all three ultimate total fertility rates, it would take less of an investment today to cover the annual deficit in 2035 than it would to cover the annual deficit in 2034.

*Death Rates* - Table 2 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about future reductions in death rates. The analysis was developed by varying the percentage decrease assumed to occur during 1999-2074 in death rates by age, sex, and cause of death. The decreases assumed for this period, summarized as changes in the age-sex-adjusted death rate, are 18, 41 and 61 percent, where 41 percent is the intermediate assumption in the 2000 Trustees Report. Note that these assumptions do not apply uniformly to all ages. Some variation by age was assumed in recognition of historical patterns and to ensure that, in terms of the financial status of the OASDI program, estimates based on the summarized 18-percent and 61-percent reduction assumptions would be more optimistic and more pessimistic, respectively, than those based on the intermediate assumption.

Table 2 demonstrates that, if the reduction in death rates is changed from 41 percent, the Trustees' intermediate assumption, to 18 percent, meaning that people die younger, the shortfall for the period of estimated OASDI income relative to expenditures would decrease to $2,701 billion, from $3,845 billion; if the reduction were changed to 61 percent, meaning that people live longer, the shortfall would increase to $5,146 billion.

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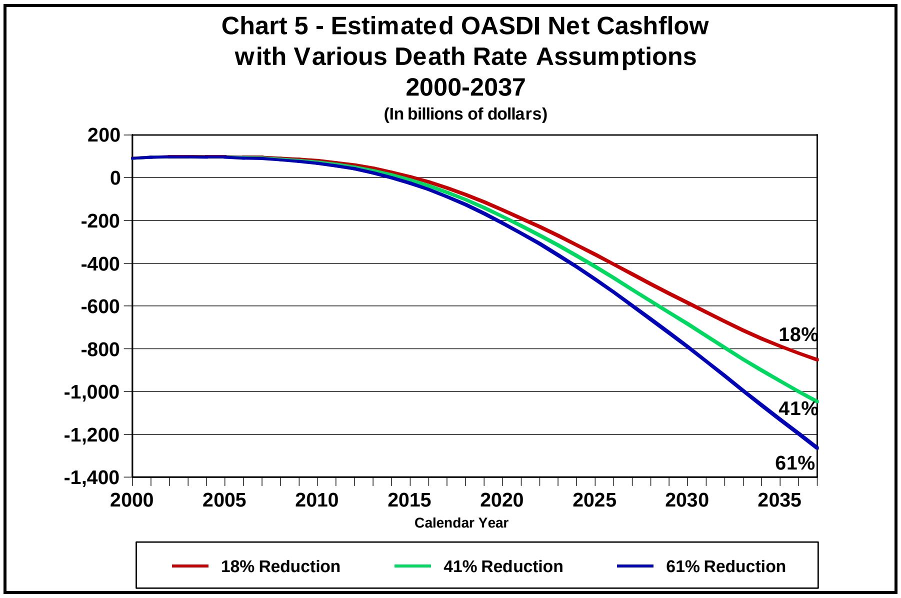
| Table 2: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Death Rate Assumptions Valuation Period: 2000-2074 | | | |
|---|---|---|---|
| Reduction in Death Rates (from 1999 to 2074) | 18 Percent | 41 Percent | 61 Percent |
| Excess in Present Value Dollars (In billions) | -$2,701 | -$3,845 | -$5,146 |

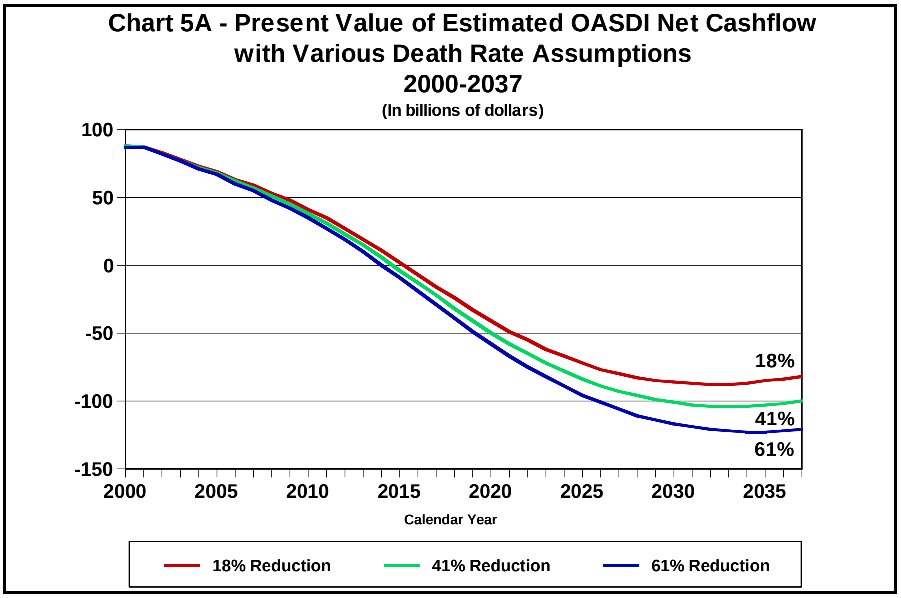
Charts 5 and 5A show estimates using the same assumptions about future reductions in death rates used for the estimates in Table 2. Chart 5 shows the estimated annual OASDI net cashflow.




The three patterns of estimated annual OASDI net cashflow shown in Chart 5 are similar. After increasing slightly in the first few years, the net cashflow estimates decrease steadily through 2037. They remain positive through 2015, 2014 and 2013 for assumptions of 18-percent, 41-percent and 61-percent reduction, respectively, and are negative thereafter. Relatively little difference is discernible in the early years among the estimates of annual net cashflow based on the three assumptions about the reduction in death rates. Thereafter, differences become more apparent. Because annual death rates resulting from the three assumptions diverge steadily with time, resulting estimated annual OASDI net cashflows do so, too.

Although lower death rates result in both higher income and higher expenditures, expenditures increase more than income. For any given year, reductions in death rates at the retirement eligibility age of 62 and older, which are the ages of highest death rates, increase the number of retired-worker beneficiaries (and, therefore, the amount of retirement benefits) without adding significantly to the number of covered workers (and, therefore, the amount of payroll taxes). Although reductions at age 50 to retirement eligibility age add significantly to the number of covered workers, the increased payroll tax income is not large enough to offset the additional retirement and disability benefits resulting from the increased number of people surviving to age 50 and over. At ages under 50, death rates are so low that even substantial reductions do not result in significant increases in either the number of covered workers or beneficiaries.

Chart 5A shows the present value of the estimated annual OASDI net cashflow.




The three patterns of the present values shown in Chart 5A are similar. The present values decrease steadily through the early 2030's. They remain positive through 2015, 2014 and 2013 for assumptions of reductions of 18, 41 and 61 percent, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2033, 2034 and 2035 for assumptions of reductions of 18, 41 and 61 percent, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

*Net Annual Immigration* - Table 3 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the magnitude of net annual immigration. These assumptions are that the ultimate net annual immigration will be 655,000 persons, 900,000 persons and 1,210,000 persons, where 900,000 persons is the intermediate assumption in the 2000 Trustees Report.

Table 3 demonstrates that, if net annual immigration is changed from 900,000 persons, the Trustees' intermediate assumption, to 655,000 persons, the shortfall for the period of estimated OASDI income relative to expenditures would increase to $3,966 billion, from $3,845 billion; if the net annual immigration were changed to 1,210,000 persons, the shortfall would decrease to $3,676 billion.

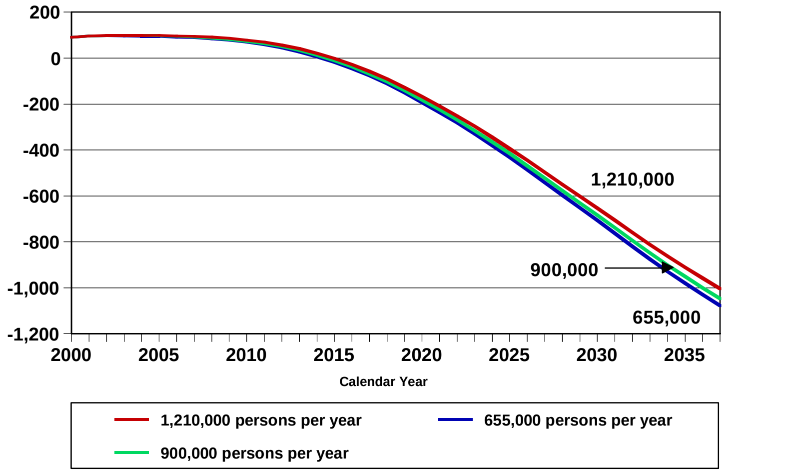
**Table 3: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Ultimate Net Annual Immigration Assumptions Valuation Period: 2000-2074**

| Ultimate Net Annual Immigration | 655,000 Persons | 900,000 Persons | 1,210,000 Persons |
|---|---|---|---|
| Excess in Present Value Dollars (In billions) | -$3,966 | -$3,845 | -$3,676 |

Charts 6 and 6A show estimates using the same assumptions about net annual immigration used for the estimates in Table 3. Chart 6 shows the estimated annual OASDI net cashflow.

**Chart 6 - Estimated OASDI Net Cashflow with Various Ultimate Net Annual Immigration Assumptions 2000-2037**

(In billions of dollars)

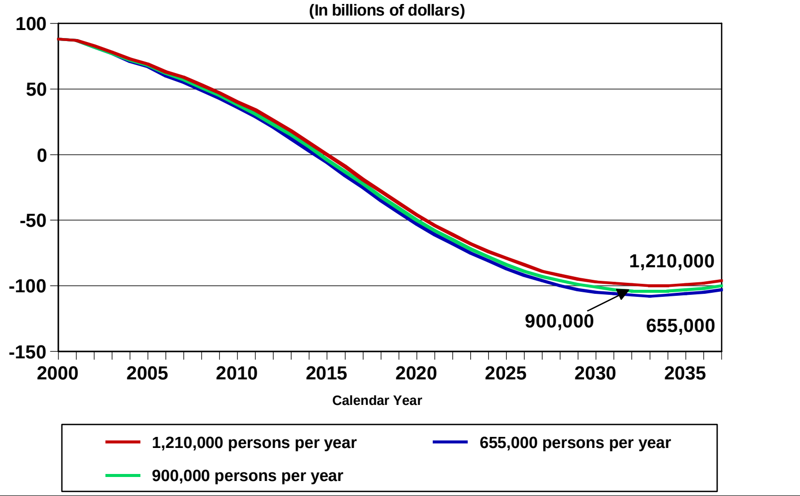



The three patterns of estimated annual OASDI net cashflow estimates shown in Chart 6 are similar. After increasing slightly in the first few years, the net cashflow estimates decrease steadily through 2037. They remain positive through 2014 and are negative thereafter. Very little difference is discernible in the early years among the estimates of net annual cashflow based on the three assumptions about net annual immigration. Year by year, as net annual immigration results in an accumulation of each of the three immigrant assumptions, differences become apparent. Because immigration generally occurs at relatively young adult ages, the effects are similar to those of total fertility rates, except that the ultimate effect occurs earlier. There is no significant effect on beneficiaries (and, therefore, on benefits) in the early years but the effect on workers (and, therefore, on payroll tax income) is immediate. Thus, even in the early years, annual net cashflow, year by year, is higher (less negative in later years) for higher net annual immigration. As more and more of the larger immigration cohorts enter the labor force, the increased payroll taxes that accumulate are only partially offset by subsequent increased benefits. Thus, annual net cashflow based on higher net annual immigration is increasingly higher (less negative) than annual net cashflow based on lower net annual immigration.

Chart 6A shows the present value of the estimated annual OASDI net cashflow.

**Chart 6A - Present Value of Estimated OASDI Net Cashflow with Various Ultimate Net Annual Immigration Assumptions 2000-2037**

(In billions of dollars)



The three patterns of the present values shown in Chart 6A are similar. The present values decrease steadily through 2033. They remain positive through 2014 and are negative thereafter. Present values based on all three assumptions about annual net immigration begin to increase (become less negative) in 2034. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

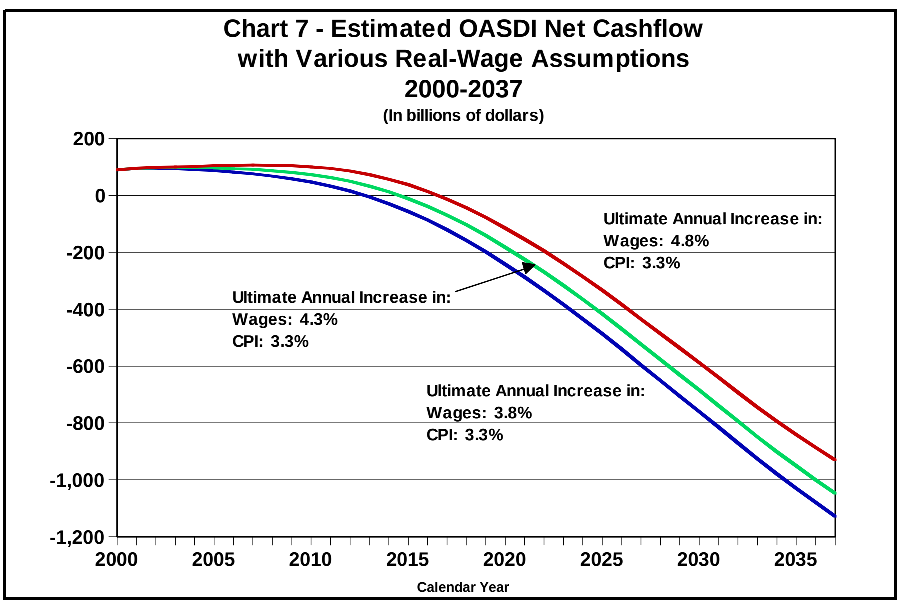
*Real-Wage Differential* - Table 4 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate real-wage differential. These assumptions are that the ultimate real-wage differential will be 0.5, 1.0 and 1.5 percentage points, where 1.0 percentage point is the intermediate assumption in the 2000 Trustees Report. The real-wage differential is the difference between the percentage increases in (1) the average annual wage in OASDI covered employment and (2) the average annual Consumer Price Index (CPI). In each case, the ultimate annual increase in the CPI is assumed to be 3.3 percent (as used in the intermediate assumptions), yielding ultimate percentage increases in the average annual wage in covered employment of 3.8, 4.3 and 4.8 percent, respectively.

Table 4 demonstrates that, if the ultimate real-wage differential is changed from 1.0 percentage point, the Trustees' intermediate assumption, to 0.5 percentage point, the shortfall for the period of estimated OASDI income relative to expenditures would increase to $4,252 billion from $3,845 billion; if the ultimate real-wage differential were changed from 1.0 to 1.5 percentage points, the shortfall would decrease to $3,263 billion.

**Table 4: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Real-Wage Assumptions Valuation Period: 2000-2074**

| | | | |
|---|---|---|---|
| Ultimate Percentage Change in Wages - CPI | 3.8 - 3.3 | 4.3 - 3.3 | 4.8 - 3.3 |
| Excess in Present Value Dollars (In billions) | -$4,252 | -$3,845 | -$3,263 |

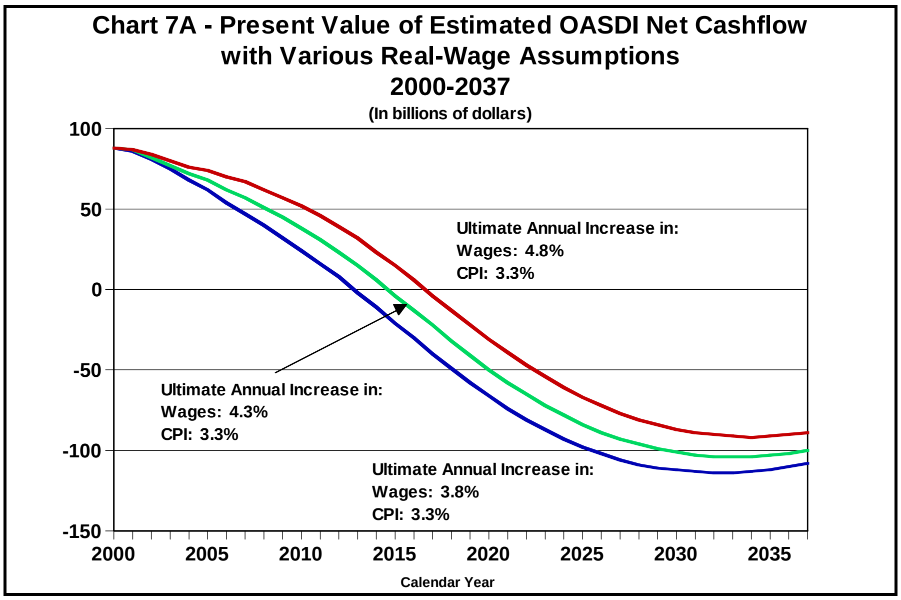
Charts 7 and 7A show estimates using the same assumptions about the ultimate real-wage differential used for the estimates in Table 4. Chart 7 shows the estimated annual OASDI net cashflow.



The three patterns of estimated net annual OASDI cashflow shown in Chart 7 are similar. After increasing in the early years, the net cashflow estimates decrease steadily through 2037. Estimated net cashflow remains positive through 2012, 2014 and 2016 for assumed ultimate real-wage differentials of 0.5, 1.0 and 1.5 percentage points, respectively, and is negative thereafter.

Differences among the estimates of annual net cashflow based on the three assumptions about the ultimate real-wage differential become apparent early in the projection period. Higher real-wage differentials increase both wages and initial benefit levels. Because the effects on wages and, therefore, on payroll taxes are immediate, while the effects on benefits occur with a substantial lag, annual net cashflow is higher (less negative in later years) for higher assumed real-wage differentials. In the early years, when the effects on benefits are quite small while the effects on wages are compounding, the patterns of the estimates of annual net cashflow based on the three assumptions diverge fairly rapidly.

Chart 7A shows the present value of the estimated annual OASDI net cashflow.



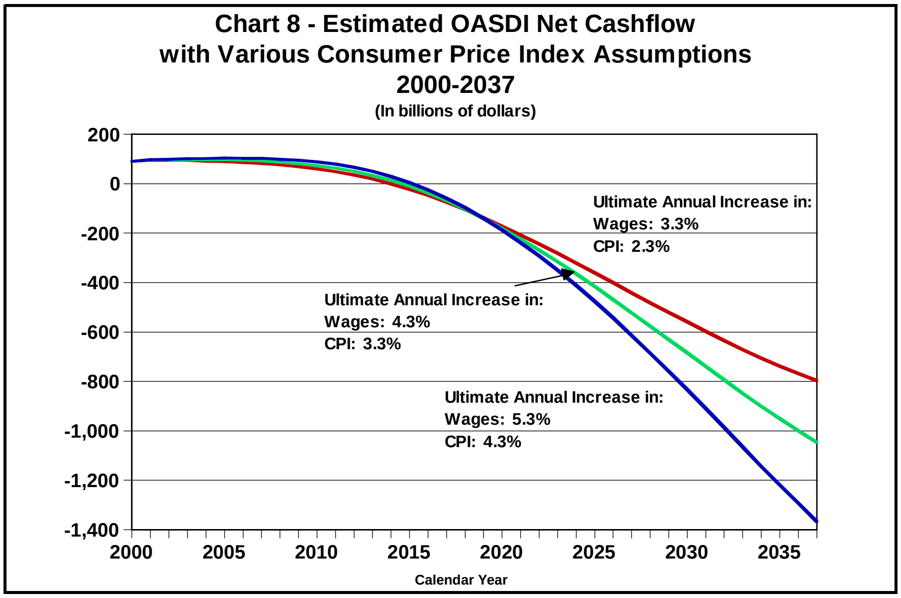

The three patterns of the present values shown in Chart 7A are similar. The present values decrease steadily through the early 2030's. They remain positive through 2012, 2014 and 2016 for assumed ultimate real-wage differentials of 0.5, 1.0 and 1.5 percentage points, respectively, and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2033, 2034 and 2035 for assumed ultimate real-wage differentials of 0.5, 1.0 and 1.5 percentage points, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

*Consumer Price Index* - Table 5 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate rate of change in the CPI. These assumptions are that the ultimate annual increase in the CPI will be 2.3, 3.3 and 4.3 percent, where 3.3 percent is the intermediate assumption in the 2000 Trustees Report. In each case, the ultimate real-wage differential is assumed to be 1.0 percentage point (as used in the intermediate assumptions), yielding ultimate percentage increases in average annual wages in covered employment of 3.3, 4.3 and 5.3 percent, respectively.

Table 5 demonstrates that, if the ultimate annual increase in the CPI is changed from 3.3 percent, the Trustees' intermediate assumption, to 2.3 percent, the shortfall for the period of estimated OASDI income relative to expenditures would increase to $4,148 billion, from $3,845 billion; if the ultimate annual increase in the CPI were changed to 4.3 percent, the shortfall would decrease to $3,530 billion. This seemingly counter-intuitive result--that higher CPI-increases result in decreased shortfalls, and vice versa--occurs because varying CPI-increases while retaining the same annual real-wage differentials affects earnings (and, therefore, taxes) sooner than benefits (and, therefore, expenditures). See the discussion below for a more complete explanation.

| Table 5: Present Value of Estimated Excess of OASDI Income over Expenditures with Various CPI-Increase Assumptions Valuation Period: 2000-2074 | | | |
|---|---|---|---|
| Ultimate Percentage Change in Wages - CPI | 3.3 - 2.3 | 4.3 - 3.3 | 5.3 - 4.3 |
| Excess in Present Value Dollars (In billions) | -$4,148 | -$3,845 | -$3,530 |

Charts 8 and 8A show estimates using the same assumptions about the ultimate annual increase in the CPI used for the estimates in Table 5. Chart 8 shows the estimated annual OASDI net cashflow.

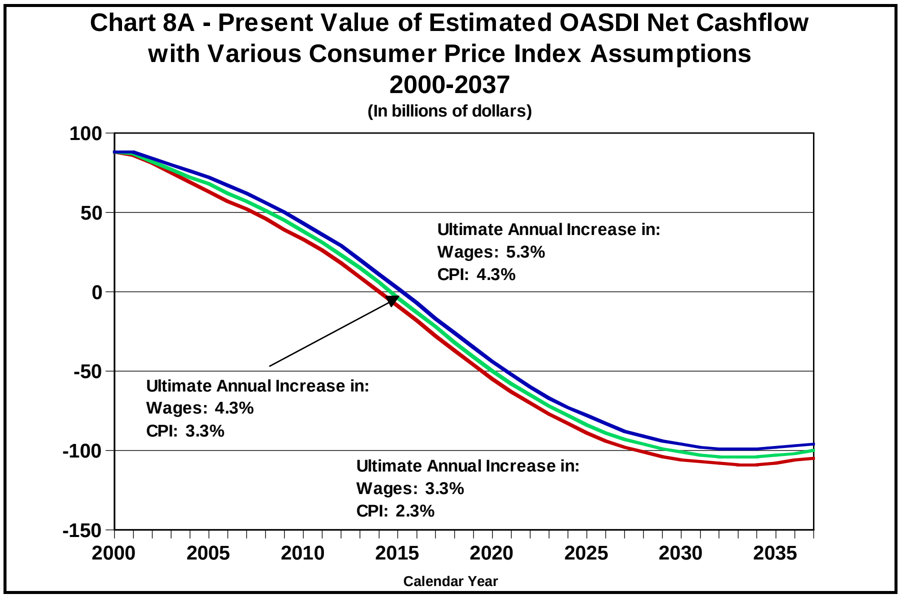



The three patterns of estimated annual OASDI net cashflow shown in Chart 8 are similar. After increasing in the early years, the net cashflow estimates decrease steadily through 2037. Larger increases in the CPI with the same real-wage differentials produce higher wages, which produce both higher payroll taxes and higher initial benefits. Larger increases in the CPI also produce higher benefits directly, by increasing the cost-of-living adjustments to benefits. Thus, larger increases in the CPI result in both higher income and higher expenditures.

Theoretically, if expenditures were increased each year by the same percentage as income, the magnitude of annual net cashflow would increase--positive annual net cashflow would become more positive, and negative annual net cashflow would become more negative. Also, if positive net cashflow were followed by negative net cashflow (or vice versa), the year in which the annual net cashflow would cross zero would be unaffected by altering the assumed rate of change in the CPI. As a result, the patterns would cross each other at that time.

In practice, however, larger increases in the CPI cause income to increase sooner, and thus by more in each year, than expenditures. The effect on wages and payroll taxes occurs immediately, but the effect on benefits occurs with a lag. Thus, the theoretical results described above are shifted by the relatively large effect on income--positive annual net cashflow is even more positive, and negative annual net cashflow is less negative or becomes positive. Chart 8 shows that annual net cashflow remains positive through 2013, 2014 and 2015 for assumed ultimate annual increases in the CPI of 2.3, 3.3 and 4.3 percent, respectively. In addition, because of the shift described above, the patterns cross each other about 2020 rather than when the annual net cashflow is zero.

Chart 8A shows the present value of the estimated annual OASDI net cashflow.




The three patterns of the present values shown in Chart 8A are similar. The present values decrease steadily through 2033 before beginning to increase. They remain positive through 2014 (2015 for assumed ultimate annual increase in the CPI of 4.3 percent) and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in 2034. Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

The magnitudes of the present values in Chart 8A are lower, year by year, than the amounts in Chart 8 because of the discounting process used for computing present values. This would be the case even if the nominal interest rates on which the present values are based were assumed to be the same for all three patterns of annual net cashflow. For this analysis, however, larger increases in the CPI are combined with the same assumed real interest rates, thereby producing higher nominal interest rates. The effect of these higher interest rates is to reduce the magnitudes of the present values of annual net cashflow even more--the present values of positive annual net cashflow become less positive, and the present values of negative annual net cashflow become less negative. The compounding effect of the higher interest rates is strong enough, relative to the factors increasing benefits, to reduce the magnitudes of the present values of the negative annual net cashflow of the later years sufficiently to eliminate the crossover of the patterns that occurred in Chart 8.

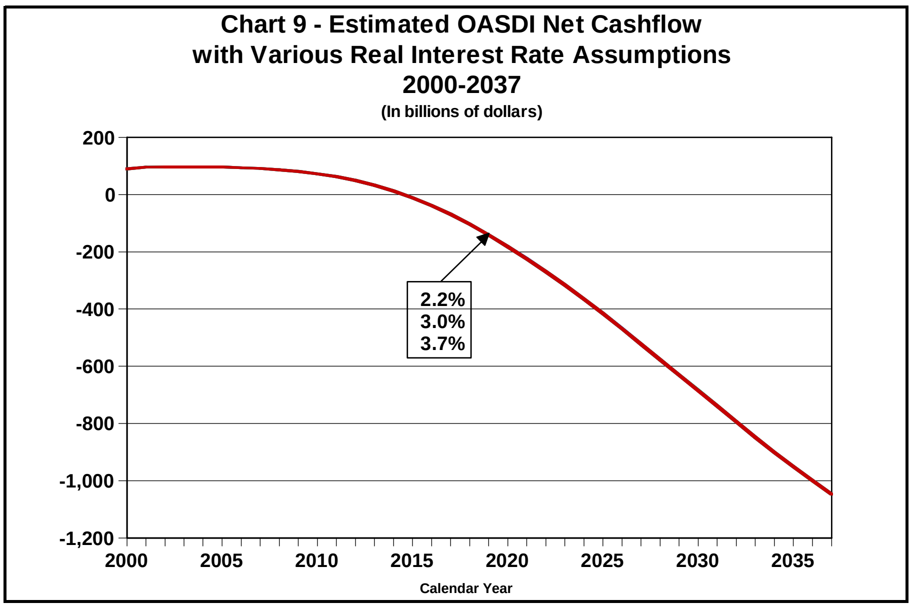
*Real Interest Rate* - Table 6 shows the present values of the estimated excess of OASDI income over expenditures for the 75-year period, using various assumptions about the ultimate annual real interest rate for special-issue Treasury obligations sold only to the trust funds. These assumptions are that the ultimate annual real interest rate will be 2.2, 3.0 and 3.7 percent, where 3.0 percent is the intermediate assumption in the 2000 Trustees Report.

Changes in real interest rates change the present value of cashflow, even though the cashflow itself does not change. Table 6 demonstrates that, if the ultimate real interest rate is changed from 3.0 percent, the Trustees' intermediate assumption, to 2.2 percent, the shortfall for the period of estimated OASDI income relative to expenditures, when measured in present-value terms, would increase to $5,618 billion, from $3,845 billion; if the ultimate annual real interest rate were changed to 3.7 percent, the present-value shortfall would decrease to $2,755 billion.

**Table 6: Present Value of Estimated Excess of OASDI Income over Expenditures with Various Real-Interest Assumptions**
**Valuation Period: 2000-2074**

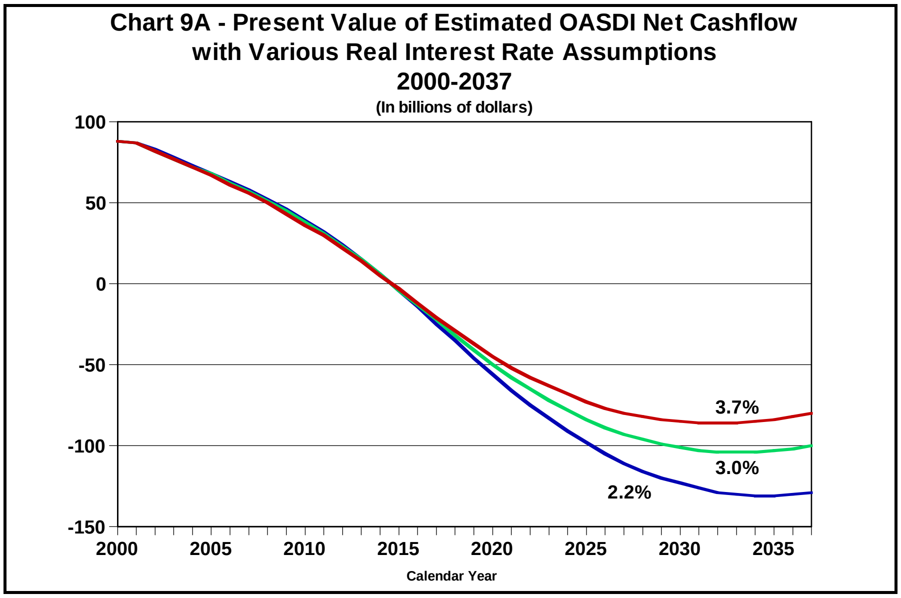
| Ultimate Annual Real Interest Rate | 2.2 | 3.0 | 3.7 |
|---|---|---|---|
| Excess Present Value Dollars (In billions) | -$5,618 | -$3,845 | -$2,755 |

Charts 9 and 9A show estimates using the same assumptions about the ultimate annual real interest rate used for the estimates in Table 6. Chart 9 shows the estimated annual OASDI net cashflow.




The three patterns of estimated annual OASDI net cashflow shown in Chart 9 are identical, because interest rates do not affect cashflow. After increasing through 2003, the net cashflow estimates decrease steadily through 2037. They remain positive through 2014 and are negative thereafter.

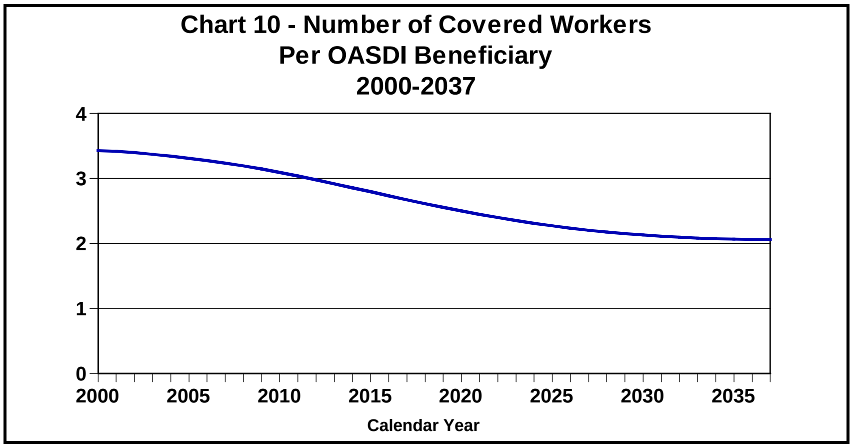
Chart 9A shows the present value of the estimated annual OASDI net cashflow.




The three patterns of the present values shown in Chart 9A are similar. The present values decrease steadily through the early 2030's. They remain positive through 2014 and are negative thereafter. Present values based on all three assumptions begin to increase (become less negative) in the 2030's (2035, 2034 and 2033 for assumed ultimate real interest rates of 2.2, 3.0 and 3.7 percent, respectively). Thus, in terms of today's investment dollar, annual OASDI net cashflow, although still negative, begins to increase (become less negative) at that time.

Chart 9A shows a crossover in the patterns of the present values of the net cashflow. The crossover occurs at the time the net cashflow changes from positive to negative, which happens in 2015. The crossover occurs because higher interest rates result in present values that are lower in magnitude--positive amounts become less positive and negative amounts become less negative. Thus, before the time of the crossover--when the net cashflow is positive--the use of higher interest rates results in lower present values; after that time--when the net cashflow is negative--the use of higher interest rates results in higher present values--that is, present values that are less negative--thereby resulting in the crossover.

_Ratio of Workers to Beneficiaries_ - Chart 10 below shows the estimated number of covered workers per OASDI beneficiary using the Trustees' intermediate assumptions. As defined by the Trustees, covered workers are persons having earnings creditable for OASDI purposes on the basis of services for wages in covered employment and/or on the basis of receipts from covered self-employment. The estimated number of workers per beneficiary will decline from 3.4 in 1999 to 2.1 in 2037.



## Social Security Assumptions

The estimates used in this presentation are based on the assumption that the programs will continue as presently constructed. They are also based on various economic and demographic assumptions, including those in the following table:

**Table 7: Social Security Assumptions**

| | | | Period Life Expectancy At Birth[3] | | | | Average Annual Percentage Change In: | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total Fertility Rate[1] | Age-Sex-Adjusted Death Rate[2] (per 100,000) | Male | Female | Ultimate Net Annual Immigration (persons per year) | Real-Wage Differential[4] (percentage points) | Average Annual Wage in Covered Employment | CPI[5] | Real GDP[6] | Average Annual Interest Rate[7] |
| 2000 | 2.05 | 796.3 | 73.9 | 79.6 | 900,000 | 1.5 | 4.6 | 3.1 | 3.5 | 6.7% |
| 2005 | 2.03 | 767.0 | 74.7 | 80.0 | 900,000 | 1.0 | 4.2 | 3.3 | 2.0 | 6.2% |
| 2010 | 2.01 | 744.2 | 75.4 | 80.4 | 900,000 | 1.0 | 4.3 | 3.3 | 2.1 | 6.3% |
| 2020 | 1.97 | 692.7 | 76.4 | 81.1 | 900,000 | 1.0 | 4.3 | 3.3 | 1.7 | 6.3% |
| 2030 | 1.95 | 640.6 | 77.4 | 82.0 | 900,000 | 1.0 | 4.3 | 3.3 | 1.7 | 6.3% |
| 2040 | 1.95 | 594.8 | 78.3 | 82.7 | 900,000 | 1.0 | 4.3 | 3.3 | 1.7 | 6.3% |

1. The total fertility rate for any year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is assumed to be reached in 2024.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 1990, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy for any year is the average number of years of life remaining for a group of persons if that group were to experience the death rates by age observed in, or assumed for, the selected year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. The real-wage differential is the difference between the percentage increases, before rounding, in the average annual wage in covered employment, and the average annual Consumer Price Index.
5. The Consumer Price Index (CPI) is the annual average value for the calendar year of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).
6. The real Gross Domestic Product (GDP) is the value of total output of goods and services, expressed in 1996 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
7. The average annual interest rate is the average of the nominal interest rates, which, in practice, are compounded semiannually, for special-issue Treasury obligations sold only to the trust funds in each of the 12 months of the year.

These assumptions and the other values on which these displays are based reflect the intermediate assumptions of the 2000 Trustees Report. Estimates made in certain prior years have changed substantially because of revisions to the assumptions based on changed conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

# Supplemental Information

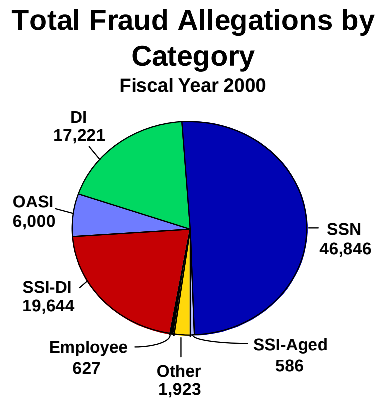
## Adequacy of Trust Fund Financing

| Calendar Year | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 |
|---|---|---|---|---|---|---|
| Trends in factors affecting revenues | | | | | | |
| - Taxable wage base for coverage: | | | | | | |
| Social Security | $3,600 | $4,800 | $7,800 | $25,900 | $51,300 | $76,200 |
| Medicare (HI) | NA | NA | 7,800 | 25,900 | 51,300 | No Limit |
| - Tax contribution & distribution rates: | | | | | | |
| - FICA tax rate (employers and employees, each) | | | | | | |
| OASI (initiated 1937) | 1.50% | 2.75% | 3.65% | 4.52% | 5.60% | 5.30% |
| DI (initiated 1957) | NA | .25% | .55% | .56% | .60% | .90% |
| HI (initiated 1966) | NA | NA | .60% | 1.05% | 1.45% | 1.45% |
| Combined | 1.50% | 3.00% | 4.80% | 6.13% | 7.65% | 7.65% |
| - SECA tax rate | | | | | | |
| OASI (initiated 1951) | NA | 4.125% | 5.475% | 6.2725% | 11.20% | 10.60% |
| DI (initiated 1957) | NA | .375% | .825% | .7775% | 1.20% | 1.80% |
| HI (initiated 1966) | NA | NA | .60% | 1.05% | 2.90% | 2.90% |
| Combined | NA | 4.50% | 6.90% | 8.10% | 15.30% | 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] | 3.5 | 14.8 | 26.2 | 35.6 | 39.8 | 45.1[4] |
| Retirees/dependents | 2.3 | 10.6 | 17.1 | 23.3 | 28.4 | 31.4[4] |
| Survivors of deceased workers | 1.2 | 3.6 | 6.5 | 7.6 | 7.2 | 7.0[4] |
| Disabled workers/dependents | NA | .7 | 2.7 | 4.7 | 4.3 | 6.7[4] |
| - Benefit payment COLA increase[5] | NA | NA | NA | 9.9% | 4.7% | 2.4% |
| - No. of workers per beneficiary[6] | 16.5 | 5.1 | 3.7 | 3.2 | 3.4 | 3.4[4] |
| - Retirement age | | | | | | |
| Largest benefits[7] | 65 yrs. | 65 yrs. | 65 yrs. | 70 yrs. | 70 yrs. | 70 yrs. |
| Full benefits[8] | 65 yrs. | 65 yrs. | 65 yrs. | 65 yrs. | 65 yrs. | 65 yrs. |
| Reduced benefits | NA[9] | 62 yrs.[9] | 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 2000 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 1950; per OASDI beneficiary in 1960, 1970, 1980, 1990 & 2000.
7. Delayed retirement credits, increasing benefits up to age 70, became available in 1971.
8. Beginning at this age, the retirement test no longer applies.
9. Reduced benefits were not offered until 1956 for women and 1961 for men.

# Anti-Fraud Activities

SSA is committed to a policy of zero tolerance for fraud, waste and abuse (see page 22 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.



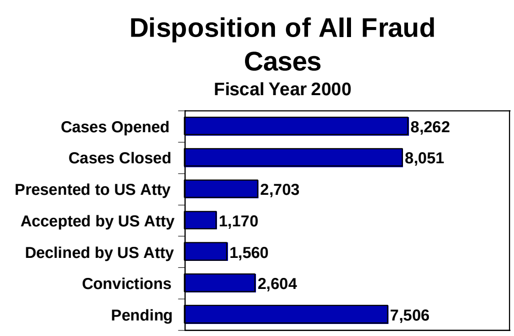

## Entitlement Reviews

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 95)
- Disability quality reviews (page 117)
- SSI redeterminations (page 94)
- CDRs (pages 94 and 119)


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. In continuing efforts to improve payment accuracy, SSA invested more than $1 billion in processing over 9 million alerts in FY 2000 (these data represent currently available data as of October 2000). Much of the apparent increase in costs from FY 1999 is due to the new inclusion of costs expended on CDRs in the State Disability Determination Services, as these are a cost incurred by SSA. Current estimates indicate that these payment safeguard activities provided benefits to the trust funds of $7.7 billion in overpayments detected and/or prevented.

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.




## Anti-Fraud Activities

In FY 2000, as part of its fraud detection and prevention program for safeguarding the Agency's assets, SSA worked with our Office of the Inspector General (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.

# Debt Management

During the 1990s, 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.

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. To date, TRO and TOP have yielded $394 million in debt collections.

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 75,000 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 2000 saw a continuance of all of the foregoing debt collection activities. FY 2000 was also a time of planning and development of two major debt collection projects that are expected to yield direct collections of more than $115 million over five 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. Cross program recovery is the collection of a former recipient's title XVI debt from any title II benefits due that person. Plans are to implement it in January 2001. 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 plans to implement this tool in FY 2001.

In December 1999, the Foster Care Independence Act of 1999 was signed into law. This legislation authorizes the use of all available debt collection tools for recovering title XVI debts. These tools include administrative offset, interest charging, Federal salary offset, credit bureau reporting and the use of private collection agencies. Shortly after this legislation was passed, planning and development for two of the debt collection tools, administrative offset and credit bureau reporting, was set in motion. Implementation of these two tools is planned for January 2001.

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. Please see page 33 for more information.

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

**FY 2000 Quarterly Data (In Millions)**

| | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr |
|---|---|---|---|---|
| Total receivables (cumulative) | $6,530.0 | $6,585.2 | $6,919.4 | $7,107.7 |
| Total collections (cumulative) | 580.0 | 1,093.4 | 1,736.5 | 2,384.5 |
| Total writeoffs (cumulative) | 167.1 | 374.8 | 611.1 | 850.8 |
| TOP collections (cumulative) | 22.2 | 58.5 | 77.1 | 84.8 |
| Aging schedule of delinquent debt: | | | | |
| - 180 days or less | $500.0 | $415.2 | $435.1 | $569.2 |
| - 181 to 10 years | 474.1 | 444.7 | 413.5 | 519.1 |
| - Over 10 years | 10.3 | 10.0 | 10.6 | 15.8 |
| - Total delinquent debt | $984.4 | $869.9 | $859.2 | $1,104.1 |

| ***SSA's Debt Management Activities*** | **FY 1996** | **FY 1997** | **FY 1998** | **FY 1999** | **FY 2000** |
|---|---|---|---|---|---|
| Total debt outstanding end of FY (in millions) | $4,973.8 | $5,119.1 | $5,727.3 | $6,524.4 | $7,107.7 |
| % of outstanding debt: | | | | | |
| - Delinquent | 6.6% | 14.5% | 14.6% | 13.5% | 15.5% |
| - Estimated to be uncollectible | 27.5% | 28.0% | 29.0% | 30.2% | 33.9% |
| New debt as a % of benefit outlays | 0.8% | 0.8% | 0.8% | 1.0% | 0.9% |
| % of debt collected | 35.6% | 38.9% | 33.2% | 34.0% | 33.5% |
| Cost to collect $1 | $0.12 | $0.09 | $0.11 | $0.11 | $0.10 |
| % change in collections from prior FY | 3.1% | 12.4% | (11.9%) | 16.5% | 7.6% |
| % change in delinquencies from prior FY | 24.5% | 125.1% | 12.1% | 5.4% | 25.6% |
| Debt clearance rate | 30.0% | 36.1% | 30.1% | 30.8% | 31.0% |
| Collections as a % of clearances | 79.7% | 69.2% | 76.2% | 73.3% | 73.7% |
| Total writeoffs of debt (*in millions*) | $450.8 | $887.6 | $595.1 | $807.6 | $850.8 |
| Average number of months to clear receivables: | | | | | |
| - OASI | 11 | 12 | 13 | 12 | 12 |
| - DI | 26 | 29 | 29 | 25 | 26 |
| - SSI | 28 | 25 | 23 | 20 | 27 |

# 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 2000, SSA began the year with 21 reports carried over from FY 1999 which contained approximately $427 thousand in costs that management determined should not be charged to the Agency's programs (disallowed costs) and $73 million which could be used more efficiently (funds put to better use). During the year, SSA has monitored and analyzed 11 new audit reports that contained approximately $11 million in disallowed costs and approximately $77 million in funds which could be put to better use.

In FY 2000, management completed action on a total of six audit reports. As a result, for three of these reports containing recommendations related to DDS initial disability claims processing, over $11 million was recovered in disallowed costs. In addition, SSA completed action on three audit reports containing recommendations related to the claims process and the postentitlement process which will put over $38 million to use more efficiently.

SSA is currently tracking 26 audits more than one year old containing recommendations for which final action has not been taken. These audits contain over $500 thousand in disallowed costs and recommended actions which when implemented could result in over $111 million being better used.

Disallowed Costs and Funds to be Put to Better Use (in thousands)

| | Reports | Disallowed Costs | Reports | Funds to be Put to Better Use |
|---|---|---|---|---|
| Beginning of FY | 7 | $426.8 | 14 | $72,809.4 |
| New Reports | 5 | $11,298.6 | 6 | $76,654.3 |
| Total Audits | 12 | $11,725.4 | 20 | $149,463.6 |
| Implemented | 3 | $11,209.4 | 3 | $38,042.7[1] |
| End of FY | 9 | $515.9 | 17 | $111,420.9 |

1. Includes funds from a partially completed report.