

Social Security's solvency has improved

By Editorial Staff Fri, Jun 3, 2022

Social Security paid benefits of \$1.133 trillion in 2021. There were about 65 million beneficiaries at the end of the calendar year, according to the Social Security trustees' annual report, published June 2.



The combined asset reserves of the Old-Age and Survivors Insurance and Disability Insurance (OASI and DI) Trust Funds are projected to last a year longer and to cover five percentage points more of promised benefits than previously predicted, according to the annual [report](#) of the Social Security Board of Trustees, released yesterday.

The OASI (Social Security) Trust Fund is projected to become depleted in 2034, one year later than last year's estimate, with 77% of benefits payable at that time. The DI Trust Fund asset reserves are not projected to become depleted during the 75-year projection period.

In the 2022 Annual Report to Congress, the trustees announced:

The asset reserves of the combined OASI and DI Trust Funds declined by \$56 billion in 2021 to a total of \$2.852 trillion.

The total annual cost of the program is projected to exceed total annual income in 2022 and remain higher throughout the 75-year projection period. Total cost began to be higher than total income in 2021. Social Security's cost has exceeded its non-interest income since 2010.

The year when the combined trust fund reserves are projected to become depleted, if Congress does not act before then, is 2035 – one year later than last year's projection. At that time, there would be sufficient income coming in to pay 80% of scheduled benefits.

"The Trustees recommend that lawmakers address the projected trust fund shortfalls in a timely way in order to phase in necessary changes gradually," said Kilolo Kijakazi, Acting Commissioner of Social Security. "Social Security will continue to be a vital part of the lives of 66 million beneficiaries and 182 million workers and their families during 2022."

Other highlights of the Trustees Report include:

Total income, including interest, to the combined OASI and DI Trust Funds amounted to \$1.088 trillion in 2021, with \$980.6 billion from net payroll tax contributions, \$37.6 billion from taxation of benefits, and \$70.1 billion in interest.

Total expenditures from the combined OASI and DI Trust Funds amounted to nearly \$1.145 trillion in 2021.

Social Security paid benefits of \$1.133 trillion in calendar year 2021. There were about 65 million beneficiaries at the end of the calendar year.

The projected actuarial deficit over the 75-year long-range period is 3.42% of taxable payroll, a decline from the 3.54% projected in last year's report.

During 2021, an estimated 179 million people had earnings covered by Social Security and paid payroll taxes. The cost of \$6.5 billion to administer the Social Security program in 2021 was a very low 0.6% of total expenditures. The combined trust fund asset reserves earned interest at an effective annual rate of 2.5% in 2021.

The Board of Trustees usually comprises six members. Four serve by virtue of their positions with the federal government: Janet Yellen, Secretary of the Treasury and Managing Trustee; Kilolo Kijakazi, Acting Commissioner of Social Security; Xavier Becerra, Secretary of Health and Human Services; and Martin J. Walsh, Secretary of Labor. The two public trustee positions are currently vacant.

Yesterday, the Bipartisan Policy Institute, which has proposed compromise solutions to Social Security's projected funding shortfall, released the following statement:

Social Security's financial shortfall has been well known for years, and now it's staring us in the face just over a decade away. This year's report shows yet again that we are well past the time for talking points and partisan entrenchment.

We need specific plans. We need leadership. And we need action.

Pronouncements like 'no tax increases,' 'no benefit cuts,' and 'no tax increases on anyone below a certain threshold' need to be set aside. There's no room for red lines. This is a societal challenge that requires broad contributions to a solution.

Wage and job growth have exceeded expectations, which is bringing in more revenue

to the trust funds, and sadly, COVID deaths among the elderly have modestly reduced program costs. Claims for disability insurance continue to come in below expectations, which partly explains the bright spot in this report for that trust fund, which is now expected to remain solvent throughout the 75-year projection window. But working in the opposite direction, Social Security benefits are tied to inflation and price growth has continued to accelerate.

The good news is that more members of Congress are actively working to chart a bipartisan path forward on this complex problem than at any time in recent years. We at BPC stand ready to help, and our 2016 commission report serves as a template.

Finally, it's shameful that many of the leadership positions for the Social Security program have gone without permanent officials for so many years. The commissioner is currently acting, and that position has only been filled by a confirmed appointee for two of the past nine years. Similarly, the public trustee positions have been vacant for the past seven years, mainly due to partisan squabbling.

With Social Security in difficult financial straits, it's critical that we have trusted public oversight of the program's finances and operations.

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