History and Background

• The U.S. Congress enacted the Social Security Act in 1935, creating the Old-Age and Survivors Insurance (OASI) program, which provided retirement income benefits to workers ages 65 and older in commerce and industry (except railroads). The system became effective in 1937, and is financed by a payroll tax paid by employers and employees. In 1939, the system was expanded to cover dependents and survivors of covered workers. Legislation enacted in 1950 and subsequent years allowed states the option, under certain conditions, to provide Social Security coverage to their employees. The Social Security Act Amendments of 1983 prohibited states from opting out of the Social Security program. In 1990, Social Security coverage became mandatory for state and local employees not covered by a state or local government retirement plan.
• In 1956, the Disability Insurance (DI) program was added to the Social Security program, providing income to disabled workers. In 1958, dependents of disabled workers receiving benefits under the DI program became eligible for benefit payments.
• In 1965, the Medicare program was added, providing health insurance coverage for the elderly; the program was expanded in 1972 to cover beneficiaries of the DI program. EBRI maintains a separate Fact Sheet detailing the basics of the Medicare program.
• For budgetary purposes, the date on which the trust funds go into negative cash flow (i.e., the benefit payments exceed the income from payroll taxes and the taxation of benefits) is significant because it marks the point at which the government must provide cash from general revenues to the programs rather than receive surplus cash from them to fund other current spending.

Key Dates in the Long-Range Financing of the OASDI Trust Fund

• Under intermediate assumptions, the OASDI program’s annual cost will exceed non-interest income in 2013. After an increase through 2020, the OASI and DI Trust Fund asset reserves are projected to decline in 2021 and become depleted by 2033.
• The DI Trust Fund reserves become depleted in 2016, at which time continuing income to the DI Trust Fund would be sufficient to pay 80 percent of DI benefits.
• In order for the combined OASI and DI Trust Funds to remain solvent throughout the 75-year projection period revenues would have to increase by an amount equivalent to an immediate and permanent payroll tax rate increase from its current level of 12.40 percent to 15.06 percent. An additional reduction in scheduled benefits of an amount equivalent to an immediate and permanent reduction of 16.5 percent would be required.
• The unfunded obligation of the OASDI trust funds, for 1939 through the end of the 75-year projection period ending in 2087, is estimated to be $9.6 trillion.
• In 2009, expenditures of the OASDI trust funds are estimated to be equivalent to 4.8 percent of gross domestic product (GDP). By 2085, that percentage is estimated to increase to 5.9 percent.

Tax Revenue

• The Social Security trust funds are derived from payroll taxes assessed on employers and employees. Under current law, the payroll taxes are assessed as follows. OASI payroll taxes for 2013 are based on a combined employer/employee rate of 12.40 percent of earnings up to a maximum annual taxable amount of $110,100. The maximum taxable amount of earnings increases in proportion to increases in the average wage level. In 2012, total income for the OASI trust fund was $731.1 billion: $503.9 billion.
billion was in payroll taxes, $26.7 billion was in taxation of benefits, and $102.8 billion was interest income.

- DI payroll taxes for 2009 are based on a combined employer/employee rate of 1.8 percent of earnings, up to a maximum taxable amount of 106,000. The maximum taxable amount of earnings increases in proportion to increases in the average wage level. In 2012, total income for the DI trust fund was $109.1 billion: $85.6 billion was from payroll taxes, $0.6 billion was from taxation of benefits, and $6.4 billion was from interest income.
- In 1992, the DI trust fund went into negative cash flow and was projected to become insolvent in 1995. To alleviate this problem, Congress enacted the Social Security Domestic Employment Reform Act of 1994 (P.L. 103-387), which reallocated a portion of OASI taxes to the DI trust fund, effective retroactively.

**Beneficiaries and Benefit Amounts**

- In 2013, 46.7 million beneficiaries were in current-payment status from the OASI program. In 2013, 11.0 million individuals, disabled workers, and their dependents were in current-payment status from the DI program. Under intermediate assumptions, the number of OASI beneficiaries is projected to increase to 49.7 million in 2015; to 81.8 million in 2045; and to 108.6 million in 2090, and the number of DI beneficiaries is projected to increase to 11.3 million in 2015; to 13.6 million in 2045; and to 17.7 million in 2090.
- In 1945, the number of covered workers per OASDI beneficiary was 41.9. By 1965, that number was 4.0, and in 2013, it was 2.8. Under intermediate assumptions, the number of covered workers per OASDI beneficiary is estimated to be 2.7 in 2015, 2.1 in 2045, 2.0 in 2075, and 1.9 in 2090.
- In 2012, total benefit payments from the OASI trust fund amounted to $637.9 billion. Total benefit payments from the DI trust fund were $136.9 billion.

**Recent EBRI Research on Social Security and Social Security Within Retirement Income**

- “Individual Retirement Account Balances, Contributions, and Rollovers, 2011: The EBRI IRA Database” [EBRI Issue Brief no. 386 (May 2013)](#).
- “The 2012 Retirement Confidence Survey: Job Insecurity, Debt Weigh on Retirement Confidence, Savings” [EBRI Issue Brief no. 369 (March 2012)](#).
- “Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2010” [EBRI Issue Brief no. 363 (October 2011)](#).
- “The Impact of Deferring Retirement Age on Retirement Income Adequacy” [EBRI Issue Brief no. 358 (June 2011)](#).
- “Retirement Income Adequacy With Immediate and Longevity Annuities” [EBRI Issue Brief no. 357 (May 2011)](#).
- “The 2011 Retirement Confidence Survey: Confidence Drops to Record Lows, Reflecting “the New Normal” [EBRI Issue Brief no. 355 (March 2011)](#).
- “A Post-Crisis Assessment of Retirement Income Adequacy for Baby Boomers and Gen Xers” [EBRI Issue Brief no. 354 (February 2011)](#).
- EBRI also maintains its Social Security Research Program. Contained on that site is EBRI research on administrative issues involved with individual accounts in Social Security as well as links to over 100 Websites on Social Security.
Trustees in 2013

- Treasury Secretary Jacob L. Lew acts as the managing trustee of trust funds. Other trustees include Seth D. Harris, secretary of Labor; Kathleen Sebelius, secretary of Health and Human Services; Carolyn W. Colvin, commissioner of Social Security; Charles P. Blahous III; and Robert D. Reischauer.
- A copy of the 2013 trustees report and a summary of the 2013 Social Security and Medicare reports are online at http://www.socialsecurity.gov/OACT/tr/2013/tr2013.pdf

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