



Social Security: The Trust Fund

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Summary

The Social Security program pays benefits to retired and disabled workers and their family members, and to family members of deceased workers. Program income and outgo are accounted for in two separate trust funds authorized under Title II of the Social Security Act: the Federal Old-Age and Survivors Insurance (OASI) trust fund and the Federal Disability Insurance (DI) trust fund. This report refers to the two trust funds as an aggregate Social Security trust fund and discusses the operations of the OASI and DI trust funds on a combined basis.

The Social Security program is financed primarily through payroll taxes that are deposited in the U.S. Treasury and credited to the Social Security trust fund. Any revenues credited to the trust fund in excess of program costs (benefit payments and administrative expenses) are invested in special U.S. government obligations (debt instruments of the U.S. government).

The Social Security trust fund represents funds dedicated to pay current and future Social Security benefits. However, it is useful to view the trust fund in two ways: (1) as an internal federal accounting concept, and (2) as the accumulated holdings of the Social Security program.

For internal accounting purposes, certain accounts within the U.S. Treasury are designated by law as trust funds to track revenues (and expenditures) dedicated for specific purposes. There are a number of trust funds in the U.S. Treasury, including those for Social Security, Medicare, unemployment compensation, and federal employee retirement.

By law, any surplus Social Security revenues must be invested in U.S. government obligations. The accumulated holdings of U.S. government obligations are often viewed as being similar to assets held by any other trust on behalf of the beneficiaries. However, the holdings of the Social Security trust fund differ from those of private trusts because (1) the types of investments the trust fund may hold are limited, and (2) the U.S. government is both the buyer and seller of the investments.

This report covers the basics of how the Social Security program is funded and how the Social Security trust fund works. It will be updated as needed to reflect legislative or other activity.

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Introduction

The Social Security program pays benefits to retired and disabled workers and their family members, and to family members of deceased workers. The program is financed primarily through payroll taxes that are deposited in the U.S. Treasury and credited to the Social Security trust fund. Any revenues credited to the trust fund in excess of program costs (benefit payments and administrative expenses) are invested in special U.S. government obligations (debt instruments of the U.S. government). The Social Security trust fund is both a designated account within the U.S. Treasury and the accumulated holdings of special U.S. government obligations. Both represent the funds designated to pay current and future Social Security benefits.

How the Social Security Program Is Financed

The Social Security program is financed primarily by revenues from Federal Insurance Contributions Act (FICA) taxes and Self Employment Contributions Act (SECA) taxes. FICA taxes are paid by both employers and employees, but it is employers who remit the taxes to the U.S. Treasury. Employers remit FICA taxes on a regular basis throughout the year (for example, weekly, monthly, quarterly or annually), depending on the employer's level of total employment taxes (including FICA and federal personal income tax withholding). The FICA tax rate of 7.65% each for employers and employees has two components: 6.2% for Social Security and 1.45% for Medicare Hospital Insurance. In 2009, employers and employees each pay 6.2% of wages up to \$106,800 in Social Security payroll taxes.¹ The SECA tax rate is 15.3% for self-employed individuals, with 12.4% for Social Security and 2.9% for Medicare Hospital Insurance. In 2009, self-employed individuals pay 12.4% of net self-employment income up to \$106,800 in Social Security payroll taxes, with one-half of the SECA taxes allowed as a deduction for federal income tax purposes.² SECA taxes are normally paid once a year as part of filing an annual individual income tax return.

In addition to Social Security payroll taxes, the Social Security program has two other sources of income. Certain Social Security recipients must include a portion of Social Security benefits in taxable income for the federal income tax, and the Social Security program receives part of those taxes.³ In addition, the Social Security program receives interest from the U.S. Treasury on its investments in special U.S. government obligations.

The Internal Revenue Service (IRS) processes the tax returns and tax payments for federal employment taxes and federal individual income taxes. All of the tax payments are deposited in the U.S. Treasury along with all other receipts from the public for the federal government.

¹ The limit on wages subject to the Social Security payroll tax is indexed annually to average wage growth. The Medicare Hospital Insurance component of the FICA tax is levied on total wages.

² Self-employed individuals are required to pay Social Security payroll taxes if they have annual net earnings of \$400 or more. Only 92.35% of net self-employment income (up to the annual limit) is taxable.

³ The taxes associated with including Social Security benefits in federal taxable income go to the Social Security trust fund and the Medicare Hospital Insurance trust fund. See CRS Report RL32552, *Social Security: Calculation and History of Taxing Benefits*, by Janemarie Mulvey and Christine Scott.

The Social Security Trust Fund as a Designated Account

Within the U.S. Treasury, there are numerous accounts established for internal accounting purposes. Although all of the monies within the Treasury are federal monies, the designation of an account as a trust fund allows the government to track revenues (and expenditures) dedicated for specific purposes. In addition, the government can affect the level of revenues and expenditures associated with a trust fund through changes in the law. Social Security program income and outgo are accounted for in two separate trust funds authorized under Title II of the Social Security Act: the Federal Old-Age and Survivors Insurance (OASI) trust fund and (2) the Federal Disability Insurance (DI) trust fund.⁴ This report refers to the two separate trust funds as an aggregate Social Security trust fund and discusses the operations of the OASI and DI trust funds on a combined basis.

Social Security Trust Fund Revenues

The Social Security trust fund receives a credit equal to the Social Security payroll taxes deposited in the U.S. Treasury by the IRS. The payroll taxes are allocated between the OASI and DI trust funds based on a proportion specified by law.⁵ Currently, of the 6.2% tax rate, 5.3% is allocated to the OASI trust fund and 0.9% is allocated to the DI trust fund.⁶

Social Security Trust Fund Costs

The U. S. Treasury makes Social Security benefit payments to entitled individuals on a monthly basis. The Treasury is directed by the Social Security Administration (SSA) as to whom to pay and the amount of the payment. When benefit payments are made by the Treasury, the Social Security trust fund is debited for the payments. Periodically, the Social Security trust fund is also debited for the administrative costs of the Social Security program. These administrative costs are incurred by several government agencies, including SSA, the U.S. Treasury, and the IRS.

Social Security Trust Fund Operations

The annual revenues to the Social Security trust fund are used to pay current Social Security benefits and administrative expenses. If, in any year, revenues are greater than costs, the Secretary of the Treasury (as the Managing Trustee of the Social Security trust fund) is *required* to invest surplus Social Security revenues in securities backed by the U.S. government.⁷ The purchase of government securities allows surplus Social Security revenues to be used for other government spending needs at the time.⁸ If, in any year, costs are greater than revenues, the cash

⁴ Social Security Act, Title II, §201.

⁵ Social Security Act, Title II, §201(b).

⁶ The share allocated to the DI trust fund was last changed (to 0.9%) in 2000. The proportional split between the OASI and DI trust funds has been altered five times since 1985.

⁷ Social Security Act, Title II, §201(d).

⁸ This is often referred to as “borrowing from the Social Security trust fund.”

flow deficit is offset by selling some of the accumulated holdings of the trust fund (government securities) to pay benefits and administrative expenses.

There are two measures of Social Security trust fund operations: the annual cash flow operations and the accumulated holdings (or trust fund balance).⁹ The annual cash flow operations of the Social Security trust fund are a measure of current revenues and current costs. The cash flow operations are positive when current revenues exceed costs (a cash flow surplus) and negative when current costs exceed revenues (a cash flow deficit). In years with cash flow deficits, the Social Security program (unlike other federal programs that operate without a trust fund) may use the accumulated holdings of the Social Security trust fund from prior years to pay benefits and administrative expenses.¹⁰

Although Social Security is often referred to as a pay-as-you-go system (meaning that current revenues are used to pay current costs), changes made to the Social Security program in 1983, including the coverage of federal workers, an increase in the full retirement age, and the taxation of Social Security benefits, began a sustained period of annual cash flow surpluses. In the 2009 Annual Report, the Social Security trustees project annual cash flow surpluses to continue through 2015. Beginning in 2016, however, program costs are projected to exceed revenues and annual cash flow deficits are projected to continue throughout the remainder of the 75-year projection period (under the intermediate assumptions).¹¹

On average, over the 75-year projection period (2009 to 2083), the Social Security trustees project that program costs will exceed income (tax revenues plus interest income) by an amount equal to 2.00% of taxable payroll (costs are projected to exceed income by 14%).¹² The gap between income and costs, however, is projected to increase over the 75-year projection period. For example, in 2030, the cost of the program is projected to exceed income by an amount equal to 3.56% of taxable payroll (costs are projected to exceed income by 27%). By the end of the projection period, in 2083, the cost of the program is projected to exceed income by an amount equal to 4.34% of taxable payroll (costs are projected to exceed income by 33%). According to the Social Security trustees, the Social Security program could be brought into actuarial balance over the next 75 years with changes equivalent to an immediate 16% increase in the payroll tax (from a rate of 12.4% to 14.4%) or an immediate reduction in benefits of 13% (or some combination of the two options). The Social Security trustees point out that larger changes would be needed to maintain trust fund solvency beyond the next 75 years.¹³

As shown in **Table 1**, during the 1957 to 1983 period, the cash flow operations of the Social Security trust fund (annual revenues less annual costs) were negative in 21 of the 27 years.

⁹ The accumulated holdings of the Social Security trust fund in U.S. government obligations are often referred to as the Social Security trust fund balance.

¹⁰ Certain government projects may be given “budget authority until expended,” which allows the authority to spend funds on the project to be carried over each year until all of the authority to spend funds has been exhausted.

¹¹ *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Washington, DC, May 12, 2009.

¹² Program costs and income are evaluated as a percentage of taxable payroll because Social Security payroll taxes are the primary source of funding for the program. The projected 75-year actuarial deficit (2.00% of taxable payroll) represents \$5.3 trillion in present value terms.

¹³ Projections by the Social Security trustees are based on the intermediate assumptions of the 2009 Annual Report.

**Table I. Annual Revenues, Costs, and Cash Flow Surplus or Deficit
for the Social Security Trust Fund, 1957-1983**

(\$ in billions)

Year	Annual Revenues (not including interest)	Annual Costs	Annual Cash Flow Surplus or Deficit (annual revenues less annual costs)
1957	\$7.50	\$7.60	(\$0.10)
1958	8.50	8.90	(0.40)
1959	8.90	10.80	(1.90)
1960	11.90	11.80	0.10
1961	12.30	13.40	(1.10)
1962	13.10	15.20	(2.10)
1963	15.60	16.20	(0.60)
1964	16.80	17.00	(0.20)
1965	17.20	19.20	(2.00)
1966	22.60	20.90	1.70
1967	25.40	22.50	2.90
1968	27.00	26.00	1.00
1969	31.50	27.90	3.60
1970	34.70	33.10	1.60
1971	38.30	38.50	(0.20)
1972	42.90	43.30	(0.40)
1973	51.90	53.10	(1.20)
1974	58.90	60.60	(1.70)
1975	64.30	69.20	(4.90)
1976	71.60	78.20	(6.60)
1977	78.70	87.30	(8.60)
1978	88.90	96.00	(7.10)
1979	103.00	107.30	(4.30)
1980	116.70	123.60	(6.90)
1981	139.40	144.40	(5.00)
1982	145.70	160.10	(14.40)
1983	156.30	171.20	(14.90)

Source: Table prepared by the Congressional Research Service (CRS) from data provided in *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Washington, DC, May 12, 2009, Table VI.A4.

Table 2 shows the cash flow operations of the Social Security trust fund (annual revenues, costs, and cash flow surplus) for the 1984 to 2008 period. **Table 3** shows the projected cash flow operations of the Social Security trust fund (projected annual revenues, costs, and cash flow surplus or deficit) for the 2009 to 2036 period, as projected by the Social Security trustees in the 2009 Annual Report (under the intermediate assumptions).

**Table 2. Annual Revenues, Costs, and Cash Flow Surplus
for the Social Security Trust Fund, 1984-2008**
(\$ in billions)

Year	Annual Revenues (not including interest)	Annual Costs	Annual Cash Flow Surplus (annual revenues less annual costs)
1984	\$183.10	\$180.40	\$2.70
1985	197.50	190.60	6.90
1986	212.80	201.50	11.30
1987	225.60	209.10	16.50
1988	255.20	222.50	32.70
1989	276.70	236.20	40.50
1990	301.10	253.10	48.00
1991	307.80	274.20	33.60
1992	317.20	291.90	25.30
1993	327.70	308.80	18.90
1994	350.00	323.00	27.00
1995	364.80	339.80	25.00
1996	385.70	353.60	32.10
1997	413.90	369.10	44.80
1998	439.90	382.30	57.60
1999	471.20	392.90	78.30
2000	504.80	415.10	89.70
2001	529.10	438.90	90.20
2002	546.30	461.70	84.60
2003	546.90	479.10	67.80
2004	568.70	501.60	67.10
2005	607.80	529.90	77.90
2006	642.50	555.40	87.10
2007	674.70	594.50	80.20
2008	689.00	625.10	63.90

Source: Table prepared by the Congressional Research Service (CRS) from data provided in *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Washington, DC, May 12, 2009, Table VI.A4.

Table 3. Projected Annual Revenues, Costs, and Cash Flow Surplus or Deficit for the Social Security Trust Fund, 2009-2036
(\$ in billions)

Year ^a	Annual Revenues (not including interest)	Annual Costs	Annual Cash Flow Surplus or Deficit (annual revenues less annual costs)
2009	\$701.30	\$682.50	\$18.80
2010	727.60	709.30	18.30
2011	763.60	735.10	28.50
2012	810.40	772.40	38.00
2013	855.50	822.70	32.80
2014	898.60	880.20	18.40
2015	943.50	941.20	2.30
2016	986.40	1,005.30	(18.90)
2017	1,031.40	1,074.30	(42.90)
2018	1,077.00	1,147.50	(70.50)
2019	1,125.20	1,226.20	(101.00)
2020	1,175.50	1,308.80	(133.30)
2021	1,227.90	1,394.30	(166.40)
2022	1,282.50	1,482.40	(199.90)
2023	1,339.60	1,574.10	(234.50)
2024	1,399.10	1,669.40	(270.30)
2025	1,461.30	1,767.90	(306.60)
2026	1,526.00	1,869.50	(343.50)
2027	1,593.70	1,974.90	(381.20)
2028	1,664.40	2,083.70	(419.30)
2029	1,738.50	2,194.60	(456.10)
2030	1,815.90	2,309.30	(493.40)
2031	1,897.00	2,426.80	(529.80)
2032	1,981.80	2,547.20	(565.40)
2033	2,070.30	2,670.00	(599.70)
2034	2,162.80	2,795.10	(632.30)
2035	2,259.20	2,922.90	(663.70)
2036	2,360.00	3,054.40	(694.40)

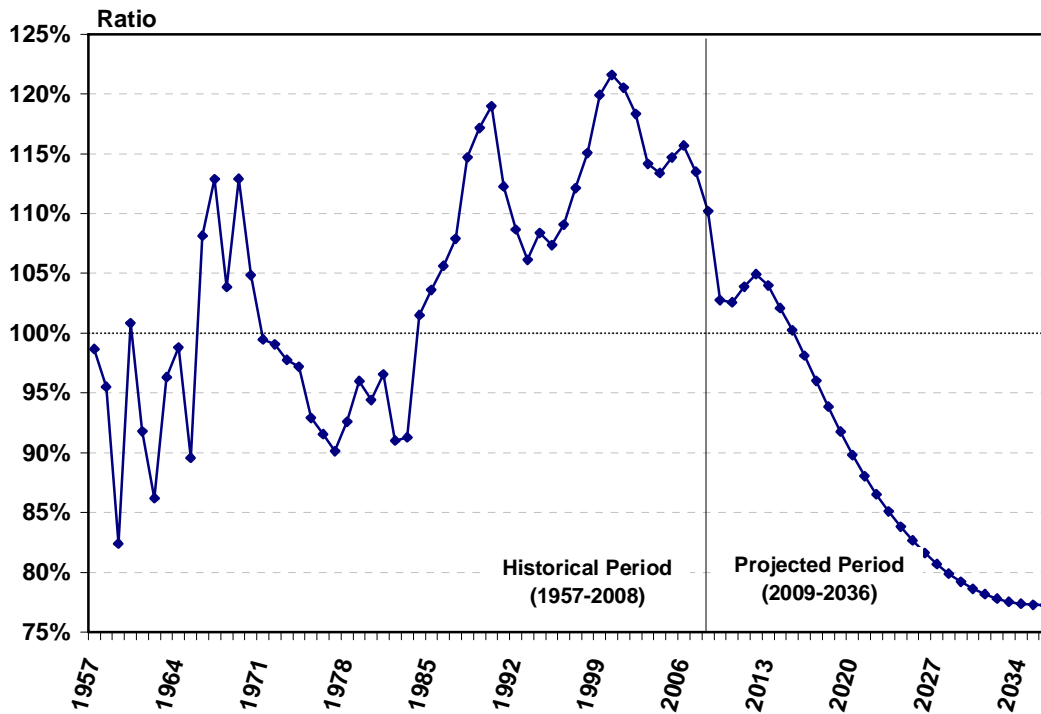
Source: Table prepared by the Congressional Research Service (CRS) from data provided in *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Washington, DC, May 12, 2009, Table VI.F8 (intermediate assumptions).

- a. Projections for years after 2036 are not shown because the Social Security trust fund is projected to be exhausted in 2037 under the intermediate assumptions.

One way to measure the annual cash flow operations over time is to take the ratio of current revenues to current costs for each year. A ratio greater than 100% indicates positive cash flow (a cash flow surplus). Conversely, a ratio less than 100% indicates negative cash flow (a cash flow deficit). **Figure 1** shows the ratio of current revenues to current costs for the Social Security trust fund over the historical period from 1957 to 2008 and over the future period from 2009 to 2036, as projected by the Social Security trustees in the 2009 Annual Report (under the intermediate assumptions).¹⁴

As shown in the figure, in 2008, revenues of \$689 billion divided by costs of \$625 billion results in a ratio of 110%, indicating a cash flow surplus for the Social Security trust fund. By comparison, in 2016, projected revenues of \$986 billion divided by projected costs of \$1 trillion results in a ratio of 98%, indicating a cash flow deficit. In the 2009 Annual Report, the Social Security trustees project that the ratio of current revenues to current costs will fall below 100% in 2016 and remain below 100% for the rest of the projection period, with the gap between revenues and costs increasing over time (under the intermediate assumptions).

Figure 1. Ratio of Current (Annual) Revenues to Costs for the Social Security Trust Fund, 1957-2036



Source: Figure prepared by the Congressional Research Service (CRS) from data provided in *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Washington, DC, May 12, 2009, Tables VI.A4 and VI.F8 (intermediate assumptions).

Notes: Annual revenues do not include interest on accumulated holdings of U.S. government obligations. A ratio above 100% indicates a cash flow surplus for the year. A ratio below 100% indicates a cash flow deficit.

¹⁴ *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Washington, DC, May 12, 2009, Tables VI.A4 & VI.F8 (intermediate assumptions).

While the Social Security program has experienced cash flow deficits in the past and is projected to do so in the future, Social Security benefits can continue to be paid by the Treasury at levels scheduled under current law as long as the accumulated balance in the Social Security trust fund is positive. This is because the Social Security program has budget authority to pay benefits as long as the balance in the Social Security trust fund (the designated account) is positive.

However, when current revenues are not sufficient to pay benefits, the U.S. government must raise the funds necessary to honor the redemption of U.S. government obligations held by the Social Security trust fund as they are needed to pay benefits. If there are no surplus governmental receipts, the U.S. government may raise the necessary funds by increasing taxes or other income, reducing spending, or borrowing (or some combination of these options).

Investment of the Social Security Trust Fund

The Secretary of the Treasury is required by law to invest Social Security revenues that are not needed to pay current benefits and administrative expenses in securities backed by the U.S. government.¹⁵ In addition, the Social Security trust fund receives interest on its holdings of special U.S. government obligations. Each government security issued by the Treasury for purchase by the Social Security trust fund must be a paper instrument in the form of a bond, note or certificate of indebtedness.¹⁶ Any interest or proceeds from the sale of government securities held by the Social Security trust fund must be paid in the form of paper checks from the general fund of the Treasury to the Social Security trust fund.¹⁷ The interest rates paid on the government securities issued to the Social Security trust fund are tied to market rates.¹⁸

For internal federal accounting purposes, when special U.S. government obligations are purchased by the Social Security trust fund, the Treasury is shifting surplus Social Security revenues from one government account (the Social Security trust fund) to another government account (the Treasury's "general fund" account). The special U.S. government obligations are physical documents held by the Social Security Administration, not the U.S. Treasury. The government securities held by the Social Security trust fund are redeemed on a regular basis. These special U.S. government obligations, however, are not resources for the government because they represent both an asset and a liability for the government.

The Social Security Trust Fund and the Federal Budget

The Social Security program is indirectly part of the annual congressional budget process. This creates some confusion on the part of the public.

¹⁵ Social Security Act, Title II, §201(d).

¹⁶ Social Security Act, Title II, §201(d). The Social Security trust fund may purchase certain other government securities, such as those issued by Fannie Mae or Freddie Mac, but this option is seldom used.

¹⁷ Social Security Act, Title II, §201(f). The funds are then used to purchase additional government securities credited to the Social Security trust fund.

¹⁸ For more information, see CRS Report RS20607, *Social Security: Trust Fund Investment Practices*, by Dawn Nuschler.

On-Budget Versus Off-Budget

For federal budget purposes, *on-budget* status generally refers to programs that are included in the annual congressional budget process, whereas *off-budget* status generally refers to programs that are not included in the annual congressional budget process.

The Social Security program is a government program that, like the Postal Service, has had its receipts and (most) outlays designated by law as off-budget.¹⁹ The off-budget designation, however, has no practical effect on program funding, spending, or operations. The annual congressional budget resolution, in its legislative language, separates the off-budget totals (receipts and outlays) from the on-budget totals (receipts and outlays). The report language accompanying the congressional budget resolution usually shows the unified budget totals (which combine the on- and off-budget amounts) as well as the separate on- and off-budget totals. The President's budget tends to use the unified budget measures in discussing the budget totals. The President's budget documents also include the totals for the on- and off-budget components, as required by law. The Congressional Budget Office uses the unified budget numbers in its analyses of the budget; it generally does not include on- and off-budget data in its regular annual reports.

The unified budget framework is important because it includes all federal government revenues and expenditures providing a more comprehensive picture of the size of the federal government, as well as the impact of the federal budget on the economy. In the unified budget, the Social Security program is a large source of both federal government revenues (26.1% in FY2008) and expenditures (20.7% in FY2008).²⁰ For purposes of the unified budget, the annual Social Security cash flow surplus or deficit is counted in determining the overall federal budget surplus or deficit.

The Social Security Trust Fund as Accumulated Holdings

The Social Security trust fund can be (and often is) viewed as a trust fund, similar to any private trust fund, that is to be used for paying current and future benefits (and administrative expenses). By law, any Social Security revenues credited to the trust fund (within the U.S. Treasury) in excess of program costs are invested in non-marketable U.S. government obligations. These obligations are physical (paper) documents issued to the trust fund and held by the Social Security Administration. When the obligations are redeemed, the Treasury must issue a check (a physical document) to the Social Security trust fund for the interest earned on the obligations.²¹

However, unlike a private trust that may hold a variety of assets and obligations of different borrowers, the Social Security trust fund can hold only non-marketable U.S. government obligations. The sale of these obligations by the U.S. government to the Social Security trust fund

¹⁹ Although the Social Security program is off-budget, the annual congressional budget process does provide the budget authority for Social Security administrative spending. SSA's administrative funding, which is paid for out of the Social Security trust fund, is subject to an annual appropriated limit. In contrast, the Social Security program has budget authority to pay benefits as long as the balance in the Social Security trust fund (the designated account) is positive.

²⁰ Percentages calculated by the Congressional Research Service (CRS) from data provided in: Office of Management and Budget, *Historical Tables, Budget of the U.S. Government, Fiscal Year 2010*, Tables 2.1, 2.4, 6.1 and 13.1.

²¹ The funds are then used to purchase additional government securities credited to the Social Security trust fund.

is federal government borrowing (from itself) and counts against the federal debt limit. The requirement that the Social Security trust fund purchase U.S. government obligations serves several purposes, such as:

- offering a mechanism for the Social Security program to recoup the surplus revenues loaned to the rest of the government,
- paying interest so that the loan of the surplus revenues does not lose value over time,
- ensuring that the Social Security trust fund (and not other government accounts) receives credit for the interest earnings,
- ensuring a level of return (interest) to the Social Security trust fund, and
- providing a means outside of the securities market for the U.S. government to borrow funds.

The accumulated holdings of the Social Security trust fund represent the sum of annual surplus Social Security revenues (for all past years) which were invested in U.S. government obligations, plus the interest earned on those obligations. As a result of surplus Social Security revenues for the past 25 years (1984 to 2008) and the interest income credited to the Social Security trust fund, the accumulated holdings of the Social Security trust fund totaled \$2.4 trillion at the end of calendar year 2008. It is the accumulated holdings of the Social Security trust fund (or the trust fund balance) that many people refer to when discussing the Social Security trust fund. **Table 4** shows the accumulated holdings of the Social Security trust fund for the historical period from 1957 to 2008. **Table 5** shows the accumulated holdings of the Social Security trust fund for the future period from 2009 to 2036, as projected by the Social Security trustees in the 2009 Annual Report (under the intermediate assumptions). The Social Security trustees project that the level of accumulated holdings will begin to decline in 2024 and that the Social Security trust fund will be exhausted in 2037.

Table 4. Accumulated Holdings of the Social Security Trust Fund, 1957-2008
(\$ in billions)

Year	Accumulated Holdings ^a
1957	\$23.00
1958	23.20
1959	22.00
1960	22.60
1961	22.20
1962	20.70
1963	20.70
1964	21.20
1965	19.80
1966	22.30
1967	26.30
1968	28.70
1969	34.20
1970	38.10
1971	40.40
1972	42.80
1973	44.40
1974	45.90
1975	44.30
1976	41.10
1977	35.90
1978	31.70
1979	30.30
1980	26.50
1981	24.50
1982	24.80
1983	24.90
1984	31.10
1985	42.20
1986	46.90
1987	68.80
1988	109.80
1989	163.00
1990	225.30
1991	280.70

Year	Accumulated Holdings^a
1992	331.50
1993	378.30
1994	436.40
1995	496.10
1996	567.00
1997	655.50
1998	762.50
1999	896.10
2000	1,049.40
2001	1,212.50
2002	1,378.00
2003	1,530.80
2004	1,686.80
2005	1,858.70
2006	2,048.10
2007	2,238.50
2008	2,418.70

Source: Table prepared by the Congressional Research Service (CRS) from data provided in *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Washington, DC, May 12, 2009, Table VI.A4.

a. The accumulated holdings of the Social Security trust fund are also referred to as the trust fund balance.

Table 5. Projected Accumulated Holdings of the Social Security Trust Fund, 2009-2036

(\$ in billions)

Year ^a	Accumulated Holdings ^b
2009	\$2,555.50
2010	2,693.90
2011	2,848.80
2012	3,022.90
2013	3,204.00
2014	3,383.50
2015	3,558.10
2016	3,722.40
2017	3,873.80
2018	4,008.80
2019	4,123.60
2020	4,215.40
2021	4,282.30
2022	4,322.20
2023	4,332.40
2024	4,306.60
2025	4,242.00
2026	4,135.90
2027	3,985.00
2028	3,786.10
2029	3,538.00
2030	3,237.20
2031	2,881.70
2032	2,469.30
2033	1,997.90
2034	1,465.70
2035	870.50
2036	209.50

Source: Table prepared by the Congressional Research Service (CRS) from data provided in *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Washington, DC, May 12, 2009, Table VI.F8 (intermediate assumptions).

- a. Projections for years after 2036 are not shown because the Social Security trust fund is projected to be exhausted in 2037 under the intermediate assumptions.
- b. The accumulated holdings of the Social Security trust fund are also referred to as the trust fund balance.

The Social Security Trust Fund and the Level of Federal Debt

As part of the annual congressional budget process, the level of federal debt (the federal debt limit) is set for the budget by Congress. The federal debt limit includes debt held by the public as well as the internal debt of the U.S. government (i.e., debt held by government accounts). Borrowing from the public and the investment of the Social Security trust fund in special U.S. government obligations both fall under the restrictions of the federal debt limit. This means that the Social Security trust fund balance may have implications for the federal debt limit. The sale of government securities to the Social Security trust fund is a transaction between federal accounts; it does not generate any resources for the government. It is the interest payments on federal debt held by the public that is considered the more relevant measure of the impact of the federal budget on the economy.

The Social Security Trust Fund and Federal Default

The special obligations purchased by the Social Security trust fund are backed by “the full faith and credit” of the U.S. government. This is a promise by the U.S. government to redeem the securities (debt instruments). Technically, like any other borrower, the federal government could default on any or all of its outstanding obligations. The implications for the economy, and for the private market for government securities, of a federal government default on the special obligations held by the Social Security trust fund would depend on the views of private investors. The impact would be determined by whether private investors think this is a precursor to a federal government default on securities held by the public (a general government default). There is no precedent for a federal government default which makes it difficult to predict the implications.

The Social Security Trust Fund and Benefit Payments

The accumulated holdings of the Social Security trust fund, which represent budget authority for the program, can be viewed as a measure of funds dedicated to pay current and future benefits. However, beginning in 2016, when revenues are projected to be below levels needed to pay benefits,²² these funds will be available to pay benefits only as the government raises the resources necessary to pay for the securities as they are redeemed by the Social Security trust fund. The securities are a promise, by the U.S. government, to raise the necessary funds.²³ When the system is operating with a cash flow surplus, the surplus Social Security revenues (which are invested in government securities held by the trust fund) are used to fund other government activities at the time. The surplus Social Security revenues, therefore, are not available to finance benefits directly when the system is operating with a cash flow deficit.

The Social Security trustees project that the accumulated holdings of the Social Security trust fund will be exhausted in 2037 and that only an estimated 76% of scheduled annual benefits will be payable with incoming receipts at that point (based on the intermediate assumptions of the 2009 Annual Report). The Social Security Act does not state what would happen to the payment of benefits in the event of Social Security trust fund exhaustion. Two possible scenarios are the

²² The Social Security trustees project that revenues will fall below program costs beginning in 2016, based on the intermediate assumptions of the 2009 Annual Report.

²³ If there are no surplus governmental receipts, policymakers would have three options: raise taxes or other income, reduce spending, or borrow (or some combination of these options).

payment of full monthly benefits on a delayed schedule or the payment of partial (reduced) monthly benefits on time.²⁴

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²⁴ For information on the legal entitlement to benefits and trust fund exhaustion, see CRS Report RL32822, *Social Security Reform: Legal Analysis of Social Security Benefit Entitlement Issues*, by Kathleen S. Swendiman and Thomas J. Nicola, and CRS Report RL33514, *Social Security: What Would Happen If the Trust Funds Ran Out?*, by Kathleen Romig.