



SOCIAL SECURITY
Office of the Chief Actuary

September 9, 2020

The Honorable Chuck Grassley
Senate Finance Committee
United States Senate
Washington, DC 20510

The Honorable Kevin Brady
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Dear Chairman Grassley and Ranking Member Brady:

This letter is in response to your August 31, 2020 letter (enclosed) regarding:

- 1) The actuarial opinion included in the 2014 and 2015 Annual Reports of the Board of Trustees of the Federal Old-Age and Survivors and Federal Disability Insurance Trust Funds, and
- 2) My response on August 24, 2020 to a letter from Senators Van Hollen, Sanders, Wyden, and Schumer.

I appreciate your concerns and thank you for asking me to address them. I have enjoyed working with both of you and your staffs from my position in the Office of the Chief Actuary at the Social Security Administration, where I have served as Chief Actuary since 2001. Our office's mission has always been to provide objective information and analysis to assist lawmakers, the Social Security Board of Trustees, the Commissioner of Social Security, and the Administration in maintaining and evolving the Social Security and Supplemental Security Income programs to best serve the American people.

Annual Reports of the Board of Trustees

The annual report of the Board of Trustees has been produced each year starting in 1941, as required by law. My office develops the actuarial models and recommends the assumptions that are used to produce the projections of the future actuarial status of the trust funds. Starting in 1994, the Chief Actuary has been required by law to provide an opinion in the report attesting to the reasonableness of the assumptions and methods used. In this time, neither I, nor my predecessors, have taken exception to any of the assumptions used for the basic projections and determination of the actuarial status of the trust funds under the assumptions that are central to

this determination. As a result, we have always received a clean opinion on the annual full-scope audit of these projections. This audit is completed by our Inspector General, the Government Accountability Office, and an independent accounting firm engaged by the Inspector General, and is required due to the inclusion of the basic projections in the Social Security Administration’s Annual Financial Report.

The issues you refer to in the actuarial opinion for the 2014 Trustees Report (<https://www.ssa.gov/OACT/TR/2014/tr2014.pdf>) did not relate to the basic projections of trust fund solvency or the actuarial status of the trust funds. Rather, the comments alerted readers of the report that: (1) the range of variation in the stochastic projections was unreasonably small due to limitations in our stochastic methods, which the Trustees indicated in Appendix E of the report stating that “the true range of uncertainty is larger than indicated”; (2) reference to the implications of trust fund operations on the overall federal budget is not relevant to the actuarial status of the trust funds; and (3) the benefit replacement rates that had been included in the reports for many years were being removed, but would thereafter be found on the Office of the Chief Actuary’s website. The actuarial opinions for the 2015 through 2020 reports have continued to include a comment about federal budget implications.

You indicate that my 2014 and 2015 actuarial opinions were subsequently used to promote allegations that a single Trustee had undue influence over the Trustees’ process and assumption selection. These actuarial opinions did not refer to the Trustees’ process or selection of assumptions; they simply disclosed information that was important for readers of the report to understand, as is required by actuarial standards of practice. As you mention, I noted in testimony in 2016 before the House Ways and Means Subcommittee on Social Security that I had never seen one Trustee capable of overwhelming the other five Trustees. In fact, decisions by the Trustees are made by consensus, as is indicated by the fact that dissenting opinions, which are allowed per the bylaws of the Board of Trustees, have never been included in the report by any Trustee. You mention that I did not comment on this point publicly until the hearing in 2016. That is only because I was not asked publicly until that time. Had I been asked in a Congressional letter or hearing at any earlier point, I assure you I would have provided the same answer.

Response to a Letter from Senators Van Hollen, Sanders, Wyden, and Schumer

Your second concern, regarding answers to questions from Senators Van Hollen, Sanders, Wyden, and Schumer in my letter to them on August 24, 2020 (https://www.ssa.gov/oact/solvency/VanHollenSandersWydenSchumer_20200824.pdf), also speaks to the basis for public statements made by the Chief Actuary and the Office of the Chief Actuary. Our policy has always been to answer questions from members of Congress objectively and directly. When the member makes public reference to information that we have provided, we post the full letter that we have provided on our website, so that the information is available with full context and detail, to minimize the possibility of misinterpretation. Per your request, we will post this response at the same location as the letter to Senators Van Hollen, Sanders, Wyden, and Schumer. I understand that even an entirely objective and factual statement may be interpreted and referenced differently, incompletely, or out of context by different parties. My hope and

intent for any communication is that the answer provided, taken in totality, has provided a complete and factual response to the question posed.

The question the Senators posed related to “hypothetical legislation.” I indicated clearly in response that we were not aware that anyone had proposed the changes specified, and that is still the case today. I also indicated that our office’s long-standing practice has been to ask the entity that has made a proposal if they would like us to prepare an estimate for them directly, rather than for the requester. As we were unable to find any party who had proposed the hypothetical legislation, I simply provided answers to the specific questions asked by the Senators. While the Senators asked only for the implications of setting the payroll tax rates to zero starting on January 1, 2021, I did include in our response the fact that the status of the trust funds and ability to pay benefits would not be affected if general revenue transfers were specified in amounts equal to the reduction in payroll tax.

The response clearly indicated that DI Trust Fund reserves would become depleted in mid-2021 and OASI Trust Fund reserves would become depleted in mid-2023 only for the hypothetical legislation that the Senators posed, and only if there were no alternative revenue source to replace the eliminated payroll tax revenue. The letter also clearly stated that we were not aware that anyone had proposed such hypothetical legislation. While the appropriateness of asking this question may be debatable, we were directly asked, and I can only hope that the clarity of the specification of this hypothetical legislation has assisted others in stating clearly that they have not proposed this change.

Further Information

It is worth noting that the Office of the Chief Actuary has on other occasions provided requested informational analysis and estimates for hypothetical changes that have not been formally proposed. One example is an analysis we provided to Senator Tom Cotton on June 1, 2017 (https://www.ssa.gov/oact/solvency/TCotton_20170601a.pdf), on a proposal he was evaluating but that was never introduced. This proposal would have reduced the employee payroll tax rate with no provision for revenue to make up the shortfall. On the same date, we provided Senator Cotton with estimates for the implications of increasing the rate at which Social Security disabled worker beneficiaries have their benefits terminated on the basis of returning to work. Senator Cotton felt that an increased disability termination rate might be achieved by implementing unspecified proposals he was considering (https://www.ssa.gov/oact/solvency/TCotton_20170601.pdf). These are examples of informational analyses of hypothetical changes we have provided to members of Congress when asked.

As indicated above, when we are asked for analysis of a proposal that has been made by an entity other than the entity that made the proposal, we always ask the proposing entity if we may provide the answers requested to them. If the proposing entity does not ask that we provide the answers to them, and a member of Congress desires that information, then we provide our objective analysis to the requesting member. One such example is the request made by Senator Ron Johnson for estimates of the effects of the President’s Executive Actions for immigration announced on November 20, 2014, for which we provided an answer on February 2, 2015

(https://www.ssa.gov/oact/solvency/BObama_20150202.pdf). Similarly, on February 10, 2016, we provided Chairman Sam Johnson with estimates of the effects of a proposal in the President’s Budget that would have applied a fee on petroleum products purchased in the United States (https://www.ssa.gov/oact/solvency/FY2017Budget_20160210a.pdf).

While it is never desirable for the Office of the Chief Actuary to engage in matters with political implications, it appears that this is unavoidable to a degree, as long as we are asked to provide objective and factual answers to questions posed by members of Congress. Our answers have always been as direct and objective as possible, and we regret that even clear answers may be taken out of context or used for purposes other than intended. I can only hope that by communicating as you have done in this letter, we will be able to continue to provide objective and factual information to you and all members of Congress. We take seriously our obligation to help assure that your decisions on behalf of the American people will always be well informed.

Sincerely,

A handwritten signature in black ink that reads "Stephen C. Goss". The signature is written in a cursive style with a large initial 'S' and a long, sweeping underline.

Stephen C. Goss, ASA, MAAA
Chief Actuary

Enclosure

cc: The Honorable Andrew Saul, Commissioner of Social Security and Trustee of the Old Age and Survivors Insurance and Disability Insurance Trust Funds

The Honorable Steven Mnuchin, Secretary of the Treasury and Managing Trustee of the Old Age and Survivors Insurance and Disability Insurance Trust Funds

Congress of the United States
Washington, DC 20510

August 31, 2020

Stephen Goss
Chief Actuary
Social Security Administration
6401 Security Blvd.
Baltimore, MD 21235

Dear Mr. Goss:

We write to express our concern regarding the use of your office for political purposes. The American public expects and deserves a fair assessment of the Social Security program's financial status and effects of proposed legislation, however actions over the past several years raise concerns about the true independence of the Office of the Chief Actuary. Use of the Office of the Chief Actuary to score political points is unacceptable and cannot continue.

On June 7, 2016, Senators Warren, Schumer, and Whitehouse published an essay in HuffPost alleging that intellectual and political biases of a Public Trustee led to an overstatement of financial challenges facing Social Security's trust funds.¹ They wrote that "...the 2014 trustees report curiously incorporated a number of assumptions playing up the potential future insolvency of the program — a key talking point in the right-wing war on Social Security. These assumptions were so troubling that the independent Chief Actuary for Social Security took the unprecedented step of writing a public statement of actuarial opinion disagreeing with the report. After similarly questionable elements appeared in the 2015 report, the Chief Actuary repeated this extraordinary public rebuke."

Those allegations gained national attention, including discussions in at least one hearing in Congress, and threatened public confidence in the integrity of the Social Security Trustees' reports. The allegations were also, as you know, patently false.² They were used for purely political purposes to feed a smear campaign against a nominee for the position of Public Trustee

¹ See, "The Koch Brothers Are Trying to Handpick Government Officials. We Have To Stop Them.," HuffPost, June 7, 2016 (available at https://www.huffpost.com/entry/koch-brothers-charles-blahous_b_10325224).

² [https://www.finance.senate.gov/imo/media/doc/2019-06-21%20CEG%20to%20SSAB%20Technical%20Panel%20\(Assessment%20of%20Democrat%20Allegations%20regarding%20Trustees%20Report\).pdf](https://www.finance.senate.gov/imo/media/doc/2019-06-21%20CEG%20to%20SSAB%20Technical%20Panel%20(Assessment%20of%20Democrat%20Allegations%20regarding%20Trustees%20Report).pdf)

for the Social Security and Medicare trust funds, painting him as a “Koch-Funded” individual who would undermine retirement security of Americans.³

Because your position was being used to perpetuate falsehoods in the run-up to a Presidential election, we would have expected you to have promptly cleared the record. You did not. Then-Chairman Hatch of the Senate Finance Committee repeatedly laid bare the lies contained in the politically-motivated smear campaign, on the Senate floor,⁴ and in the Senate Finance Committee.⁵ He also identified that the allegations put forward by the Senators had “injected needless politics into Social Security trustee reports, and have threatened the integrity of those very reports.” Nonetheless, you remained silent.

It was not until you were forced by questioning from then-Chairman Sam Johnson at a House Ways and Means Social Security Subcommittee hearing that you weakly disavowed the lies fueling political smear campaigns.⁶ Of course, by that time, skewed political ads were being used to mislead voters, and threats to “the perceived nonpartisanship and objectivity of key government reports” were noticed even by the liberal Washington Post.⁷

We now approach another Presidential election, and your office has once again been asked to contribute to a politically motivated effort to mislead voters. On August 19 of this year, Senators Van Hollen, Sanders, Wyden, and Schumer wrote to you asking for an analysis of “hypothetical legislation” to eliminate FICA and SECA taxes used to fund Social Security programs.⁸ The intention behind the Senators’ inquiry was clear: argue that the President would “terminate” payroll taxes that fund Social Security, leaving the trust funds without that important source of revenue, and then argue that the President and others want to destroy Social Security.⁹

Your response to the Senators’ letter was disappointing, to say the least. The “hypothetical” legislation that the authors of the letter identify they would not support has not been proposed by anyone and has never, to our knowledge, been proposed or referred to the Senate Finance Committee or Committee on Ways and Means, at least in modern history. Nonetheless, your analysis of the hypothetical that no one supports appears on your office’s website under “Office

³ <https://www.dsc.org/news/gop-senators-vote-koch-funded-architect-social-security-privatization/>

⁴ See, for example, <https://www.finance.senate.gov/chairmans-news/hatch-calls-out-senate-democrats-manufactured-controversy-on-obama-trustee-nominee>.

⁵ See, for example, <https://www.finance.senate.gov/chairmans-news/hatch-statement-at-finance-committee-executive-session-on-social-security-and-me-dicare-trustees-nominations>.

⁶ In testimony before Congress, in response to a question from then-Chairman Sam Johnson about whether a single Public Trustee “somehow managed to take over the process and changed assumptions in the report to overstate Social Security’s troubles” Social Security’s Chief Actuary stated that “I’ve never seen anybody capable of overwhelming the five others.” See the recording of the House Ways and Means Subcommittee on Social Security’s June 22, 2016 hearing.

⁷ https://www.washingtonpost.com/opinions/the-showdown-democrats-dont-need-to-have/2016/06/14/0b753d96-319c-11e6-8ff7-7b6c1998b7a0_story.html

⁸ <https://www.vanhollen.senate.gov/download/van-hollen-letter-to-ssa-actuary-on-payroll-tax>

⁹ <https://twitter.com/ChrisVanHollen/status/1296547485272494081>

of the Chief Actuary’s Estimates of Proposals to Change Social Security,”¹⁰ and news reports have characterized your analysis as a warning of a possible end to Social Security benefits.¹¹

In your response to the Senators’ letter, you did identify that, aside from the Democrat Senators who authored the letter, no one has proposed the legislation to zero-out FICA and SECA taxes for which they requested analysis. You also correctly identified that past payroll tax holidays enacted by President Obama provided General Fund transfers from Treasury to Social Security’s trust funds (breaking the link between worker contributions and their attendant benefits, a supposed bedrock foundation of Social Security) to offset effects on trust funds.

Unfortunately, you did not stop there. While you could have pointed out that effects on trust funds of the legislation that the four Democrat Senators were putting forward are readily discernible from the most recent trustees report, you did not. Rather, you proceeded to put your office’s imprimatur on the hypothetical legislation to display the obvious: absent sources of revenue from FICA and SECA payroll taxes, Social Security trust funds would deplete rapidly and benefits could not be paid. That, as you know, provided fuel for the ensuing misleading political messaging that was the most likely desired outcome of the Senators’ inquiry on their “hypothetical.”¹²

In the same spirit of inquiring about a legislative hypothetical that an inquirer does not support, it would seem entirely consistent to inquire about “hypotheticals” that Democrats may not have proposed, but could be linked to them through innuendo. It would be consistent for someone to ask you about “hypothetical” legislation to significantly cut Social Security benefits, arguing that while the legislation is not something that they would support, it would be of interest to obtain analysis.

Senator Sanders has identified that former Vice President Biden has a long history of advocating cuts in safety net programs, and that Mr. Biden was “talking about the necessity—with pride—about cutting Social Security, cutting Medicare, cutting veterans programs.”¹³ It would be straightforward for someone to write to you, the Chief Actuary, identifying that “while we would not be supportive of this hypothetical legislation,” please analyze “hypothetical” legislation involving Social Security benefit cuts of the types that Senator Sanders has alleged Vice President Biden has a long history of supporting. The next step, upon receiving your analysis, would be to argue that Mr. Biden, with a long history, according to Senator Sanders, of talking about cuts to safety net programs, would push to enact such legislation. That, as with the letter you received recently from Senators Van Hollen, Sanders, Wyden, and Schumer, would be a politically-motivated use of your office. We believe that you are aware of that, and would prefer not to have your office used for political reasons, as you understand the important role of independent scorekeeping.

¹⁰ <https://www.ssa.gov/oact/solvency/index.html>

¹¹ See, for example, <https://www.nbcnews.com/politics/politics-news/terminating-payroll-tax-could-end-social-security-benefits-2023-chief-n1238021>.

¹² <https://twitter.com/ChrisVanHollen/status/1298046095742963713>;
<https://twitter.com/SSWorks/status/1298625721938714624>

¹³ <https://www.youtube.com/watch?v=9X3UiSvgle0>

Unfortunately, you continue to remain silent, in the face of numerous partisan and distorted claims that the President intends to entirely remove, for all time, revenue streams necessary to fund Social Security. To preserve the integrity and public trust of your office, please clarify that the political claims, facilitated by your response to the Senators' letter, of some "plan" to "destroy Social Security"¹⁴ or permanently deplete trust funds¹⁵ are false and misleading. Please, also, reaffirm that the "hypothetical legislation" that no one supports does not correspond to any proposal by the Administration, Member of the House of Representatives, or Senator, including those who requested the analysis. We ask that you do so via a written response to this letter and that you make your response publicly available in the same location of the website cataloging proposals scored by your office.

Social Security is an important program on which millions of Americans rely, and it is facing serious financial challenges to its long term viability. As the Chief Actuary, you have an important role helping Congress and the American people understand the implications of proposed changes to the program. We take seriously the responsibility to ensure Social Security remains strong for generations to come and know the American people expect and deserve real conversations about how to do just that. It is unfortunate that some seek to use your office for election-year partisan scare tactics and we expect that in the future, you will not honor requests that serve no purpose beyond political posturing and are not grounded in serious inquiry. We look forward to your prompt reply.

Sincerely,



Chuck Grassley
Chairman
Senate Finance Committee



Kevin Brady
Ranking Member
Committee on Ways and Means

cc: The Honorable Andrew Saul, Commissioner of Social Security and Trustee of the Old Age, Survivors, and Disability Insurance Trust Funds

The Honorable Steven Mnuchin, Secretary of the Treasury and Managing Trustee of the Old Age, Survivors, and Disability Insurance Trust Funds

¹⁴ <https://socialsecurityworks.org/2020/08/24/if-donald-trump-is-reelected-he-will-destroy-social-security/>;

¹⁵ <https://twitter.com/ChrisVanHollen/status/1298046095742963713>