

HIGHLIGHTS OF FINANCIAL POSITION

OVERVIEW OF FINANCIAL DATA

We received an unmodified opinion on our financial statements from KPMG LLP. Our financial statements combined the results from the programs we administer, which include the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) programs (referred to as OASDI when discussing them in combination), and the Supplemental Security Income (SSI) program. OASI and DI have separate funds, which are financed by payroll taxes, interest on investments, and income taxes on benefits. General revenues from the U.S. Treasury finance SSI. Our financial statements, notes, and additional information appear on pages 49 through 106 of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2014 through 2016 (excluding key amounts from our Statements of Social Insurance and Statements of Changes in Social Insurance Amounts, which we present in the Table of Key Social Insurance Measures located in the Overview of Social Insurance Data section).

TABLE OF KEY FINANCIAL MEASURES¹
(DOLLARS IN BILLIONS)

Net Position (end of fiscal year)			
	2016	2015	2014
Total Assets	\$2,888.4	\$2,856.7	\$2,828.9
Less Total Liabilities	\$113.7	\$112.4	\$107.1
Net Position (assets net of liabilities)	\$2,774.6	\$2,744.3	\$2,721.8
Change in Net Position (end of fiscal year)			
	2016	2015	2014
Net Costs	\$982.2	\$945.0	\$906.8
Total Financing Sources²	\$1,012.5	\$967.5	\$931.1
Change in Net Position	\$30.3	\$22.5	\$24.2

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Total Financing Sources includes both the Total Financing Sources and Total Budgetary Financing Sources lines from the Statement of Changes in Net Position displayed on page 52.

Balance Sheet: The Balance Sheet displayed on page 50 presents, as of a specific point in time, amounts of economic benefits we own or manage (assets), amounts we owe (liabilities), and residual amounts we retain, comprising the difference (net position).

Total assets for FY 2016 are \$2,888.4 billion, a 1.1 percent increase over the previous year. Of the total assets, \$2,870.7 billion relates to funds from dedicated collections for the OASI and DI programs. By statute, we invest those funds not needed to pay current benefits in interest-bearing Treasury securities. Investments, which account for approximately 98.4 percent of our assets, increased \$34.3 billion over the previous year.

Liabilities grew in FY 2016 by \$1.3 billion primarily because of the growth in benefits due and payable, which is attributable to an increase in the number of OASI beneficiaries. The majority of our liabilities (90.3 percent) consist of benefits that have accrued as of the end of the fiscal year, but have not been paid. By statute, payment of OASI and DI program benefits for the month of September does not occur until October. Our net position grew \$30.3 billion to \$2,774.6 billion, reflecting the higher growth in assets than liabilities.

Statement of Net Cost: The Statement of Net Cost displayed on page 51 presents the annual cost of operating our three major programs: OASI, DI, and SSI. The Other category on the Statement of Net Cost consists primarily of our administrative costs not related to the OASI, DI, and SSI programs and contains non-material activities.

Our net cost of operations includes the gross costs we incurred less any exchange revenue earned from activities. In FY 2016, our total net cost of operations increased \$37.2 billion to \$982.2 billion, primarily due to a 2.2 percent increase in the number of OASI beneficiaries. The OASI, DI, and SSI net cost increased by 3.9 percent, 0.1 percent, and 14.4 percent respectively. Operating expenses increased for the OASI, DI, and SSI programs by 8.3 percent, 9.4 percent, and 13.2 percent, respectively.

In FY 2016, our total benefit payment expenses increased by \$35.6 billion, a 3.8 percent increase. The table below provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2016 and FY 2015 for each of our three major programs.

**BENEFIT CHANGES IN OUR MAJOR PROGRAMS DURING
FISCAL YEARS 2016 AND 2015**

	FY 2016	FY 2015	% Change
OASI			
Benefit Payment Expense	\$765,024	\$736,752	3.8%
Average Monthly Benefit Payment	\$1,283.82	\$1,269.65	1.1%
Number of Beneficiaries	50.02	48.93	2.2%
DI			
Benefit Payment Expense	\$144,018	\$144,102	(0.1)%
Average Monthly Benefit Payment	\$1,028.50	\$1,021.92	0.6%
Number of Beneficiaries	10.64	10.81	(1.6)%
SSI			
Benefit Payment Expense	\$58,976	\$51,520	14.5%
Average Monthly Benefit Payment	\$540.16	\$539.32	0.2%
Number of Beneficiaries	8.32	8.36	(0.5)%

Notes:

- Benefit payment expense and the number of beneficiaries are presented in millions.
- The average monthly benefit payment for OASI, DI, and SSI programs are presented in actual dollars.
- The average monthly benefit payment for OASI and DI programs reflects the September average monthly benefit payment for FY 2016 and FY 2015.
- The FY 2016 number of beneficiaries and average monthly benefit payment for the SSI program are presented for August 2016, since September figures are not yet available. The values presented for FY 2015 are from September 2015.

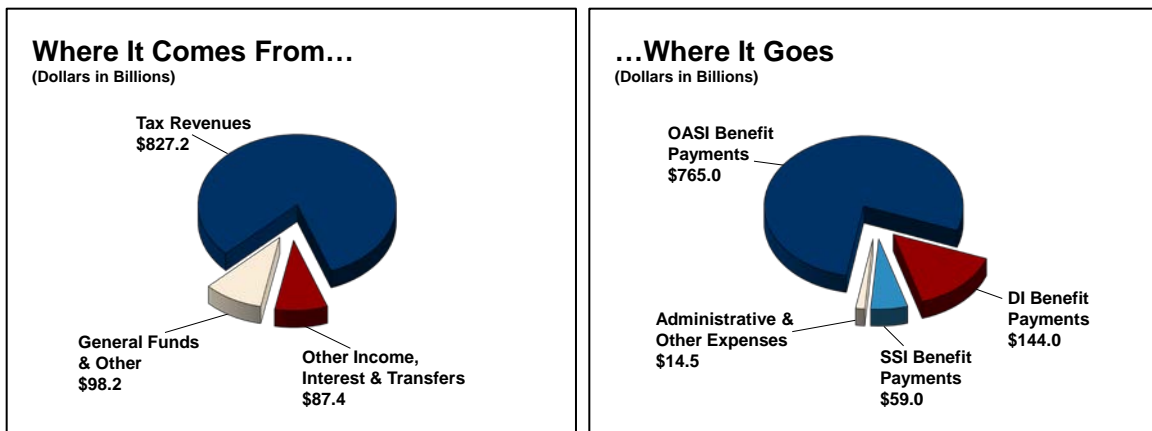
Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 52 presents those accounting items that caused the net position section of the Balance Sheet to change from the beginning to the end of the reporting period. The Statement shows an increase of \$30.3 billion in the net position of our agency, which is attributable to financing sources in excess of our agency's net cost. At this time, the total of all tax revenues and interest earned continue to exceed benefit payments made to OASDI beneficiaries, keeping the agency's programs solvent. In FY 2015, DI's benefit payments exceeded its receipts, causing the DI Trust Fund to

use its reserves, resulting in DI's net position decreasing \$29.7 billion. However, in FY 2016 the passage of Public Law 114-74, *Bipartisan Budget Act of 2015*, authorizes a temporary reallocation of the DI Trust Fund's portion of the *Federal Insurance Contributions Act* payroll tax by 0.57 percentage point. A total of 2.37 percentage points of the total combined 12.4 percent payroll tax is being allocated to the DI Trust Fund starting January 1, 2016, and will continue through December 31, 2018, after which the allocation returns to the prior distribution. This reallocation of payroll taxes resulted in decreased growth in tax revenue for the OASI Trust Fund, and increased tax revenue for the DI Trust Fund, which resulted in DI's net position increasing \$2.8 billion from \$18.0 billion to \$20.8 billion.

We use most of the resources available to us to finance current OASDI benefits and to accumulate investments to pay future benefits. When we need funds to pay administrative expenses or benefit entitlements, we redeem investments to supply cash to cover the outlays. Our administrative expenses as a percent of benefit expenses are 1.5 percent.

In FY 2016, total financing sources, as shown in the Table of Key Financial Measures displayed on page 29, increased by \$45.0 billion to \$1,012.5 billion. The primary source for this increase is additional tax revenues received in FY 2016. The \$1,012.5 billion in total financing sources from the Statement of Changes in Net Position will not match the amounts reported in the chart "Where It Comes From..." as seen below. The activity reported in the chart includes \$0.3 billion in exchange revenue. Our exchange revenues primarily include payments of fees we receive from States choosing to have us administer their State Supplementation of Federal SSI benefits. These amounts are reported on the Statement of Net Cost and are not classified as a financing source.

The following charts summarize the activity on our Statement of Net Cost and Statement of Changes in Net Position by showing the sources and uses of funds for FY 2016.

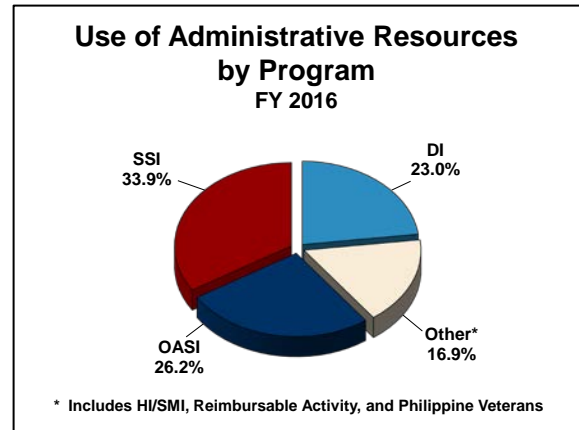


The SSI program's Cumulative Results of Operations are negative due to unfunded Benefits Due and Payable liabilities. Unadjudicated and adjudicated, or pending, claims make up a significant portion of SSI's Benefits Due and Payable activity. SSI will pay for these benefits using future years' resources. While the activity is unfunded, we still record an expense, which creates the negative Cumulative Results of Operations since we do not record an associated financing source.

Statement of Budgetary Resources: The Statement of Budgetary Resources displayed on page 53 provides information on the budgetary resources available to our agency for the year and shows the status of those resources at the end of FY 2016. The Statement shows that we had \$1,038.8 billion in budgetary resources, of which \$6.3 billion remained unobligated at year-end. We recorded total net outlays of \$976.8 billion by the end of the year. Budgetary resources increased \$36.3 billion, or 3.6 percent, from FY 2015, while net outlays increased \$32.7 billion, or 3.5 percent. The increase in budgetary resources is primarily due to an increase in tax revenues. The increase in net outlays is primarily due to an increase in the number of OASI beneficiaries.

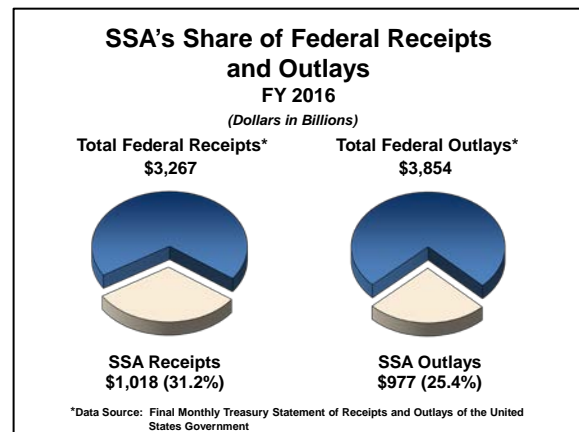
USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2016 in terms of the programs we administer or support. Although the DI program comprises only 14.9 percent of the total benefit payments we make, it consumes 23.0 percent of annual administrative resources. Likewise, while the SSI program comprises only 6.1 percent of the total benefit payments we make, it consumes 33.9 percent of annual administrative resources. State disability determination services decide whether the claimants for DI and SSI disability benefits are disabled. In addition, disability determination services perform continuing disability reviews of individuals receiving DI and SSI disability payments to ensure continued entitlement to benefits. The FY 2015 use of administrative resources by program was 27.0 percent for the OASI program, 23.5 percent for the DI program, 33.5 percent for the SSI program, and 16.0 percent for Other.



SSA'S SHARE OF FEDERAL OPERATIONS

The programs we administer constitute a large share of the total receipts and outlays of the Federal Government, as shown in the chart to the right. Receipts for our programs in FY 2016 represented 31.2 percent of the \$3.3 trillion in total Federal receipts, an increase of 1.2 percent over last year. Outlays decreased by 0.2 percent to 25.4 percent of Federal outlays.



OVERVIEW OF SOCIAL INSURANCE DATA

TABLE OF KEY SOCIAL INSURANCE MEASURES¹
(DOLLARS IN BILLIONS)

Statements of Social Insurance Old-Age, Survivors, and Disability Insurance (calendar year basis)			
	2016	2015	2014
Present value of future net cash flows ² for current and future participants over the next 75 years (open group measure), current year valuation	-\$14,169	-\$13,440	-\$13,330
Present value of future net cash flows ² for current and future participants over the next 75 years (open group measure), prior year valuation	-\$13,440	-\$13,330	-\$12,294
Change in present value	-\$730	-\$110	-\$1,035

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. Future net cash flows are estimated over the appropriate 75-year period.

Statements of Social Insurance: As displayed on page 54, the Statements of Social Insurance present the following estimates:

- The present value of estimated future noninterest income to be received from or on behalf of current participants who have attained retirement eligibility age (age 62 and over) and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income to be received from or on behalf of current participants who have not yet attained retirement eligibility age (ages 15-61) and the estimated future cost of providing scheduled benefits to those same individuals;
- The present value of estimated future noninterest income less estimated future cost for the closed group, which represents all current participants who attain age 15 or older in the first year of the projection period, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period;
- The present value of estimated noninterest income to be received from or on behalf of future participants (those under age 15, and to be born and to immigrate during the period) and the cost of providing scheduled benefits to those same individuals; and
- The present value of estimated future noninterest income less estimated future cost for the open group, which represents all current and future participants (including those to be born and to immigrate during the projection period) who are now participating or are expected to eventually participate in the OASDI programs, *plus* the asset reserves in the combined OASI and DI Trust Funds as of the beginning of the valuation period.

The present value of estimated future net cash flows (estimated noninterest income less estimated cost for scheduled future benefits) for all current and future participants over the next 75 years (open group measure) decreased from -\$13.4 trillion, as of January 1, 2015, to -\$14.2 trillion, as of January 1, 2016. The deficit, therefore, increased in magnitude by about \$0.7 trillion. Including the asset reserves in the combined OASI and DI Trust Fund increases this open group measure to -\$11.4 trillion for the 75-year valuation period. Therefore, including the asset reserves decreases the open group measure, in magnitude, by about \$2.8 trillion.

The present value of estimated future net cash flows for all current participants over the next 75 years, *plus* the asset reserves in the combined OASI and DI Trust Fund as of the beginning of the period, is -\$28.7 trillion (closed group measure). Including future participants over the next 75 years decreases the projected deficit by \$17.3 trillion to the open group measure of -\$11.4 trillion.

Statements of Changes in Social Insurance Amounts: The Statements of Changes in Social Insurance Amounts displayed on page 55 reconcile the change (between the current valuation period and the prior valuation period) in the present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure) over the next 75 years. This reconciliation identifies those components of the change that are significant and provides reasons for the changes.

From January 1, 2015 to January 1, 2016: The present value as of January 1, 2016 decreased (became more negative) by \$0.5 trillion, due to advancing the valuation date by one year and including the additional year, 2090. Changes for this valuation period, and their effects on the present value of estimated future net cash flows, are as follows:

- Changes in demographic data, assumptions, and methods increased the present value of estimated future net cash flows by \$0.6 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by \$0.9 trillion;
- Changes in programmatic data, assumptions, and methods increased the present value of estimated future net cash flows by less than \$0.1 trillion; and
- Changes in law or policy increased the present value of estimated future net cash flows by less than \$0.1 trillion.

Significant changes made for this valuation included:

- The ultimate rate of price inflation (CPI-W) was lowered by 0.1 percentage point, to 2.6 percent for the current valuation period, compared to 2.7 percent for the previous valuation period;
- The ultimate real-wage differential is assumed to be 1.20 percent in the current valuation period, compared to 1.17 percent in the previous valuation period;
- The ultimate real interest rate was lowered by 0.2 percentage point, to 2.7 percent for the current valuation period, compared to 2.9 percent in the previous valuation period; and
- The effects of the *Bipartisan Budget Act of 2015*.

From January 1, 2014 to January 1, 2015: The present value as of January 1, 2015 decreased (became more negative) by \$0.6 trillion, due to advancing the valuation date by one year and including the additional year, 2089. Changes for this valuation period, and their effects on the present value of estimated future net cash flows, are as follows:

- Changes in demographic data, assumptions, and methods decreased the present value of estimated future net cash flows by \$0.1 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by \$0.1 trillion;
- Changes in programmatic data, assumptions, and methods increased the present value of estimated future net cash flows by about \$0.7 trillion; and
- Changes in law or policy increased the present value of estimated future net cash flows by less than \$0.1 trillion.

Significant changes made for this valuation included:

- The ultimate real-wage differential is assumed to be 1.17 percent in the current valuation period, compared to 1.13 percent in the previous valuation period;
- The ratio of average taxable earnings to the average wage averages about 0.6 percentage point higher during the long-range period, compared to the previous valuation period; and
- The effects of the President's executive actions on immigration.

OASI AND DI TRUST FUND SOLVENCY

PAY-AS-YOU-GO FINANCING

The OASI and DI Trust Funds are deemed solvent as long as asset reserves are sufficient to finance program obligations in full and on a timely basis. Such solvency is indicated, for any point in time, by the maintenance of positive OASI and DI Trust Fund asset reserves. In recent years, current income has exceeded program obligations for the OASDI program; therefore, the combined OASI and DI Trust Fund asset reserves have been growing.

The *Bipartisan Budget Act of 2015*, passed by Congress and signed into law by the President, reallocated a portion of the payroll tax rate from the OASI Trust Fund to the DI Trust Fund. Under the intermediate assumptions of the 2016 Trustees Report, this reallocation is expected to ensure full payment of disability benefits into 2023. Without reallocation, the DI Trust Fund asset reserves were projected to have been depleted by the fourth quarter of 2016.

The following table shows that OASI and DI Trust Fund asset reserves, expressed in terms of the number of months of program obligations that these asset reserves could finance, has been declining slowly, from 40.1 months at the end of FY 2012, to 38.9 months at the end of FY 2013, to 37.6 months at the end of FY 2014, and to estimated values of 36.6 and 35.5 months at the end of FY 2015 and FY 2016, respectively. The historical values shown in the table for the DI Trust Fund have declined in recent years because expenditures have increasingly exceeded income. This trend is projected to continue in FY 2015 and FY 2016, although at a slower rate of decrease due to the payroll tax reallocation in the *Bipartisan Budget Act of 2015*.

NUMBER OF MONTHS OF EXPENDITURES FISCAL-YEAR-END ASSET RESERVES CAN PAY^{1,2}

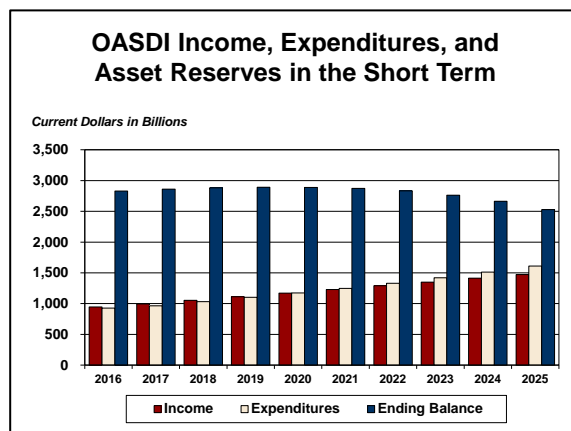
	2012	2013	2014	2015	2016
OASI	46.3	45.2	43.9	43.1	41.6
DI	11.1	8.3	5.7	3.4	3.3
Combined	40.1	38.9	37.6	36.6	35.5

Notes:

1. Computed as 12 times the ratio of end-of-year asset reserves to outgo in the following fiscal year.
2. Values for FY 2015 and FY 2016 are estimates based on the intermediate set of assumptions of the 2016 Trustees Report.

SHORT-TERM FINANCING

A trust fund for a program is deemed adequately financed for the short term when actuarial estimates of its asset reserves for the beginning of each calendar year are at least as large as the program's obligations for the year. Estimates in the 2016 Trustees Report indicate that, on a theoretical combined basis, the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2016 Trustees Report, OASDI estimated cost and income for 2025 are 79 percent and 60 percent higher than the corresponding amounts in 2015 (\$897 billion and \$920 billion, respectively). From the end of 2015 to the end of 2025, asset reserves are projected to decrease by 10 percent, from \$2.8 trillion to \$2.5 trillion. In addition, under those assumptions, the DI Trust Fund asset reserves were expected to deplete at the end of 2016. However, with the passage of the *Bipartisan Budget Act of 2015*, the DI Trust Fund is expected to have sufficient asset reserves to pay full scheduled benefits into 2023.



LONG-TERM FINANCING

Social Security's financing is not projected to be sustainable over the long term with the tax rates and benefit levels scheduled in current law. Program cost will exceed noninterest income in all years of the 75-year projection period. In 2034, the combined OASI and DI Trust Fund asset reserves will be depleted according to the projections by Social Security's Trustees. Tax revenues are projected to be sufficient to support expenditures at a level of 79 percent of scheduled benefits after the combined OASI and DI Trust Fund depletion in 2034, declining to 74 percent of scheduled benefits in 2090.

The primary reasons for the projected long-term inadequacy of financing under current law relate to changes in the demographics of the United States: birth rates dropping substantially after 1965, retirees living longer, and baby boomers approaching retirement. In present value terms, the 75-year shortfall is \$11.4 trillion, which is 2.49 percent of taxable payroll and 0.9 percent of gross domestic product over the same period. Some of the possible reform alternatives being discussed – singularly or in combination with each other – are:

- Increasing payroll taxes;
- Slowing the growth in benefits;
- Finding other revenue sources (such as general revenues); or
- Increasing expected returns by investing the OASI and DI Trust Fund asset reserves, at least in part, in private securities.

Significant uncertainty surrounds the estimates for the Statements of Social Insurance. In particular, the actual future values of demographic, economic, and programmatic factors are likely to be different from the near term and ultimate assumptions used in the projections. For more information, pages 95 through 106 contain the *Required Supplementary Information: Social Insurance* disclosures required by the Federal Accounting Standards Advisory Board.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements beginning on page 49 have been prepared to report the financial position and results of operations of the Social Security Administration, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Social Security Administration in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the

Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

SUMMARY OF IMPROPER PAYMENTS INFORMATION

BACKGROUND

The *Improper Payments Information Act of 2002* (IPIA), Public Law 107-300, requires Federal agencies to report annually on the extent of the improper payments in programs susceptible to significant improper payments and the actions to reduce such payments. OMB guidance on IPIA implementation requires us to report improper payment information for the OASI, DI, and SSI programs.

President Obama signed the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) into law on July 22, 2010. IPERA amends IPIA and further increases our accountability, transparency, reporting of improper payments, and reporting on our payment recapture auditing efforts.

The enactment of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) provided an opportunity for OMB to re-examine existing guidance to ensure agencies are able to more efficiently reduce their improper payment rates, while also complying with multiple legislative and administrative requirements. On October 20, 2014, OMB issued implementing guidance to transform the improper payment compliance framework to create more unified, comprehensive, and less burdensome requirements.

We report information about our improper payments, as required by IPIA and amended by IPERA and IPERIA, in the *Improper Payments Information Detailed Report* in the *Other Information* section of this report.

AGENCY EFFORTS AND FUTURE PLANS

We have multiple efforts underway to prevent, detect, and recover our improper payments. For FY 2016, we continued to focus our improper payments strategy to align with our improper payments governance.

We use stewardship reviews to measure the accuracy of payments to beneficiaries. Each month, we review a sample of OASI, DI, and SSI cases to determine payment accuracy rates. Stewardship review findings provide the data necessary to meet the IPIA reporting requirements, as well as data for other reports to monitoring authorities. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We also provide payment accuracy rates for current and previous reporting periods.

For the past five years, OASDI payments have been very accurate. However, the sheer magnitude of the payments made in the OASDI program, over \$853 billion in FY 2015, means that even a small percentage of error results in substantial improper payments. In FY 2015, the OASDI overpayment accuracy rate was 99.6 percent, representing projected overpayments of \$3.1 billion, and the underpayment accuracy rate was over 99.9 percent, or almost \$0.6 billion in projected underpayments. Each tenth of a percentage point in payment accuracy represents about \$854 million in OASDI program outlays.

In the SSI program, the overpayment accuracy rate has increased over a 5-year period, FY 2011 through FY 2015, from 92.7 percent to 93.9 percent. We based the FY 2015 rate of 93.9 percent on overpaid dollars totaling a projected \$3.4 billion. In FY 2015, the SSI underpayment accuracy rate was 98.6 percent based almost \$0.8 billion in projected underpayments. For FY 2015, each tenth of a percentage point in payment accuracy represented about \$56.6 million in SSI program outlays.

The following are examples of initiatives to improve payment accuracy in the OASDI and SSI programs. We provide additional information, as well as other corrective actions we have taken, in the *Improper Payments Information Detailed Report* in the *Other Information* section of this report.

NEW IMPROPER PAYMENT INITIATIVES

In addition to enhancing our ongoing efforts for FY 2016, we are pursuing the following new initiatives:

- For our Data Exchange Initiative, which will enhance the administration of our programs and prevent improper payments, we developed a strategic initiative to identify and seek new data to improve program administration and prevent improper payments. We are actively researching current programs, working with internal stakeholders to identify data exchange needs, and pursuing new data exchanges with potential partners. Some of these efforts include seeking entry and exit data from the Department of Homeland Security on SSI recipients who have left the United States for 30 days or more to determine ongoing eligibility and to reduce improper payments, although we have only examined this data for non-citizens. We are also negotiating with the Department of Labor to obtain *Federal Employees' Compensation Act* workers' compensation data to increase OASDI payment accuracy.
- A new strategic initiative that focuses on improper payments caused by the Windfall Elimination Provision (WEP) ([a definition of WEP is available at: www.socialsecurity.gov/pubs/10045.html](http://www.socialsecurity.gov/pubs/10045.html)), and Government Pension Offset (GPO) ([a definition of GPO is available at: www.socialsecurity.gov/pubs/EN-05-10007.pdf](http://www.socialsecurity.gov/pubs/EN-05-10007.pdf)). We formed a cross-agency work group to compile a comprehensive list of identified changes in WEP and GPO implementation; assess the root causes of improper payments based on these changes; and develop policy, data, systems, or training solutions in line with each of the root causes of improper payments.
- We are also developing corrective action plans to address a host of other areas where we have an opportunity to significantly improve quality and payment accuracy. Recently, our Acting Commissioner announced that improving quality and payment accuracy for our customers was one of seven critical agency priorities. We will address these areas through training, automation, and business process improvements, including streamlining the work continuing disability review process, addressing uneffectuated medical cessations, and improving the documentation of capability determinations in our representative payee program.

EXAMPLES OF OASDI IMPROPER PAYMENT INITIATIVES

- To address errors because of substantial gainful activity (SGA) ([a definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html](http://www.socialsecurity.gov/oact/cola/sga.html)), we will implement a new policy that will no longer require us to contact employers when doing an SGA determination. Instead, we will use other readily available evidence, thus reducing processing times for work continuing disability reviews and reducing overpayments. We expect to implement the new policy by the end of FY 2017.
- To improve post-entitlement accuracy, we have developed the Work Smart process. Work Smart identifies Social Security disability beneficiaries whose earnings put them at risk for receiving overpayments. This process helps us to learn of unreported work more quickly and reduce work-related overpayments.

EXAMPLES OF SSI IMPROPER PAYMENT INITIATIVES

- Access to Financial Institutions (AFI) is an automated process that verifies alleged bank account balances with financial institutions to identify excess resources. In FY 2013, we further lowered the AFI threshold to verify liquid financial resources and increased undisclosed bank account searches. In FY 2016, we added functionality to search for financial institutions by routing transit number when initiating AFI requests.
- We rely on individuals to self-report wages to us on time, but from experience, we know that they may fail to report or not report wages in time to prevent an improper payment. We will request that applicants,

recipients, and deemors provide their consent for us to obtain wage information from payroll data providers as part of the SSI application and redetermination processes.

- In FY 2013, we developed a pilot in 100 of our field offices to identify undisclosed real property owned by SSI recipients. The pilot provided information on cost savings and the feasibility of expansion to other field offices. The pilot results found that using this process was a cost effective method to reduce and prevent improper payments. In FY 2016, we decided to move forward with nation-wide expansion of non-home real property data integration with SSI systems for use during initial claims and high error redetermination interviews. The current focus is on management information planning and requirements, as well as systems development. By the end of FY 2017, we will complete the integration.
- Our studies show that we sometimes overlook potential entitlements (i.e., entitlement to benefits other than the one an individual is applying for or receiving). In FY 2015, we issued notices to over 25,000 individuals entitled as spouses who may be eligible for higher benefits on their own records. In FY 2016, we made changes that enable us to notify these individuals again at full retirement age.