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 41 through 96 of this report. The following table presents key amounts from our basic financial statements for fiscal years (FY) 2015 through 2017 (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 Measures[1]
(Dollars in Billions)

Net Position (end of fiscal year)			
	2017	2016	2015
Total Assets	$2,934.8	$2,888.4	$2,856.7
Less Total Liabilities	$115.3	$113.7	$112.4
Net Position (assets net of liabilities)	$2,819.6	$2,774.6	$2,744.3
Change in Net Position (end of fiscal year)			
	2017	2016	2015
Net Costs	$999.1	$982.2	$945.0
Total Financing Sources[2]	$1,044.1	$1,012.5	$967.5
Change in Net Position	$45.0	$30.3	$22.5

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 44.

Balance Sheet: The Balance Sheet displayed on page 42 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 2017 are $2,934.8 billion, a 1.6 percent increase over the previous year. Of the total assets, $2,917.7 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 98.5 percent of our assets, increased $47.3 billion over the previous year.

Liabilities grew in FY 2017 by $1.6 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 (89.8 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 $45.0 billion to $2,819.6 billion, reflecting the higher growth in assets than liabilities.

Statement of Net Cost: The Statement of Net Cost displayed on page 43 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 2017, our total net cost of operations increased $16.9 billion to $999.1 billion, primarily due to a 2.3 percent increase in the number of OASI beneficiaries. The OASI net cost increased by 3.6 percent, while the DI and SSI net cost decreased 2.1 percent and 12.5 percent respectively. Operating expenses decreased for the OASI, DI, and SSI programs by 2.3 percent, 9.1 percent, and 7.5 percent, respectively.

In FY 2017, our total benefit payment expenses increased by $17.7 billion, a 1.8 percent increase. The table below provides the benefit payment expense information, number of beneficiaries, and the percentage change for these benefit items during FY 2017 and FY 2016 for each of our three major programs.

Benefit Changes in Our Major Programs During Fiscal Years 2017 and 2016

	FY 2017	FY 2016	% Change
OASI			
Benefit Payment Expense	$793,155	$765,024	3.7%
Average Monthly Benefit Payment	$1,304.21	$1,283.82	1.6%
Number of Beneficiaries	51.19	50.02	2.3%
DI			
Benefit Payment Expense	$141,206	$144,018	(2.0)%
Average Monthly Benefit Payment	$1,037.89	$1,028.50	0.9%
Number of Beneficiaries	10.45	10.64	(1.8)%
SSI			
Benefit Payment Expense	$51,355	$58,976	(12.9)%
Average Monthly Benefit Payment	$540.72	$540.09	0.1%
Number of Beneficiaries	8.26	8.29	(0.4)%

Notes:

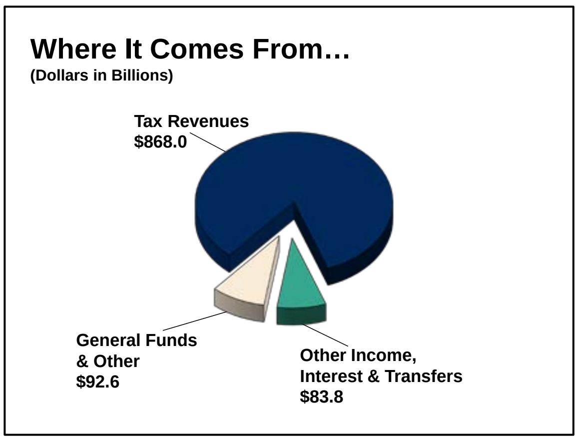
1. Benefit payment expense and the number of beneficiaries are presented in millions.
2. The average monthly benefit payment for OASI, DI, and SSI programs are presented in actual dollars.
3. The average monthly benefit payment for OASI and DI programs reflects the September average monthly benefit payment for FY 2017 and FY 2016.
4. The FY 2017 number of beneficiaries and average monthly benefit payment for the SSI program are presented for August 2017, since September figures are not yet available. The values presented for FY 2016 are from September 2016.

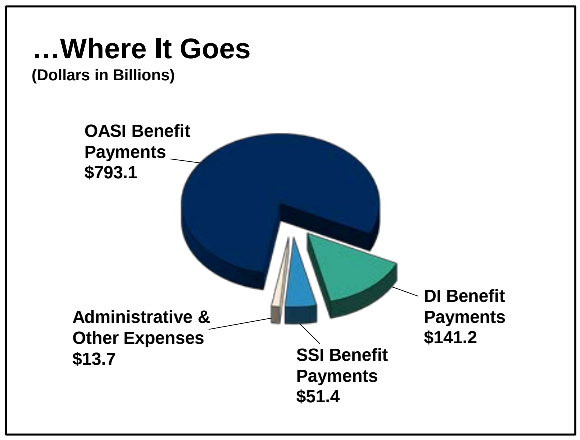
Statement of Changes in Net Position: The Statement of Changes in Net Position displayed on page 44 presents those accounting items that caused the net position section of the Balance Sheet to change from the beginning to the end of the reporting period. The Statement shows an increase of $45.0 billion 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. 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 12.40 percent payroll tax was 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 increased tax revenue for the DI Trust Fund, which resulted in DI's net position increasing $25.4 billion from $20.8 billion to $46.2 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 1.4 percent.

In FY 2017, total financing sources, as shown in the Table of Key Financial Measures displayed on page 26, increased by $31.6 billion to $1,044.1 billion. The primary source for this increase is additional tax revenues received in FY 2017. The $1,044.1 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 2017.



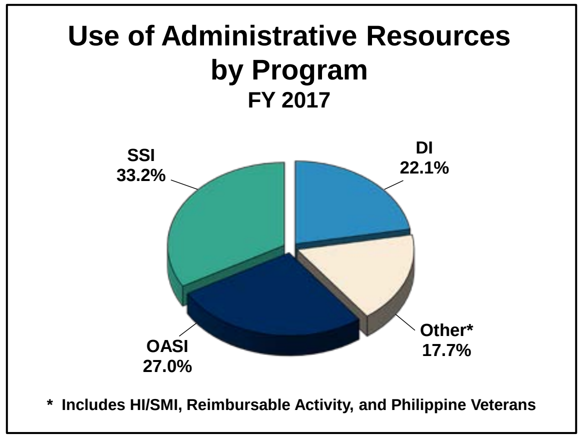


The SSI program's Cumulative Results of Operations are negative due to unfunded Benefits Due and Payable liabilities. Unadjudicated and adjudicated, or pending, claims make up a significant portion of SSI's Benefits Due and Payable activity. SSI will pay for these benefits using future years' resources. 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 45 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 2017. The Statement shows that we had $1,064.6 billion in budgetary resources, of which $5.5 billion remained unobligated at year-end. We recorded total net outlays of $1,000.8 billion by the end of the year. Budgetary resources increased $25.8 billion, or 2.5 percent, from FY 2016, while net outlays increased $24.0 billion, or 2.5 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.

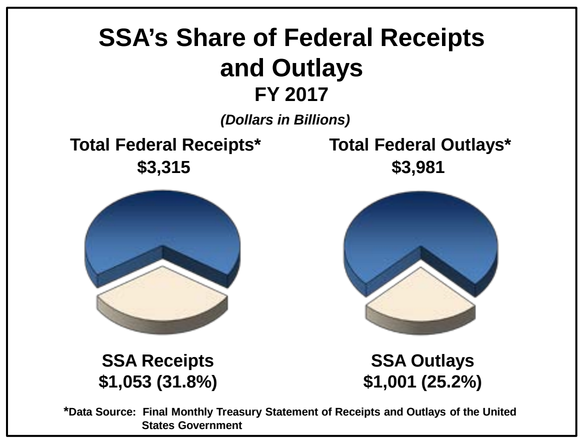
USE OF ADMINISTRATIVE RESOURCES

The chart to the right displays the use of all administrative resources (including general operating expenses) for FY 2017 in terms of the programs we administer or support. Although the DI program comprises only 14.3 percent of the total benefit payments we make, it consumes 22.1 percent of annual administrative resources. Likewise, while the SSI program comprises only 5.2 percent of the total benefit payments we make, it consumes 33.2 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 2016 use of administrative resources by program was 26.2 percent for the OASI program, 23.0 percent for the DI program, 33.9 percent for the SSI program, and 16.9 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 2017 represented 31.8 percent of the $3.3 trillion in total Federal receipts, an increase of 0.6 percent over last year. Outlays decreased by 0.2 percent to 25.2 percent of Federal outlays.



OVERVIEW OF SOCIAL INSURANCE DATA

Table of Key Social Insurance Measures[1]
(Dollars in Billions)

Statements of Social Insurance Old-Age, Survivors, and Disability Insurance (calendar year basis)			
	2017	**2016**	**2015**
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), current year valuation	-$15,357	-$14,169	-$13,440
Present value of future net cash flows[2] for current and future participants over the next 75 years (open group measure), prior year valuation	-$14,169	-$13,440	-$13,330
Change in present value	-$1,187	-$730	-$110

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 46, 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 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 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 -$14.2 trillion, as of January 1, 2016, to -$15.4 trillion, as of January 1, 2017. The deficit, therefore, increased in magnitude by about $1.2 trillion. Including the asset reserves in the combined OASI and DI Trust Fund increases this open group measure to -$12.5 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 (who attain age 15 or older in the first year of the projection period) 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 -$30.3 trillion (closed group measure). Including future participants (those under age 15, and to be born during the projection period) over the next 75 years decreases the projected deficit by $17.8 trillion to the open group measure of -$12.5 trillion.

Statements of Changes in Social Insurance Amounts: The Statements of Changes in Social Insurance Amounts displayed on page 47 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, 2016 to January 1, 2017: The present value as of January 1, 2017 decreased (became more negative) by $0.6 trillion, due to advancing the valuation date by one year and including the additional year, 2091. Changes for this valuation, 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 less than $0.1 trillion;
- Changes in economic data, assumptions, and methods decreased the present value of estimated future net cash flows by $0.6 trillion;
- Changes in programmatic data, assumptions, and methods decreased 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:

- Incorporating recent data led to higher death rates throughout the projection period and lower disabled worker incidence rates during the short-range period;
- Lower real-wage differential in the first 10 years of the projection period and lower near-term interest rates; and
- Reduction of the level of actual and potential gross domestic product by about 1 percent for all years after the short-range period.

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, 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 $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*.

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 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 38.9 months at the end of FY 2013, to 37.6 months at the end of FY 2014, to 36.8 months at the end of FY 2015, and to estimated values of 36.1 and 34.9 months at the end of FY 2016 and FY 2017, 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 reverse in FY 2016 and FY 2017 due to the *Bipartisan Budget Act of 2015*, which reallocated a portion of the payroll tax rate from the OASI Trust Fund to the DI Trust Fund.

Number of Months of Expenditures
Fiscal-Year-End Asset Reserves Can Pay[1,2]

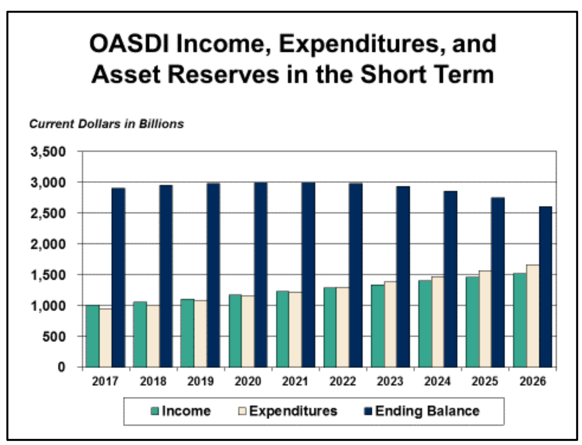
	2013	2014	2015	2016	2017
OASI	45.2	43.9	43.1	42.0	40.1
DI	8.3	5.7	3.4	3.7	5.5
Combined	38.9	37.6	36.8	36.1	34.9

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 2016 and FY 2017 are estimates based on the intermediate set of assumptions of the 2017 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 2017 Trustees Report indicate that, on a hypothetical combined basis, the OASI and DI Trust Funds are adequately financed over the next 10 years. Under the intermediate assumptions of the 2017 Trustees Report, OASDI estimated cost of $1,665 billion and income of $1,521 billion for 2026 are 81 percent and 59 percent higher than the corresponding amounts in 2016 ($922 billion and $957 billion, respectively). From the end of 2016 to the end of 2026, asset reserves are projected to decrease by 8 percent, from $2.8 trillion to $2.6 trillion.



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 77 percent of scheduled benefits after the combined OASI and DI Trust Fund depletion in 2034, declining to 73 percent of scheduled benefits in 2091.

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 $12.5 trillion, which is 2.66 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 85 through 96 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 41 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.