



SOCIAL SECURITY

Office of the Chief Actuary

November 8, 2024

The Honorable William E. Villafaña Ramos
Senator At Large
Senate for the Commonwealth of Puerto Rico
San Juan, Puerto Rico 00902

Dear Senator Villafaña Ramos:

I am writing in response to your letter of August 9, 2024, enclosed, requesting our estimate of the change in Federal Supplemental Security Income (SSI) program cost for expanding SSI eligibility to residents of Puerto Rico, and our estimate of the change in Old-Age and Survivors Insurance and Disability Insurance (OASDI) program cost for eliminating the application of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) provisions for OASDI beneficiaries receiving a pension based on work in Puerto Rico that was not covered under the OASDI program. Our analysis and estimates provided for these proposals reflect the efforts of many in the Office of the Chief Actuary, but particularly Adnan Barazi, Chelsea Shudtz, Joshua Smeton, and Michael Stephens.

Extend SSI Eligibility to Residents of Puerto Rico

We have prepared estimates of the change in SSI program cost for extending SSI eligibility to the residents of Puerto Rico. We estimate that if SSI eligibility were extended to qualifying residents of Puerto Rico effective January 1, 2025, Federal SSI payments would increase by a total of \$20.7 billion over the 10-year period of calendar years 2025 through 2034.

Currently, residents of Puerto Rico who are eligible for the Aid to the Aged, Blind, or Disabled (AABD) program receive payments from that program. AABD is similar to the means-tested adult assistance programs that were administered in the States prior to the implementation of the SSI program in 1974. The eligibility criteria for the SSI program are significantly less restrictive than the eligibility criteria for the AABD program. If SSI eligibility were extended to residents of Puerto Rico, this would increase the number of residents receiving income assistance benefits, as well as the total and average amounts of benefits, due to the less restrictive eligibility requirements and higher benefit levels under the SSI program. Extension of SSI eligibility to residents of Puerto Rico would also provide eligibility to disabled children who are not currently covered under the AABD program.

The Federal government provides funding to Puerto Rico for AABD, Temporary Assistance to Needy Families (TANF), and certain other programs through a system of grants. Section 1108 of

the Social Security Act sets a ceiling on the total annual amount of Federal funds that Puerto Rico can receive for these programs. This ceiling amount is currently \$107.3 million per year. Puerto Rico receives a block grant of \$71.6 million per year to fund the TANF program, assuming full funding. The TANF block grant counts against the \$107.3 million annual cap, leaving a maximum of \$35.7 million available to fund other programs, including AABD. These amounts have not been indexed to inflation and have remained at their current levels since fiscal year 1997. If SSI eligibility were extended to residents of Puerto Rico, we assume that the AABD program would be eliminated there. However, Congress may or may not appropriate less than the current annual cap to fund the remaining programs. Therefore, we do not include in our estimate for extending SSI eligibility any potential offsetting effects on total Federal expenditures for the possibility of changing the appropriation for these grants.

Extension of SSI eligibility to Puerto Rico could potentially have effects on eligibility for other Federal or Federally funded programs, particularly Medicaid. While Medicaid coverage is currently available to residents of Puerto Rico, many of the additional individuals receiving SSI payments in Puerto Rico would be likely to file for Medicaid benefits as well. In addition, expanding SSI eligibility to Puerto Rico could affect other programs in Puerto Rico that receive Federal funds and include income as a factor of eligibility. All of these effects are outside the scope of estimates provided here.

Table 1 below shows the estimated change in Federal SSI payments assuming SSI eligibility is extended to the residents of Puerto Rico starting January 1, 2025. The estimates reflect the baseline assumptions used for projections in the 2024 SSI Report to Congress and the 2024 Social Security Trustees Report, as well as the Census Bureau’s projection of the population of Puerto Rico relative to the U.S. population. There would be no direct effects on scheduled benefit payments under the Social Security program.

Elimination of WEP and GPO for OASDI Benefits Paid to Individuals Receiving a Pension Based on Work in Puerto Rico Not Covered Under the OASDI Program

Currently, application of the WEP and GPO provisions may reduce OASDI benefits for those beneficiaries who are receiving a pension attributable to earnings that were not covered under the OASDI program. We have estimated the cost of eliminating the application of both the WEP and GPO provisions for all OASDI beneficiaries starting in 2025 at \$200.5 billion over the period including calendar years 2025 through 2034, and that this change would reduce (worsen) the 75-year OASDI actuarial balance by 0.12 percent of payroll under the intermediate assumptions of the 2024 Trustees Report. See https://www.ssa.gov/OACT/solvency/provisions/tables/table_run301.html.

Table 2 below shows our estimated change in OASDI program cost assuming elimination of WEP and GPO effective January 1, 2025 only with respect to pensions based on earnings in Puerto Rico from employment not covered under OASDI. We estimate that OASDI payments would increase by a total of \$2.2 billion over the 10-year period of calendar years 2025 through

2034. This change would reduce the 75-year OASDI actuarial balance by a negligible amount (less than 0.005 percent of taxable payroll).

We hope these estimates will be helpful. Please let us know if we may provide further assistance.

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'.

Stephen C. Goss, ASA, MAAA
Chief Actuary

Enclosures

Table 1. Estimated change in Federal SSI payments assuming extension of SSI eligibility to residents of Puerto Rico starting January 1, 2025, calendar years 2025–34
(In millions)

| <u>Calendar year</u> | <u>Estimated change in Federal SSI payments</u> |
|----------------------|---|
| 2025 | \$1,473 |
| 2026 | 2,008 |
| 2027 | 2,049 |
| 2028 | 2,086 |
| 2029 | 2,116 |
| 2030 | 2,143 |
| 2031 | 2,169 |
| 2032 | 2,194 |
| 2033 | 2,216 |
| 2034 | 2,238 |
| <i>Totals:</i> | |
| 2025–29 | 9,731 |
| 2025–34 | 20,692 |

Notes:

1. The estimates are based on the assumptions underlying the projections in the 2024 SSI Report to Congress and the intermediate assumptions of the 2024 Social Security Trustees Report, as well as the Census Bureau’s projection of the population in Puerto Rico relative to the U.S. population.
2. The estimates assume an effective implementation date of January 1, 2025.
3. Reductions in Federal expenditures under the Aid to the Aged, Blind, or Disabled program due to the assumed SSI extension to Puerto Rico and effects on eligibility for other programs that receive Federal funds in Puerto Rico are not reflected in these estimates.
4. Payments are included in the month they would be due, rather than in the month they would be paid. For example, payments due on January 1 of each year are included in that month, rather than December of the preceding calendar year.
5. Totals may not equal the sum of components due to rounding.

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Table 2. Estimated change in OASDI program cost assuming elimination of WEP and GPO for pensions based on earnings in Puerto Rico from employment not covered under the OASDI program, starting January 1, 2025, calendar years 2025–34
(In millions)

| <u>Calendar year</u> | <u>Estimated change in OASDI program cost</u> |
|----------------------|---|
| 2025 | \$184 |
| 2026 | 192 |
| 2027 | 200 |
| 2028 | 208 |
| 2029 | 216 |
| 2030 | 223 |
| 2031 | 230 |
| 2032 | 236 |
| 2033 | 242 |
| 2034 | 248 |
| <i>Totals:</i> | |
| 2025–29 | 1,000 |
| 2025–34 | 2,179 |

Notes:

1. The estimates are based on the intermediate assumptions of the 2024 Social Security Trustees Report and are consistent with the estimates made for provision B7.14 at https://www.ssa.gov/OACT/solvency/provisions/tables/table_run301.html.
2. The estimates assume an effective implementation date of January 1, 2025.
3. Totals may not equal the sum of components due to rounding.

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SENATE
COMMONWEALTH OF PUERTO RICO

Hon. William E. Villafañe Ramos
Senator at Large

OCE-SA-2023-00646

August 9 , 2024

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

Dear Mr. Goss,

I trust this letter finds you well. Following our productive meeting in Baltimore, Maryland on July 30th, 2024. I am writing to formally request an updated actuarial analysis concerning the potential extension of the Supplemental Security Income (SSI) program to Puerto Rico. Our discussion underscored the importance of having the most current data to inform ongoing legislative efforts and to accurately assess the financial implications of such an expansion.

W.E.R. In the 2019 analysis provided in the context of *United States v. Vaello-Madero*, your office estimated that extending SSI benefits to Puerto Rican residents could result in an annual cost ranging between \$1.8 billion and \$2.4 billion over the next decade. Given the dynamic economic landscape and shifts in the demographic profile, it is crucial to revisit these projections. Therefore, I request that your office conduct an updated evaluation that accounts for the latest economic data, demographic changes, and any policy adjustments that have occurred since the initial estimate, including factors such as inflation, employment trends, and changes in federal or local policies.

Moreover, in light of the ongoing legislative efforts surrounding the Social Security Fairness Act (H.R. 82), I request a comprehensive analysis of the current beneficiaries in Puerto Rico who are subject to the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). This includes professionals who have worked in government positions or education—fields where employees often participate in

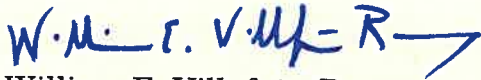
public sector pension plans and may not have paid Social Security taxes on their earnings. Teachers, police officers, and other public servants are among those most likely to be impacted by WEP and GPO.

It is essential to quantify the potential impact of repealing these provisions on Puerto Rican residents. I am particularly interested in data that details the number of affected beneficiaries, the estimated change in benefits distribution, and the fiscal implications for both individuals and the Social Security trust funds. An updated and comprehensive analysis from your office will be invaluable for shaping policy decisions that promote equitable retirement security and directly impact the financial well-being of U.S. citizens in Puerto Rico.

Our nation's seniors and beneficiaries of the programs administered by SSA deserve no less. We look forward to reaffirming SSA's commitment to the U.S. citizens of Puerto Rico, ensuring equal protection and equity across all Social Security programs.

Thank you for your attention to this matter. I look forward to receiving the updated analysis and any further insights you might offer. Should you require any additional information or clarification, please do not hesitate to contact me directly.

Respectfully,



William E. Villafañe-Ramos
State Senator at Large
Puerto Rico