79th Congress, 1st Session - - - - - House Document No. 266

OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

LETTER

FROM THE

BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

TRANSMITTING

ITS FIFTH ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 1944, IN COMPLIANCE WITH THE PROVISIONS OF SECTION 201 (B) OF THE SOCIAL SECURITY ACT, AS AMENDED

MAY 11, 1945.—Referred to the Committee on Ways and Means

UNITED STATES
GOVERNMENT PRINTING OFFICE
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HOUSE RESOLUTION NO. 322

[SUBMITTED BY MR. DOUGHTON OF NORTH CAROLINA]

IN THE HOUSE OF REPRESENTATIVES,
July 20, 1945.

Resolved, That the letter from the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, transmitted to the House of Representatives on May 11, 1945, including the Fifth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, in compliance with the provisions of section 201 (b) of the Social Security Act, be printed with an illustration, as a House document.

Attest:

SOUTH TRIMBLE, *Clerk*.

LETTER OF TRANSMITTAL

BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

WASHINGTON, D. C., *May 11, 1945.*

The PRESIDENT OF THE SENATE,
The SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D. C.

SIRS: We have the honor to transmit to you the Fifth Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, in compliance with the provisions of section 201 (b) of the Social Security Act, as amended.

Respectfully,

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury and Managing Trustee of the Trust Fund.
FRANCES I. PERKINS,
Secretary of Labor.
A. J. ALTMEYER,
Chairman, Social Security Board.

FIFTH ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

Introductory Statement

This report is submitted to Congress in accordance with the requirement in section 201 of the Social Security Act, as amended, that the board of trustees of the Federal old-age and survivors insurance trust fund submit an annual report on the present and prospective operations and status of the trust fund. The present report, pertaining to the fiscal year ended June 30, 1944, the five fiscal years subsequent to that date, and the long-range actuarial status of the fund, is the fifth annual report which the board of trustees has submitted.

The Federal old-age and survivors insurance trust fund, which was established on January 1, 1940, is held by the board of trustees under authority of the Social Security Act. The three members of this board, each of whom serves in an ex officio capacity, are the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board. The Secretary of the Treasury serves as managing trustee. The present document is a joint report by all three of the trustees.

This is the second report made to Congress which covers operations of the trust fund in a fiscal year during all of which the Nation was at war. It is being made at a time when the date of termination of the war is as yet unknown, but when there is evidence on all sides that the war is raipdly approaching a climax. These circumstances have an important bearing on the contents of this report. For one thing, they mean that past operations under the old-age and survivors insurance program on which this document reports have occurred in a period characterized by highly abnormal economic and other conditions accompanying prosecution of the war.

These operations have not closely paralleled estimates for the period which were originally made before the war. Moreover, the abnormality of the fiscal year under review means that operations during that year provide an inadequate basis for forecasting future developments under the program.

Furthermore, the fact that the Nation was at war but was facing reconversion at an uncertain future period at the time this report was prepared has greatly increased the difficulties of reporting on the expected operation and status of the fund during the 5-year period from July 1, 1944, to June 30, 1949. The war itself will probably cause changes in various phases of our economy which will be of long-run significance for the financing of old-age and survivors insurance. The influences of the war, however, will be even more direct and marked on operations during the immediate 5-year period ahead, for which this report is required by law to make forecasts. The most important unknown factors are the time at which the war will end and the intensity and duration of economic dislocations accompanying the ending of the war.

The preparation of this fifth annual report is, therefore, particularly difficult and the estimates which it contains are presented with greater reservations than would be necessary if the times were less abnormal. The nature of the effects which the war is likely to have upon the financing of old-age and survivors insurances is reviewed in some detail in a later section of the report.

NATURE OF THE TRUST FUND

Amounts accumulated under the old-age and survivors insurance program are held in the Federal old-age and survivors insurance trust fund, and financial operations under that program are handled through the fund. The primary source of its receipts is amounts appropriated to it under permanent appropriation, on the basis of contributions paid by covered workers and their employers toward old-age and survivors insurance. The Federal Insurance Contributions Act requires all employees and employers, excepting those in employments specifically excluded, to pay contributions with respect to individual wages up to but not in excess of $3,000 per annum. These contributions are collected by the Bureau of Internal Revenue and are paid into the Treasury as internal-revenue collections. Sums equivalent to current collections (including taxes, interest, penalties, and additions to taxes) are transferred to the trust fund as such collections are received.

The Social Security Act of 1935 fixed the contribution rates for employees at 1 percent of taxable wages for the calendar years 1937, 1938, and 1939; employer rates were also fixed at 1 percent for the same period. The 1935 law provided that these rates should rise to 1½ percent on January 1, 1940, to 2 percent on January 1, 1943, to 2½ percent on January 1, 1946, and to 3 percent on January 1, 1949. The social security amendments of 1939 modified this original schedule of contribution rates to provide that the rate of 1 percent each on employees and employers should continue in effect through 1942, but left the remainder of the schedule as originally enacted. The Revenue Act of 1942 provided that the 1-percent rates should continue through 1943. Public Law 211 of the Seventy-eighth Congress extended the 1-percent rates further through February 29, 1944, while the Revenue Act of 1943 extended the same rates throughout 1944. Public Law 495 of the Seventy-eighth Congress extended the same rates throughout 1945. At the end of 1945, accordingly, the 1-percent rates of contribution will have been in effect for 9 years. Existing provisions of law thus provide for the 2½-percent rates to go into effect on January 1, 1946, and the 3-percent rates on January 1, 1949.

The second source from which receipts of the trust fund are derived is interest received on investments held by the fund. The investment procedures of the fund are described below.

A third potential source of revenue for the trust fund is provided in section 902 of the Revenue Act of 1943, which amended section 201 of the Social Security Act, and which authorizes, as a Government contribution, the appropriation to the trust fund of such additional sums out of general revenues as may be required to finance the benefits and payments provided in title II of the Social Security Act.

Expenditures under the old-age and survivors insurance program are paid out of the trust fund. These expenditures include old-age and survivors insurance benefits provided in title II of the Social Security Act and such reimbursements to the Treasury for administrative expenses incurred by the Social Security Board and the Treasury Department under the program as are authorized by section 201 (f) of the act. The Social Security Board certifies benefit payments to the managing trustee, who then makes payment from the trust fund in accordance therewith. Payments are made from an uninvested balance held in the fund to the account of the disbursing officer of the Treasury.

The Treasury is reimbursed from the trust fund for expenditures incurred by the Social Security Board and the Treasury Department in the administration of title II of the Social Security Act and the Federal Insurance Contributions Act. These reimbursements from the trust fund are made monthly, although their size is determined at 3-month intervals. Although limited to the amounts annually appropriated by Congress for such purposes, the cost of administering old-age and survivors insurance, thus, is not borne out of regular governmental revenues but out of the old-age and survivors insurance trust fund itself.

The managing trustee invests that portion of the trust fund which in his judgment is not required for meeting current expenditures for benefits or administration. The Social Security Act restricts permissible investments of the trust fund to interest-bearing obligations of the United States Government or to obligations guaranteed as to both principal and interest by the United States. Regular obligations of these types may be acquired on original issue at par or by purchase of outstanding obligations at their market price. In addition, the Social Security Act authorizes the issuance of special obligations exclusively to the trust fund. Such special obligations are required to bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of their issue, borne by all interest-bearing obligations of the United States forming a part of the public debt (where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest on such special obligations is required to be the multiple of one-eighth of 1 percent next lower than such average rate).

Interest on regular obligations held by the trust fund is received by the fund at the time the interest becomes payable on the particular series held. Interest on special obligations is received annually on June 30. These interest receipts are available for investment in the same manner as other receipts of the fund. Regular obligations acquired by the fund may be sold at any time by the managing trustee at their market price. Special obligations may be redeemed at par plus accrued interest.

The trust fund serves in part as a reserve to meet a part of the inevitable future long-term rise in benefit disbursements, and serves as a safety factor against the first impacts which may result from an acceleration in the rate of this long-term rise. Benefit disbursements under the program are expected to increase markedly over a long period. Such a substantial increase is anticipated because it is expected that the number of persons aged 65 and over will be increasing for many decades, and that an increasing proportion of such aged persons will be qualifying for benefits under the old-age and survivors insurance system. At the beginning of 1940 there were about 9,000,000 persons aged 65 and over, equivalent to 6.8 percent of the total population. According to carefully developed estimates, the number of persons aged 65 and over may increase to about 22,000,000, or perhaps 14 percent of the population, within 40 years. The effect on the finances of the old-age and survivors insurance system of this expected change in the number of aged persons will be even greater than may at first appear. This is because, compared with the present situation, a larger proportion of aged persons 40 years hence is expected to be eligible to receive benefits under the program. The future financial soundness of the system, with its rising rates of disbursements, must rest on higher contribution rates or on the provision of income from other sources, or both. Prudent financial management of this system is of the utmost importance to the millions of persons who are already within its scope and to the Nation as a whole.

The trust fund furthermore serves in part as a reserve against fluctuations in total contribution and benefit amounts, counteracting the financial effects of these fluctuations on the old-age and survivors insurance program and providing a margin of safety against relatively short-term contingencies to insure the payment of benefits without sharp changes in rates paid by contributors. These reserves will provide additional resources against a sudden increase in total benefit amounts or a sharp decline in contributions, both of which could occur simultaneously from any reversal in business activity.

INFLUENCES OF THE WAR ON THE TRUST FUND

During the fiscal year 1944, as a consequence of the war, the assets of the trust fund continued to increase more rapidly than was anticipated. Contributions increased markedly, from $688,000,000 in the fiscal year 1941 to $1,292,000,000 in the fiscal year 1944. This increase has been a result of the greater volume and continuity of covered employment and also of the rise in rates of earnings. Approximately 48,000,000 workers received taxable wages in the calendar year 1944, as compared with only 35,000,000 in 1940 and about 32,000,000 in 1938.

Benefit payments, on the other hand, have been less than were expected, due in part to increased employment opportunities resulting from war production. Many thousands of workers who were eligible for benefits and who probably would have claimed them in more normal times have remained at their jobs. In addition, many persons already on the benefit rolls have suspended their benefit status by returning to covered employment. At the end of June 1944, about 19 percent of the aged workers, wives, and widows with young children already on the benefit rolls were not in actual receipt of benefits, for the most part because they had returned to covered employment.

In net terms, the influences of the war on the trust fund are not clear. There are many complex relationships—involving contributions, benefits, and insured status—which make it impossible to give a categorical answer to the question as to what the eventual over-all effect of the war will be on the assets of the fund.

The present discussion of the effects of the war and of the relationships between contributions and benefit payments takes no account of the more-or-less permanent changes which may be wrought by the war in the long-run level of wages, in the composition of the labor force and of the population, or in the characteristics of employment. The length of the war is a prime factor; some elements which would operate to increase the assets of the fund if the war ends soon would operate to decrease the assets if war conditions continue for a longer period.

(*a*) *Increased employment, steadier work, and higher wages.*—The general availability of steady work at higher rates of wages has increased total earnings in covered employment. Average taxable wages rose from $833 in the calendar year 1938 to $932 in 1940 and to an estimated $1,386 in 1944. As a consequence of this increase in average earnings, as well as of the rise in number of workers in covered employment, aggregate contributions, which are levied as a percentage of pay roll, have been at a very high level, totaling almost $1,300,000,000 in the fiscal year 1944.

The increases in wages and employment also have an obverse effect, in that the higher wage credits accumulating will increase future monthly benefits payable at death or retirement. Also, the tax rates applicable to these higher wage levels have been at the initial 1-percent rates established in the act, which are one-third of the rates prescribed for later years. Therefore, while the war situation has resulted in an abnormal insurge of contributions during this period, there is being created a more or less offsetting liability to be met over many years in the future when more and larger benefits will become due. The net ultimate effect on the fund is indeterminate at this time.

(*b*) *Employment of women and other temporary workers.*—Several million women not usually employed are currently at work in employments covered by the program. Many other persons not regularly in covered occupations are also temporarily employed in such occupations. About 8.2 million covered workers in the calendar year 1942, an estimated 8 million in 1943, and 4.9 million in 1944 had no covered employment prior to those years. These figures may be compared with the 4.4 million workers who entered covered employment for the first time in 1940, a figure which includes some workers in employments to which coverage was extended for the first time in that year.

To have insured status for survivors' benefits, at least 6 quarters of recent covered employment are generally necessary, and to have insured status for purposes of retirement at age 65 or later, 40 quarters are required (except for persons already above or nearing that age). Married women with insured status, whose husbands are also retired, derive their old-age benefits either as primary beneficiaries from their own wage credits or as wives by reason of their husbands' credits, whichever result in the greater benefit rate. To the extent that women now temporarily at work in covered employment are already married or will later marry, it may be expected that benefits for them will usually derive from their husbands' accounts rather than their own. Furthermore, the employment of married women does not increase substantially the amount of survivors' protection afforded by the program, because survivors' benefits for children derive from the father's employment in most instances. Married women who become insured during the war have a temporary insurance protection, however, in the form of a lump-sum payment in the event of death. It seems likely, on balance, that the contributions paid by married women and their employers during the war will result in a net gain to the fund.

Contributions paid by unmarried women also will bring about a net increase in the fund, unless they remain in covered employment long enough to gain fully insured status either as a result of a very long war or as a result of continued employment after the war. Men who shift only temporarily from noncovered employments to covered employment would increase the fund more or less, depending on the proportion with families and the duration of their covered employment.

In summary, it may be said that the heavy increases in covered employment of men and women not normally a part of the system should result in a net addition to the fund if the war is not greatly prolonged and if a large proportion of these persons return to noncovered employment or, in the case of married women, return to the home.

(*c*) *Deferred retirements and suspensions of benefits.*—With the need for maximum use of available manpower, many individuals above the age of 65 who are already eligible for retirement benefits have remained on the job or returned to work and thereby have deferred or interrupted their retirement. It is estimated that such persons totaled 725,000 at the end of June 1944. Inasmuch as monthly benefits are not payable for months in which an individual is earning $15 or more in covered employment, and to the extent that these deferments and suspensions exceed those which, except for the war, would have taken place, there is an obvious net increase in the assets of the fund. The monthly benefits that will be payable to those who have deferred retirement will be greater in amount by reason of their being determined, partly at least, on the current high wage levels, but the average length of time during which these individuals will receive benefits will be decreased. The net result of the factors mentioned in this paragraph will probably be a net increase to the fund.

(*d*) *Suspensions among survivors.*—Widows and children who have qualified for survivors' benefits are not eligible to receive monthly benefits for the months in which they are in covered employment, and, in addition, children aged 16 to 17 are ineligible for benefits for the months in which they are not in school. The present tendency for widows and older children to find work in covered employment results in a net gain to the fund, in the same way as that discussed in the preceding paragraph. Although the present employment of many of these widows and children is only temporary, the wage credits received during this period may increase their own protection later, and thus have some effect on the fund in the opposite direction.

(*e*) *Military service.*—Military service is not covered employment under the present law. As a consequence, those who enter the armed forces from covered employment cease to pay contributions and have decreasing protection. After a period of time in the service—in general, equal to the period previously worked in covered employment—they will lose any established insured status. The board of trustees does not believe, however, that any advantage should accrue to the fund at the expense of the loss of coverage by persons in the armed forces, as it believes that such loss of coverage is an inequity which should be and will be repaired. The President has already made recommendations to Congress to extend coverage to military service so that this loss in protection will be prevented.

(*f*) *Governmental civilian employment.*—Public employment is excluded from coverage under the system. Including turn-over, there have probably been well over 3 million additional persons in this type of work since the beginning of the war. As in the case of military service, those individuals with previous covered employment have decreasing insurance protection under the system, and many may eventually lose insured status; in any event, their average wage for benefit purposes is permanently lowered. Wartime Government civilian employees include a large proportion of married men with families. The married men who die while insured will have survivors' benefits payable in smaller amounts than if they had not entered Government service; and those who remain in public employment for a sufficient period will have no survivors' benefits payable because of the expiration of their insured status prior to their death. In either case, the result will be a smaller outgo from the fund than otherwise. On the other hand, there will be no contributions paid nor benefit rights accumulated by Government workers while they are working in the public service. The contributions otherwise payable during this period might have exceeded the value of the added benefit rights. Consequently, for Government civilian employees, the net effect on the fund appears to be indeterminate. Steps should be taken, however, to remedy the loss of old-age and survivors insurance protection suffered by civilian workers temporarily employed by the Government during wartime.

SUMMARY OF OPERATIONS OF TRUST FUND, FISCAL YEAR 1944

A statement of the income and disbursements of the Federal old-age and survivors insurance trust fund in the fiscal year which began on July 1, 1943, and ended on June 30, 1944, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 1.

TABLE 1.—*Statement of operations of the Federal old-age and survivors insurance trust fund during the fiscal year 1944* [1]

Total assets of the trust fund, June 30, 1943	$4, 268, 295, 983. 32
Receipts, fiscal year 1944:	
Appropriations equivalent to contributions collected	1, 292, 122, 433. 67
Interest on investments	103, 177, 087. 09
Total receipts	1, 395, 299, 520. 76
Disbursements, fiscal year 1944:	
Benefit payments	184, 597, 363. 80
Reimbursements for administrative expenses	32, 607, 373. 74
Total disbursements	217, 204, 737. 54
Net addition to trust fund	1, 178, 094, 783. 22
Total assets of the trust fund, June 30, 1944	5, 446, 390, 766. 54

[1] On basis of the Daily Statement of the United States Treasury.

The total receipts of the trust fund during the fiscal year 1944 amounted to $1,395,300,000. Of this total, $1,292,100,000 represented the sum of the amounts, equal to contributions received under the Federal Insurance Contributions Act and covered into the Treasury, which were appropriated to the trust fund during the year under the continuing appropriation in section 201 (a) of the Social Security Act, as amended. The total amount appropriated exceeded that appropriated in the preceding fiscal year by 14 percent. The additional $103,200,000 of receipts consisted of interest received on investments of the fund.

Disbursements from the trust fund during the fiscal year 1944 totaled $217,200,000, of which $184,600,000 consisted of benefit payments and $32,600,000 of reimbursements to the general fund of the Treasury for administrative expenses of the insurance program. The total amount paid from the fund in the form of benefits during the fiscal year exceeded benefits paid in the fiscal year 1943 by 24 percent, reflecting the larger number of beneficiaries on the rolls. The figure for reimbursements for administrative expenses during the fiscal year exceeds actual outlays for administration during the year, since it includes a sizable amount of reimbursements applicable to outlays in other fiscal years; hence, it is not comparable with corresponding figures for preceding years.

A summary of receipts, disbursements, and changes in the assets of the old-age and survivors insurance trust fund during each fiscal year since it was established on January 1, 1940, is presented in table 2.

TABLE 2.—*Operations of the old-age and survivors insurance trust fund, by specified period, Jan. 1, 1940, to June 30, 1944*

[In millions]

	Fiscal year ended in—				
	1940 [1]	1941	1942	1943	1944
Receipts:					
Assets transferred from old-age reserve account on Jan. 1, 1940	$1,724.4				
Appropriations equivalent to contributions collected		$688.1	$895.6	$1,130.5	$1,292.1
Interest on investments	42.5	56.0	71.0	87.4	103.2
Total receipts	1,766.9	744.1	966.6	1,217.9	1,395.3
Disbursements:					
Benefit payments [2]	9.9	64.4	110.2	149.3	184.6
Reimbursements for administrative expenses	12.3	26.8	26.8	27.5	[3] 32.6
Total disbursements	22.2	91.2	137.0	176.8	217.2
Total assets at end of period	1,744.7	2,397.6	3,227.2	4,268.3	5,446.4

[1] January–June 1940, fund having been established in place of old-age reserve account on Jan. 1, 1940.
[2] Based on checks cashed and returned to Treasury.
[3] Includes some reimbursements applicable to outlays in other fiscal years.

The distribution of benefit payments, by type of benefit, in fiscal years 1943 and 1944 is shown in table 3. About 61 percent of the amounts paid from the fund as benefit payments in the fiscal year 1944 were accounted for by monthly benefits to persons age 65 and over—retired wage earners and their wives, and aged widows and parents of deceased wage earners. This proportion was about the same as in the preceding year, but with a slightly smaller proportion during 1944 in the form of primary benefits. Approximately 29 percent of the 1944 payments represented monthly benefit payments on behalf of children of deceased or retired workers and payments to widows who had children of deceased wage earners in their care; most of these widows were under age 65. The balance of the benefits paid in the fiscal year 1944 consisted almost entirely of lump-sum amounts paid in cases where no survivor of an insured wage earner dying after 1939 was immediately entitled to monthly benefits; only about $20,000 was paid in 1944 for cases where the death of the wage earner occurred prior to 1940.

TABLE 3.—*Estimated distribution of Treasury disbursements for benefit payments under the old-age and survivors insurance program, by type of benefit, fiscal years 1943 and 1944*

Type of benefit	1943		1944	
	Amount	Percent of total	Amount	Percent of total
Total	$149,300,000	100	$184,600,000	100
Monthly benefits	132,600,000	89	165,600,000	90
Primary (retired wage earners 65 or over)	72,400,000	48	86,800,000	47
Wife's (wives 65 or over of primary beneficiaries)	11,400,000	8	13,900,000	8
Widow's (widows 65 or over of wage earners)	7,400,000	5	11,400,000	6
Parent's (parents 65 or over of deceased wage earners)	500,000	(1)	700,000	(1)
Child's (dependents of retired or deceased wage earners)	26,600,000	18	[2] 35,100,000	19
Widow's current (widows of wage earners with child beneficiary)	14,300,000	10	17,700,000	10
Lump-sum benefits (no survivor of deceased wage earner entitled to monthly benefits or wage earner died before 1940)	16,700,000	11	19,000,000	10

[1] Less than 0.5 percent.
[2] Includes $33,800,000 paid to children of deceased insured wage earners and $1,300,000 paid to children of primary beneficiaries.

At the end of the fiscal year 1944, approximately 846,000 persons were receiving monthly benefits, amounting to $184,000,000 on an annual basis. At the end of the preceding fiscal year, the monthly benefit rolls included 676,000 persons, to whom monthly benefits were being paid at an annual rate of $146,000,000. The average monthly benefit in force for different types of family groups in the middle of the fiscal year 1944 was as follows: Retired worker only (with no eligible dependent), $22.70; retired worker and wife, $37.20; widow (aged 65 or over) only, $20.20; widow and one child, $34.30; widow and two children, $47; and widow and three or more children, $50.50.

The total assets of the old-age and survivors insurance trust fund, as reported in the fourth annual report of the board of trustees, amounted to $4,268,000,000 on June 30, 1943. These assets increased to $5,446,000,000 by the end of the fiscal year 1944, as the result of an excess of receipts over disbursements amounting to $1,178,000,000 during the fiscal year. Table 4 compares the total assets of the trust fund and their distribution, by type, at the end of the fiscal years 1943 and 1944. The assets of the fund at the end of the fiscal year 1944 consisted of $5,409,000,000 in the form of obligations of the United States Government, $16,000,000 to the credit of the fund account, and $21,000,000 to the credit of the disbursing officer.

TABLE 4.—*Assets of Federal old-age and survivors insurance trust fund, by type, at end of fiscal years 1943 and 1944* [1]

	June 30, 1943	June 30, 1944
Total assets	$4,268,295,983.32	$5,446,390,766.54
Total investments	4,236,834,250.00	5,408,870,130.00
Public issues:		
Treasury bonds:		
2½-percent bonds of 1962–67	49,000,000.00	49,000,000.00
2½-percent bonds of 1963–68	100,000,000.00	100,000,000.00
2½-percent bonds of 1964–69		50,000,000.00
2½-percent bonds of 1965–70		[2] 400,035,880.00
2½-percent bonds of 1967–72	44,334,250.00	44,334,250.00
Special issues:		
Treasury notes:		
2½-percent notes:		
Maturing June 30, 1944	283,000,000.00	
Maturing June 30, 1945	725,900,000.00	725,900,000.00
Maturing June 30, 1946	319,200,000.00	319,200,000.00
2⅜-percent notes: Maturing June 30, 1946	603,000,000.00	603,000,000.00
2¼-percent notes:		
Maturing June 30, 1946	228,000,000.00	228,000,000.00
Maturing June 30, 1947	450,400,000.00	450,400,000.00
2⅛-percent notes: Maturing June 30, 1947	240,000,000.00	240,000,000.00
2-percent notes: Maturing June 30, 1947	459,000,000.00	459,000,000.00
1⅞-percent notes:		
Maturing June 30, 1947	275,000,000.00	251,000,000.00
Maturing June 30, 1948	460,000,000.00	1,109,000,000.00
Certificates of indebtedness:		
1⅞-percent certificates of indebtedness: Maturing June 30, 1945		380,000,000.00
Uninvested balances	31,461,733.32	37,520,636.54
To credit of fund account	6,966,360.58	16,136,282.27
To credit of disbursing officer	24,495,372.74	21,384,354.27

[1] On basis of Daily Statement of the U. S. Treasury.
[2] Includes $35,880 accrued interest paid on investments.

That portion of the assets of the trust fund not required in his judgment for the meeting of current withdrawals was invested by the managing trustee during the fiscal year 1944, in accordance with the provisions of section 201 (c) of the Social Security Act, as amended. That section provides that direct obligations of the United States Government as well as obligations guaranteed as to both principal and interest by the United States may be purchased for the trust fund, and that regular obligations may be acquired through purchase of outstanding obligations in the open market as well as on original issue at par. Investments made for the fund during the fiscal year, however, as in previous years, consisted only of direct obligations of the United States purchased on original issue.

The net increase in the investments owned by the fund during the fiscal year 1944 amounted to $1,172,000,000. New securities totaling $1,479,000,000 were acquired through the investment of receipts accruing to the fund and the reinvestment of $283,000,000 of 2½-percent special Treasury notes which matured on June 30, 1944. An additional $24,000,000 of 1⅞-percent special Treasury notes maturing on June 30, 1947, were redeemed in July 1943 and January 1944, raising the total amount of securities redeemed during the year to $307,000,000.

Of the new securities acquired, $380,000,000 were in the form of special certificates of indebtedness which mature on June 30, 1945.

An additional $649,000,000 consisted of special Treasury notes which mature at the end of the fiscal year 1948. These certificates and notes were acquired at par and bear an interest rate of 1⅞-percent, this rate being determined by the average rate of interest which prevailed on the interest-bearing public debt at the end of the month preceding the date of issue of these securities. The remaining $450,000,000 of securities acquired during the fiscal year were 2½ percent publicly offered Treasury bonds—$50,000,000 of the 1964–69 series, and $400,000,000 of the 1965–70 series. The investment transactions of the trust fund during the fiscal year 1944 are summarized in table 5.

TABLE 5.—*Investment transactions of the old-age and survivors insurance trust fund, fiscal year 1944* [1]

Purchases	$1, 479, 035, 880
Special issues:	
Treasury notes	649, 000, 000
Certificates of indebtedness	380, 000, 000
Public issues: Treasury bonds	[2] 450, 035, 880
Redemptions of special Treasury notes	307, 000, 000
Net increase in investments	1, 172, 035, 880

[1] As recorded in Daily Statement of the United States Treasury.
[2] Includes $35,880 accrued interest paid on investments.

The average rate of interest on the interest-bearing public debt, which determines the rates at which special obligations are issued to the old-age and survivors insurance trust fund, varies with changes in the composition of the public debt. During the fiscal year 1944 the average rate of interest on the public debt fluctuated within fairly narrow limits and was 1.93 percent on June 30, 1944, as compared with 1.98 percent on June 30, 1943. Because of this small variation, the interest rate on all special issues acquired during the fiscal year continued to be 1⅞ percent, the same rate at which special issues were acquired at the end of the previous fiscal year. The average interest rate on all investment holdings of the fund did not decline as much in the fiscal year 1944 as it did in the previous fiscal year; it was 2.19 percent as of June 30, 1944, as compared with 2.26 percent on June 30, 1943, and 2.51 percent on June 30, 1942.

Statement on the Expected Operations and Status of the Trust Fund During the Fiscal Years 1945–49

The board of trustees is required, under the provisions of section 201 (b) of the Social Security Act, as amended, to report each year to the Congress on the expected operation and status of the trust fund during the next ensuing five fiscal years. The report is required to include estimates of both the income and the disbursements of the trust fund in each of the 5 years.