

securities redeemed or exchanged during the fiscal year was \$26,193 million. In addition, \$8 million of public issues were sold, providing an additional source of income to the fund in the form of a profit amounting to \$10,000. This profit represents the difference between proceeds received at time of sale, after deduction for accrued interest and investment expense, and the book value at time of sale.

Of the new public issues acquired, \$142 million were at interest rates ranging from 2½ to 3½ percent, and \$174 million were 1½-percent Treasury notes which were exchanged shortly after purchase for a like amount of 3½-percent Treasury notes. The remaining \$25,932 million were 2½-percent public-debt obligations specifically issued to the fund, \$6,470 million of which were redeemed during the year.

In recent years, the investments of the trust fund in special issues had a maximum duration from issue to maturity of 1 year. The 1956 amendments to the Social Security Act provided that the public-debt obligations issued for purchase by the old-age and survivors insurance and the disability insurance trust funds shall have maturities fixed with due regard for the needs of the funds. In recognition of the long-term character of the commitments of the trust funds, the maturities of the public-debt obligations issued for purchase by the funds are to be lengthened gradually over a period of several years. Thus, of the \$19,463 million of public-debt obligations held by the old-age and survivors insurance trust fund that matured on June 30, 1957, and the proceeds of which were reinvested, approximately one-fourth was reinvested in public-debt obligations distributed equally among maturities ranging from 1 year to 10 years. The remaining three-fourths was invested in issues maturing on June 30, 1958.

Since the average rate of interest, as of May 31, 1957, borne by all marketable Government obligations with maturity dates exceeding 5 years from date of issue was 2.48 percent, the rate of interest (rounded to the nearest one-eighth of 1 percent) on the public-debt obligations acquired on June 30, 1957, was 2½ percent.

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1957

Contributions to finance the disability insurance program became payable on wages received, and on self-employment income for taxable years beginning, on or after January 1, 1957. A statement of the income and disbursements of the Federal disability insurance trust fund for the fiscal year 1957 and of the assets of the fund at the end of the fiscal year is presented in table 6.

TABLE 6.—Statement of operations of the Federal disability insurance trust fund¹ during the fiscal year 1957

Receipts, fiscal year 1957:	
Insurance contributions:	
Appropriations	\$333, 276, 574. 71
Deposits arising from State coverage agreements	3, 922, 679. 43
Net insurance contributions	337, 199, 254. 14
Interest on investments	1, 363, 466. 82
Total receipts	338, 562, 720. 96
Disbursements, fiscal year 1957:	
Administrative expenses, Treasury Department	1, 304, 992. 45
Net addition to trust fund	337, 257, 728. 51
Total assets of the trust fund, June 30, 1957	337, 257, 728. 51

¹ The Federal disability insurance trust fund was created by the Social Security Amendments of 1956. Receipts and disbursements both began in February 1957. Payment of benefits began in August 1957.

The total receipts of the fund amounted to \$338.6 million. Of this total, \$333.3 million represented tax collections appropriated to the fund, and \$3.9 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. The remaining \$1.4 million of receipts consisted of interest on investments.

Disbursements of the fund amounted to \$1.3 million, representing the administrative expenses of the Treasury Department. Costs incurred by the Department of Health, Education, and Welfare during the fiscal year were charged to the Federal old-age and survivors insurance trust fund. During fiscal year 1958, the disability insurance trust fund will reimburse the old-age and survivors insurance trust fund for these costs. Benefit disbursements under this program began in August 1957 (in respect to benefits payable for July 1957).

The assets of this fund at the end of fiscal year 1957 totaled \$337.3 million, consisting of \$325.4 million in the form of 2½ percent public-debt obligations of the United States Government, and \$11.9 million in undisbursed balances (table 7). As in the case of the public-debt obligations held by the old-age and survivors insurance trust fund at the close of the fiscal year, approximately one-fourth of the public-debt obligations held by the disability insurance trust fund were distributed equally among maturities ranging from 1 year to 10 years. The remaining three-fourths was invested in issues maturing on June 30, 1958.

TABLE 7.—Assets of the Federal disability insurance trust fund, by type, at end of fiscal year 1957

Investments:	
Public-debt obligations (special issues):	
Certificates of indebtedness: 2½-percent maturing	
June 30, 1958	\$257, 863, 000. 00
Notes:	
2½ percent maturing June 30, 1959	7, 500, 000. 00
2½ percent maturing June 30, 1960	7, 500, 000. 00
2½ percent maturing June 30, 1961	7, 500, 000. 00
2½ percent maturing June 30, 1962	7, 500, 000. 00
Bonds:	
2½ percent maturing June 30, 1963	7, 500, 000. 00
2½ percent maturing June 30, 1964	7, 500, 000. 00
2½ percent maturing June 30, 1965	7, 500, 000. 00
2½ percent maturing June 30, 1966	7, 500, 000. 00
2½ percent maturing June 30, 1967	7, 500, 000. 00
Total investments	325, 363, 000. 00
Undisbursed balances	11, 894, 728. 51
Total assets	337, 257, 728. 51

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING
FISCAL YEARS 1958-62

In the following statement of the expected operations and status of the trust funds during the next 5 fiscal years, it is assumed that the present statutory provisions relating to the old-age, survivors, and disability insurance program remain unchanged throughout the period under consideration. The income and disbursements of the program, however, not only depend on the legislative provisions but they are also affected by general economic conditions. Because it is difficult to foresee economic developments, the assumptions on which the estimates here presented are based are subject to many uncertainties. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.

Single sets of estimates are here presented to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1958 and 1959, but for fiscal years 1960-62 4 sets of estimates are given based on 2 different assumptions as to economic developments in those years—3 sets for assumption I and 1 set for assumption II. In assumption I the period 1959-62 is characterized by a continued rise in employment and earnings following a recovery, beginning in calendar year 1958, from the recession which began in the second half of calendar year 1957. During the 3 years 1960-62, unemployment is assumed to be at a comparatively low level. The difference among the three sets of estimates shown under assumption I result from varying within reasonable limits the estimates of (1) hourly earnings; (2) hours worked in covered employment; (3) the numbers of aged workers gaining insured status; and (4) the proportions of aged insured workers receiving retirement benefits. The remaining set of estimates for fiscal years 1960-62, based on assumption II, shows the effects that would result in the unlikely event that there were a severe decline in industrial activities beginning in the latter half of calendar year 1959 with a slow recovery not beginning until the first half of calendar year 1961.

The expected operations and status of the old-age and survivors insurance trust fund during the next 5 fiscal years are presented in summary in table 8, together with the figures on actual experience in earlier fiscal years. The increase in estimated income from contributions in fiscal year 1959 as compared with fiscal year 1958 reflects the uptrend in the levels of employment and earnings. Estimates of contribution income in fiscal year 1960-62 based on assumption I show the effect of an assumed rise in employment and earnings during these years as well as the scheduled increase in contribution rates on January 1, 1960. Benefit disbursements increase substantially primarily because of the 1954 and 1956 amendments, and partly because of the long-range upward trend in the number of beneficiaries under the program. Under assumption II, estimated contributions in fiscal years 1960-62 are lower than under assumption I because of the effects of the assumed economic recession on the levels of covered employment and taxable earnings in the periods affecting tax collections during those years. Estimated benefit disbursements, on the other hand are higher under assumption II than assumption I because

a larger number of older workers leave employment or are unable to find jobs.

TABLE 8.—Operations of the Federal old-age and survivors insurance trust fund fiscal years 1937-62, subject to the assumption and limitations stated in the text¹

[In millions]

Fiscal year	Transactions during period						Fund at end of period ⁵
	Income		Disbursements		Transfers to railroad retirement account	Net increase in fund ⁴	
	Tax contributions ²	Interest on investments ³	Benefit payments	Administrative expenses ⁴			
Past experience:							
1937-57	\$48,618	\$4,478	\$28,967	\$1,100		\$23,029	\$23,029
1941	688	56	64	27		853	2,398
1942	896	71	110	27		830	3,227
1943	1,130	87	149	27		1,041	4,268
1944	1,292	103	185	33		1,178	5,446
1945	1,310	124	240	27		1,167	6,613
1946	1,238	148	321	37		1,028	7,641
1947	1,460	163	426	41		1,157	8,798
1948	1,617	191	512	47		1,248	10,047
1949	1,694	230	607	53		1,263	11,310
1950	2,110	257	727	57		1,583	12,893
1951	3,124	287	1,498	70		1,843	14,736
1952	3,598	334	1,982	85		1,864	16,600
1953	4,097	387	2,627	89		1,766	18,366
1954	4,589	451	3,276	89		1,676	20,043
1955	5,087	448	4,333	103		1,098	21,141
1956	6,442	495	5,361	124		1,452	22,593
1957	6,540	561	6,515	150		436	23,029
Estimated future experience:							
1958	7,140	544	7,835	167	\$110	-428	22,601
1959	7,353	536	8,620	178	220	-1,129	21,472
1960:							
Assumption I:							
a.....	8,355	519	9,100	168	240	-634	20,838
b.....	8,195	516	9,194	169	240	-892	20,580
c.....	8,035	513	9,301	170	240	-1,163	20,309
Assumption II.....	7,502	507	9,452	175	240	-1,858	19,614
1961:							
Assumption I:							
a.....	9,759	521	9,520	164	235	361	21,199
b.....	9,579	509	9,714	166	235	-27	20,553
c.....	9,399	497	9,910	168	235	-417	19,892
Assumption II.....	8,444	467	10,171	172	235	-1,667	17,947
1962:							
Assumption I:							
a.....	10,019	530	9,872	168	220	280	21,488
b.....	9,819	506	10,172	170	220	-237	20,316
c.....	9,619	483	10,459	171	220	-748	19,144
Assumption II.....	8,355	417	10,705	172	220	-2,325	15,622

¹ In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1958.

² Include adjustments for (1) refunds of contributions beginning in 1953, and (2) transfers during fiscal years 1947-52 from general funds equivalent to additional payments arising from the extension of survivors insurance protection to certain veterans of World War II (Social Security Act Amendments of 1946).

³ Includes (1) profits on marketable investments, and (2) for fiscal years 1954-58, interest transferred from the railroad retirement account.

⁴ Include administrative expenses, less receipts for sale of surplus material, services, etc. For fiscal years 1954-60, include cost of construction of an office building for the Bureau of Old-Age and Survivors Insurance. Beginning fiscal year 1957, expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund. Reimbursements are then made in the following fiscal year.

⁵ Totals do not necessarily equal the sum of rounded components.

Under assumption I and assumption II, aggregate outgo of the old-age and survivors insurance trust fund is expected to exceed aggregate income over the period of the 5 fiscal years 1958-62. During this period, there is an estimated net decrease in the trust fund of \$1.5 billion to \$3.9 billion under assumption I, and \$7.4 billion under assumption II. During the 5 fiscal years 1958-62 the old-age and

survivors insurance trust fund will not exceed 2.2 times the highest expected annual outgo during the 5-year period under either assumption I or assumption II.

For the fiscal years 1958-61 the estimates of contribution income of the old-age and survivors insurance trust fund (table 8) are lower, and the estimates of benefit payments are higher, than the corresponding estimates for these years that appeared in the 17th Annual Report of the Board of Trustees. The differences in the estimates of income from contributions shown for assumption I reflect the estimated effects of the recession which began in the first half of fiscal year 1958 and a downward revision, based on more recent tabulated data, in the estimated taxable earnings of the self-employed. Estimates of contributions under assumption II differ from those shown for corresponding years in the 17th annual report also because of the change in the assumption as to the timing of the recession assumed for the latter part of the 5-year period.

Estimated benefit payments are higher primarily because, as a result of the extensions of coverage in 1954 and 1956, more aged persons will be insured and file claims for benefits than was previously estimated. This larger-than-expected number of claims, since it comes primarily from a backlog of individuals many of whom were over the minimum retirement age under the program, represents largely a one-time event. The resulting additional benefit payments, although significant from a short-range viewpoint, have relatively little significance in relation to the program's aggregate disbursements over the long-range future and thus have virtually no effect on the financial soundness of the system. The recession which began in the early part of fiscal year 1958 also contributes, to some extent, to the present higher estimates of benefit payments as more aged insured workers retire and apply for benefits.

Another, though less important, reason why the estimated amount of benefit payments in the short-range future is higher than was expected a year ago is that more claims have been filed by women workers and by wives of retired workers than were expected under the provision enacted in 1956 which lowered the minimum retirement age for women from 65 to 62. The higher disbursements arising from these additional claims will have no significant effect on the long-range cost of the system. This is because a woman who elects to receive a retired worker's or wife's benefit when she is between age 62 and age 65 will receive a reduced benefit both before and after age 65 which is, on an actuarial basis, virtually equivalent to the full-rate benefit that would have been payable at age 65.

As indicated in an earlier section of the report, the 1956 amendments contain provisions which will cause disbursements for old-age and survivor benefits during the 5 fiscal years 1958-62 to be on a higher level than the disbursements that would have been made under the old law. Moreover, these benefit disbursements during the next 5 years, like contributions, will be dependent to a considerable extent upon economic developments and so will have a considerable range of possible variation. The number of workers in covered employment, their distribution among different classes of workers (e. g., older workers, very young workers, women workers not previously engaged in covered employment, etc.), and the level of earnings will all have a

decided effect upon the amount of benefit payments to be anticipated. However, under both assumptions benefit payments as a percentage of taxable earnings will continue to rise. Benefit payments were 3.49 percent of taxable earnings for calendar year 1956. It is estimated that by 1962 benefit expenditures from the old-age and survivors insurance trust fund under assumption I will range from 4.93 percent to 5.51 percent, and under assumption II, will be 6.52 percent, of taxable earnings. Figures for each of the calendar years 1940-62 are shown in table 9.

TABLE 9.—Old-age and survivors insurance benefit payments as percentage¹ of taxable earnings, calendar years 1940-62

Calendar year	Benefit payments as percentage of taxable earnings	Calendar year	Benefit payments as percentage of taxable earnings
Past experience:		Estimated future experience—Con.	
1940.....	0.11	1959—Continued	
1941.....	.21	Assumption I—Continued	
1942.....	.25	b.....	4.83
1943.....	.27	c.....	4.92
1944.....	.32	Assumption II.....	5.14
1945.....	.44	1960:	
1946.....	.55	Assumption I:	
1947.....	.59	a.....	4.84
1948.....	.66	b.....	5.01
1949.....	.82	c.....	5.19
1950.....	1.10	Assumption II.....	5.77
1951.....	1.60	1961:	
1952.....	² 1.76	Assumption I:	
1953.....	² 2.28	a.....	4.90
1954.....	² 2.84	b.....	5.12
1955.....	² 3.26	c.....	5.35
1956.....	² 3.49	Assumption II.....	6.29
Estimated future experience:		1962:	
1957.....	4.15	Assumption I:	
1958.....	4.64	a.....	4.93
1959:		b.....	5.22
Assumption I:		c.....	5.51
a.....	4.75	Assumption II.....	6.52

¹ For years 1951 and later, percentage takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

² Preliminary, subject to revision based on complete tabulation of taxable self-employment earnings for 1952-56 and of taxable wages for 1956.

In general, the larger the volume of employment the larger will be the number of workers who are insured under the program, and therefore the larger will be the number of deaths which will give rise to valid claims for survivor benefits. However, over the short range the amount paid out for survivor benefits will not be affected significantly by variations in economic conditions. While favorable opportunities for employment will operate to increase the number of insured persons, and hence increase the number of new death claims, such a high employment situation will tend to have counterbalancing effects such as that of inducing many of the widows and older children eligible for survivor benefits to forego them by working. On balance, the amount paid out for survivor benefits over the next few years will differ so little whether the economic conditions of assumptions I or assumption II are assumed that a single set of estimates is deemed appropriate for both assumptions (table 10).

22 THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

TABLE 10.—*Treasury disbursements for old-age and survivors insurance benefit payments, distributed by classification and beneficiaries, fiscal years 1941-62*

[In millions]

Fiscal year	Total benefit disbursements ¹	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers			
				Monthly benefits			Lump-sum payments
				Total ¹	Aged widows, dependent widowers, and dependent parents	Widowed mothers, dependent divorced wives, and children	
Past disbursements:²							
1941	\$64.3	\$31.1	\$5.3	\$15.3	\$1.5	\$13.8	\$12.7
1942	110.3	54.9	9.6	31.6	4.1	27.5	14.1
1943	149.3	72.4	12.7	47.5	7.9	39.6	16.7
1944	184.6	86.8	15.2	63.6	12.1	51.5	19.0
1945	239.8	109.1	19.2	85.8	17.7	68.1	25.7
1946	320.5	153.9	27.2	113.4	24.7	88.7	26.0
1947	425.6	218.6	38.4	139.4	33.8	105.6	29.2
1948	511.7	272.4	47.5	160.5	43.7	116.8	31.3
1949	607.0	303.0	57.7	184.0	55.6	128.4	32.2
1950	727.3	412.6	71.2	209.4	69.3	140.2	34.0
1951	1,498.1	891.1	148.0	413.5	134.3	279.2	45.5
1952	1,982.4	1,191.4	193.5	539.2	179.2	360.0	58.3
1953	2,627.5	1,624.6	253.0	673.6	232.7	441.0	76.3
1954	3,275.6	2,068.5	318.6	798.3	283.0	515.3	90.2
1955	4,333.1	2,803.0	428.8	1,000.8	367.9	632.9	100.5
1956	5,360.8	3,531.8	531.8	1,181.8	437.8	734.0	115.3
1957	6,514.6	4,340.3	679.3	1,372.1	575.5	796.6	122.9
Estimated future experience:							
1958	7,835	5,224	871	1,603	719	884	137
1959	8,620	5,769	943	1,764	805	959	144
1960:							
Assumption I:							
a	9,100	6,044	977	1,924	893	1,031	155
b	9,194	6,128	987				
c	9,301	6,219	1,003				
Assumption II							
	9,452	6,355	1,018				
1961:							
Assumption I:							
a	9,520	6,269	1,001	2,086	986	1,100	164
b	9,714	6,439	1,025				
c	9,910	6,609	1,051				
Assumption II							
	10,171	6,844	1,077				
1962:							
Assumption I:							
a	9,872	6,440	1,018	2,241	1,083	1,158	173
b	10,172	6,700	1,058				
c	10,459	6,954	1,091				
Assumption II							
	10,705	7,165	1,126				

¹ Totals do not necessarily equal the sum of rounded components.

² Partly estimated.

On the other hand, the lower the level of employment during the next 5 years, the larger will be the volume of benefit payments to retired workers and to their eligible dependents. As is indicated in table 11, a considerable proportion of the workers aged 65 and over who were eligible for old-age (primary) benefits in the past remained in covered employment (or, if they left covered employment, later returned to it) and did not receive benefits. Since January 1, 1945, however, the proportion of eligible workers receiving retirement benefits has been increasing. This proportion would not have declined from 1950 to 1951 (table 11) but for the fact that, for a large number of workers newly eligible as a result of the liberalized insured-status provisions of the 1950 amendments, claims for benefits had been received but had not yet been completely processed.

TABLE 11.—Workers aged 65 and over eligible for and receiving old-age (primary) benefits, by attained age, fiscal year 1941-62

[Numbers in thousands]

Middle of fiscal year (Jan. 1)	All workers aged 65 and over			Workers aged 65 to 69			Workers aged 70 and over		
	Number eligible for benefits ¹	Persons receiving benefits		Number eligible for benefits ¹	Persons receiving benefits		Number eligible for benefits ¹	Persons receiving benefits	
		Number	Percent of number eligible		Number	Percent of number eligible		Number	Percent of number eligible
Past experience:									
1941.....	548	112	20	376	85	23	172	28	16
1942.....	680	200	29	445	134	30	235	66	28
1943.....	831	260	31	522	153	29	309	107	35
1944.....	1,016	306	30	608	156	26	408	151	37
1945.....	1,244	378	30	708	167	24	536	211	39
1946.....	1,469	518	35	805	212	26	664	306	46
1947.....	1,637	702	43	868	271	31	769	430	56
1948.....	1,813	875	48	930	325	35	883	550	62
1949.....	1,990	1,048	53	1,000	380	38	990	668	67
1950.....	2,164	1,286	59	1,069	474	44	1,095	812	74
1951.....	3,139	1,771	56	1,663	721	43	1,476	1,050	71
1952.....	3,504	2,278	65	1,825	942	52	1,679	1,337	80
1953.....	4,366	2,644	61	2,260	1,055	47	2,106	1,589	75
1954.....	4,786	3,222	67	2,418	1,300	54	2,368	1,922	81
1955.....	5,190	3,775	73	2,541	1,518	60	2,649	2,257	85
1956.....	5,647	4,474	79	2,670	1,744	65	2,977	2,729	92
1957.....	6,622	4,999	75	3,102	1,876	60	3,520	3,123	89
Estimated future experience:									
1958.....	7,333	5,930	81	3,330	2,242	67	4,003	3,688	92
1959.....	7,859	6,630	84	3,443	2,437	71	4,416	4,193	95
1950:									
Assumption I:									
a.....	8,236	6,970	85	3,493	2,459	70	4,743	4,511	95
b.....	8,274	7,048	85	3,508	2,516	72	4,766	4,532	95
c.....	8,311	7,121	86	3,523	2,550	72	4,788	4,571	95
Assumption II.....									
	8,265	7,152	87	3,503	2,605	74	4,762	4,547	95
1961:									
Assumption I:									
a.....	8,511	7,219	85	3,504	2,450	70	5,007	4,769	95
b.....	8,627	7,389	86	3,548	2,553	72	5,079	4,836	95
c.....	8,707	7,536	87	3,580	2,635	74	5,127	4,901	96
Assumption II.....									
	8,553	7,570	89	3,508	2,723	78	5,045	4,847	96
1962:									
Assumption I:									
a.....	8,706	7,396	85	3,489	2,423	69	5,217	4,973	95
b.....	8,905	7,661	86	3,565	2,571	72	5,340	5,090	95
c.....	9,047	7,900	87	3,619	2,707	75	5,428	5,193	96
Assumption.....									
	8,736	7,870	90	3,472	2,775	80	5,264	5,095	97

¹ Figures for 1941-57 are partly estimated. Females aged 62-64 eligible for old-age benefits are excluded from the table. No adjustments have been made to reflect changes arising from (1) provisions that coordinate the old-age and survivors and railroad retirement programs, and (2) noncontributory wage credits for military service. Estimates were prepared February 1958.

The drop in the proportion of eligible workers receiving benefits from 1952 to 1953 was caused by the fact that many persons in occupations newly covered by the 1950 amendments became fully insured for the first time in 1952. Since these newly insured persons were fairly regularly employed, relatively few filed applications for old-age (primary) benefits. This depressed to a lower level the proportion of all eligible persons in receipt of such benefits on January 1, 1953. A similar situation occurred on January 1, 1957, reflecting the fact that many persons fairly regularly employed in occupations newly covered by the 1954 amendments became fully insured for the first time in 1956. In general, however, due to the increasing percentage of eligibles who are 72 or over and therefore receive benefits regardless of earnings, the past upward trend in this proportion is

expected to continue even under the favorable employment conditions assumed in assumption I.

As indicated in an earlier section of this report, an insured woman worker between age 62 and age 65 may elect to receive an actuarially reduced retirement benefit. (Table 11 excludes data relating to women aged 62-64.) On January 1, 1958, there were an estimated 730,000 women workers aged 62-64 eligible for old-age benefits, of whom 270,000, or 37 percent, were drawing such benefits. On January 1, 1962, under assumption Ib, for example, 44 percent of the 800,000 women workers aged 62-64 eligible for old-age benefits are expected to be receiving such benefits.

If the lower employment conditions assumed in assumption II should materialize, it is expected that larger proportions of eligible workers will be obliged to leave employment, especially at ages 65-69. Hence, despite a slightly smaller number of eligible workers, the number receiving old-age (primary) benefits under assumption II would considerably exceed that under assumption I. Moreover, it is expected that the average old-age (primary) benefit amount payable under assumption II would exceed the average under assumption I, inasmuch as many of the more steadily employed, and therefore higher paid, older workers who would not withdraw from employment under the conditions of assumption I would not be employed under the conditions of assumption II. The foregoing analysis also applies to insured women workers aged 62-64; under assumption II, on January 1, 1962, about 65 percent of the 775,000 eligible women aged 62-64 are expected to be receiving old-age benefits. In consequence, assumption II would result in a substantially higher volume of benefit payments to old-age (primary) beneficiaries and their dependents.

Table 11 contains an analysis of workers aged 65 and over eligible for old-age (primary) benefits by age attained as of the middle (January 1) of each of the fiscal years 1941 through 1962. The growth in the number of eligible workers aged 65-69 was gradual but uninterrupted during the calendar years 1941 to 1949, inclusive. This growth resulted partly from the increase in the population at these attained ages, but primarily from the fact that each passing year a larger proportion of the persons attaining age 65 had fully insured status. A worker attaining age 65 in the first quarter of 1940 would not have been fully insured if he had left covered employment before the quarter in which he attained age 63—for example, due to a permanent disability. A worker attaining age 65 in the first quarter of 1949, however, could have been fully insured even though he had left covered employment as early as the quarter in which he attained age 58.

The marked increase in the number of workers eligible for benefits in 1951 is due to the liberalized insured-status provisions of the 1950 amendments to the Social Security Act. The number of quarters of coverage needed to be eligible for old-age benefits just prior to the passage of these amendments ranged from 27 for persons then attaining age 65 down to 6 for persons then aged 76 and over. As a result of the 1950 amendment all persons who attained age 65 before 1954 are fully insured if they have the minimum number of 6 quarters of coverage. Consequently, the increase in the number of eligible persons on January 1, 1951, was greatest for the persons in the 65-69 age group. Although the same factors which before 1951 contributed to

the growth in the number of eligible persons aged 65 and over will continue to be operative after 1950, the amendments in 1950, 1954, and 1956 which liberalized the insured-status provisions and extended coverage to new areas of employment will have an even greater effect.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in summary in table 12, together with the figures on the actual experience in fiscal year 1957. The sharp rise in estimated income from contributions in fiscal year 1958 as compared with fiscal year 1957 reflects primarily the fact that the program was in effect during only part of fiscal year 1957, but will be in effect during the entire fiscal year 1958. As in the case of the old-age and survivors insurance trust fund, estimates for fiscal years 1960-62 are presented on the basis of the two previously described assumptions as to economic developments. Only one set of estimates, however, is shown under assumption I since varying the underlying cost factors within reasonable limits would result in only small differences in the levels of the estimated contribution income and benefit outgo of the disability insurance trust fund. Contribution income of the disability insurance trust fund will be influenced significantly by economic developments and so will have a considerable range of possible variation.

TABLE 12.—Operations of the Federal disability insurance trust fund, fiscal years 1957-62

[In millions]

Fiscal year	Transactions during period					Fund at end of period	
	Income		Disbursements		Transfers between fund and railroad retirement account ²		
	Tax contributions ¹	Interest on investments	Benefit payments	Administrative expenses			
Past experience: 1957.....	\$337	\$1	-----	\$1	-----	\$337	\$337
Estimated future experience:							
1958.....	896	16	\$175	12	-----	725	1,062
1959.....	915	34	247	19	-\$10	693	1,755
1960:							
Assumption I.....	939	53	270	21	-2	699	2,454
Assumption II.....	858	52	270	21	-2	617	2,372
1961:							
Assumption I.....	958	72	293	19	-4	714	3,168
Assumption II.....	845	68	293	20	-4	596	2,968
1962:							
Assumption I.....	986	91	317	19	-6	735	3,903
Assumption II.....	839	81	317	20	-6	577	3,545

¹ Adjusted for refunds.

² A positive figure indicates a transfer from the railroad retirement account to the fund. A negative figure indicates a transfer to the railroad retirement account.

NORE.—Reference should be made to the accompanying text which describes the underlying assumptions and limitations.

On the other hand, the amount of benefit payments over the short range will not differ significantly under the two sets of assumptions. The assumed decrease in the level of employment under assumption II would probably result in a larger number of claims for disability insurance benefits. Most of these claims would be denied, since the determination of disability, while considering such factors as age, prior work experience, education and training, rests primarily on a

medical determination of limitation in functional capacity rather than on the availability of gainful employment. A small number of these claims for benefits, however, would be allowed. Such claims would come from persons whose impairments are so severe that it would be unreasonable to expect them to engage in any substantial gainful employment but who, by reason of extraordinary circumstances, do obtain, or continue in, remunerative employment during the prevalence of the favorable economic conditions underlying assumption I. In some cases of course the circumstances under which they obtain or continued in employment will not exist under unfavorable economic conditions. In these instances, they would apply for and be found entitled to benefits. While the lack of employment opportunities will operate to increase to some extent the number of allowed claims, there will tend to be counterbalancing effects, such as the progressively increasing number of persons who would fail to meet the insured-status requirements, especially the requirement that the individual have 6 quarters of coverage in the 13 calendar quarters ending with the quarter of his disability. On balance, disbursements for disability benefits over the next few years would differ so little under assumption I or assumption II that a single set of estimates is presented.

Income of the disability insurance trust fund is expected to exceed disbursements in each of the 5 fiscal years 1958-62 under both assumption I and assumption II. During this 5-year period, it is estimated that the disability insurance trust fund will reach a level 10.3 to 11.4 times the highest expected annual outgo during 1958-62.

Public Law 234, approved October 30, 1951, amended the Railroad Retirement Act to provide a new basis of coordinating the railroad retirement program with old-age and survivors insurance. A description of the legislative provisions governing the financial interchanges arising from the allocation of costs between the two systems is contained in appendix II. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determined that the addition of \$60.5 million to the old-age and survivors insurance trust fund would place it in the same position as of June 30, 1956, as it would have been if railroad employment had always been covered under the Social Security Act. There is no authority in the law to transfer the amount held in the railroad retirement account to the credit of the trust fund, but interest thereon is payable annually. For the fiscal year ending June 30, 1957, interest amounting to \$1.6 million was transferred to the old-age and survivors insurance trust fund in August 1957. The estimates shown in table 8 reflect the effect of future interchanges between the railroad retirement account and the old-age and survivors insurance trust fund.

Public Law 880, approved August 1, 1956, provides for similar annual determinations and for financial interchanges between the railroad retirement account and the disability insurance trust fund beginning with the fiscal year ending June 30, 1958. The estimates shown in table 12 reflect the effect of future interchanges between the railroad retirement account and the disability insurance trust fund.

Public Law 881, approved August 1, 1956, provides that the old-age and survivors insurance trust fund, and where appropriate the disability insurance trust fund, shall be reimbursed from general revenues for past and future expenditures resulting from the provisions

that granted noncontributory \$160 monthly wage credits to persons who served in the Armed Forces from September 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivorship protection to certain World War II veterans for a period of 3 years after leaving service. A description of the legislative history of provisions relating to credit for military service is contained in appendix II. Estimates of the amounts of these reimbursements have not yet been completed. Accordingly, the estimates shown in tables 8 and 12 have not been adjusted to reflect the effect of these reimbursements.

ACTUARIAL STATUS OF THE TRUST FUNDS

On June 30, 1957, there were about 14,900,000 persons aged 65 and over in the entire United States (including Territories), a number equivalent to 8.6 percent of the total population. This figure as to the size of the aged population does not allow for any underenumeration in the census, which might amount to as much as 400,000 for this age group. It is estimated that by the year 2000 the number of persons aged 65 and over will be about double the present number and will represent from 9 to 13 percent of the population. 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, because at the end of the century a much larger proportion of aged persons is expected to be eligible to receive benefits under the program than at present. The future financial soundness of this system, with its rising rate of disbursements, is of the utmost importance to the millions of persons who are already within its scope and to the Nation as a whole.

Survivor benefits, although not as important costwise as old-age benefits, nonetheless play a very important role in the old-age and survivors insurance system. One way of measuring the significance of survivor benefits is through the volume of "life insurance" afforded by the program. This term is interpreted as meaning the present value of the prospective benefit payments to the surviving dependents of each worker after his death, taking into account the possible termination of benefits through death, remarriage of widow, marriage of child, child's attainment of age 18, etc. It is estimated that at the beginning of the calendar year 1957, the program provided about \$425 billion of such "life insurance" protection for survivors.

Table 13 shows the estimated cost of old-age and survivors benefits and monthly disability benefits as a percentage of payroll through the year 2050 and also the level-premium cost of the two programs—that is, the level percentage of payroll which would be sufficient to finance the cost of the benefits in perpetuity. These level-premium costs at a 3 percent interest assumption, range from 6.97 to 8.99 percent of payroll for the old-age and survivor benefits and from 0.24 to 0.49 percent of payroll for the monthly disability benefits, depending upon the combination of assumptions selected. Tables 14 and 15 show the estimated contributions, benefit payments, administrative expenses, interest earnings, and assets of the two trust funds through the year 2050, under alternative combinations of assumptions with respect to benefit costs.

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TABLE 13.—Estimated costs of old-age, survivors, and disability insurance system as percent of payroll,¹ 1970-2050

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate ²
Old-age and survivors insurance benefits			
1970.....	6.27	6.62	6.45
1980.....	7.16	8.15	7.64
1990.....	7.49	9.48	8.44
2000.....	6.74	9.61	8.06
2025.....	7.59	12.62	9.68
2050.....	9.62	14.39	11.48
Level-premium cost ³	6.97	8.99	7.90
Disability insurance benefits			
1970.....	0.22	0.45	0.33
1980.....	.22	.48	.35
1990.....	.22	.47	.34
2000.....	.22	.50	.35
2025.....	.27	.60	.41
2050.....	.31	.64	.44
Level-premium cost ³24	.49	.35

¹ Taking into account lower contribution rate for the self-employed, as compared with combined employer-employee rate.

² Based on the average of the dollar costs under the low-cost and high-cost estimates.

³ Level-premium contribution rate, at 3-percent interest rate, for benefits after 1957, taking into account interest on the trust fund on Dec. 31, 1957, future administrative expenses, and the lower contribution rates payable by the self-employed.

NOTE.—The figures in this table are based on high-employment assumptions.

TABLE 14.—Estimated progress of old-age and survivors insurance trust fund, high employment and 1956 level earnings assumptions, 3 percent interest basis

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Financial inter-change ¹	Interest on fund	Fund at end of year ²
Actual data						
1951.....	\$3,367	\$1,885	\$81	-----	\$417	\$15,540
1952.....	3,819	2,194	88	-----	365	17,442
1953.....	3,945	3,006	88	-----	414	18,707
1954.....	5,163	3,670	92	-----	468	20,576
1955.....	5,713	4,968	119	-----	461	21,663
1956.....	6,172	5,715	132	-----	531	22,519
1957.....	6,826	7,347	162	-----	557	22,393
Low-cost estimate						
1970.....	\$14,755	\$13,391	\$186	-\$110	\$830	\$29,037
1980.....	20,220	18,076	228	+28	1,693	59,085
1990.....	23,801	22,394	273	+127	2,778	96,020
2000.....	28,534	24,178	310	+191	4,575	159,186
2025.....	38,650	36,862	441	+191	15,477	532,158
2050.....	43,741	52,878	562	+191	29,146	995,910
High-cost estimate						
1970.....	\$14,674	\$14,065	\$216	-\$148	\$587	\$20,282
1980.....	19,382	19,723	263	-20	847	28,776
1990.....	21,577	25,731	315	+79	279	7,386
2000.....	24,198	29,291	354	+145	(³)	(⁴)
Intermediate-cost estimate						
1970.....	\$14,714	\$13,729	\$201	-\$129	\$708	\$24,660
1980.....	19,801	18,899	246	+4	1,270	43,930
1990.....	22,689	24,062	294	+103	1,528	51,703
2000.....	26,366	26,736	332	+168	1,605	54,835
2025.....	33,002	40,193	453	+168	1,727	55,560
2050.....	35,710	51,574	536	+168	(⁴)	(⁴)

¹ A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.

² Not including amounts in the railroad retirement account to the credit of the OASI trust fund. In millions of dollars, these amounted to \$377 for 1953, \$284 for 1954, \$163 for 1955, \$80 for 1956, and nothing for 1957 and thereafter.

³ Fund exhausted in 1992.

⁴ Fund exhausted in 2032.

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TABLE 15.—Estimated progress of disability insurance trust fund, high employment and 1956 level earnings assumptions, 3-percent interest basis

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Financial inter-change ¹	Interest on fund	Fund at end of year
Actual data						
1957.....	\$702	\$57	\$17	-----	\$7	\$635
Low-cost estimate						
1970.....	\$1,080	\$445	\$23	-\$13	\$313	\$11,044
1980.....	1,264	550	27	-3	640	22,306
1990.....	1,488	640	30	+2	1,113	38,617
2000.....	1,783	765	36	+7	1,811	62,691
2025.....	2,416	1,303	53	+9	4,885	168,265
2050.....	2,734	1,698	63	+9	11,341	389,859
High-cost estimate						
1970.....	\$1,074	\$941	\$30	-\$16	\$179	\$6,205
1980.....	1,211	1,149	35	-7	259	8,905
1990.....	1,349	1,266	38	-2	352	12,123
2000.....	1,512	1,528	44	+3	486	16,665
2025.....	1,710	2,046	52	+5	642	21,858
2050.....	1,730	2,230	55	+5	782	26,585
Intermediate-cost estimate						
1970.....	\$1,077	\$692	\$27	-\$15	\$246	\$8,624
1980.....	1,237	850	30	-5	450	15,606
1990.....	1,419	953	34	0	732	25,370
2000.....	1,647	1,146	40	+5	1,148	39,678
2025.....	2,063	1,674	53	+7	2,764	95,062
2050.....	2,232	1,964	59	+7	6,062	208,222

¹ A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.

The excess of the level-premium contribution rate equivalent to the graded schedule in the law over the level-premium cost of benefits and administrative expenses (after appropriate adjustment for the effect of interest earnings on the existing trust fund) is used to indicate the actuarial balance of the system. A negative figure indicates the extent of lack of actuarial balance; a positive figure indicates more than sufficient financing (according to the estimate). The following table shows these figures for the old-age and survivors insurance program and the disability insurance program (computed as of the beginning of 1958):

[Percent]

Item	Low cost	High cost	Intermediate cost
Old-age and survivors insurance			
Contributions.....	7.38	7.28	7.33
Benefit cost ¹	6.97	8.99	7.90
Net difference.....	.41	-1.71	-.57
Disability insurance			
Contributions.....	0.50	0.50	0.50
Benefit cost ¹24	.49	.35
Net difference.....	.26	.01	.15

¹ Including adjustments (a) to reflect lower contribution rate for self-employed as compared with employer-employee rate, (b) for existing trust fund, and (c) for administrative expenses.

In view of the very long range nature of these projections, and the many variable factors involved, the deficiency for the old-age and survivors insurance system under the intermediate-cost estimate is relatively small, and so the system may be said to be in approximate actuarial balance. Under the intermediate-cost estimate the old-age and survivors insurance trust fund would have a balance of more than \$55 billion in the year 2025 and thus there is ample time in the future to make any adjustments which might be needed in the light of further experience and of future estimates. The disability insurance program shows a small surplus according to the intermediate-cost estimate. However, considering the variability of cost estimates for disability benefits, this program also may be considered in approximate actuarial balance, and this small actuarial excess is certainly no more than a moderate safety factor.

A discussion of the assumptions upon which these tables have been calculated is presented in appendix I.

CONCLUSION

During the past 5 fiscal years, the contribution income of the old-age and survivors insurance trust fund has increased substantially for a number of reasons. In addition to a rise in earnings levels and the normal growth of the labor force as the population becomes larger, contribution rates increased in 1954; moreover, coverage was extended to additional employments by the 1954 and 1956 amendments and the maximum limit on taxable earnings was raised in 1955. With the growth of the trust fund, interest received on investments has also increased.

Trust fund disbursements, however, have risen even more sharply than contribution income. Basic factors in this increase are the long-term growth in the aged population and, more significantly, the lengthening period during which workers have had an opportunity to earn the quarters of coverage required to be insured. More immediate causes have been the amendments to the Social Security Act during 1950-56, which have extended the program's coverage, lowered the requirements for eligibility to benefits for persons who retire and for the survivors of individuals who die in the early years of the program, reduced the retirement age of women from 65 to 62, increased the benefits payable, and liberalized the retirement test. As a result of the rapid rise in disbursements, the trust fund's receipts in fiscal year 1957 exceeded its disbursements by only \$436 million.

Long-range cost estimates show that for practical purposes the old-age and survivors insurance program is in actuarial balance according to the best available cost estimates. This concept means that for the long-range future, the system will have sufficient income from contributions based on the tax schedule now in the law and from interest earned on investments to meet all future payments for benefits and administrative expenses. Although aggregate disbursements of the old-age and survivors insurance trust fund over the period of the next several years are estimated to exceed aggregate receipts—a situation which, however, will be only temporary—there will be ample funds on hand to meet expenditures of the program during this period. The trust fund is intended to serve as a contingency fund as well as a source of investment income to supplement contribution receipts, and