

**VI. SUMMARY OF THE OPERATIONS OF THE OLD-AGE AND
SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST
FUNDS, FISCAL YEAR 1982**

A. OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

A statement of the income and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund in fiscal year 1982, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 2. Comparable figures for fiscal year 1981 are also shown in the table.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND DURING FISCAL YEARS
1981 AND 1982
(In thousands)

	Fiscal year 1981	Fiscal year 1982
Total assets, beginning of year	\$24,565,757	\$23,834,020
Receipts:		
Contributions:		
Appropriations	107,659,524	112,233,823
Deposits arising from State agreements	11,736,537	12,249,227
Gross contributions	119,396,061	124,483,050
Less payment into the general fund of the Treasury for contributions subject to refund	379,970	236,638
Net contributions	119,016,091	124,246,412
Payments from general fund of the Treasury for costs of: Noncontributory credits for military service	390,127	534,308
Payments to noninsured persons aged 72 before 1968:		
Benefit payments	126,850	116,850
Administrative expenses	1,343	1,097
Interest	21,616	22,460
Total reimbursement for payments to noninsured persons aged 72 before 1968	149,809	140,407
Interest:		
Interest on investments	2,018,614	1,708,038
Interest on amounts transferred to or from the general fund account for the Supplemental Security Income program due to adjustment in allocation of administrative expenses ¹	302	-811
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs ¹	-2,615	895
Interest on amounts of interfund transfers due to adjustment in allocation of costs of vocational rehabilitation services ¹	-48	-8
Total interest	2,016,252	1,708,114
Gifts	32	33
Total receipts	121,572,311	126,629,274
Disbursements:		
Benefit payments:		
Gross benefit payments	119,832,055	135,257,381
Less collected overpayments	418,587	602,752
Net benefit payments	119,413,467	134,654,629
Transfer to Railroad Retirement Account	1,584,932	1,793,280
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For current fiscal year	—	259
For prior fiscal year	—	5,466
Transfers to DI Trust Fund due to adjustment in allocation of costs for prior periods	7,542	432
Total payment for costs of vocational rehabilitation services	7,542	6,158
Administrative expenses:		
Department of Health and Human Services	1,203,618	1,284,908
Department of the Treasury	71,425	131,289

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND DURING FISCAL YEARS 1981 AND 1982 (Cont.)
[In thousands]

	Fiscal year 1981	Fiscal year 1982
Disbursements: (Cont.)		
Administrative expenses: (Cont.)		
Construction of facilities for Social Security Administration.....	\$10,059	\$55,974
Expenses of Department of Education for administration of vocational rehabilitation program for disabled beneficiaries	—	162
Interfund transfers due to adjustment in allocation of administrative expenses ²	14,128	—
Interfund transfers due to adjustment in allocation of costs of construction ²	-924	2,348
Gross administrative expenses	1,298,307	1,474,680
Less reimbursement from general fund of the Treasury for costs of furnishing information on deferred vested pension benefits.....	131	565
Less receipts from sales of supplies, materials, etc.....	69	112
Net administrative expenses	1,298,107	1,474,003
Total disbursements	122,304,048	137,928,070
Net increase in assets.....	-731,737	-11,298,796
Total assets, end of year.....	23,834,020	12,535,224

¹A positive figure represents a transfer of interest to the OASI Trust Fund from other Social Security trust funds or from the general fund account for the Supplemental Security Income (SSI) program. A negative figure represents a transfer of interest from the OASI Trust Fund to other Social Security trust funds or to the general fund account for the SSI program.

²A positive figure represents a transfer from the OASI Trust Fund to the other Social Security trust funds. A negative figure represents a transfer to the OASI Trust Fund from the other Social Security trust funds.

Note: Totals do not necessarily equal the sum of rounded components.

The total assets of the OASI Trust Fund amounted to \$23,834 million on September 30, 1981. During fiscal year 1982, total receipts amounted to \$126,629 million and total disbursements were \$137,928 million. The assets of the trust fund thus decreased by \$11,299 million during the year, to a total of \$12,535 million on September 30, 1982. Included in total receipts during fiscal year 1982 were \$112,234 million representing contributions appropriated to the fund and \$12,249 million representing amounts received by the Secretary of the Treasury in accordance with State agreements for coverage of State and local government employees and deposited in the trust fund. As an offset, \$237 million was transferred from the trust fund to the Treasury for the estimated amount of refunds to employees who worked for more than one employer during a year and paid contributions on wages in excess of the maximum earnings base.

Net contributions amounted to \$124,246 million, an increase of 4.4 percent over the amount for the preceding fiscal year. This level of growth in contribution income resulted primarily from the net effect of (1) the higher level of earnings in covered employment; (2) the two increases in the maximum annual amount of taxable earnings—from \$25,900 to \$29,700 and from \$29,700 to \$32,400—that became effective on January 1, 1981, and January 1, 1982, respectively; and (3) the increase in the OASI contribution rate for employees and employers, each, from 4.52 percent to 4.70 percent that became effective on January 1, 1981, and the decrease from 4.70 percent to 4.575 percent that became effective January 1, 1982. Although the first increase in the maximum annual amount of taxable earnings, from \$25,900 to \$29,700, became effective in 1981, earnings between \$25,900 and \$29,700, which were

taxable during all of fiscal year 1982, were taxable during only part of the preceding fiscal year.

Reference has been made in earlier sections to provisions of the Social Security Act under which the OASI and DI Trust Funds receive payments from the general fund of the Treasury for costs of granting noncontributory wage credits for military service and for the costs of payments to certain noninsured persons who were aged 72 before 1968. As indicated in the section describing the Social Security Amendments of 1983, the financing basis of military service wage credits will be substantially revised beginning in fiscal year 1983. The following comments relate to the fiscal year 1982 military service reimbursements only.

Section 217(g) of the Social Security Act provides for reimbursement of the additional costs attributable to military service performed before 1957 arising from benefit payments that have been made after August 1950 and those that will be made in future years. In accordance with section 217(g), as in effect at the time, the Secretary of Health and Human Services made a determination in 1980 of the level annual appropriations to the trust funds necessary to amortize the estimated total cost over a 34-year period, beginning in fiscal year 1982. The annual amounts resulting from this determination were \$491 million for the OASI Trust Fund and \$126 million for the DI Trust Fund. In accordance with section 229(b) of the Social Security Act, as in effect in December 1981, the Secretary of Health and Human Services determined that the OASI Trust Fund should receive reimbursement of \$43 million, and the DI Trust Fund should receive reimbursement of \$42 million, for additional costs in fiscal year 1981 attributable to noncontributory wage credits for military service performed after 1956. Thus, reimbursements amounting to \$534 million for the OASI Trust Fund and \$168 million for the DI Trust Fund were received in December 1981.

A reimbursement amounting to \$140 million for the costs of monthly payments to certain noninsured persons who attained age 72 before 1968 was transferred from the general fund of the Treasury to the OASI Trust Fund in fiscal year 1982. This reimbursement, which was required by section 228 of the Social Security Act, reflected the costs of payments made in fiscal year 1980 and adjustments in the costs of payments made in prior fiscal years.

The OASI Trust Fund received \$33,165 in gifts in fiscal year 1982 under the provisions authorizing the deposit of money gifts or bequests in the OASI and DI Trust Funds.

The remaining \$1,708 million of receipts consisted of interest on the investments of the trust fund and net interest on amounts of interfund transfers arising out of adjustments in the allocation of administrative expenses, construction costs, and the costs of vocational rehabilitation services for prior fiscal years.

Of the \$137,928 million in total disbursements, \$134,655 million was for benefit payments, excluding collected overpayments of \$603 million. This represents an increase of 12.8 percent over the corresponding amount for benefit payments in fiscal year 1981. This increase was due to (1) the automatic cost-of-living benefit increases of 11.2 percent and 7.4 percent, which became effective for June 1981 and June 1982, respec-

tively, under the automatic provisions in section 215(i) of the Social Security Act and (2) increases in the total number of beneficiaries and increases in the average benefit amounts resulting from the rising level of earnings. Although the automatic benefit increase of 11.2 percent became effective in 1981, the resulting higher benefit levels (which were in effect during all of fiscal year 1982) were in effect during only part of the preceding fiscal year. The change in benefit payments from fiscal year 1981 to fiscal year 1982 also reflects the net effect of various provisions in the 1977 and later amendments.

In accordance with the provisions of the Railroad Retirement Act which coordinate the Railroad Retirement and OASI programs and which govern the financial interchanges arising from the allocation of costs between the two systems, the Railroad Retirement Board and the Secretary of Health and Human Services determined that a transfer of \$1,674 million to the Railroad Retirement Account from the OASI Trust Fund would place this trust fund in the same position as of September 30, 1981, as it would have been if railroad employment had always been covered under the Social Security Act. A total amount of \$1,793 million was transferred to the Railroad Retirement Account in June 1982, including interest to the date of transfer amounting to \$119 million.

Expenditures of the OASI program for the costs of vocational rehabilitation services amounted to \$6,158,000. Most of this amount represents reimbursement to the Department of Education for rehabilitation services provided during fiscal year 1981. The balance represents payment for services in fiscal year 1982 (now made directly to the various State vocational rehabilitation agencies) and transfers to the DI Trust Fund resulting from adjustments to the allocations of vocational rehabilitation expenses between the two trust funds in prior years. Rehabilitation services were furnished to disabled adults (children of old-age beneficiaries and survivors of deceased insured workers) who were receiving monthly benefits from the OASI Trust Fund because of their disability. Beginning in fiscal year 1982, the reimbursement by the trust funds for such services is limited to certain cases where a return to substantial gainful activity results (at least in part) from the rehabilitation services.

The remaining \$1,474 million of disbursements from the OASI Trust Fund represents net administrative expenses. The expenses of administering the programs financed through the four trust funds (the OASI, DI, HI, and Supplementary Medical Insurance Trust Funds) are allocated and charged directly to each trust fund on the basis of provisional estimates. Similarly, the expenses of administering the Supplemental Security Income program are also allocated and charged directly to the general fund of the Treasury on a provisional basis. Periodically, as actual experience develops and is analyzed, adjustments to the allocations of administrative expenses and costs of construction for prior periods are effected by interfund transfers, including transfers between the OASI Trust Fund and the general fund account for the Supplemental Security Income program, with appropriate interest allowances.

Section 1131 of the Social Security Act authorizes annual reimbursements from the general fund of the Treasury to the OASI Trust Fund

for additional administrative expenses incurred by it as a result of furnishing information on deferred vested benefits to pension plan participants, as required by the Employee Retirement Income Security Act of 1974. This annual reimbursement in fiscal year 1982 amounted to \$564,681.

Net administrative expenses charged to the OASI and DI Trust Funds in fiscal year 1982 totaled \$2,046 million. This amount represented 1.4 percent of contribution income and 1.3 percent of expenditures for benefit payments. Corresponding percentages for each of the last 5 years for the OASDI system as a whole and for each trust fund separately are shown in table 3.

TABLE 3.—RELATIONSHIP OF NET ADMINISTRATIVE EXPENSES OF THE OASDI PROGRAM TO CONTRIBUTION INCOME AND BENEFIT PAYMENTS, BY TRUST FUND, FISCAL YEARS 1978-82

Fiscal year	Total— Administrative expenses as a percentage of—		OASI Trust Fund— Administrative expenses as a percentage of—		DI Trust Fund— Administrative expenses as a percentage of—	
	Total contribu- tion income	Total benefit payments	Contribution income	Benefit payments	Contribution income	Benefit payments
1978.....	1.6	1.6	1.5	1.4	2.6	2.7
1979.....	1.5	1.5	1.3	1.2	2.8	3.0
1980.....	1.3	1.3	1.2	1.2	2.0	2.2
1981.....	1.3	1.2	1.1	1.1	3.2	2.4
1982.....	1.4	1.3	1.2	1.1	2.7	3.3

In table 4, the actual amounts of contributions and benefit payments in fiscal year 1982 are compared with the estimated fiscal year 1982 amounts which appeared in the 1981 and 1982 Annual Reports. In each case, the estimates shown are the ones based on the alternative II-B set of assumptions from the report in question. The actual experience for each trust fund was quite close, relatively, to the estimates in the 1982 Annual Report. The estimates used in the 1981 Annual Report exceeded actual experience for both contributions and benefits, reflecting the severe economic slowdown in 1982 and slower growth in inflation than was anticipated. The comparison in table 4 is also affected, to a minor degree, by the various Social Security amendments enacted after the 1981 Annual Report was issued. Reference was made in an earlier section to the appropriation of contributions to the trust funds on an estimated basis, with subsequent periodic adjustments to account for differences from the amounts of contributions actually payable on the basis of reported earnings. In interpreting the figures in table 4, it should be noted that the "actual" amount of contributions in fiscal year 1982 reflects the aforementioned adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions in fiscal year 1982 does not reflect adjustments to contributions for fiscal year 1982 that were to be made after September 30, 1982.

TABLE 4.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, FISCAL YEAR 1982
[Amounts in millions]

	OASI Trust Fund		DI Trust Fund	
	Net contributions	Benefit payments	Net contributions	Benefit payments
Actual amount.....	\$124,246	\$134,655	\$20,866	\$17,399
Estimated amount published in 1982 report.....	\$124,742	\$134,986	\$20,826	\$17,612
Actual as percentage of estimate.....	100	100	100	99
Estimated amount published in 1981 report.....	\$128,571	\$137,114	\$21,674	\$18,450
Actual as percentage of estimate.....	97	98	96	94

Note: In interpreting the figures in the above table, reference should be made to the accompanying text.

At the end of fiscal year 1982, about 35.6 million persons were receiving monthly benefits under the OASDI program. About 31.5 million of these persons were receiving monthly benefits from the OASI Trust Fund. The distribution of benefit payments in fiscal years 1981 and 1982, by type of beneficiary, is shown in table 5. Approximately 75 percent of the total benefit payments from the OASI Trust Fund in fiscal year 1982 represented monthly benefits to retired workers and their spouses and children, and about 17 percent represented monthly benefits to aged survivors and disabled widows and widowers of deceased workers. Approximately 8 percent of the benefit payments represented monthly benefits on behalf of children of deceased workers and monthly benefits to widowed mothers and fathers who had such children in their care.

TABLE 5.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE OASI TRUST FUND, BY TYPE OF BENEFICIARY AND PAYMENT, FISCAL YEARS 1981 AND 1982
[Amounts in millions]

	Fiscal year 1981		Fiscal year 1982	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$119,413	100	\$134,655	100
Monthly benefits.....	119,043	100	134,445	100
Retired workers and their dependents.....	89,032	75	101,290	75
Retired workers.....	80,466	67	91,791	68
Wives and husbands.....	7,280	6	8,230	6
Children.....	1,286	1	1,269	1
Survivors of deceased workers.....	29,899	25	33,053	25
Aged widows and widowers.....	19,666	16	22,472	17
Disabled widows and widowers.....	335	(¹)	348	(¹)
Parents.....	58	(¹)	59	(¹)
Children.....	8,116	7	8,331	6
Widowed mothers and fathers caring for child beneficiaries.....	1,724	1	1,843	1
Noninsured persons generally aged 72 before 1968.....	113	(¹)	102	(¹)
Lump-sum death payments.....	370	(¹)	210	(¹)

¹Less than 0.5 percent.

Note: Totals do not necessarily equal the sum of rounded components.

In fiscal year 1982, special payments to noninsured persons who attained age 72 before 1968 (or who attained age 72 after 1967 and had 3 quarters of coverage for each year after 1966 and before the attainment of age 72) amounted to \$102 million, or 0.1 percent of total benefit payments. The costs of such payments to persons who have fewer than 3

quarters of coverage are reimbursable from the general fund of the Treasury. About 96 percent of the total of such payments went to persons with fewer than 3 quarters of coverage.

During fiscal year 1982, lump-sum death payments amounted to \$210 million, or 0.2 percent of total benefit payments.

The assets of the OASI Trust Fund at the end of fiscal year 1982 totaled \$12,535 million, consisting of \$11,922 million in U.S. Government obligations or federally sponsored agency obligations, and an undisbursed balance of \$614 million. Table 6 shows the total assets of the fund and their distribution at the end of fiscal years 1981 and 1982.

TABLE 6.—ASSETS OF THE OASI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1981 AND 1982

	September 30, 1981		September 30, 1982	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury bonds:				
3-percent, 1995	\$70,170,000	\$70,156,348.03	\$70,170,000	\$70,157,371.99
3½-percent, 1978-83	60,200,000	60,101,357.42	60,200,000	60,160,542.62
3½-percent, 1985 ..	25,700,000	25,388,475.83	25,700,000	25,475,412.95
3½-percent, 1990 ..	556,250,000	552,713,967.51	556,250,000	553,138,291.71
3½-percent, 1998 ..	552,037,000	546,763,290.25	552,037,000	547,071,995.41
4½-percent, 1989-94	91,300,000	90,919,653.57	91,300,000	90,949,879.77
4½-percent, 1975-85	78,023,000	77,947,810.82	78,023,000	77,968,794.14
4½-percent, 1987-92	33,000,000	33,620,917.68	33,000,000	33,514,474.68
6½-percent, 1984 ..	31,500,000	31,632,446.49	31,500,000	31,587,036.21
7½-percent, 1988-93	99,934,000	98,987,481.80	99,934,000	99,066,909.92
7½-percent, 2002-07	15,000,000	14,992,501.90	15,000,000	14,992,796.86
7½-percent, 1995-2000	22,180,000	21,620,712.30	22,180,000	21,651,358.14
8-percent, 1996-2001	90,500,000	90,423,177.36	90,500,000	90,427,050.72
8½-percent, 2000-05	22,450,000	22,445,044.50	22,450,000	22,445,243.34
8½-percent, 1995-2000	50,000,000	50,570,707.25	50,000,000	50,540,404.25
8½-percent, 1994-99	6,352,000	6,479,503.84	6,352,000	6,472,286.56
11½-percent, 2010 ..	153,100,000	152,035,784.80	153,100,000	152,073,345.28
Total investments in public issues	1,957,696,000	1,946,799,181.35	1,957,696,000	1,947,693,194.55
Obligations sold only to the trust funds (special issues):				
Certificates of indebtedness:				
14½-percent, 1982 ..	7,764,737,000	7,764,737,000.00	—	—
12½-percent, 1983 ..	—	—	8,209,913,000	8,209,913,000.00
Bonds:				
7½-percent, 1991 ..	125,848,000	125,848,000.00	—	—
7½-percent, 1992 ..	2,014,741,000	2,014,741,000.00	—	—
7½-percent, 1990 ..	547,391,000	547,391,000.00	—	—
7½-percent, 1990 ..	522,029,000	522,029,000.00	—	—
7½-percent, 1991 ..	1,888,893,000	1,888,893,000.00	—	—
8½-percent, 1993 ..	1,555,736,000	1,555,736,000.00	—	—
8½-percent, 1994 ..	1,272,609,000	1,272,609,000.00	—	—
9½-percent, 1994 ..	216,450,000	216,450,000.00	—	—
9½-percent, 1995 ..	1,489,059,000	1,489,059,000.00	—	—
13-percent, 1989 ..	1,442,909,000	1,442,909,000.00	—	—
13-percent, 1990 ..	419,639,000	419,639,000.00	—	—

TABLE 6.—ASSETS OF THE OASI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1981 AND 1982 (Cont.)

	September 30, 1981		September 30, 1982	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations: (Cont.)				
Obligations sold only to the trust funds (special issues): (Cont.)				
Bonds: (Cont.)				
13-percent, 1996 ..	\$1,482,268,000	\$1,482,268,000.00	\$1,308,977,000	\$1,308,977,000.00
Total obligations sold only to the trust funds (special issues).....	20,742,309,000	20,742,309,000.00	9,518,890,000	9,518,890,000.00
Total investments in public-debt obligations....	22,700,005,000	22,689,108,181.35	11,476,586,000	11,466,583,194.55
Investments in federally sponsored agency obligations:				
Participation certificates:				
Federal Assets Liquidation Trust — Government National Mortgage Association:				
5.10-percent, 1987	50,000,000	50,000,000.00	50,000,000	50,000,000.00
5.20-percent, 1982	100,000,000	100,000,000.00	—	—
Federal Assets Financing Trust — Government National Mortgage Association:				
6.05-percent, 1988	65,000,000	64,922,813.32	65,000,000	64,935,000.88
6.20-percent, 1988	230,000,000	230,000,000.00	230,000,000	230,000,000.00
6.40-percent, 1987	75,000,000	75,000,000.00	75,000,000	75,000,000.00
6.45-percent, 1988	35,000,000	35,000,000.00	35,000,000	35,000,000.00
Total investments in federally sponsored agency obligations.....	555,000,000	554,922,813.32	455,000,000	454,935,000.88
Total investments	23,255,005,000	23,244,030,994.67	11,931,586,000	11,921,518,195.43
Undisbursed balances.....	—	589,989,207.52	—	613,705,878.57
Total assets.....	—	23,834,020,202.19	—	12,535,224,074.00

¹Par value, plus unamortized premium or less discount outstanding.

The net decrease in the par value of the investments owned by the fund during fiscal year 1982 amounted to \$11,323 million. New securities with a total par value of \$137,362 million were acquired during the fiscal year through the investment of receipts and the reinvestment of funds made available from the redemption of securities. The par value of securities redeemed during the fiscal year was \$148,685 million. Included in these amounts are \$127,643 million in certificates of indebtedness that were acquired, and \$127,197 million in certificates of indebtedness that were redeemed, within the fiscal year.

The effective annual rate of interest earned by the assets of the OASI Trust Fund during the 12 months ending on June 30, 1982, was 10.1 percent. (This period is used, rather than the fiscal year, because (1) rollovers of short-term special issue notes into longer-term special-issue bonds occur on June 30 of each year, and (2) interest on special issues is paid semiannually on June 30 and December 31.) The interest rate on special issues purchased by the trust fund in June 1982 was 13.25 percent, payable semiannually. The special issues purchased then included \$9,719 million in Treasury bonds maturing in 1983. Although the interest rate on bonds is generally limited to 4½ percent by 31 U.S.C. 752, subsequent amendments have authorized the issuance of bonds to the trust funds at rates of interest exceeding 4½ percent.

Section 201(d) of the Social Security Act provides that the public-debt obligations issued for purchase by the OASI and DI Trust Funds shall have maturities fixed with due regard for the needs of the funds. The general practice in the past has been to spread the maturity dates for the holdings of special issues as nearly as practicable in equal amounts over a 15-year period. On June 30, 1982, however, it was clear that the continuing rapid decline in OASI Trust Fund assets would require redemption of virtually all securities, regardless of maturity, within the next few months. As a result, the certificates of indebtedness and other securities maturing on June 30, 1982, were replaced with new issues having maturity dates in 1983 only.

B. DISABILITY INSURANCE TRUST FUND

A statement of the income and disbursements of the Federal Disability Insurance Trust Fund during fiscal year 1982 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 7. Comparable figures for fiscal year 1981 are also shown in the table.

TABLE 7.—STATEMENT OF OPERATIONS OF THE DI TRUST FUND DURING FISCAL YEARS
1981 AND 1982
[In thousands]

	Fiscal year 1981	Fiscal year 1982
Total assets, beginning of year	\$7,680,173	\$3,392,434
Receipts:		
Contributions:		
Appropriations	11,387,656	18,887,415
Deposits arising from State agreements	1,248,844	2,010,068
Gross contributions	12,636,500	20,897,483
Less payment into the general fund of the Treasury for contributions subject to refund	47,010	31,027
Net contributions	12,589,490	20,866,456
Payments from general fund of the Treasury for costs of:		
Noncontributory credits for military service	130,389	168,235
Interest:		
Interest on investments	268,454	364,168
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs ¹	4,121	-757
Interest on amounts transferred from OASI Trust Fund due to adjustment in allocation of costs of vocational rehabilitation services	48	8
Total interest	272,624	363,420
Total receipts ²	12,992,509	21,398,104
Disbursements:		
Benefit payments:		
Gross benefit payments	16,915,991	17,471,465
Less collected overpayments	82,679	72,060
Net benefit payments	16,853,311	17,399,405
Transfer to Railroad Retirement Account	29,443	26,354
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For current fiscal year	—	1,633
For prior fiscal year	—	35,945
Less transfer from OASI Trust Fund due to adjustment in allocation of costs for prior periods	7,542	432
Total payment for costs of vocational rehabilitation services	-7,542	37,146
Administrative expenses:		
Department of Health and Human Services	414,314	538,332
Department of the Treasury	11,758	22,336
Construction of facilities for Social Security Administration	4,243	14,279
Expenses of Department of Education for administration of vocational rehabilitation program for disabled beneficiaries	—	978
Interfund transfers due to adjustment in allocation of costs of construc- tion ³	791	-3,479
Gross administrative expenses	431,106	572,446
Less interfund transfers due to adjustment in allocation of administrative expenses	26,047	—
Less receipts from sales of supplies, materials, etc.	22	47
Net administrative expenses	405,036	572,399
Total disbursements	17,280,249	18,035,304
Net increase in assets	-4,287,739	3,362,800
Total assets, end of year	3,392,434	6,755,234

¹A positive figure represents a transfer of interest to the DI Trust Fund from other Social Security trust funds. A negative figure represents a transfer of interest from the DI Trust Fund to other Social Security trust funds.

²Includes gifts amounting to \$7,005 during fiscal year 1981 and -\$7,000 during fiscal year 1982 (representing the recovery of a prior year gift by the estate of the donor).

³A positive figure represents a transfer from the DI Trust Fund to the other Social Security trust funds. A negative figure represents a transfer to the DI Trust Fund from the other Social Security trust funds.

Note: Totals do not necessarily equal the sum of rounded components.

The total assets of the DI Trust Fund amounted to \$3,392 million on September 30, 1981. During fiscal year 1982, total receipts amounted to \$21,398 million, and total disbursements were \$18,035 million. The assets of the trust fund thus increased by \$3,363 million during the year, to a total of \$6,755 million on September 30, 1982.

Included in total receipts were \$18,887 million representing contributions appropriated to the fund and \$2,010 million representing amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$31 million was transferred from the trust fund to the Treasury for the estimated amount of refunds to employees who worked for more than one employer during a year and paid contributions on wages in excess of the maximum earnings base.

Net contributions amounted to \$20,866 million, an increase of 65.7 percent from the amount for the preceding fiscal year. This unusually large increase is primarily attributable to the expiration of the temporary reallocation of tax rates between OASI and DI that was in effect during calendar years 1980-81 as a result of Public Law 96-403. Because the reallocation was enacted after the close of fiscal year 1980, but was made retroactive to January 1, 1980, a significant part of the assets of the DI Trust Fund was transferred to the OASI Trust Fund—and was reflected in contribution income—in fiscal 1981. Thus contribution income to the DI Trust Fund was unusually low in fiscal year 1981. On January 1, 1982, the DI share of the OASDI tax rate reverted to a higher level (as scheduled prior to the temporary reallocation), causing a marked increase in DI tax income for fiscal year 1982 relative to fiscal year 1981. The change in the level of contributions also reflects the same factors, insofar as they apply to the DI program, that accounted for the change in contributions to the OASI Trust Fund (described in the preceding section).

In addition, the trust fund received \$168 million in December 1981 from the general fund of the Treasury as reimbursement for the costs of noncontributory credits for military service. Of this amount, \$126 million was reimbursed in accordance with section 217(g) and \$42 million was reimbursed in accordance with section 229(b), as described in the preceding section.

The remaining \$363 million of receipts consisted of interest on the investments of the fund, plus interest on amounts of interfund transfers.

Of the \$18,035 million in total disbursements, \$17,399 million was for benefit payments, excluding collected overpayments of \$72 million. This represents an increase of 3.2 percent over the corresponding amount for benefit payments in fiscal year 1981. This increase reflects the same factors that resulted in the increase in benefit payments from the OASI Trust Fund as described in the preceding section. This increase also reflects the offsetting effects of (1) a continuing decline in the number of persons receiving benefits from the DI Trust Fund and (2) reductions in outlays resulting from the Social Security Amendments of 1977 and the Social Security Disability Amendments of 1980.

Provisions governing the financial interchanges between the Railroad Retirement Account and the DI Trust Fund are similar to those

mentioned in the preceding section relating to the OASI Trust Fund. The determination made as of September 30, 1981, required that a transfer of \$24,600,000 be made from the DI Trust Fund to the Railroad Retirement Account. A total amount of \$26,354,000 was transferred to the Railroad Retirement Account in June 1982, including interest to the date of transfer amounting to \$1,754,000.

The remaining disbursements amounted to \$572 million for net administrative expenses and \$37 million for the costs of vocational rehabilitation services furnished to disabled-worker beneficiaries and to those children of disabled workers who were receiving benefits on the basis of disabilities that began before age 22.

The total amount of funds that may be made available in a fiscal year for paying the costs of vocational rehabilitation services may not exceed a specified percentage of the benefits certified for payment in the preceding fiscal year from the OASI and DI Trust Funds to disabled persons receiving benefits because of their disability. This statutory limitation was 1½ percent in fiscal years 1974 and later. Beginning with payments for fiscal year 1977, such funds were further curtailed by limitations in the Budget of the United States for each year. In addition, the Omnibus Budget Reconciliation Act of 1981 limits reimbursement from the trust funds for the costs of such services to those cases where the services contributed to the successful rehabilitation of the beneficiary. The data presented below show the relationship between the total amount of such payments for fiscal years 1978-81 and the amount of benefits paid to disabled beneficiaries:

Fiscal year to which costs of rehabilitation services are charged	Amount of payments for costs of rehabilitation services ¹ (in thousands)	Estimated amount of benefit payments in preceding fiscal year to disabled beneficiaries (in thousands)	Payments for costs of rehabilitation services as a percent of preceding year's benefit payments
1978.....	\$94,539	\$9,986,069	.95
1979.....	97,766	10,967,760	.89
1980.....	40,638	12,089,653	.34
1981.....	41,411	13,502,784	.31

¹The amounts shown represent the expenditures incurred for a fiscal year and differ from amounts actually expended in a fiscal year as shown in accounting statements of the trust funds on a cash basis. The amounts shown are subject to revision.

At the end of fiscal year 1982, about 4.1 million persons were receiving monthly benefits from the DI Trust Fund. The distribution of benefit payments in fiscal years 1981 and 1982, by type of beneficiary, is shown in table 8.

TABLE 8.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE DI TRUST FUND, BY TYPE OF BENEFICIARY, FISCAL YEARS 1981 AND 1982
[Amounts in millions]

	Fiscal year 1981		Fiscal year 1982	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$16,853	100	\$17,399	100
Disabled workers.....	14,057	83	14,764	85
Wives and husbands.....	678	4	666	4
Children.....	2,118	13	1,969	11

Note: Totals do not necessarily equal the sum of rounded components.

The assets of the DI Trust Fund at the end of fiscal year 1982 totaled \$6,755 million, consisting of \$6,751 million in U.S. Government obligations and an undisbursed balance of \$4 million. Table 9 shows the total assets of the fund and their distribution at the end of fiscal years 1981 and 1982.

TABLE 9.—ASSETS OF THE DI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1981 AND 1982

	September 30, 1981		September 30, 1982	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury bonds:				
3½-percent, 1990..	\$10,500,000	\$10,269,438.23	\$10,500,000	\$10,297,105.79
3½-percent, 1998..	5,000,000	4,822,213.55	5,000,000	4,832,620.55
4½-percent, 1989-94.....	68,400,000	67,980,887.43	68,400,000	68,015,194.27
4½-percent, 1975-85.....	20,795,000	20,789,718.98	20,795,000	20,791,192.46
4½-percent, 1987-92.....	80,800,000	80,852,661.36	80,800,000	80,843,633.88
6½-percent, 1984..	15,000,000	15,015,823.36	15,000,000	15,010,398.04
7½-percent, 1988-93.....	26,500,000	26,042,754.92	26,500,000	26,080,125.04
7½-percent, 2002-07.....	10,000,000	9,995,000.90	10,000,000	9,995,197.46
8-percent, 1996-2001.....	26,000,000	25,977,929.26	26,000,000	25,979,042.02
8½-percent, 2000-05.....	3,750,000	3,733,774.01	3,750,000	3,734,459.57
11½-percent, 2010.....	30,250,000	30,039,729.70	30,250,000	30,047,150.38
Total investments in public issues	296,995,000	295,519,931.70	296,995,000	295,626,119.46
Obligations sold only to the trust funds (special issues):				
Certificates of indebtedness:				
12½-percent, 1983	—	—	1,551,812,000	1,551,812,000.00
13½-percent, 1983	—	—	1,844,251,000	1,844,251,000.00
13½-percent, 1983	—	—	1,674,067,000	1,674,067,000.00
14½-percent, 1982	1,282,170,000	1,282,170,000.00	—	—
Bonds:				
7½-percent, 1992..	161,560,000	161,560,000.00	—	—
8½-percent, 1993..	241,389,000	241,389,000.00	162,136,000	162,136,000.00
8½-percent, 1992..	64,425,000	64,425,000.00	—	—
8½-percent, 1993..	97,887,000	97,887,000.00	97,887,000	97,887,000.00
8½-percent, 1994..	339,277,000	339,277,000.00	339,277,000	339,277,000.00
9½-percent, 1992..	142,337,000	142,337,000.00	—	—
9½-percent, 1993..	142,337,000	142,337,000.00	142,337,000	142,337,000.00
9½-percent, 1994..	142,336,000	142,336,000.00	142,336,000	142,336,000.00
9½-percent, 1995..	481,613,000	481,613,000.00	481,613,000	481,613,000.00

TABLE 9.—ASSETS OF THE DI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1981 AND 1982 (Cont.)

	September 30, 1981		September 30, 1982	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations: (Cont.)				
Obligations sold only to the trust funds (special issues): (Cont.)				
Bonds: (Cont.)				
13½-percent, 1983	—	—	\$19,947,000	\$19,947,000.00
Total obligations sold only to the trust funds (special issues).....	\$3,095,331,000	\$3,095,331,000.00	6,455,663,000	6,455,663,000.00
Total investments in public-debt obligations...	3,392,326,000	3,390,850,931.70	6,752,658,000	6,751,289,119.46
Undisbursed balances.....	—	1,582,891.88	—	3,944,459.84
Total assets.....	—	3,392,433,823.58	—	6,755,233,579.30

¹Par value, plus unamortized premium or less discount outstanding.

The net increase in the par value of the investments owned by the trust fund during the fiscal year amounted to \$3,360 million. New securities with a total par value of \$25,833 million were acquired during the fiscal year through the investment of receipts and the reinvestment of funds made available from the redemption of securities. The par value of securities redeemed during the year was \$22,472 million. Included in these amounts are \$21,565 million in certificates of indebtedness that were acquired, and \$17,777 million in certificates of indebtedness that were redeemed, within the fiscal year.

The effective annual rate of interest earned by the assets of the DI Trust Fund during the 12 months ending on June 30, 1982, was 11.0 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1982 was 13.25 percent, payable semiannually.

The investment policy and practices described in the preceding section concerning the OASI Trust Fund apply as well to the investment of the assets of the DI Trust Fund.

VII. ACTUARIAL COST PROJECTIONS

Section 201(c) of the Social Security Act requires that the Board of Trustees report annually to the Congress on the operations and status of the OASI and DI Trust Funds during the preceding fiscal year and on the expected operations and status of those trust funds during the ensuing 5 fiscal years. Such information for the fiscal year that ended September 30, 1982, is presented in the preceding section of this report. Estimates of the operations and status of the trust funds during fiscal years 1983-87 are presented in this section. Similar estimates for calendar years 1983-87 are also presented.

Section 201(c) also requires that the report include "a statement of the actuarial status of the trust funds." Such statements have customarily been made for the medium-range period (25 years) and the long-range period (75 years), each period commencing with the year of issuance of the report. The statement of the long-range actuarial status has customarily included the actuarial status during the second and third 25-year subperiods of the long-range projection period. Statements of the current actuarial status are presented in this section. The methods used to estimate the actuarial status are described in Appendix A.

Basic to the discussion of the medium-range or long-range actuarial status of either trust fund are the concepts of "cost rate" and "total income rate," each of which is expressed as a percentage of taxable payroll. The taxable payroll consists of the total earnings which are subject to Social Security taxes, including deemed wages based on military service. The total earnings are adjusted to reflect the lower effective tax rates (in comparison with the combined employee-employer rate) which apply to tips, multiple-employer "excess wages," and self-employment income through 1983. The cost rate is the ratio of the cost (or outgo or disbursements) of the program to the taxable payroll. The outgo includes benefit payments, administrative expenses, net transfers under the financial interchange between the OASI and DI Trust Funds and the Railroad Retirement Account, and payments for vocational rehabilitation services for disabled beneficiaries. Because the taxable payroll includes the adjustments described above, the total income rate (or more simply, the income rate) can be defined to be the sum of the combined OASDI employee-employer tax rate (or the payroll tax rate) scheduled in the law and the rate of income from taxation of benefits (which is in turn defined to be the income from the taxation of benefits expressed as a percentage of taxable payroll).

With these definitions, for any year, the income rate minus the cost rate (referred to as the "balance" for the year) is a measure of the amount by which the payroll tax rate would need to be increased or decreased in order to cover exactly the cost for that year.

Over the medium-range and long-range periods, the actuarial status of the trust funds is often summarized by the actuarial balance, which is the difference between the appropriate estimated average income rate and the estimated average cost rate (or, equivalently, the average of the annual balances for the years included in the appropriate projection period). If the actuarial balance is positive, the system is said to have an actuarial surplus, and if negative, an actuarial deficit. Such a deficit, if it

exists, is a warning that, unless the projected trends turn out to be too pessimistic, changes in the system, or in its financing, will be needed in the future.

The concept of actuarial balance must be used with caution. The use of a single measure to describe the system over a period of many years may mask adverse patterns within that period or problems which emerge soon thereafter. The addition or deletion of a few years to the time period could change a surplus into a deficit or vice versa. In addition, while early deficits followed by later surpluses could result in a positive actuarial balance, the trust fund could be depleted before the annual surpluses occur. Conversely, while early surpluses followed by later deficits could result in a positive actuarial balance, the trust fund that would be built up in the early years could eventually be depleted at some point beyond the end of the 75-year projection period, leaving the program in the situation of being unable to pay benefits at that time. Thus, it is also important to note the year-by-year patterns of income and outgo.

Related to the concept of actuarial balance is that of "close actuarial balance." The system is said to be in "close actuarial balance" over the long-range period if the estimated average income rate is between 95 percent and 105 percent of the estimated average cost rate.

The OASDI system has generally operated over the years on a "current cost" financing basis, under which total income in each year is intended to be approximately equal to total outgo plus an additional amount needed to maintain the trust funds at appropriate contingency-reserve levels. Under this financing method, the assets of the trust funds should not become too large (through continued annual surpluses), nor too small (through continued annual deficits). Although there is no general agreement regarding the appropriate size of the trust funds, the level of each fund should be large enough to allow time for legislative action to prevent its exhaustion during periods of continued annual deficits. When either trust fund is not large enough to serve this purpose, the future financing of that fund—to be considered adequate—must provide for rebuilding the fund to the needed level within a reasonable period of time without significant declines in the interim.

The adequacy of the trust fund level is often measured by the "trust fund ratio." This ratio is defined as the assets at the beginning of the year expressed as a percentage of the outgo during the year. As a minimum test of the financial viability of the trust funds in the near term, the projected trust fund ratios should not fall below 12-14 percent, even under pessimistic assumptions. Substantially higher levels are desirable.

Projections of income, outgo, cost rates, actuarial balances, and trust fund ratios are presented later in this section.

A. ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS

The future income and outgo of the OASDI system depend on many economic and demographic factors, including fertility, mortality, net immigration, marriage, divorce, labor force participation, unemployment, productivity, inflation, retirement patterns, and disability incidence and duration. The income will depend on how these factors affect the size and composition of the working population and the general level of earnings. Similarly, the outgo will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because precise forecasting of these various factors is impossible, projections are shown in this report on the basis of four sets of assumptions, designated as alternatives I, II-A, II-B, and III.

The two intermediate sets of assumptions, alternatives II-A and II-B, share the same demographic assumptions but differ in their economic assumptions. Alternative II-A assumes a more robust economic expansion than alternative II-B. This type of presentation is made to illustrate the beneficial effect on the financial status of the trust funds of higher real-wage growth, higher employment, and lower inflation for any given set of demographic assumptions. In terms of the net effect on the status of the trust funds, alternative II-A is more optimistic than alternative II-B. Of all four alternatives, alternative I is the most optimistic, and alternative III is the most pessimistic. The range of future short-range economic performance delineated by these alternatives is slightly narrower than in last year's report. This is largely the result of slower assumed growth in alternatives I and II-A.

Although these sets of economic and demographic assumptions have been developed using the best available information, the resulting cost projections should be interpreted with care. In particular, they are not intended to be exact predictions of the future status of the OASDI system, but rather, they are intended to be indicators of the trend and range of future income and outgo.

Economic assumptions

The economic assumptions in the four alternatives are summarized in table 10.

TABLE 10.—SELECTED ECONOMIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1960-2060

Calendar year	Average annual percentage increase in—					
	Real GNP ¹	Average wages in covered employment	Consumer price index	Real-wage differential ² (percent)	Average annual interest rate ³ (percent)	Average annual unemployment rate ⁴ (percent)
Past experience:						
1960-64	4.0	3.4	1.3	2.1	3.7	5.7
1965-69	4.4	5.4	3.4	2.0	5.2	3.8
1970	-2	4.9	5.9	-1.0	7.3	4.9
1971	3.4	4.9	4.3	.6	6.0	5.9
1972	5.7	7.3	3.3	4.0	5.9	5.6
1973	5.8	6.9	6.2	.7	6.6	4.9
1974	-6	7.4	11.0	-3.6	7.5	5.6
1975	-1.2	6.6	9.1	-2.5	7.4	8.5
1976	5.4	*8.2	5.7	*2.5	7.1	7.7
1977	5.5	*8.0	6.5	*1.5	7.1	7.1
1978	5.0	*8.2	7.6	*.6	8.2	6.1
1979	2.8	*8.8	11.4	*2.6	9.1	5.8
1980	-4	*8.6	13.5	*4.9	11.0	7.1
1981	1.9	*8.8	10.2	*1.4	13.3	7.6
1982	-1.7	*5.6	6.0	*.4	12.8	9.7
Alternative I:						
1983	3.4	4.3	2.5	1.8	9.6	10.0
1984	5.7	5.2	3.3	1.9	6.7	8.6
1985	5.1	5.3	3.7	1.6	5.8	7.5
1986	4.5	5.6	3.3	2.3	5.4	7.0
1987	4.5	5.7	3.0	2.7	5.3	6.6
1988	4.5	5.4	2.7	2.7	5.2	6.1
1989	4.5	5.2	2.3	2.9	5.1	5.6
1990	4.5	5.1	2.0	3.1	5.1	5.2
1991	4.5	5.3	2.0	3.3	5.1	4.8
1992	4.4	5.2	2.0	3.2	5.1	4.5
1993	3.9	4.9	2.0	2.9	5.1	4.3
1994	3.8	4.7	2.0	2.7	5.1	4.1
1995	3.8	4.5	2.0	2.5	5.1	4.0
2000 & later	*3.6	4.5	2.0	2.5	5.1	4.0
Alternative II-A:						
1983	3.1	4.3	2.7	1.6	9.7	10.0
1984	4.8	5.0	3.6	1.4	6.8	8.8
1985	4.1	4.8	4.0	.8	6.0	7.9
1986	4.0	5.1	3.6	1.5	5.6	7.4
1987	4.0	5.2	3.2	2.0	5.6	6.9
1988	4.0	5.0	3.0	2.0	5.6	6.3
1989	4.0	5.3	3.0	2.3	5.6	5.8
1990	3.7	5.5	3.0	2.5	5.6	5.4
1991	3.2	5.4	3.0	2.4	5.6	5.3
1992	3.3	5.3	3.0	2.3	5.6	5.3
1993	3.3	5.2	3.0	2.2	5.6	5.2
1994	3.3	5.0	3.0	2.0	5.6	5.1
1995	3.3	5.0	3.0	2.0	5.6	5.0
2000 & later	*3.1	5.0	3.0	2.0	5.6	5.0
Alternative II-B:						
1983	2.4	4.6	3.1	1.5	9.8	10.1
1984	4.1	4.6	4.4	.2	7.3	9.1
1985	3.7	5.5	5.3	.2	6.9	8.3
1986	3.1	5.6	4.8	.8	6.6	7.9
1987	3.0	5.7	4.4	1.3	6.4	7.6
1988	3.0	5.4	4.1	1.3	6.3	7.3
1989	3.0	5.4	4.0	1.4	6.3	6.9
1990	3.0	5.6	4.0	1.6	6.2	6.5
1991	3.0	5.7	4.0	1.7	6.1	6.2
1992	3.0	5.6	4.0	1.6	6.1	5.8
1993	2.5	5.5	4.0	1.5	6.1	5.7
1994	2.5	5.5	4.0	1.5	6.1	5.6
1995	2.6	5.5	4.0	1.5	6.1	5.5
2000 & later	*2.6	5.5	4.0	1.5	6.1	5.5

TABLE 10.—SELECTED ECONOMIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1960-2060 (Cont.)

Calendar year	Average annual percentage increase in—					Average annual interest rate* (percent)	Average annual unemployment rate* (percent)
	Real GNP ¹	Average wages in covered employment	Consumer price index	Real-wage differential ² (percent)			
Alternative III:							
1983.....	0.5	3.9	3.3	.6	9.9	10.5	
1984.....	1.7	4.6	6.4	-1.8	8.0	10.5	
1985.....	3.9	7.4	7.7	-.3	8.4	9.5	
1986.....	3.1	7.5	7.3	.1	9.0	8.9	
1987.....	2.7	6.7	6.0	.7	8.6	8.6	
1988.....	2.7	6.4	5.5	.9	8.2	8.2	
1989.....	2.7	6.2	5.1	1.1	7.7	7.8	
1990.....	2.7	6.2	5.0	1.2	7.3	7.4	
1991.....	2.6	6.3	5.0	1.3	6.6	7.0	
1992.....	2.5	6.1	5.0	1.1	6.6	6.8	
1993.....	2.3	6.1	5.0	1.1	6.6	6.5	
1994.....	2.0	6.0	5.0	1.0	6.6	6.5	
1995.....	2.1	6.0	5.0	1.0	6.6	6.5	
2000 & later.....	*2.1	6.0	5.0	1.0	6.6	6.5	

¹The real GNP (Gross National Product) is the total output of goods and services expressed in 1972 dollars.

²The real-wage differential is defined as the difference between the percentage increase in average annual wages in covered employment and the percentage increase in the average annual CPI.

*The average annual interest rate is the average of the interest rates in each of the 12 months of the year for special public-debt obligations issuable to the trust funds.

*The ultimate rates include military personal and are adjusted by age and sex based on the total labor force aged 16 and over as of July 1, 1981. Rates shown for earlier years are crude civilian unemployment rates for those years.

*Preliminary.

*This value is for the year 2000. The annual percentage increase in real GNP is assumed to continue to change after 2000 under each alternative to reflect the dependence of labor force growth on the size and age-sex distribution of the population. The percentage increases for 2060 are 3.2, 2.3, 1.9, and 0.8 for alternatives I, II-A, II-B, and III, respectively.

Alternatives I, II-A, and II-B assume the economic recovery started in the first quarter of 1983, but with the most rapid growth occurring later in 1983. Alternative III assumes that the economy will stagnate for one more year, with the recovery starting in the second quarter of 1984. The more optimistic the alternative, the stronger and longer is the assumed recovery. Specifically, the real GNP in 1983 is assumed to increase above the 1982 level by 3.4 percent, 3.1 percent, 2.4 percent, and 0.5 percent in alternatives I, II-A, II-B, and III, respectively.

After the recovery period, each of the alternatives assumes a steady rate of growth in real GNP during the short-range period. The assumed rates of growth are 4.5 percent, 4.0 percent, 3.0 percent, 2.7 percent for the respective alternatives. In alternatives I and II-A, the steady growth begins during 1985, while in alternatives II-B and III, it begins during 1986.

In alternative II-A, the average annual unemployment rate declines from its peak of 10.0 percent in 1983 to its ultimate level of 5.0 percent in 1995. The annual rate of increase in average wages in covered employment is assumed to fluctuate around 5 percent until 1994 when it becomes steady at that ultimate rate. The annual rate of increase in the average CPI is assumed to rise from 2.7 percent in 1983 to 4.0 percent in 1985 and then to decline to an ultimate rate of 3.0 percent in 1988. The real-wage differential (i.e., the difference between annual rates of increase in the average wage and the average CPI) is assumed to decline from 1.6 percent in 1983 to 0.8 percent in 1985 and then to reach a peak of 2.5 percent in 1990 before declining to its ultimate rate of 2.0 percent

in 1994. The annual interest rate is assumed to reach its ultimate value of 5.6 percent in 1986.

In alternative II-B, the average annual unemployment rate declines from its peak of 10.1 percent in 1983 to its ultimate level of 5.5 percent in 1995. The annual rate of increase in average wages in covered employment is assumed to fluctuate around 5.5 percent until 1993 when it becomes steady at that ultimate rate. The annual rate of increase in the average CPI is assumed to rise from 3.1 percent in 1983 to 5.3 percent in 1985 and then to decline to an ultimate rate of 4.0 percent in 1989. The real-wage differential is assumed to reach an ultimate rate of 1.5 percent per year in 1993. The annual interest rate is assumed to reach its ultimate value of 6.1 percent in 1991.

It is convenient to discuss alternative I in comparison with alternative II-A, the more optimistic of the two intermediate alternatives. In each year, the assumed annual percentage increase in the real GNP in alternative I is higher. Consistent with this higher real GNP is an assumed average annual unemployment rate which in each year is lower, with the ultimate rate of 4.0 percent being 1 percentage point lower. The assumed annual percentage increases in the CPI are also lower, with the ultimate rate of 2.0 percent being 1 percentage point lower. In each year, the assumed real-wage differential is higher, with the ultimate rate of 2.5 percent being 0.5 percentage points higher. The resulting ultimate annual rate of increase in average wages in covered employment is 4.5 percent, which is 0.5 percentage points lower. The ultimate interest rate of 5.1 percent is lower by 0.5 percentage points.

Similarly, it is convenient to discuss alternative III in comparison with alternative II-B, the more pessimistic of the two intermediate alternatives. In each year after 1985, the assumed annual percentage increase in the real GNP in alternative III is lower. Consistent with this lower real GNP is an average annual unemployment rate which in every year is higher, with the ultimate level of 6.5 percent being 1 percentage point higher. The assumed annual percentage increase in the CPI is higher in each year, with the ultimate of 5.0 percent being 1 percentage point higher. In every year, the assumed real-wage differential is lower, with the ultimate of 1.0 percent being 0.5 percentage points lower. The resulting ultimate annual rate of increase in average wages in covered employment is 6.0 percent, which is 0.5 percentage points higher. The ultimate interest rate of 6.6 percent is higher by 0.5 percentage points.

Demographic assumptions

The demographic assumptions in the four alternatives are shown in table 11.

TABLE 11.—SELECTED DEMOGRAPHIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1960-2060

Calendar year	Total fertility rate ¹	Life expectancy ²			
		At birth		At age 65	
		Male	Female	Male	Female
Past experience:					
1940.....	2.23	60.9	65.3	11.9	13.4
1945.....	2.42	62.5	68.2	12.6	14.4
1950.....	3.03	65.3	70.9	12.8	15.1
1955.....	3.50	66.6	72.7	13.1	15.6
1960.....	3.61	66.6	73.2	12.9	15.9
1965.....	2.88	66.8	73.8	12.9	16.3
1970.....	2.43	67.1	74.8	13.1	17.1
1975.....	1.77	68.8	76.6	13.7	18.0
1976.....	1.74	69.1	76.8	13.7	18.1
1977.....	1.79	69.4	77.2	13.9	18.3
1978.....	1.76	69.6	77.3	13.9	18.3
1979.....	1.82	69.9	77.8	14.2	18.6
1980.....	1.85	69.8	77.5	14.0	18.3
1981.....	1.85	70.3	77.8	14.2	18.5
Alternative I:					
1982.....	1.85	70.4	77.9	14.3	18.6
1983.....	1.87	70.5	78.0	14.3	18.7
1984.....	1.89	70.6	78.1	14.3	18.8
1985.....	1.91	70.7	78.2	14.4	18.8
1990.....	2.01	71.1	78.7	14.5	19.2
1995.....	2.10	71.5	79.1	14.6	19.4
2000.....	2.18	71.7	79.3	14.8	19.6
2005.....	2.27	71.9	79.5	14.9	19.8
2010.....	2.30	72.0	79.7	15.0	19.9
2020.....	2.30	72.3	80.0	15.2	20.2
2030.....	2.30	72.6	80.3	15.4	20.4
2040.....	2.30	72.9	80.6	15.6	20.7
2050.....	2.30	73.2	80.9	15.8	20.9
2060.....	2.30	73.4	81.2	16.0	21.2
Alternatives II-A and II-B:					
1982.....	1.85	70.6	78.1	14.3	18.7
1983.....	1.86	70.8	78.3	14.4	18.9
1984.....	1.86	71.1	78.5	14.5	19.0
1985.....	1.87	71.3	78.8	14.6	19.2
1990.....	1.90	72.3	79.8	15.1	19.9
1995.....	1.93	73.0	80.6	15.5	20.5
2000.....	1.96	73.4	81.0	15.7	20.8
2005.....	1.99	73.7	81.3	15.9	21.0
2010.....	2.00	73.9	81.6	16.1	21.3
2020.....	2.00	74.4	82.2	16.4	21.7
2030.....	2.00	74.9	82.7	16.8	22.2
2040.....	2.00	75.4	83.3	17.2	22.6
2050.....	2.00	75.8	83.8	17.5	23.1
2060.....	2.00	76.3	84.4	17.9	23.6
Alternative III:					
1982.....	1.85	70.7	78.2	14.4	18.8
1983.....	1.84	71.1	78.6	14.6	19.0
1984.....	1.82	71.5	79.0	14.8	19.3
1985.....	1.81	71.8	79.3	14.9	19.5
1990.....	1.75	73.4	80.9	15.7	20.7
1995.....	1.70	74.5	82.1	16.3	21.5
2000.....	1.66	75.1	82.8	16.8	22.1
2005.....	1.62	75.7	83.4	17.2	22.5
2010.....	1.60	76.2	84.0	17.6	23.0
2020.....	1.60	77.2	85.2	18.4	24.0
2030.....	1.60	78.3	86.4	19.2	24.9
2040.....	1.60	79.3	87.5	20.0	25.8
2050.....	1.60	80.3	88.6	20.9	26.8
2060.....	1.60	81.3	89.7	21.7	27.7

¹The total fertility rate for any year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age observed in, or assumed for, the selected year, and if she were to survive the entire child-bearing period.

²The life expectancy for any year is the average number of years of life remaining to a person if that person were to experience the death rates by age observed in, or assumed for, the selected year.

The demographic assumptions in alternatives II-A and II-B are identical. The assumed ultimate total fertility rate is 2.0 children per

woman. This ultimate level of fertility is attained in 2007, after a gradual increase from the estimated 1982 level of 1.85 children per woman. Mortality rates are assumed to decrease gradually during the entire 75-year projection period, with an average reduction from 1979 levels of 39 percent by the year 2060. This reduction results in life expectancies at birth in 2060 of 76.3 years for men and 84.4 years for women, compared to 69.9 and 77.8 years, respectively, observed in 1979. Life expectancies at age 65 in 2060 are projected to be 17.9 years for men and 23.6 years for women, compared to 14.2 and 18.6 years, respectively, observed in 1979.

In alternative I, the total fertility rate is assumed to be higher than in the other alternatives, reaching an ultimate level of 2.3 children per woman, which is attained in 2007. Mortality rates are assumed to decrease more slowly than in alternatives II-A and II-B, with the average reduction from 1979 levels being 23 percent by the year 2060. The resulting life expectancies at birth by 2060 are projected to be 73.4 years for men and 81.2 years for women, while at age 65 they are 16.0 and 21.2 years, respectively.

In alternative III, the total fertility rate is assumed to be lower than in the other alternatives, decreasing from the estimated 1982 level to an ultimate level of 1.6, which is attained in 2007. Mortality rates are assumed to decrease more rapidly than in alternatives II-A and II-B, with the average reduction from 1979 levels being 60 percent by the year 2060. The resulting life expectancies at birth by 2060 are projected to be 81.3 years for men and 89.7 years for women, while at age 65 they are 21.7 and 27.7 years, respectively.

The values assumed after the early years for both the economic and the demographic factors are intended to represent the average experience for those years and are not intended to be predictions of year-by-year values. Actual future values will likely exhibit fluctuations or cyclical patterns, as in the past.

In addition to the assumptions discussed above, many other assumed or derived factors (such as labor force participation rates, marriage rates, and others) are necessary to prepare the cost estimates presented in this report. Appendix A includes a discussion of some of those factors.

B. AUTOMATIC ADJUSTMENTS

Under the automatic-increase provisions of the law, benefits are generally adjusted once a year to reflect increases in the CPI. Beginning in 1984, these automatic increases may be modified when trust fund balances meet certain conditions. These modifications are permitted under the stabilizer provision of the 1983 amendments, which are described in an earlier section. For persons becoming eligible for benefits in 1979 and later, the automatic cost-of-living benefit increases generally begin with the year a worker reaches age 62, or becomes disabled or dies, if earlier. An automatic cost-of-living benefit increase of 7.4 percent, effective for June 1982, was announced in April 1982, as described in Appendix C. An increase of 3.5 percent will become effective for December 1983, as recently determined and announced.

Except for the amounts specified for 1979-81 in the Social Security Amendments of 1977, the contribution and benefit base automatically increases in the year following a year in which an automatic cost-of-living benefit increase becomes effective. Such automatic increases are proportionate to the increases in average wages. For 1983, the contribution and benefit base was automatically increased to \$35,700.

The 1977 amendments also specified for 1978-82 the exempt amount under the retirement earnings test for beneficiaries aged 65 and over. For 1983 and later, this amount increases automatically by the increase in average wages. Following the cost-of-living benefit increase that became effective for June 1982, an automatic increase in the annual exempt amount for beneficiaries aged 65 and over, from \$6,000 in 1982 to \$6,600 in 1983, was announced in November 1982. Similarly, an automatic increase was announced in the exempt amount for beneficiaries under age 65, from \$4,440 in 1982 to \$4,920 in 1983. Appendix D describes all of the aforementioned automatic adjustments, as well as the determinations of the following amounts:

1. The amount of earnings a worker must have to be credited with a quarter of coverage in 1983;
2. The dollar amounts (or "bend points") in the formulas used to compute benefits payable on the earnings of workers who first become eligible for retirement or disability benefits, or who die before becoming eligible for such benefits, in 1983; and
3. The average of total wages reported for calendar year 1981, to be used for indexing earnings of workers who first become eligible for benefits, or who die before such eligibility, in 1983 or later.

An historical summary of the Social Security program amounts determined under the automatic provisions, and the average-wage series used for indexing earnings, are shown in Appendix E, which also shows a projection, through 1988, of the corresponding amounts resulting from the two intermediate sets of assumptions.

The law provides for the determination of the contribution and benefit bases that would have been in effect in each year after 1978 under the automatic provisions of the law as in effect before the enactment of the

1977 amendments. This "old-law" base is used in determining special-minimum benefits for certain workers who have many years of low earnings in covered employment. Beginning in 1986, the old-law base will be used in the calculation of benefits for certain workers who have pensions based on noncovered employment. It is also used for certain purposes under the Railroad Retirement program and the Employee Retirement Income Security Act of 1974. For 1982, the old-law base was \$24,300. The corresponding old-law base for 1983 was determined to be \$26,700.

The four alternative sets of economic assumptions described previously result in the following general benefit increases and contribution and benefit bases for each year through 1988 (actual benefit increases and actual contribution and benefit bases for 1982 and 1983 are also shown as a basis for comparison):

Calendar year	General benefit increase ¹ (percent) under alternative—				Contribution and benefit base ² under alternative—			
	I	II-A	II-B	III	I	II-A	II-B	III
1982.....	7.4	7.4	7.4	7.4	\$32,400	\$32,400	\$32,400	\$32,400
1983.....	3.5	3.5	3.5	3.5	35,700	35,700	35,700	35,700
1984.....	3.4	3.7	4.6	4.0	37,500	37,500	37,500	37,500
1985.....	3.7	4.0	5.3	3.9	39,300	39,000	39,300	39,000
1986.....	3.3	3.5	4.7	7.2	41,100	40,500	40,800	40,500
1987.....	3.0	3.2	4.4	5.8	43,200	42,300	42,900	43,500
1988.....	(*)	3.0	4.1	5.4	45,600	44,400	45,300	46,800

¹Automatic benefit increases prior to 1983 were effective with benefits for June of the year shown. As a result of the Social Security Amendments of 1983, automatic benefit increases in 1983 and later will be effective with benefits for December of the year shown.

²The amounts, effective on January 1 of the stated year, are specified in the law for the years 1979-81. After 1981, the amount increases under the automatic provisions.

³Under the alternative III assumptions, benefit increases for December of each year 1984-86 would be determined under the benefit increase stabilizer provision of the 1983 amendments. If the benefit increases were calculated without the limitation imposed by the stabilizer provision, they would be 6.6 percent, 7.9 percent, and 7.3 percent, respectively, under these assumptions.

⁴Under the alternative I assumptions, no benefit increase would occur in 1988 because the assumed increase in the Consumer Price Index is less than the 3-percent rate required to trigger a benefit increase.

The automatic benefit increases shown in the above table under alternative III reflect the effects of the benefit increase stabilizer provision in 1984, 1985, and 1986. Based on alternative III, the assets of the OASDI Trust Funds (excluding amounts borrowed from the HI Trust Fund) would represent less than 15 percent of annual expenditures at the end of 1984 and at the beginning of each year 1985-86. In addition, the assumed increases in average annual wages in 1983, 1984, and 1985 are less than the assumed increases in prices (as measured by the third quarter CPI) in 1984, 1985 and 1986, respectively. Under these conditions, the stabilizer provision would require that the automatic benefit increase in each year be based on the lower increase in average wages rather than on the CPI increase that would normally apply. While not shown in the table, under alternative III the trust funds would increase sufficiently after 1987 to trigger "catch-up" benefit increases in 1990 for those beneficiaries whose benefit increases were reduced at any time during 1984-86 as a result of this provision. The "catch-up" increases would increase each affected individual's benefit to the level at which it would have been if all increases had been based on the CPI.

Under the automatic provisions of the law, the four different sets of economic assumptions result in the following annual exempt amounts under the retirement earnings test, both for beneficiaries under age 65 and for beneficiaries aged 65 and over (the amounts for 1982 and 1983 are also shown as a basis for comparison):

ANNUAL EXEMPT AMOUNTS UNDER THE RETIREMENT EARNINGS TEST¹

Calendar year	Annual exempt amount for beneficiaries under age 65 under alternative—				Annual exempt amount for beneficiaries aged 65 and over ² under alternative—			
	I	II-A	II-B	III	I	II-A	II-B	III
1982	\$4,440	\$4,440	\$4,440	\$4,440	\$6,000	\$6,000	\$6,000	\$6,000
1983	4,920	4,920	4,920	4,920	6,600	6,600	6,600	6,600
1984	5,160	5,160	5,160	5,160	6,960	6,960	6,960	6,960
1985	5,400	5,400	5,400	5,400	7,320	7,320	7,320	7,200
1986	5,640	5,640	5,640	5,640	7,680	7,680	7,560	7,440
1987	5,880	5,880	6,000	6,000	8,040	8,040	7,920	7,920
1988	6,240	6,120	6,360	6,480	8,520	8,400	8,400	8,520

¹Effective on January 1 of the stated year.

²The amounts are specified in the law for the years 1978-82. After 1982, the amount increases automatically. In 1955-82, the retirement earnings test did not apply to beneficiaries aged 72 and over; after 1982, it does not apply to beneficiaries aged 70 and over.