

## **II. ACTUARIAL ANALYSIS**

### **A. SOCIAL SECURITY AMENDMENTS SINCE THE 1993 REPORT**

Since the 1993 Annual Report was transmitted to the Congress on April 6, 1993, there have been no legislative changes enacted that would have a significant effect on the financial status of the OASDI program. However, Public Law 103-66 (the Omnibus Budget Reconciliation Act of 1993), signed into law August 10, 1993, contained a provision that increases the maximum percentage of OASDI benefits subject to Federal income taxation. Specifically, this maximum percentage is raised from 50 percent to 85 percent for single persons with "combined incomes" over \$34,000 and for married couples filing joint tax returns with combined incomes over \$44,000. (Combined income is the sum of (i) adjusted gross income, (ii) tax-exempt interest, and (iii) one-half of OASDI benefits.) Single persons with combined incomes from \$25,000 to \$34,000 and married couples filing joint tax returns with combined incomes from \$32,000 to \$44,000 will continue to have no more than 50 percent of their benefits subject to income taxes. The new provision is effective for taxable years beginning after 1993. The additional tax revenues resulting from the increase to 85 percent are to be transferred to the Hospital Insurance Trust Fund.

**B. DESCRIPTION OF THE TRUST FUNDS**

The Federal Old-Age and Survivors Insurance Trust Fund was established on January 1, 1940, as a separate account in the United States Treasury. All the financial operations of the OASI program are handled through this fund. The Federal Disability Insurance Trust Fund is another separate account in the United States Treasury; it was established on August 1, 1956. All the financial operations of the DI program are handled through this fund.

The primary receipts of these two funds are amounts appropriated to each of them under permanent authority on the basis of contributions payable by workers, their employers, and individuals with self-employment income, in work covered by the OASDI program. All employees, and their employers, in covered employment are required to pay contributions with respect to their wages. Employees, and their employers, are also required to pay contributions with respect to cash tips, if the individual's monthly cash tips amount to at least \$20. All self-employed persons are required to pay contributions with respect to their covered net earnings from self-employment. In addition to paying the required employer contributions on the wages of covered Federal employees, the Federal Government also pays amounts equivalent to the combined employer and employee contributions that would be paid on deemed wage credits attributable to military service performed after 1956 if such wage credits were covered wages.

In general, an individual's contributions, or taxes, are computed on wages or net earnings from self-employment, or both wages and net self-employment earnings combined, up to a specified maximum annual amount. The contributions are determined first on the wages and then on any net self-employment earnings, such that the total does not exceed the annual maximum amount. An employee who pays contributions on wages in excess of the annual maximum amount (because of employment with two or more employers) is eligible for a refund of the excess employee contributions.

The monthly benefit amount to which an individual (or his or her spouse and children) may become entitled under the OASDI program is based on the individual's taxable earnings during his or her lifetime. For almost all persons who first become eligible to receive

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benefits in 1979 or later, the earnings used in the computation of benefits are indexed to reflect increases in average wage levels.

The contribution, or tax, rates applicable in each calendar year and the allocation of these rates between the OASI and DI Trust Funds are shown in table II.B1.

For 1995 and later, the rates shown in table II.B1 are those scheduled in present law. (The total contribution rates for the OASDI and Hospital Insurance (HI) programs combined, and for each program separately, are shown in appendix A, table III.A1.) The maximum amount of earnings on which OASDI contributions are payable in a year, which is also the maximum amount of earnings creditable in that year for benefit-computation purposes, is called the contribution and benefit base. The contribution and benefit base for each year through 1994 is also shown in table II.B1.

**TABLE II.B1.—CONTRIBUTION AND BENEFIT BASE AND CONTRIBUTION RATES**

Calendar years	Contribution and benefit base	Contribution rates (percent)					
		Employees and employers, each			Self-employed		
		OASDI	OASI	DI	OASDI	OASI	DI
1937-49	\$3,000	1.000	1.000	—	—	—	—
1950	3,000	1.500	1.500	—	—	—	—
1951-53	3,600	1.500	1.500	—	2.2500	2.2500	—
1954	3,600	2.000	2.000	—	3.0000	3.0000	—
1955-56	4,200	2.000	2.000	—	3.0000	3.0000	—
1957-58	4,200	2.250	2.000	0.250	3.3750	3.0000	0.3750
1959	4,800	2.500	2.250	.250	3.7500	3.3750	.3750
1960-61	4,800	3.000	2.750	.250	4.5000	4.1250	.3750
1962	4,800	3.125	2.875	.250	4.7000	4.3250	.3750
1963-65	4,800	3.625	3.375	.250	5.4000	5.0250	.3750
1966	6,600	3.850	3.500	.350	5.8000	5.2750	.5250
1967	6,600	3.900	3.550	.350	5.9000	5.3750	.5250
1968	7,800	3.800	3.325	.475	5.8000	5.0875	.7125
1969	7,800	4.200	3.725	.475	6.3000	5.5875	.7125
1970	7,800	4.200	3.650	.550	6.3000	5.4750	.8250
1971	7,800	4.600	4.050	.550	6.9000	6.0750	.8250
1972	9,000	4.600	4.050	.550	6.9000	6.0750	.8250
1973	10,800	4.850	4.300	.550	7.0000	6.2050	.7950
1974	13,200	4.950	4.375	.575	7.0000	6.1850	.8150
1975	14,100	4.950	4.375	.575	7.0000	6.1850	.8150
1976	15,300	4.950	4.375	.575	7.0000	6.1850	.8150
1977	16,500	4.950	4.375	.575	7.0000	6.1850	.8150
1978	17,700	5.050	4.275	.775	7.1000	6.0100	1.0900
1979	22,900	5.080	4.330	.750	7.0500	6.0100	1.0400
1980	25,900	5.080	4.520	.560	7.0500	6.2725	.7775

**TABLE II.B1.—CONTRIBUTION AND BENEFIT BASE AND CONTRIBUTION RATES (Cont.)**

Calendar years	Contribution and benefit base	Contribution rates (percent)					
		Employees and employers, each			Self-employed		
		OASDI	OASI	DI	OASDI	OASI	DI
1981	\$29,700	5.350	4.700	0.650	8.0000	7.0250	0.9750
1982	32,400	5.400	4.575	.825	8.0500	6.8125	1.2375
1983	35,700	5.400	4.775	.625	8.0500	7.1125	.9375
1984 <sup>1</sup>	37,800	5.700	5.200	.500	11.4000	10.4000	1.0000
1985 <sup>1</sup>	39,600	5.700	5.200	.500	11.4000	10.4000	1.0000
1986 <sup>1</sup>	42,000	5.700	5.200	.500	11.4000	10.4000	1.0000
1987 <sup>1</sup>	43,800	5.700	5.200	.500	11.4000	10.4000	1.0000
1988 <sup>1</sup>	45,000	6.060	5.530	.530	12.1200	11.0600	1.0600
1989 <sup>1</sup>	48,000	6.060	5.530	.530	12.1200	11.0600	1.0600
1990	51,300	6.200	5.600	.600	12.4000	11.2000	1.2000
1991	53,400	6.200	5.600	.600	12.4000	11.2000	1.2000
1992	55,500	6.200	5.600	.600	12.4000	11.2000	1.2000
1993	57,600	6.200	5.600	.600	12.4000	11.2000	1.2000
1994	60,600	6.200	5.600	.600	12.4000	11.2000	1.2000
1995-99	(2)	6.200	5.600	.600	12.4000	11.2000	1.2000
2000 and later	(2)	6.200	5.490	.710	12.4000	10.9800	1.4200

<sup>1</sup>In 1984 only, an immediate credit of 0.3 percent of taxable wages was allowed against the OASDI contributions paid by employees, which resulted in an effective contribution rate of 5.4 percent. The appropriations of contributions to the trust funds, however, were based on the combined employee-employer rate of 11.4 percent, as if the credit for employees did not apply. Similar credits of 2.7 percent, 2.3 percent, and 2.0 percent were allowed against the combined OASDI and Hospital Insurance (HI) contributions on net earnings from self-employment in 1984, 1985, and 1986-89, respectively. Beginning in 1990, self-employed persons are allowed a deduction, for purposes of computing their net earnings, equal to half of the combined OASDI and HI contributions that would be payable without regard to the contribution and benefit base. The OASDI contribution rate is then applied to net earnings after this deduction, but subject to the OASDI base.

<sup>2</sup>Subject to automatic adjustment based on increases in average wages.

All contributions are collected by the Internal Revenue Service and deposited in the general fund of the Treasury. The contributions are immediately and automatically appropriated to the trust funds on an estimated basis. The exact amount of contributions received is not known initially because the OASDI and HI contributions and individual income taxes are not separately identified in collection reports received by the Internal Revenue Service. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable as determined from reported earnings. Adjustments are also made to account for any refunds to employees (with more than one employer) who paid contributions on wages in excess of the contribution and benefit base.

From May 1983 through November 1990, amounts representing the estimated total collections of OASDI contributions for each month were credited to the trust funds on the first day of the month. The

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“Omnibus Budget Reconciliation Act of 1990” amended the law in effect since 1983 to provide that such advance transfers would be used only if the trust funds drop to such a low level that advance transfers are needed in order to pay benefits.

Beginning in 1984, up to one-half of an individual's or couple's OASDI benefits was subject to Federal income taxation under certain circumstances. Effective for taxable years beginning after 1993, the maximum percentage of benefits subject to taxation was increased from 50 percent to 85 percent. The proceeds from taxation of up to 50 percent of benefits are credited to the OASI and DI Trust Funds in advance, on an estimated basis, at the beginning of each calendar quarter, with no reimbursement to the general fund for interest costs attributable to the advance transfers. Subsequent adjustments are made based on the actual amounts as shown on annual income tax records. The amounts appropriated from the general fund of the Treasury are allocated to the OASI and DI Trust Funds on the basis of the income taxes paid on the benefits from each fund. (A special provision applies to benefits paid to non-resident aliens. A flat-rate tax, usually 15 percent, is withheld from the benefits before they are paid and, therefore, remains in the trust funds.) The additional tax revenues resulting from the increase to 85 percent are transferred to the HI Trust Fund.

Another source of income to the trust funds is interest received on investments held by the trust funds. That portion of each trust fund which, in the judgment of the Managing Trustee, is not required to meet current expenditures for benefits and administration is invested, on a daily basis, primarily in interest-bearing obligations of the U.S. Government (including special public-debt obligations described below). Investments may also be made in obligations guaranteed as to both principal and interest by the United States, including certain Federally sponsored agency obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States. These obligations may be acquired on original issue at the issue price or by purchase of outstanding obligations at their market price. Thus, all of the investments held by the trust funds are backed by the full faith and credit of the U.S. Government.

The Social Security Act authorizes the issuance of special public-debt

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obligations for purchase exclusively by the trust funds. The Act provides that these obligations shall bear interest at a rate equal to the average market yield (computed on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month. These special issues are redeemable at all times at par value and thus bear no risk with respect to changes in interest rates (i.e., principal price fluctuations).

Income is also affected by provisions of the Social Security Act for (1) transfers between the general fund of the Treasury and the OASI and DI Trust Funds for any adjustments to prior payments for the cost arising from the granting of noncontributory wage credits for military service prior to 1957, according to periodic determinations made by the Secretary of Health and Human Services; (2) annual reimbursements from the general fund of the Treasury to the OASI Trust Fund for any costs arising from the special monthly cash payments to certain uninsured persons—i.e., those who attained age 72 before 1968 and who generally are not eligible for cash benefits under other provisions of the OASDI program; and (3) the receipt of unconditional money gifts or bequests made for the benefit of the trust funds or any activity financed through the funds.

The primary expenditures of the OASI and DI Trust Funds are for (1) OASDI benefit payments, net of any reimbursements from the general fund of the Treasury for unnegotiated benefit checks, and (2) expenses incurred by the Department of Health and Human Services and by the Department of the Treasury in administering the OASDI program and the provisions of the Internal Revenue Code relating to the collection of contributions. Such administrative expenses include expenditures for construction, rental and lease, or purchase of office buildings and related facilities for the Social Security Administration. The Social Security Act does not permit expenditures from the OASI and DI Trust Funds for any purpose not related to the payment of benefits or administrative costs for the OASDI program.

The expenditures of the trust funds are also affected by (1) costs of vocational rehabilitation services furnished as an additional benefit to disabled persons receiving cash benefits because of their disabil-

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ities where such services contributed to their successful rehabilitation, and (2) the provisions of the Railroad Retirement Act which provide for a system of coordination and financial interchange between the Railroad Retirement program and the Social Security program. Under the latter provisions, transfers between the Railroad Retirement program's Social Security Equivalent Benefit Account and the trust funds are made on an annual basis in order to place each trust fund in the same position in which it would have been if railroad employment had always been covered under Social Security.

The net worth of facilities and other fixed capital assets is not carried in the statements of the operations of the trust funds presented in this report. This is because the value of fixed capital assets does not represent funds available for the payment of benefits or administrative expenditures, and therefore is not considered in assessing the actuarial status of the trust funds.

**C. SUMMARY OF THE OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, FISCAL YEAR 1993**

**1. 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 1993, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table II.C1.

During fiscal year 1993, total receipts amounted to \$319.3 billion, and total disbursements were \$269.9 billion. The assets of the OASI Trust Fund thus increased by \$49.4 billion during the year, to a total of \$355.6 billion on September 30, 1993.

Included in total receipts during fiscal year 1993 were \$287.7 billion in payroll tax contributions appropriated to the fund. Another \$0.3 billion was received from the general fund of the Treasury representing payment for the taxes that would have been paid on estimated deemed wage credits for military service in 1993 if such credits had been considered to be covered wages. (Included in this payment are adjustments for revised estimates of deemed wage credits in prior years.) As an offset to gross contributions, \$0.5 billion was transferred from the trust fund to the general fund of 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 contribution and benefit base.

Net payroll tax contributions thus amounted to \$287.6 billion, an increase of 3.3 percent over the amount in the preceding fiscal year. This level of growth in contribution income resulted primarily from the effects of increased earnings and the increases in the contribution and benefit base that became effective on January 1 of each year 1992 and 1993. (Table II.B1 in the preceding section shows the tax rates and contribution and benefit bases in effect for these years.)

Income from the taxation of benefits amounted to \$5.9 billion, of which nearly 99 percent represented amounts credited to the trust fund in advance, on an estimated basis, together with adjustments to 1990 transfers to account for actual experience. The remaining



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1 percent of the total income from taxation of benefits represented amounts withheld from the benefits paid to non-resident aliens.

Special payments are made to uninsured persons who either 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 year of attainment of age 72. The costs associated with providing such payments to persons having fewer than 3 quarters of coverage are reimbursable from the general fund of the Treasury. Accordingly, a reimbursement of \$14,142,000 was transferred to the OASI Trust Fund in fiscal year 1993, as required by section 228 of the Social Security Act. The reimbursement reflected the costs of payments made in fiscal year 1991.

The OASI Trust Fund was credited with interest totaling \$25.8 billion which consisted of interest earned on the investments of the trust fund, plus interest on transfers between the trust fund and the general fund account for the Supplemental Security Income program due to adjustments in the allocation of administrative expenses.

The remaining \$367,925 of receipts consisted of gifts received under the provisions authorizing the deposit of money gifts or bequests in the trust funds.

Of the \$269.9 billion in total disbursements, \$264.6 billion was for net benefit payments. The amount of net benefit payments in fiscal year 1993 represents an increase of 5.3 percent over the corresponding amount in fiscal year 1992. This increase was due primarily to (1) the automatic cost-of-living benefit increases of 3.7 percent and 3.0 percent which became effective for December 1991 and December 1992 respectively, under the automatic-adjustment provisions in section 215(i) of the Social Security Act, (2) an increase in the total number of beneficiaries, and (3) an increase in the average benefit amount resulting from the rising level of earnings.

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**TABLE II.C1.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND  
DURING FISCAL YEAR 1993**

[In thousands]

Total assets, September 30, 1992 .....		<u>\$306,279,759</u>
Receipts:		
Contributions:		
Employment taxes .....	\$287,728,615	
Payments from general fund of the Treasury representing employee-employer contributions on deemed wage cred- its for military service .....	306,567	
Gross contributions .....	<u>288,035,182</u>	
Less payment to the general fund of the Treasury for con- tributions subject to refund .....	466,340	
Net contributions .....		287,568,842
Income from taxation of benefit payments:		
Withheld from benefit payments to non-resident aliens ...	78,077	
All other, not subject to withholding .....	<u>5,815,000</u>	
Total income from taxation of benefits .....		5,893,077
Reimbursement from general fund of the Treasury for costs of payments to uninsured persons who attained age 72 before 1968 .....		14,142
Investment income and interest adjustments:		
Interest on investments .....	25,821,521	
Interest on transfers to the general fund account for the Supplemental Security Income program due to adjustment in allocation of administrative expenses .....	266	
Total investment income and interest adjustments .....		25,821,787
Gifts .....		368
Total receipts .....		<u>319,298,215</u>
Disbursements:		
Benefit payments:		
Gross benefit payments .....	265,371,028	
Less collected overpayments .....	761,083	
Less reimbursement from general fund for unnegotiated checks .....	49,248	
Net benefit payments .....		264,560,697
Transfer to the Railroad Retirement "Social Security Equivalent Benefit Account" .....		3,352,533
Administrative expenses:		
Department of Health and Human Services .....	1,743,505	
Department of the Treasury .....	282,720	
Gross administrative expenses .....	<u>2,026,225</u>	
Less reimbursements from general fund of the Treasury for costs of furnishing information on deferred vested pension benefits .....	894	
Less receipts from sales of supplies, materials, etc. ....	<u>4,505</u>	
Net administrative expenses .....		2,020,826
Total disbursements .....		<u>269,934,056</u>
Net increase in assets .....		<u>49,364,159</u>
Total assets, September 30, 1993 .....		<u>355,643,918</u>

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

As described in the preceding section, certain provisions of the Railroad Retirement Act coordinate the Railroad Retirement and OASDI programs and govern the financial interchanges arising from the allocation of costs between the two programs. Under those provisions, the Railroad Retirement Board and the Secretary of Health and

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Human Services determined that a transfer of \$3.4 billion to the Social Security Equivalent Benefit Account from the OASI Trust Fund was required in June 1993.

The remaining \$2.0 billion of disbursements from the OASI Trust Fund represented net administrative expenses. The expenses of administering the OASDI and Medicare programs are allocated and charged directly to each of the various trust funds, through which those programs are financed, 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 for prior periods are effected by interfund transfers and transfers between the OASI Trust Fund and the general fund account for the Supplemental Security Income program, with appropriate interest adjustments.

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 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 (Public Law 93-406). The reimbursement in fiscal year 1993 amounted to \$894,102.

The assets of the OASI Trust Fund at the end of fiscal year 1993 totaled \$355.6 billion, consisting of \$355.5 billion in U.S. Government obligations and an undisbursed balance amounting to \$0.1 billion. Table II.C2 shows the total assets of the fund and their distribution at the end of each fiscal year 1992 and 1993.

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**TABLE II.C2.—ASSETS OF THE OASI TRUST FUND, BY TYPE, INTEREST RATE, AND YEAR OF MATURITY, AT END OF FISCAL YEAR, 1992 AND 1993**

	September 30, 1992	September 30, 1993
Obligations sold only to the trust funds (special issues):		
Certificates of indebtedness:		
5.625 percent, 1994 .....	—	\$19,111,890,000.00
5.875 percent, 1994 .....	—	1,929,868,000.00
6.625 percent, 1993 .....	\$15,355,491,000.00	—
6.750 percent, 1993 .....	\$2,562,614,000.00	—
Bonds:		
6.250 percent, 1995-2006 .....	—	37,811,700,000.00
6.250 percent, 2007 .....	—	3,150,974,000.00
6.250 percent, 2008 .....	—	23,350,034,000.00
7.375 percent, 1994 .....	3,575,473,000.00	—
7.375 percent, 1995-2000 .....	21,452,838,000.00	21,452,838,000.00
7.375 percent, 2001-06 .....	21,452,844,000.00	21,452,844,000.00
7.375 percent, 2007 .....	20,199,060,000.00	20,199,060,000.00
8.125 percent, 1994 .....	3,611,348,000.00	—
8.125 percent, 1995-2000 .....	21,668,094,000.00	21,668,094,000.00
8.125 percent, 2001-05 .....	18,056,740,000.00	18,056,740,000.00
8.125 percent, 2006 .....	16,623,586,000.00	16,623,586,000.00
8.375 percent, 1994 .....	313,295,000.00	—
8.375 percent, 1995-2000 .....	1,879,770,000.00	1,879,770,000.00
8.375 percent, 2001 .....	2,370,396,000.00	2,370,396,000.00
8.625 percent, 1994 .....	1,301,731,000.00	—
8.625 percent, 1995-2001 .....	9,112,117,000.00	9,112,117,000.00
8.625 percent, 2002 .....	3,672,127,000.00	3,672,127,000.00
8.75 percent, 1993 .....	1,521,662,000.00	—
8.75 percent, 1994 .....	7,099,803,000.00	3,270,042,000.00
8.75 percent, 1995-2000 .....	42,598,812,000.00	42,598,812,000.00
8.75 percent, 2001-03 .....	21,299,409,000.00	21,299,409,000.00
8.75 percent, 2004-05 .....	26,024,476,000.00	26,024,476,000.00
9.25 percent, 1993 .....	2,240,309,000.00	—
9.25 percent, 1994-2000 .....	15,682,163,000.00	15,682,163,000.00
9.25 percent, 2001-02 .....	4,480,616,000.00	4,480,616,000.00
9.25 percent, 2003 .....	5,912,435,000.00	5,912,435,000.00
10.375 percent, 1993 .....	565,186,000.00	—
10.375 percent, 1994-99 .....	3,391,116,000.00	3,391,116,000.00
10.375 percent, 2000 .....	2,057,101,000.00	2,057,101,000.00
10.750 percent, 1993 .....	1,022,231,000.00	—
10.750 percent, 1994-96 .....	3,066,693,000.00	3,066,693,000.00
10.750 percent, 1997-98 .....	2,044,460,000.00	2,044,460,000.00
13.750 percent, 1993 .....	469,684,000.00	—
13.750 percent, 1994-96 .....	1,409,052,000.00	1,409,052,000.00
13.750 percent, 1997-98 .....	939,370,000.00	939,370,000.00
13.750 percent, 1999 .....	1,491,915,000.00	1,491,915,000.00
Total investments .....	306,524,017,000.00	355,509,698,000.00
Undisbursed balances <sup>1</sup> .....	-244,258,486.83	134,219,942.72
<b>Total assets .....</b>	<b>306,279,758,513.17</b>	<b>355,643,917,942.72</b>

<sup>1</sup> Negative figure represented extension of credit against securities to be redeemed within the following few days.

Note: Special issues are always purchased at par value. Therefore, book value and par value are the same for each special issue, and the common value is shown above. Where the maturity years are grouped, the amount maturing in each year is the amount shown divided by the number of years.

All securities held by the trust funds are backed by the full faith and credit of the United States Government. Those currently held by the OASI Trust Fund are special issues (i.e., securities sold only to the trust funds). These are of two types: short-term certificates of indebtedness and long-term bonds. The certificates of indebtedness are issued through the investment of receipts not required to meet cur-

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rent expenditures, and they mature on the next June 30 following the date of issue. Special-issue bonds, on the other hand, are normally acquired only when special issues of either type mature on June 30. The amount of bonds acquired on June 30 is equal to the amount of special issues maturing, less amounts required to meet expenditures on that day.

The effective annual rate of interest earned by the assets of the OASI Trust Fund during calendar year 1993 was 8.3 percent, as compared to 8.7 percent earned during calendar year 1992. The interest rate on special issues purchased by the trust fund in June 1993 was 6.25 percent, payable semiannually. Special-issue bonds with a total par value of \$67.5 billion were purchased in June 1993.

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 usual practice in the past has been to spread the holdings of special issues, as of each June 30, so that the amounts maturing in each of the next 15 years are approximately equal. Accordingly, the amounts and maturity dates of the special-issue bonds purchased on June 30, 1993, were selected in such a way that the maturity dates of the total portfolio of special issues were spread evenly over the 15-year period 1994-2008.

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### **2. Disability Insurance Trust Fund**

A statement of the income and disbursements of the Federal Disability Insurance Trust Fund during fiscal year 1993, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table II.C3.

During fiscal year 1993, total receipts amounted to \$32.1 billion, and total disbursements were \$34.6 billion. The assets of the trust fund thus decreased by \$2.6 billion during the year, to a total of \$10.3 billion on September 30, 1993.

Included in total receipts were \$30.8 billion representing payroll tax contributions appropriated to the fund and \$32,963,000 in payments from the general fund of the Treasury representing taxes that would have been paid on estimated deemed wage credits for military service in 1993 if such credits had been considered to be covered wages. As an offset, \$51,340,000 was transferred from the trust fund to the general fund of 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 contribution and benefit base.

Net contributions amounted to \$30.8 billion, an increase of 3.2 percent from the amount in the preceding fiscal year. This increase is primarily attributable to the same factors, insofar as they apply to the DI program, that accounted for the change in contributions to the OASI Trust Fund. Income from the taxation of benefit payments amounted to \$0.3 billion in fiscal year 1993.

Interest on investments totaled \$1.0 billion. There were no interest adjustments for the fund in fiscal year 1993.

Of the \$34.6 billion in total disbursements, \$33.6 billion was for net benefit payments. This represents an increase of 10.6 percent over the corresponding amount of benefit payments in fiscal year 1992. This increase is due in part to the same factors that resulted in the net increase in benefit payments from the OASI Trust Fund. In the case of DI, however, the number of persons receiving disabled worker benefits continued to increase very rapidly in 1993 (and would have

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grown even faster had there been no delay in processing new cases). Section II.F1. presents a more detailed discussion of this rapid growth.

**TABLE II.C3.—STATEMENT OF OPERATIONS OF THE DI TRUST FUND  
DURING FISCAL YEAR 1993**

[In thousands]

Total assets, September 30, 1992 .....		<u>\$12,881,111</u>
Receipts:		
Contributions:		
Employment taxes .....	\$30,840,632	
Payments from general fund of the Treasury representing employee-employer contributions on deemed wage credits for military service .....	32,963	
Gross contributions .....	<u>30,873,595</u>	
Less payment to the general fund of the Treasury for contributions subject to refund .....	51,340	
Net contributions .....		30,822,255
Income from taxation of benefit payments:		
Withheld from benefit payments to non-resident aliens .....	3,903	
All other, not subject to withholding .....	<u>264,000</u>	
Total income from taxation of benefits .....		267,903
Investment income .....		<u>966,069</u>
Total receipts .....		<u>32,056,227</u>
Disbursements:		
Benefit payments:		
Gross benefit payments .....	33,725,799	
Less collected overpayments .....	131,586	
Less net reimbursement from general fund for unnegotiated checks .....	<u>12,869</u>	
Net benefit payments .....		33,581,343
Transfer to the Railroad Retirement "Social Security Equivalent Benefit Account" .....		82,833
Payment for costs of vocational rehabilitation services for disabled beneficiaries .....		33,486
Administrative expenses:		
Department of Health and Human Services .....	894,155	
Department of the Treasury .....	38,281	
Demonstration projects and experiments .....	<u>4,095</u>	
Gross administrative expenses .....	936,531	
Less receipts from sales of supplies, materials, etc. ....	<u>1,973</u>	
Net administrative expenses .....		934,558
Total disbursements .....		<u>34,632,220</u>
Net increase in assets .....		<u>-2,575,994</u>
Total assets, September 30, 1993 .....		<u>10,305,117</u>

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

Provisions governing the financial interchanges between the Railroad Retirement and OASDI programs are described in the preceding section. Under those provisions, \$82,833,000 was transferred to the Social Security Equivalent Benefit Account from the DI Trust Fund in June 1993.

The remaining disbursements amounted to \$0.9 billion for net ad-

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ministrative expenses (including \$4,094,515 for demonstration projects and experiments to test the effect of alternative methods for assisting disabled beneficiaries' attempts to work), and \$33,486,119 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. Reimbursement from the trust funds for the costs of such services is made only in those cases where the services contributed to the successful rehabilitation of the beneficiaries.

The assets of the DI Trust Fund at the end of fiscal year 1993 totaled \$10.3 billion, consisting of \$10.2 billion in U.S. Government obligations and an undisbursed balance amounting to \$68,649,891. Table II.C4 shows the total assets of the fund and their distribution at the end of each fiscal year 1992 and 1993.

The effective annual rate of interest earned by the assets of the DI Trust Fund during calendar year 1993 was 8.6 percent, as compared to 8.9 percent earned during calendar 1992. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1993 was 6.25 percent, payable semiannually. Special-issue bonds with a total par value of \$2.5 billion were purchased in June 1993. In compliance with the legal requirement to fix maturities with due regard for the needs of the funds, the usual practice of spreading the holdings of special issues, as described earlier, was not followed. Because the amount of bonds purchased was less than one month's benefit payments and the fund was expected to decline for the remainder of 1993, the bonds were purchased with a one-year maturity and were redeemed by early August 1993.<sup>1</sup>

The investment policies and practices described for the OASI Trust Fund apply as well to the investment of the assets of the DI Trust Fund.

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<sup>1</sup> By law, the interest rate payable on new special-issue bonds is established using a formula that is independent of the maturity dates of the bonds. Thus, the purchase of one-year securities rather than a mix of one- to fifteen-year securities did not have any effect on the interest rates payable on these bonds. As noted, all carried a rate of 6.25 percent, the same rate payable on the longer-term securities purchased for the OASI Trust Fund.



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**TABLE II.C4.—ASSETS OF THE DI TRUST FUND, BY TYPE, INTEREST RATE, AND YEAR OF MATURITY, AT END OF FISCAL YEAR, 1992 AND 1993**

	September 30, 1992	September 30, 1993
<b>Investments in public-debt obligations:</b>		
Public issues:		
Treasury bonds:		
3.5 percent 1998 .....	\$5,000,000.00	\$5,000,000.00
4.125 percent, 1989-94 .....	68,400,000.00	—
7.625 percent, 2002-07 .....	10,000,000.00	10,000,000.00
8 percent, 1996-2001 .....	26,000,000.00	26,000,000.00
8.25 percent, 2000-05 .....	3,750,000.00	3,750,000.00
11.75 percent, 2005-10 .....	30,250,000.00	30,250,000.00
Total investments in public issues at par value, as shown above .....	143,400,000.00	75,000,000.00
Unamortized premium or discount, net .....	-371,924.42	-332,669.47
Total investments in public issues at book value .....	143,028,075.58	74,667,330.53
<b>Obligations sold only to the trust funds (special issues):</b>		
Certificates of indebtedness:		
5.625 percent, 1994 .....	—	1,597,501,000.00
6.625 percent, 1993 .....	1,500,689,000.00	—
Bonds:		
7.375 percent, 1996-98 .....	142,800,000.00	—
7.375 percent, 1999-2006 .....	380,808,000.00	380,808,000.00
7.375 percent, 2007 .....	916,460,000.00	916,460,000.00
8.125 percent, 1996-98 .....	450,483,000.00	—
8.125 percent, 1999-2000 .....	300,320,000.00	300,320,000.00
8.125 percent, 2001-05 .....	750,805,000.00	750,805,000.00
8.125 percent, 2006 .....	868,859,000.00	868,859,000.00
8.375 percent, 1996-98 .....	605,301,000.00	—
8.375 percent, 1999-2000 .....	403,534,000.00	403,534,000.00
8.375 percent, 2001 .....	591,226,000.00	591,226,000.00
8.75 percent, 1996-98 .....	382,419,000.00	—
8.75 percent, 1999-2000 .....	254,946,000.00	254,946,000.00
8.75 percent, 2001 .....	127,472,000.00	127,472,000.00
8.75 percent, 2002-05 .....	2,874,792,000.00	2,874,792,000.00
9.75 percent, 1995 .....	276,263,000.00	—
10.375 percent, 1996-97 .....	203,008,000.00	—
10.375 percent, 1998 .....	101,504,000.00	28,204,000.00
10.375 percent, 1999 .....	152,904,000.00	152,904,000.00
10.375 percent, 2000 .....	389,459,000.00	389,459,000.00
10.75 percent 1996-97 .....	575,910,000.00	—
10.75 percent 1998 .....	287,955,000.00	287,955,000.00
13.75 percent, 1999 .....	236,555,000.00	236,555,000.00
Total obligations sold only to the trust funds (special issues) .....	12,774,472,000.00	10,161,800,000.00
Total investments in public-debt obligations (book value <sup>1</sup> ) .....	12,917,500,075.58	10,236,467,330.53
Undisbursed balances <sup>2</sup> .....	-36,389,147.24	68,649,891.20
Total assets (book value <sup>1</sup> ) .....	12,881,110,928.34	10,305,117,221.73

<sup>1</sup>Par value, plus unamortized premium or less discount outstanding.

<sup>2</sup>Negative figure represented extension of credit against securities to be redeemed within the following few days.

Note: Special issues are always purchased at par value. Therefore, book value and par value are the same for each special issue, and the common value is shown above. Where the maturity years are grouped for special issues, the amount maturing in each year is the amount shown divided by the number of years.

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### 3. Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Combined

A statement of the operations of the income and disbursements of the OASI and DI Trust Funds, on a combined basis, is presented in table II.C5. The entries in this table represent the sums of the corresponding values from tables II.C1 and II.C3. For a discussion of the nature of these income and expenditure transactions, reference should be made to the preceding two subsections covering OASI and DI separately.

**TABLE II.C5.—STATEMENT OF OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING FISCAL YEAR 1993**

[In thousands]

Total assets, September 30, 1992 .....		<u>\$319,160,869</u>
Receipts:		
Contributions:		
Employment taxes .....	\$318,569,246	
Payments from general fund of the Treasury representing employee-employer contributions on deemed wage credits for military service .....	339,530	
Gross contributions .....	<u>318,908,776</u>	
Less payment to the general fund of the Treasury for contributions subject to refund .....	517,680	
Net contributions .....		318,391,096
Income from taxation of benefit payments:		
Withheld from benefit payments to non-resident aliens ...	81,980	
All other, not subject to withholding .....	<u>6,079,000</u>	
Total income from taxation of benefits .....		6,160,980
Reimbursement from general fund of the Treasury for costs of payments to uninsured persons who attained age 72 before 1968 .....		14,142
Investment income and interest adjustments:		
Interest on investments .....	26,787,590	
Interest on transfers to the general fund account for the Supplemental Security Income program due to adjustment in allocation of administrative expenses .....	<u>266</u>	
Total investment income and interest adjustments .....		26,787,856
Gifts .....		368
Total receipts .....		<u>351,354,442</u>

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**TABLE II.C5.—STATEMENT OF OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING FISCAL YEAR 1993 (Cont'd)**

[In thousands]

Disbursements:	
Benefit payments:	
Gross benefit payments .....	\$299,096,827
Less collected overpayments .....	892,669
Less reimbursement from general fund for unnegotiated checks .....	62,117
Net benefit payments .....	\$298,142,040
Transfer to the Railroad Retirement "Social Security Equivalent Benefit Account" .....	3,435,366
Payment for costs of vocational rehabilitation services for disabled beneficiaries .....	33,486
Administrative expenses:	
Department of Health and Human Services .....	2,637,660
Department of the Treasury .....	321,001
Disability demonstration projects and experiments .....	4,095
Gross administrative expenses .....	2,962,755
Less reimbursements from general fund of the Treasury for costs of furnishing information on deferred vested pension benefits .....	894
Less receipts from sales of supplies, materials, etc. ....	6,478
Net administrative expenses .....	2,955,384
Total disbursements .....	304,566,276
Net increase in assets .....	46,788,166
Total assets, September 30, 1993 .....	365,949,035

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

Table II.C6 compares past estimates of contributions and benefit payments for fiscal year 1993, as shown in the 1989-93 Annual Reports, with the corresponding actual amounts in 1993. The estimates shown are the ones based on the alternative II-B set of assumptions from the 1989-90 reports and the alternative II assumptions for the more recent reports.

A number of factors can contribute to differences between estimates and subsequent actual amounts, including actual values for key economic, demographic, and other variables that differ from assumed levels. In addition, amendments to the Social Security Act can cause actual taxes or benefits to vary from earlier estimates. The comparisons in table II.C6 indicate that actual OASI and DI tax contributions in fiscal year 1993 were significantly lower, generally, than prior estimates (due primarily to the recession that began late in 1990). Estimates of OASI benefit payments were generally close to actual payments in 1993. The actual amount of DI benefit payments in 1993, however, was significantly above prior estimates, due to faster-than-expected growth in the number of disabled workers.

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**TABLE II.C6.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, FISCAL YEAR 1993**

[Amounts in millions]

	Net contributions <sup>1</sup>		Benefit payments <sup>2</sup>	
	Amount	Variance from actual (percent)	Amount	Variance from actual (percent)
<b>OASI Trust Fund:</b>				
Estimate in 1989 report .....	\$320,191	11.3	\$266,342	0.7
Estimate in 1990 report .....	317,002	10.2	266,473	.7
Estimate in 1991 report .....	305,733	6.3	268,443	1.5
Estimate in 1992 report .....	293,724	2.1	264,658	(3)
Estimate in 1993 report .....	287,566	(3)	264,843	.1
Actual amount .....	287,569	—	264,561	—
<b>DI Trust Fund:</b>				
Estimate in 1989 report .....	34,299	11.3	29,126	-13.4
Estimate in 1990 report .....	33,953	10.2	29,496	-12.3
Estimate in 1991 report .....	32,918	6.8	30,805	-8.4
Estimate in 1992 report .....	31,467	2.1	32,219	-4.2
Estimate in 1993 report .....	30,818	(3)	33,361	-8
Actual amount .....	30,822	—	33,615	—
<b>OASI and DI Trust Funds, combined:</b>				
Estimate in 1989 report .....	354,490	11.3	295,469	-0.9
Estimate in 1990 report .....	350,955	10.2	295,968	-.7
Estimate in 1991 report .....	338,652	6.4	299,248	.4
Estimate in 1992 report .....	325,191	2.1	296,877	-.4
Estimate in 1993 report .....	318,384	(3)	298,204	(3)
Actual amount .....	318,391	—	298,176	—

<sup>1</sup>"Actual" contributions for 1993 reflect adjustments for prior fiscal years (see preceding section for description of these adjustments). "Estimated" contributions also include such adjustments, but on an estimated basis.

<sup>2</sup>Includes payments, if any, for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities.

<sup>3</sup>Between -0.05 percent and 0.05 percent.

At the end of fiscal year 1993, about 42.1 million persons were receiving monthly benefits under the OASDI program. Of these persons, about 36.9 million and 5.2 million were receiving monthly benefits from the OASI Trust Fund and the DI Trust Fund, respectively. The number of persons receiving benefits from the OASI and DI Trust Funds grew by 1.2 percent and 7.4 percent, respectively, during the fiscal year. The estimated distribution of benefit payments in fiscal years 1992 and 1993, by type of beneficiary, is shown in table II.C7 for each trust fund separately.

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**TABLE II.C7.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE OASI AND DI TRUST FUNDS, BY TYPE OF BENEFICIARY OR PAYMENT, FISCAL YEARS 1992 AND 1993**

[Amounts in millions]

	Fiscal year 1992		Fiscal year 1993	
	Amount	Percentage of total	Amount	Percentage of total
Total OASDI benefit payments .....	\$281,618	100.0	\$298,142	100.0
OASI benefit payments .....	251,268	89.2	264,561	88.7
DI benefit payments .....	30,350	10.8	33,581	11.3
OASI benefit payments, total .....	251,268	100.0	264,561	100.0
Monthly benefits:				
Retired workers and auxiliaries .....	193,854	77.2	203,920	77.1
Retired workers .....	176,782	70.4	186,146	70.4
Wives and husbands .....	15,602	6.2	16,228	6.1
Children .....	1,470	.6	1,545	.6
Survivors of deceased workers .....	57,199	22.8	60,425	22.8
Aged widows and widowers .....	45,669	18.2	48,279	18.2
Disabled widows and widowers ..	657	.3	788	.3
Parents .....	37	(1)	36	(1)
Children .....	9,320	3.7	9,785	3.7
Widowed mothers and fathers caring for child beneficiaries .....	1,515	.6	1,537	.6
Uninsured persons generally aged 72 before 1968 .....	9	(1)	7	(1)
Lump-sum death payments .....	206	.1	210	.1
DI benefit payments, total .....	30,350	100.0	33,581	100.0
Disabled workers .....	27,186	89.6	30,022	89.4
Wives and husbands .....	569	1.9	569	1.7
Children .....	2,594	8.5	2,989	8.9

<sup>1</sup> Less than 0.05 percent.

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

Net administrative expenses charged to the OASI and DI Trust Funds in fiscal year 1993 totaled \$3.0 billion. This amount represented 0.9 percent of contribution income and 1.0 percent of expenditures for benefit payments. Corresponding percentages for each trust fund separately and for the OASDI program as a whole are shown in table II.C8 for each of the last 5 years.

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**TABLE II.C8.—NET ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF CONTRIBUTION INCOME AND OF BENEFIT PAYMENTS, BY TRUST FUND, FISCAL YEARS 1989-93**

Fiscal year	OASI Trust Fund		DI Trust Fund		OASI and DI Trust Funds, combined	
	Contribution income	Benefit payments	Contribution income	Benefit payments	Contribution income	Benefit payments
1989.....	0.7	0.8	3.2	3.3	0.9	1.1
1990.....	.6	.7	2.6	3.0	.8	.9
1991.....	.6	.7	2.7	2.9	.8	1.0
1992.....	.7	.7	2.8	2.8	.9	.9
1993.....	.7	.8	3.0	2.8	.9	1.0

Tables II.C2 and II.C4, presented in the two preceding subsections, showed the assets of the OASI and DI Trust Funds at the end of fiscal years 1992 and 1993. The changes in the invested assets of the funds between those two dates are a result of the acquisition and disposition of securities during fiscal year 1993. Table II.C9 presents these investment transactions for each trust fund separately and combined. All amounts shown in the table are at par value.

**TABLE II.C9.—INVESTMENT TRANSACTIONS OF THE OASI AND DI TRUST FUNDS IN FISCAL YEAR 1993**

[In thousands]

	OASI Trust Fund	DI Trust Fund	OASI and DI Trust Funds, combined
Invested assets, September 30, 1992 .....	\$306,524,017	\$12,917,872	\$319,441,889
Acquisitions:			
Special issues:			
Certificates of indebtedness .....	296,009,483	31,396,958	327,406,441
Bonds .....	67,463,683	2,548,087	70,011,770
Public issues:			
Treasury bonds .....	—	—	—
Total acquisitions .....	363,473,166	33,945,045	397,418,211
Dispositions:			
Special issues:			
Certificates of indebtedness .....	292,885,830	31,300,146	324,185,976
Bonds .....	21,601,655	5,257,571	26,859,226
Public issues:			
Treasury bonds .....	—	68,400	68,400
Total dispositions .....	314,487,485	36,626,117	351,113,602
Net increase in invested assets .....	48,985,681	-2,681,072	46,304,609
Invested assets, September 30, 1993 .....	355,509,698	10,236,800	365,746,498

Note: All investments are shown at par value.