

1985 ANNUAL REPORT OF THE BOARD OF TRUSTEES
OF THE FEDERAL OLD-AGE AND SURVIVORS IN-
SURANCE AND DISABILITY INSURANCE TRUST
FUNDS

COMMUNICATION 0941

FROM

THE BOARD OF TRUSTEES, FEDERAL OLD-
AGE AND SURVIVORS INSURANCE AND
DISABILITY INSURANCE TRUST FUNDS

TRANSMITTING

THE 1985 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND
AND THE FEDERAL DISABILITY INSURANCE TRUST FUND, PUR-
SUANT TO SSA, SECS. 201(c)(2), 1817(b)(2), AND 1841(b)(2)



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**1985 ANNUAL REPORT OF
THE BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS
INSURANCE
AND DISABILITY INSURANCE TRUST FUNDS**

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**THE BOARD OF TRUSTEES, FEDERAL
OLD-AGE AND SURVIVORS
INSURANCE
AND DISABILITY INSURANCE TRUST
FUNDS**

TRANSMITTING

**THE 1985 ANNUAL REPORT OF THE BOARD,
PURSUANT TO
SECTION 201(c)(2) OF THE SOCIAL SECURITY ACT,
AS AMENDED**

LETTER OF TRANSMITTAL

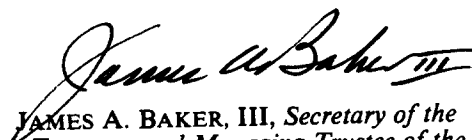
BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST FUNDS,
Washington, D.C., March 28, 1985


HONORABLE THOMAS P. O'NEILL, JR.
Speaker of the House of Representatives
Washington, D.C.

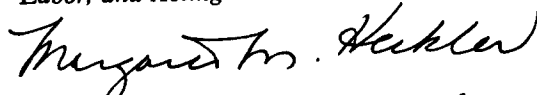
HONORABLE GEORGE BUSH
President of the Senate
Washington, D.C.

GENTLEMEN: We have the honor of transmitting to you the 1985 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (the 45th such report), in compliance with the provisions of section 201(c)(2) of the Social Security Act.

Respectfully,

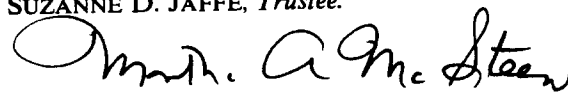

JAMES A. BAKER, III, *Secretary of the
Treasury, and Managing Trustee of the
Trust Funds.*


FORD B. FORD, *Under Secretary of
Labor, and Acting Trustee.*


MARGARET M. HECKLER, *Secretary of
Health and Human Services, and Trustee.*


MARY F. FULLER, *Trustee.*


SUZANNE D. JAFFE, *Trustee.*


MARTHA A. MCSTEEN, *Acting
Commissioner of Social Security, and
Secretary, Board of Trustees.*

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1985 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS

I. THE BOARD OF TRUSTEES

The Federal Old-Age and Survivors Insurance Trust Fund, established on January 1, 1940, and the Federal Disability Insurance Trust Fund, established on August 1, 1956, are held by the Board of Trustees under the authority of section 201(c) of the Social Security Act. The Board has five members, three of whom serve in an ex officio capacity—the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health and Human Services. The Social Security Amendments of 1983 (Public Law 98-21) provided for the addition of two public members to the Board of Trustees. The President nominated Mary F. Fuller and Suzanne D. Jaffe to be the two new members; they were confirmed by the Senate on September 28, 1984, and will serve terms of 4 years.

By law, the Secretary of the Treasury is designated as the Managing Trustee, and the Commissioner of Social Security is designated as the Secretary of the Board. The Board of Trustees reports to the Congress each year on the operations and status of the trust funds, in compliance with section 201(c)(2) of the Social Security Act. This annual report, for 1985, is the 45th such report.

II. HIGHLIGHTS

This section summarizes the more important developments since the 1984 Annual Report was transmitted to the Congress on April 5, 1984, and describes the major features of this report.

Trust fund operations during fiscal year 1984

- (a) For the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds in fiscal year 1984, the combined income was \$178.5 billion, while the combined outgo was \$178.2 billion. Thus, the combined assets of the trust funds increased by \$0.3 billion during the fiscal year. For the OASI Trust Fund, separately, the income was \$160.7 billion, and the outgo was \$159.8 billion; thus, the fund increased by \$0.9 billion during the fiscal year. For the DI Trust Fund, income and outgo were \$17.7 billion and \$18.4 billion, respectively, resulting in a decrease of \$0.6 billion during the fiscal year.
- (b) At the end of September 1984, 36.3 million persons were receiving monthly benefits under the OASDI program. In calendar year 1984, an estimated 119 million workers had earnings on which contributions were payable and which were creditable toward benefits under the program.
- (c) The invested assets of the OASI and DI Trust Funds, combined, earned interest, excluding interest on advance tax transfers, amounting to \$2.6 billion during fiscal year 1984. The effective annual rate of interest earned by the combined assets of the trust funds, excluding advance tax transfers, during the 12 months ending June 30, 1984, was 11.0 percent. During the same period, the average interest rate on new securities purchased by the trust funds was 11.9 percent.
- (d) Administrative expenses for the OASDI program during fiscal year 1984 were \$2.2 billion, which is equal to 1.3 percent of benefit payments during the year.

Financial status of the trust funds

To illustrate the operations of the trust funds under a broad range of conditions, the financial projections in this report are based on four sets of economic and demographic assumptions. Two sets of assumptions—alternatives II-A and II-B—are designated “intermediate.” These intermediate sets share the same demographic assumptions, but differ with respect to economic assumptions; somewhat more robust growth in the economy is assumed for alternative II-A than for alternative II-B. One set of assumptions—alternative I—is designated as “optimistic,” and another—alternative III—is termed “pessimistic.” These sets of economic and demographic assumptions are so characterized depending on whether they have a favorable or unfavorable effect on the financial status of the trust funds, relative to the financial status based on the intermediate sets.

The estimates in this report indicate that the assets of the OASI and DI Trust Funds, on a combined basis, will be sufficient to permit the timely payment of OASDI benefits well into the next century, on the basis of all four sets of assumptions for which estimates are shown. For

the next 75 years, the OASDI program is estimated to be in close actuarial balance, based on intermediate economic and demographic assumptions. In the event of adverse experience, however, similar to that illustrated by the pessimistic assumptions in this report, the DI program could become unable to make timely benefit payments by the end of 1987. The current estimates for the DI program reflect the higher benefit costs associated with Administration initiatives concerning the continuing disability review process and the disability reforms that were enacted into law in October 1984. If financial problems like those resulting from the pessimistic assumptions were to become imminent in the short range, however, they could be prevented from occurring by a reallocation of contribution rates between OASI and DI. Such a change would not involve any increases in total OASDI taxes, nor any reductions in OASDI benefits.

The financial projections are described in detail for three time periods of particular interest—short range, medium range, and long range. The estimates for the various time periods can be summarized as follows:

- (a) Short range (1985-89)—On the basis of alternatives I, II-A, and II-B, the combined income of the OASI and DI Trust Funds is estimated to exceed expenditures in every year of the short-range projection period. The trust fund levels are estimated to be relatively low, however, as a percentage of program outgo, through 1987. Based on alternative III, relatively small declines in the combined assets of the OASI and DI Trust Funds, as a percentage of program outgo, are projected to occur through about 1987.

On the basis of all four alternative sets of assumptions, the estimated increases in the combined assets of the OASI and DI Trust Funds would be sufficient to require the repayment of amounts owed to the HI Trust Fund, as a result of interfund borrowing which occurred in 1982. These repayments would be made in accordance with procedures specified in the law.

- (b) Medium range (1985-2009)—On the basis of the four alternative sets of assumptions, average annual income of the OASDI program during the 25-year projection period is estimated to range from 12.58 to 12.66 percent of taxable payroll, while average costs range from 9.44 to 11.85 percent. Thus, the estimated medium-range actuarial balance is a surplus varying from 0.82 to 3.14 percent of taxable payroll.
- (c) Long range (1985-2059)—For the 75-year projection period, the estimated average annual income of the OASDI program ranges from 12.79 to 13.15 percent of taxable payroll, depending on the assumptions. The corresponding average cost ranges from 10.24 to 17.84 percent of taxable payroll. Thus, the estimated long-range actuarial balance varies from a surplus of 2.55 percent of taxable payroll, on the basis of alternative I, to a deficit of 4.69 percent of taxable payroll, on the basis of alternative III.

On the basis of alternative II-A, the estimated long-range actuarial balance is a surplus of 0.38 percent of taxable payroll. This surplus consists of average annual surpluses of 2.42 and 0.09

percent of taxable payroll for the first and second 25-year subperiods, respectively, and an average annual deficit of 1.38 percent for the third 25-year subperiod. On the basis of alternative II-B, the estimated long-range actuarial balance is a deficit of 0.41 percent of taxable payroll. This deficit consists of an average annual surplus of 2.00 percent of taxable payroll for the first 25-year subperiod, and average annual deficits of 0.78 and 2.46 percent for the second and third 25-year subperiods, respectively. Both the small average surplus based on alternative II-A and the small average deficit based on alternative II-B are within the range of "close actuarial balance," as defined in the section of this report entitled "Actuarial Estimates."

These 75-year estimates are subject to considerable uncertainty and should be interpreted as indications of how the trust funds would operate under present law if the assumed economic and demographic conditions were to occur, rather than as precise forecasts. Despite their inherent uncertainty, the long-range projections, with their patterns of surpluses and deficits for the various subperiods, provide a valuable picture of the long-range financial obligations of the Social Security program and information on how program costs would respond to changing conditions.

Developments since the last annual report

- (a) An automatic benefit increase of 3.5 percent became effective for December 1984. Effective for 1985, the contribution and benefit base was increased from \$37,800 to \$39,600. Also, the annual exempt amounts under the retirement earnings test were increased from \$5,160 to \$5,400, for beneficiaries under age 65, and from \$6,960 to \$7,320, for beneficiaries aged 65 through 69. (The retirement earnings test does not apply to beneficiaries aged 70 and over.) The amount of earnings required to be credited with a quarter of coverage was increased from \$390 for 1984 to \$410 for 1985. A copy of the notice announcing these changes is shown in Appendix C.
- (b) The first repayments of the amounts lent to the OASI Trust Fund in 1982, under the interfund borrowing provisions, were made on January 31, 1985. Of the \$5,081 million owed to the DI Trust Fund before the repayment occurred, \$2,540 million was repaid; of the \$12,437 million owed to the HI Trust Fund, \$1,824 million was repaid.

III. SOCIAL SECURITY AMENDMENTS SINCE THE 1984 REPORT

Since the 1984 Annual Report was transmitted to the Congress on April 5, 1984, several laws affecting the OASDI program have been enacted. The legislative changes having a significant effect on the financial status of the program are described below.

The Deficit Reduction Act of 1984 (Public Law 98-369, enacted into law on July 18, 1984) included several significant changes to the Hospital Insurance (HI) program, and a number of relatively minor changes to the OASDI program, including many technical corrections. The most significant changes to the OASDI program were as follows:

1. The law provides an exception to the provision, which was enacted in the Social Security Amendments of 1983 (Public Law 98-21, April 20, 1983), for mandatory Social Security coverage of nonprofit organizations, effective January 1, 1984. The new law allowed any church or qualified church-controlled organization which is opposed for religious reasons to payment of Social Security taxes to make an irrevocable election to have services performed by its employees excluded from the definition of employment, for Social Security purposes. Such election generally must have been made before October 31, 1984. The employees of an electing organization are deemed to be covered as self-employed persons, with some minor differences from the usual procedures applying to the self-employed.
2. Several provisions of the new law address situations involving Federal employees who are covered by the Social Security program under the provisions of the 1983 amendments. After 1983, Federal employees rehired after a break in service of 365 days or fewer will be excluded from Social Security coverage only if their prior Federal employment was not covered. In addition, previously noncovered Federal employees who return to Federal service after being employed by an international organization for more than 365 days will continue to be noncovered. Employees of the legislative branch who cease to be covered under the Civil Service Retirement (CSR) program after December 31, 1983, will generally be covered under Social Security. Finally, employees of certain quasi-governmental nonprofit organizations which are required by law to participate in the CSR program will generally not be required to participate in Social Security, unless they are hired after 1983.

The Social Security Disability Benefits Reform Act of 1984 (Public Law 98-460, enacted into law on October 9, 1984) changed some of the administrative procedures of the Disability Insurance program, especially those relating to the statutory requirement that the condition of disabled beneficiaries be reviewed periodically. (This requirement was first enacted in Public Law 96-265, June 9, 1980.) From a financial standpoint, the following changes are the most significant:

1. The new law establishes a medical-improvement standard for terminating disability benefits on the basis that the impairment is no longer disabling. In general, benefits may be terminated only if the individual is determined to be capable of engaging in

substantial gainful activity *and* (1) the beneficiary's medical condition has improved since the previous determination, or (2) the individual has benefited from advances in medical or vocational therapy or technology related to ability to work. The law also permits benefits to be terminated when the individual is actually engaging in substantial gainful activity, or when failure to cooperate or fraud are involved.

2. The temporary provision for continued payment of disability benefits while a termination decision is being appealed (first enacted in Public Law 97-455, January 12, 1983, and extended by Public Law 98-118, October 11, 1983) is further extended. Under the new law, beneficiaries who receive an initial termination decision before 1988 may request benefit continuation through the month preceding the month in which a decision is made by an administrative law judge, or June 1988, if earlier.
3. The law requires the implementation of new procedures for evaluating disability in cases involving mental impairments.
4. The law provides that, in determining whether a person's impairments are of sufficient medical severity to be the basis of a finding of eligibility for benefits, the combined effect of all the impairments must be considered, regardless of whether any one impairment, taken alone, would be considered sufficiently severe.

Public Law 98-604 (enacted into law on October 30, 1984) guaranteed that an automatic cost-of-living adjustment of OASDI benefits would be effective for December 1984, even if the applicable increase in the Consumer Price Index (CPI) were less than the 3.0-percent level required to trigger an increase under the permanent provisions of the Social Security Act. (This guarantee was not necessary at the time the law was signed, although it had earlier appeared to be needed; the applicable increase in the CPI was 3.5 percent.) The law also requires the Office of the Actuary, Social Security Administration, to study possible changes to the automatic-adjustment provisions.

Public Law 98-617 (enacted into law on November 8, 1984) made two changes to the public-pension offset, which reduces the OASDI benefits of certain spouses and widow(er)s who are eligible for both OASDI benefits and governmental pensions based on employment which was not covered by Social Security. The first change extends the two-thirds offset (which was first enacted in the 1983 amendments) to persons eligible for governmental pensions before July 1983. Previously, the OASDI benefit to such a person was offset by the entire pension amount. The second change allows certain Federal employees and retirees to qualify for the exceptions to the public-pension offset if they were not eligible to receive their Federal pension benefits until either December 1982 or July 1983 and they were otherwise eligible for such benefits in the prior month. (This change takes account of legislation enacted in 1981 which delayed eligibility for Federal pension benefits by 1 month.)

Details of these amendments can be found in documents prepared by and for the Congress. In certain cases, estimates of the financial effects of the new provisions can be found in these documents. The actuarial projections shown in this report reflect the effects of these amendments.

IV. NATURE 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 major sources of receipts of these two funds are (1) amounts appropriated to each of them under permanent authority on the basis of contributions paid by workers, their employers, and individuals with self-employment income, in work covered by the OASDI program, and (2) amounts deposited in each of them representing contributions paid by or on behalf of workers employed by State and local governments and by such employers with respect to wages covered by the program. All employees, and their employers, in covered employment are required to pay contributions with respect to their wages. Employees are required to pay contributions with respect to all cash tips, but employers are required to pay contributions on only that part of tip income deemed to be wages under the Federal minimum-wage law. All self-employed persons are required to pay contributions with respect to their covered net earnings from self-employment. In addition to making the required employer contributions on the earnings of covered Federal employees, the Federal Government also pays amounts equivalent to the 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 annual 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 covered earnings over his or her lifetime. In computing benefits for almost all persons who first become eligible to receive benefits in 1979 or later, the earnings in each year are indexed to take account of increases in average wage levels. The maximum amount of earnings on which contributions are payable in a year is also the maximum amount of earnings creditable for benefit-computation purposes in that year (the contribution and benefit base).

The contribution rates, or tax rates, applicable in each calendar year, and the allocation of the rates between the two trust funds, are shown in table 1. For 1986 and later, the rates shown are those scheduled in present law. The contribution and benefit bases are also shown in table 1. The bases for 1975-78 were determined under the automatic-adjustment provisions in section 230 of the Social Security Act. The bases for 1979-

81 were specified in the law, as amended in 1977. The bases for 1982-85 were again determined under the automatic-adjustment provisions, as will be the bases in 1986 and later.

TABLE 1.—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.....	3,800	1.500	1.500	—	—	—	—
1954.....	3,800	2.000	2.000	—	2.2500	2.2500	—
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.....	6,800	3.850	3.500	.350	5.8000	5.2750	.5250
1967.....	6,800	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	3.850	.550	6.3000	5.4750	.8250
1971.....	7,800	4.800	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
1981.....	29,700	5.350	4.700	.850	8.0000	7.0250	.9750
1982.....	32,400	5.400	4.575	.825	8.0500	6.8125	1.2375
1983.....	35,700	5.400	4.775	.825	8.0500	7.1125	.8375
1984 ¹	37,800	5.700	5.200	.500	11.4000	10.4000	1.0000
1985 ¹	39,800	5.700	5.200	.500	11.4000	10.4000	1.0000
Rates scheduled in present law:							
1986-87 ²	(¹)	5.700	5.200	.500	11.4000	10.4000	1.0000
1988-89 ¹	(¹)	6.060	5.530	.530	12.1200	11.0600	1.0600
1990-99.....	(¹)	6.200	5.800	.600	12.4000	11.2000	1.2000
2000 and later.....	(¹)	6.200	5.490	.710	12.4000	10.9800	1.4200

¹In 1984 only, an immediate tax credit of 0.3 percent of covered wages was allowed against the OASDI contributions paid by employees, resulting in an effective contribution rate of 5.4 percent (as compared to the employer rate of 5.7 percent). Similar credits of 2.7 percent, 2.3 percent, and 2.0 percent are allowed against the combined OASDI and HI contributions on net earnings from self-employment in 1984, 1985, and 1986-89, respectively.

²Subject to automatic adjustment.

All contributions are collected by the Internal Revenue Service and deposited in the general fund of the Treasury, except for amounts received under State agreements (to effectuate coverage under the program for State and local government employees), which are deposited directly in the trust funds. The deposits in the general fund are automatically appropriated to the trust funds on an estimated basis. The exact amount of contributions received is not known initially because contributions under the OASDI and HI programs and individual income taxes are not separately identified in collection reports received by the Department of the Treasury. 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.

Prior to May 1983, the contributions collected by the Internal Revenue Service were transferred to the trust funds immediately upon receipt. Beginning in May 1983, estimated total collections for each month are credited to the trust funds on the first day of the month. As the actual collections are received during the month, they are deposited in the general fund of the Treasury and remain there. The trust funds pay interest to the general fund to reimburse it for the interest costs attributable to these advance transfers.

In 1984 only, an immediate tax credit of 0.3 percent of covered wages was allowed against the OASDI contributions paid by employees, resulting in an effective contribution rate of 5.4 percent (as compared to the employer rate of 5.7 percent). The appropriations of contributions to the trust funds, however, were based on a 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 are allowed against the combined OASDI and HI contributions on net earnings from self-employment in 1984, 1985, and 1986-89, respectively. The appropriations of contributions to the trust funds, however, are based on the contribution rates, before adjustment for the credit, that apply in each year. After 1989, self-employed persons will be allowed a deduction, for purposes of Federal income taxes, equal to half of the combined OASDI and HI contributions payable, but this will not affect appropriations to the trust funds.

Beginning in 1984, a portion (not more than one-half) of OASDI benefits are subject to Federal income taxation under certain circumstances. The proceeds from this taxation of benefits are credited to the 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.

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, in interest-bearing obligations of the U.S. Government (including special public-debt obligations described below), in obligations guaranteed as to both principal and interest by the United States, or in 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.

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

The major 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 income and expenditures of the trust funds are also affected by 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 programs. Under these provisions, transfers between the Railroad Retirement 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.

Several other provisions in the Social Security Act also affect the income and expenditures of the trust funds. Income is affected by provisions for (1) transfers between the general fund of the Treasury and the OASI and DI Trust Funds for any adjustments to prior reimbursements 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 (the estimated future cost of such wage credits was paid in a lump sum on May 20, 1983, in accordance with section 151 of Public Law 98-21); (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. In addition to the payment of cash benefits and administrative expenses from the trust funds, expenditures are authorized for the costs of vocational rehabilitation services furnished as an additional benefit to disabled persons receiving cash benefits because of their disability where such services contributed to their successful rehabilitation.

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.

The Social Security Act authorizes borrowing among the OASI, DI, and HI Trust Funds when necessary "to best meet the need for financing the benefit payments" from the three funds. The timing and amounts of the loans are largely at the discretion of the Managing Trustee, although no loans can be made after 1987. Loans may not be made from a trust fund if its assets (excluding any amounts borrowed) represent less than 10 percent of its current annual rate of expenditures. The law also specifies that interest on borrowed amounts will be paid monthly at a rate "equal to the rate which the lending Trust Fund would earn on the amount involved if the loan were an investment."

In this report, the assets of a trust fund include any amounts owed to other trust funds. The assets of a trust fund to which amounts are owed do not include such amounts. This procedure is followed because borrowed amounts are available for the payment of benefits or other obligations of the borrowing fund, while such amounts are not readily available to the lending fund.

At the end of each year through 1988, if the combined assets of the OASI and DI Trust Funds exceed 15 percent of the estimated outgo in the next year, such excess over 15 percent must be used to repay any amounts owed to the HI Trust Fund. The same rule applies to loans from the OASI and DI Trust Funds to the HI Trust Fund, although no such loans are anticipated. In any case, all interfund loans must be completely repaid before 1990.

**V. SUMMARY OF THE OPERATIONS OF THE OLD-AGE AND
SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST
FUNDS, FISCAL YEAR 1984**

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 1984 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 2.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND
DURING FISCAL YEAR 1984
[In thousands]

Total assets ¹ , September 30, 1983.....		\$26,660,674
Receipts:		
Contributions:		
Appropriations:		
Employment taxes.....	\$137,543,798	
Tax credits.....	3,607,922	
Total appropriations.....	141,151,720	
Deposits arising from State agreements.....	14,915,803	
Payments from general fund of the Treasury representing employee- employer contributions on deemed wage credits for military service in 1984 and adjustments for service in prior years.....	782,000	
Gross contributions.....	156,849,523	
Less payment to the general fund of the Treasury for contributions subject to refund.....	296,050	
Net contributions.....		156,553,473
Income from taxation of benefit payments:		
Withheld from benefit payments to non-resident aliens.....	63,157	
All other, not subject to withholding.....	2,069,000	
Total income from taxation of benefits.....		2,132,157
Reimbursement from general fund of the Treasury for costs of payments to uninsured persons who attained age 72 before 1968:		
Benefit payments.....	98,287	
Administrative expenses.....	733	
Interest.....	25,494	
Total reimbursement.....		124,514
Investment income and interest adjustments:		
Interest on investments.....	2,759,587	
Interest on interfund transfers due to adjustment in allocation of adminis- trative expenses and construction costs.....	1,614	
Interest on general fund payments for adjustment to deemed wage credits for military service in 1957-83.....	1,732,000	
Gross investment income and interest adjustments.....	4,493,201	
Less interest on interfund loans from DI and HI Trust Funds.....	1,862,515	
Less interest on general fund advance tax transfers.....	862,851	
Less interest on transfers to the general fund account for the Supplemen- tal Security Income program due to adjustment in allocation of adminis- trative expenses.....	9,323	
Net investment income and interest adjustments.....		1,918,513
Gifts.....		158
Total receipts.....		180,728,814

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND
DURING FISCAL YEAR 1984 (Cont.)
(In thousands)

Disbursements:		
Benefit payments:		
Gross benefit payments.....	\$156,582,148	
Less collected overpayments.....	736,542	
Less reimbursement for unnegotiated checks.....	21,000	
Net benefit payments.....		\$155,824,605
Transfer to Railroad Retirement Account.....		2,404,002
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For current fiscal year.....	109	
For prior fiscal years.....	5,945	
Total payment for costs of vocational rehabilitation services.....		6,054
Administrative expenses:		
Department of Health and Human Services.....	1,427,079	
Department of the Treasury.....	125,969	
Construction of facilities for Social Security Administration.....	32,417	
Gross administrative expenses.....	1,585,465	
Less reimbursements from general fund of the Treasury for costs of furnishing information on deferred vested pension benefits.....	95	
Less receipts from sales of supplies, materials, etc.....	133	
Net administrative expenses.....		1,585,237
Total disbursements.....		159,819,899
Net increase in assets.....		908,915
Total assets ¹ , September 30, 1984.....		27,589,589

¹Assets include amounts, totaling \$17,518,523,025.38, lent to the OASI Trust Fund from the DI and HI Trust Funds.

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

The total assets of the OASI Trust Fund amounted to \$26,661 million on September 30, 1983. During fiscal year 1984, total receipts amounted to \$160,729 million, and total disbursements were \$159,820 million. The assets of the OASI Trust Fund thus increased by \$909 million during the year, to a total of \$27,570 million on September 30, 1984.

Included in total receipts during fiscal year 1984 were \$141,152 million representing contributions appropriated to the fund (including transfers of \$3,608 million from the general fund of the Treasury to offset the tax credits allowed against contributions due on 1984 earnings of employees and self-employed persons). Also included in total receipts were \$14,916 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. Another \$782 million was received from the general fund of the Treasury representing payments for (1) the contributions that would have been paid on deemed wage credits for military service in 1984 if such credits had been considered to be covered wages, and (2) an adjustment to such contributions on deemed wage credits for military service in 1957-83. As an offset, \$296 million 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 (including the general fund payments for deemed military-service wage credits and tax credits) amounted to \$156,553 million, an increase of 15.0 percent over the amount in the preceding fiscal year. This level of growth in contribution income resulted

primarily from the net effects of (1) the higher level of earnings in covered employment; (2) the increases in the OASI contribution rates for employees, employers, and self-employed persons that became effective on January 1 of each year 1983 and 1984; (3) the increases in the contribution and benefit base that became effective on January 1 of each year 1983 and 1984; and (4) the decrease in the general fund transfer attributable to deemed wage credits for military service after 1956. (Table 1 in the preceding section shows the contribution rates and the contribution and benefit bases that became effective for 1983 and 1984.)

Income from the taxation of benefits amounted to \$2,132 million, of which 97 percent represented amounts credited to the OASI Trust Fund in advance, on an estimated basis, at the beginning of each calendar quarter. The first such amount credited to the fund was on January 1, 1984. The remaining 3 percent of the total income from taxation of benefits represented amounts withheld from the benefits paid to non-resident aliens, beginning with their checks issued on January 3, 1984.

Reference has been made above and 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 (retroactive to 1957) representing contributions that would be payable if deemed wage credits for military service after 1956 were covered wages. The first such payment, on May 20, 1983, represented contributions, accumulated with interest, on deemed wage credits for military service in 1957-83. The payment was adjusted for the value of past reimbursements for the costs associated with such credits. On June 1, 1984, an additional payment of \$2,198 million was made to reflect revisions in the amounts for 1957-83. This payment was the sum of \$466 million in principal and \$1,732 million in interest. A payment in July 1984, amounting to \$316 million, was the first of the series of annual payments representing contributions on deemed wage credits granted for current military service.

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 \$125 million was transferred to the OASI Trust Fund in fiscal year 1984, as required by section 228 of the Social Security Act. The reimbursement reflected the costs of payments made in fiscal year 1982 and adjustments in the costs of payments made in prior fiscal years.

The OASI Trust Fund received \$157,574 in gifts in fiscal year 1984 under the provisions authorizing the deposit of money gifts or bequests in the OASI and DI Trust Funds.

The remaining \$1,919 million of receipts consisted of (1) interest on the investments of the trust fund; (2) interest on the general fund transfers for adjustments to deemed wage credits granted for military service in 1957-83 (as described previously); and (3) interest on adjustments in the allocation of administrative expenses and construction costs for the prior fiscal year. These interest amounts were partially offset by

interest paid on amounts owed to the DI and HI Trust Funds as a result of interfund borrowing which occurred in fiscal year 1983, and by payments from the trust fund to the general fund of the Treasury for its interest costs resulting from the advance transfer of contributions.

Of the \$159,820 million in total disbursements, \$155,825 million was for net benefit payments, excluding collected overpayments of \$737 million and the reimbursement of \$21 million for unnegotiated benefit checks. This represents an increase of 5.3 percent over the corresponding amount for benefit payments in fiscal year 1983. This increase was due primarily to (1) the automatic cost-of-living benefit increase of 3.5 percent which became effective for December 1983 under the automatic-adjustment provisions in section 215(i) of the Social Security Act, and (2) increases in the total number of beneficiaries and in the average benefit amounts resulting from the rising level of earnings.

As described in the preceding section, certain provisions of the Railroad Retirement Act coordinate the Railroad Retirement and OASI programs and govern the financial interchanges arising from the allocation of costs between the two programs. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health and Human Services determined that a transfer of \$2,246 million to the Railroad Retirement Account from the OASI Trust Fund would place this trust fund in the same position as of September 30, 1983, in which it would have been if railroad employment had always been covered under the Social Security Act. A total amount of \$2,404 million was transferred to the Railroad Retirement Account in June 1984, including interest to the date of transfer amounting to \$158 million.

Expenditures of the OASI program for the costs of vocational rehabilitation services amounted to \$6,054,296. 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 disabilities. 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 \$1,585 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 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 1984 amounted to \$95,228.

Net administrative expenses charged to the OASI and DI Trust Funds in fiscal year 1984 totaled \$2,170 million. (The operations of the DI Trust Fund are presented in detail in the next subsection.) This amount represented 1.3 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 program 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 1980-84

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
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
1983.....	1.4	1.3	1.1	1.0	3.5	3.8
1984.....	1.3	1.3	1.0	1.0	3.6	3.3

Reference has been made in an earlier section to provisions of the Social Security Act authorizing interfund borrowing among the OASI, DI, and HI Trust Funds. In fiscal year 1983, \$17,519 million was lent to the OASI Trust Fund under these provisions—\$5,081 million from the DI Trust Fund and \$12,437 million from the HI Trust Fund. Neither repayments nor new interfund loans were made in fiscal year 1984. Thus, these amounts were still owed to the DI and HI Trust Funds at the end of the year.

In table 4, the actual amounts of contributions and benefit payments in fiscal year 1984 are compared with the corresponding estimated amounts which appeared in the 1983 and 1984 Annual Reports. The estimates shown are the ones based on the alternative II-B set of assumptions from each report. The actual experience for each trust fund was quite close, relatively, to the estimates in the 1984 Annual Report. Actual OASI and DI contributions were slightly greater than estimated in the 1983 Annual Report, due primarily to growth in the economy that exceeded expectations. Actual DI benefit payments, however, were also somewhat above the 1983 estimates, primarily as a result of the disability reform initiatives announced by the Secretary of Health and Human Services in June 1983, and certain court orders and moratoria affecting the processing of continuing disability reviews. With respect to contribution income, the difference between estimated and actual experience would have been larger if the assumed inflation rate had been as low as the actual rate.

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 1984 reflects the aforementioned adjustments to contributions for prior fiscal years. The "estimated" contributions in fiscal year 1984 also include the adjustments for prior years but on an estimated basis.

TABLE 4.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, FISCAL YEAR 1984
[Amounts in millions]

	OASI Trust Fund		DI Trust Fund	
	Net contributions	Benefit payments ¹	Net contributions	Benefit payments ¹
Actual amount	\$156,553	\$155,831	\$16,394	\$17,772
Estimated amount published in 1983 report	\$155,183	\$155,546	\$16,280	\$17,134
Actual as percentage of estimate	100.9	100.2	100.7	103.7
Estimated amount published in 1984 report	\$157,275	\$156,509	\$16,442	\$17,705
Actual as percentage of estimate	99.5	99.6	99.7	100.4

¹Includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities.

At the end of fiscal year 1984, about 36.3 million persons were receiving monthly benefits under the OASDI program. About 32.5 million of these persons were receiving monthly benefits from the OASI Trust Fund. The distribution of benefit payments (before reflecting the reimbursement for unnegotiated checks) in fiscal years 1983 and 1984, by type of beneficiary, is shown in table 5. Approximately 77 percent of the total benefit payments from the OASI Trust Fund in fiscal year 1984 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 6 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 1983 AND 1984
[Amounts in millions]

	Fiscal year 1983		Fiscal year 1984	
	Amount	Percentage of total	Amount	Percentage of total
Total	\$148,312	100.0	\$155,846	100.0
Monthly benefits	148,106	99.9	155,632	99.9
Retired workers and auxiliaries	112,914	76.1	119,366	76.8
Retired workers	102,533	69.1	108,495	69.6
Wives and husbands	9,224	6.2	9,731	6.2
Children	1,157	0.8	1,141	0.7
Survivors of deceased workers	35,102	23.7	36,192	23.2
Aged widows and widowers	24,792	16.7	26,475	17.0
Disabled widows and widowers	348	0.2	380	0.2
Parents	58	(¹)	54	(¹)
Children	8,029	5.4	7,803	5.0
Widowed mothers and fathers caring for child beneficiaries	1,877	1.3	1,478	0.9
Uninsured persons generally aged 72 before 1968	89	0.1	74	(¹)
Lump-sum death payments	206	0.1	214	0.1

¹Less than 0.05 percent.

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

The assets of the OASI Trust Fund at the end of fiscal year 1984 totaled \$27,570 million, consisting of \$27,224 million in U.S. Government obligations and an undisbursed balance of \$346 million. Table 6 shows the total assets of the fund and their distribution at the end of each fiscal year 1983 and 1984.

TABLE 6.—ASSETS OF THE OASI TRUST FUND, BY TYPE, AT END OF FISCAL YEAR, 1983 AND 1984

	September 30, 1983	September 30, 1984
Obligations sold only to the trust funds (special issues):		
Certificates of indebtedness:		
11½-percent, 1984.....	\$7,421,193,000.00	—
12½-percent, 1985.....	—	\$6,671,094,000.00
Bonds:		
10½-percent, 1984.....	3,770,272,000.00	—
10½-percent, 1985.....	1,022,231,000.00	—
10½-percent, 1986.....	1,022,231,000.00	—
10½-percent, 1987.....	1,022,231,000.00	—
10½-percent, 1988.....	1,022,231,000.00	—
10½-percent, 1989.....	1,022,231,000.00	154,934,000.00
10½-percent, 1990.....	1,022,231,000.00	1,022,231,000.00
10½-percent, 1991.....	1,022,231,000.00	1,022,231,000.00
10½-percent, 1992.....	1,022,231,000.00	1,022,231,000.00
10½-percent, 1993.....	1,022,231,000.00	1,022,231,000.00
10½-percent, 1994.....	1,022,231,000.00	1,022,231,000.00
10½-percent, 1995.....	1,022,231,000.00	1,022,231,000.00
10½-percent, 1996.....	1,022,231,000.00	1,022,231,000.00
10½-percent, 1997.....	1,022,230,000.00	1,022,230,000.00
10½-percent, 1998.....	1,022,230,000.00	1,022,230,000.00
13½-percent, 1985.....	—	3,770,272,000.00
13½-percent, 1986.....	—	371,341,000.00
13½-percent, 1989.....	—	1,336,981,000.00
13½-percent, 1990.....	—	469,684,000.00
13½-percent, 1991.....	—	469,684,000.00
13½-percent, 1992.....	—	469,684,000.00
13½-percent, 1993.....	—	469,684,000.00
13½-percent, 1994.....	—	469,684,000.00
13½-percent, 1995.....	—	469,684,000.00
13½-percent, 1998.....	—	469,684,000.00
13½-percent, 1997.....	—	469,685,000.00
13½-percent, 1998.....	—	469,685,000.00
13½-percent, 1999.....	—	1,491,915,000.00
Total investments.....	25,502,697,000.00	27,223,772,000.00
Undisbursed balances.....	1,157,976,874.71	345,816,750.91
Total assets.....	26,660,673,874.71	27,569,588,750.91

Note: Special issues are always purchased at their initial issue, at par value, and are redeemable at par value even if redeemed prior to maturity. Therefore, book value and par value are the same for each special issue, and the common value is shown above.

The amount of securities acquired during fiscal year 1984 exceeded the amount redeemed by \$1,721 million. New securities with a total par value of \$187,338 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 \$185,617 million. Included in these amounts are \$170,544 million in certificates of indebtedness that were acquired, and \$171,294 million in certificates of indebtedness that were redeemed.

The effective annual rate of interest earned by the assets of the OASI Trust Fund during the 12 months ending on June 30, 1984, was 11.1 percent. (This period is used, rather than the fiscal year, because 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 1984 was 13.75 percent, payable semiannually. Special-issue bonds with a total par value of \$16,794 million were purchased in that month. Although the interest rate on Treasury bonds is generally limited by law to 4½ percent, the law authorizes 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. In recent years, however, a somewhat different procedure has been followed. In these years, maturity dates on new issues were set by first providing for specific cash-flow requirements in the immediate future (including the anticipated repayment of interfund loans) and then setting maturity dates for any remaining new issues so that the total portfolio would be distributed as evenly as possible over a 15-year period. For example, on June 30, 1984, as part of the purchase of new special-issue bonds, \$3,770 million was set aside in a special 1-year bond in anticipation of a possible partial repayment of amounts lent to the OASI Trust Fund on December 31, 1982. Excluding \$3,770 million of the bond issues maturing June 30, 1985, the remaining amounts of the special-issue bonds purchased on June 30, 1984, were selected so that the holdings of special issues were spread evenly over the 15-year period 1985-99.

B. DISABILITY INSURANCE TRUST FUND

A statement of the income and disbursements of the Federal Disability Insurance Trust Fund during fiscal year 1984 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 7.

TABLE 7.—STATEMENT OF OPERATIONS OF THE DI TRUST FUND DURING FISCAL YEAR 1984
(In thousands)

Total assets ¹ , September 30, 1983.....		\$5,289,529
Receipts:		
Contributions:		
Appropriations:		
Employment taxes.....	\$14,375,865	
Tax credits.....	346,339	
Total appropriations.....	14,722,204	
Deposits arising from State agreements.....	1,618,286	
Payments from general fund of the Treasury representing employee-employer contributions on deemed wage credits for military service in 1984 and adjustments for service in prior years.....	92,000	
Gross contributions.....	16,432,490	
Less payment to the general fund of the Treasury for contributions subject to refund.....	38,750	
Net contributions.....		16,393,740
Income from taxation of benefit payments:		
Withheld from benefit payments to non-resident aliens.....	3,147	
All other, not subject to withholding.....	140,000	
Total income from taxation of benefits.....		143,147
Investment income and interest adjustments:		
Interest on investments.....	555,789	
Interest on interfund transfers due to adjustment in allocation of administrative expenses and construction costs.....	2,131	
Interest on general fund payments for adjustments to deemed wage credits for military service in 1957-83.....	169,000	
Interest on loan to OASI Trust Fund.....	545,508	
Gross investment income and interest adjustments.....	1,272,428	
Less interest on general fund advance tax transfers.....	77,290	
Net investment income and interest adjustments.....		1,195,138
Total receipts.....		17,732,025
Disbursements:		
Benefit payments:		
Gross benefit payments.....	17,624,614	
Less collected overpayments.....	89,290	
Less reimbursement for unnegotiated checks.....	3,000	
Net benefit payments.....		17,732,324
Transfer to Railroad Retirement Account.....		21,620
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For current fiscal year.....	731	
For prior fiscal years.....	39,298	
Total payment for costs of vocational rehabilitation services.....		40,029
Administrative expenses:		
Department of Health and Human Services.....	581,960	
Department of the Treasury.....	21,534	
Construction of facilities for Social Security Administration.....	1,567	
Gross administrative expenses.....	585,061	
Less receipts from sales of supplies, materials, etc.....	67	
Net administrative expenses.....		584,993
Total disbursements.....		18,378,967
Net increase in assets.....		-646,942
Total assets ¹ , September 30, 1984.....		4,642,587

¹Assets exclude amounts, totaling \$5,081,252,899.48, lent to the OASI Trust Fund.

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

The total assets of the DI Trust Fund amounted to \$5,290 million on September 30, 1983. During fiscal year 1984, total receipts amounted to

\$17,732 million, and total disbursements were \$18,379 million. The assets of the trust fund thus decreased by \$647 million during the year, to a total of \$4,643 million on September 30, 1984.

Included in total receipts were \$14,722 million representing contributions appropriated to the fund (including transfers of \$346 million from the general fund of the Treasury to offset the tax credits allowed against contributions due on 1984 earnings of employees and self-employed persons), \$1,618 million representing amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund, and \$92 million in payments from the general fund of the Treasury representing (1) the contributions that would have been paid on deemed wage credits for military service in 1984 if such credits had been considered to be covered wages, and (2) an adjustment to such contributions on deemed wage credits for military service in 1957-83. As an offset, \$39 million 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 \$16,394 million, a decrease of 13.9 percent from the amount for the preceding fiscal year. This decrease is primarily attributable to the decreases in the DI contribution rates for employees and employers that became effective on January 1 of each year 1983 and 1984. 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 subsection).

Income from the taxation of benefit payments amounted to \$143 million.

The remaining \$1,195 million of receipts consisted of interest on the investments of the fund, plus net interest on amounts of interfund and general-fund transfers (see preceding subsection).

Of the \$18,379 million in total disbursements, \$17,732 million was for net benefit payments, excluding collected overpayments of \$89 million and the reimbursement of \$3 million for unnegotiated benefit checks. This represents an increase of 1.1 percent over the corresponding amount for benefit payments in fiscal year 1983. This increase reflects somewhat the same factors that resulted in the net increase in benefit payments from the OASI Trust Fund (as described in the preceding subsection). This increase also reflects the offsetting effects of (1) a continuing decline in the number of persons receiving benefits from the DI Trust Fund (although the decline appears to have stopped late in the fiscal year) and (2) reductions in outlays resulting from the Social Security Amendments of 1977 (Public Law 95-216) and the Social Security Disability Amendments of 1980 (Public Law 96-265).

Provisions governing the financial interchanges between the Railroad Retirement Account and the DI Trust Fund are similar to those described in the preceding subsection relating to the OASI Trust Fund. The determination made as of September 30, 1983, required that a transfer of \$20,200,000 be made from the DI Trust Fund to the Railroad Retirement Account. A total amount of \$21,620,000 was transferred to

the Railroad Retirement Account in June 1984, including interest to the date of transfer amounting to \$1,420,000.

The remaining disbursements amounted to \$585 million for net administrative expenses and \$40 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.

Prior to fiscal year 1982, the total amount of funds that could be made available in a fiscal year for paying the costs of vocational rehabilitation services could 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 disabilities. This statutory limitation was 1½ percent in fiscal years 1974 through 1981. Beginning with payments for fiscal year 1977, such funds were further curtailed by limitations in the Budget of the United States for each year. The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) eliminated the statutory limitation on the amount of trust funds that could be used to pay for vocational rehabilitation services and instead limited 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.

At the end of fiscal year 1984, about 3.8 million persons were receiving monthly benefits from the DI Trust Fund. The distribution of benefit payments in fiscal years 1983 and 1984, 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 1983 AND 1984
[Amounts in millions]

	Fiscal year 1983		Fiscal year 1984	
	Amount	Percentage of total	Amount	Percentage of total
Total.....	\$17,588	100.0	\$17,735	100.0
Disabled workers.....	15,206	86.5	15,461	87.2
Wives and husbands.....	634	3.6	537	3.0
Children.....	1,748	9.9	1,737	9.8

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

The assets of the DI Trust Fund at the end of fiscal year 1984 totaled \$4,643 million, consisting of \$4,654 million in U.S. Government obligations and, as an offset, an extension of credit amounting to \$12 million against securities to be redeemed within the following few days. Table 9 shows the total assets of the fund and their distribution at the end of each fiscal year 1983 and 1984.

TABLE 9.—ASSETS OF THE DI TRUST FUND, BY TYPE, AT END OF FISCAL YEAR, 1983 AND 1984

	September 30, 1983		September 30, 1984	
	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	\$10,324,773.35	\$10,500,000	\$10,352,440.91
3½-percent, 1998...	5,000,000	4,843,027.55	5,000,000	4,853,434.55
4½-percent, 1989-94	68,400,000	68,047,501.11	68,400,000	68,079,807.95
4½-percent, 1975-85	20,795,000	20,792,665.94	20,795,000	20,794,139.42
4½-percent, 1987-92	80,800,000	80,834,606.40	80,800,000	80,825,578.92
8½-percent, 1984...	15,000,000	15,004,972.72	—	—
7½-percent, 1988-93	28,500,000	28,119,495.18	26,500,000	26,158,865.28
7½-percent, 2002-07	10,000,000	9,995,394.22	10,000,000	9,995,590.98
8-percent, 1996-2001	28,000,000	25,980,154.78	26,000,000	25,981,267.54
8½-percent, 2000-05	3,750,000	3,735,145.13	3,750,000	3,735,830.69
11½-percent, 2010	30,250,000	30,054,571.46	30,250,000	30,081,992.54
Total investments in public issues.....	296,995,000	295,732,307.82	281,995,000	280,838,948.78
Obligations sold only to the trust funds (special issues):				
Certificates of indebtedness:				
11½-percent, 1984	665,422,000	665,422,000.00	—	—
12½-percent, 1985	—	—	394,612,000	394,612,000.00
Bonds:				
8½-percent, 1993...	47,479,000	47,479,000.00	47,479,000	47,479,000.00
8½-percent, 1994...	339,277,000	339,277,000.00	339,277,000	339,277,000.00
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
10½-percent, 1985	195,340,000	195,340,000.00	—	—
10½-percent, 1986	287,956,000	287,956,000.00	—	—
10½-percent, 1987	287,956,000	287,956,000.00	187,593,000	187,593,000.00
10½-percent, 1988	287,956,000	287,956,000.00	287,956,000	287,956,000.00
10½-percent, 1989	287,956,000	287,956,000.00	287,956,000	287,956,000.00
10½-percent, 1990	287,956,000	287,956,000.00	287,956,000	287,956,000.00
10½-percent, 1991	287,956,000	287,956,000.00	287,956,000	287,956,000.00
10½-percent, 1992	287,956,000	287,956,000.00	287,956,000	287,956,000.00
10½-percent, 1993	98,140,000	98,140,000.00	98,140,000	98,140,000.00
10½-percent, 1996	287,955,000	287,955,000.00	287,955,000	287,955,000.00
10½-percent, 1997	287,955,000	287,955,000.00	287,955,000	287,955,000.00
10½-percent, 1998	287,955,000	287,955,000.00	287,955,000	287,955,000.00
13½-percent, 1999	—	—	236,555,000	236,555,000.00
Total obligations sold only to the trust funds (special issues).....	4,991,501,000	4,991,501,000.00	4,373,587,000	4,373,587,000.00
Total investments in public-debt obligations.	5,288,496,000	5,287,233,307.82	4,655,582,000	4,654,425,948.78
Undisbursed balances².....	—	2,295,570.68	—	-11,839,211.06
Total assets.....	—	5,289,528,878.50	—	4,642,586,737.72

¹Par value, plus unamortized premium or less discount outstanding.²Negative figure represented an extension of credit against securities to be redeemed within the following few days.

The amount of securities redeemed during fiscal year 1984 exceeded the amount acquired by \$633 million. New securities with a total par value of \$18,814 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 \$19,447 million. Included in these amounts are \$17,909 million in certificates of indebtedness that were acquired, and \$18,180 million in certificates of indebtedness that were redeemed, during 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, 1984, was 10.6 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1984 was 13.75 percent, payable semiannually.

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

VI. ACTUARIAL ESTIMATES

Section 201(c)(2) of the Social Security Act requires the Board of Trustees to 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, 1984, is presented in the preceding section of this report. Estimates of the operations and status of the trust funds during fiscal years 1985-89 are presented in this section. Similar estimates for calendar years 1985-89 are also presented.

In the short range, the adequacy of the trust fund level is often measured by the "contingency reserve trust fund ratio," which is defined to be the assets at the beginning of the year, including advance tax transfers for January and amounts owed to other trust funds, expressed as a percentage of the outgo during the year. Thus, this ratio represents the proportion of the year's outgo which is available at the beginning of the year. The primary purpose of the trust funds is to act as contingency reserves. During periods when outgo temporarily exceeds income, as might happen during an economic recession, trust fund assets are used to meet the shortfall. In the event of recurring shortfalls for an extended period, the trust funds can allow sufficient time for the development of legislation to restore financial balance to the program. Although there is no general agreement regarding the appropriate size of the trust funds, each of them should be at least large enough to accomplish these purposes. When either trust fund is not this large, its future financing—to be considered adequate—must provide for rebuilding the fund within a reasonable period of time, without significant declines in the interim.

Section 201(c) of the Act also requires that the annual 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 calendar 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 are the concepts of "cost rate" and "total income rate," each of which is expressed as a percentage of taxable payroll. The OASDI taxable payroll consists of the total earnings which are subject to OASDI taxes, adjusted to include, after 1982, deemed wages based on military service, and to reflect the lower effective tax rates (as compared to the combined employee-employer rate) which apply to tips and to multiple-employer "excess wages," and which did apply, before 1984, to net earnings from self-employment. The cost rate is the ratio of the cost (or outgo or disbursements) of the program to the taxable payroll. In this context, the outgo is defined to include benefit payments, administrative expenses, net transfers under the financial interchange between the trust funds and the Railroad Retirement Account, and payments for vocation-

al rehabilitation services for disabled beneficiaries; it excludes special monthly payments to certain uninsured persons who generally attained age 72 before 1968, and transfers under the interfund borrowing provisions. Because the taxable payroll reflects 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 expressed as a percentage of taxable payroll). As such, it excludes reimbursements from the general fund of the Treasury for the costs associated with the special payments to certain uninsured persons (as described above), transfers under the interfund borrowing provisions, and net investment income. For any year, the income rate minus the cost rate is referred to as the "balance" for the 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 program 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 program's financing or benefit provisions 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 status of the program 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 accumulate in the early years could eventually be depleted at some point beyond the end of the 75-year projection period, leaving the program 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 program 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.

Estimates of income, outgo, cost rates, income 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 program depend on many economic and demographic factors, including gross national product, labor force, unemployment, average earnings, productivity, inflation, fertility, mortality, net immigration, marriage, divorce, retirement patterns, and disability incidence and termination. 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, estimates 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—alternatives II-A and II-B—share the same demographic assumptions but differ in their economic assumptions. More robust economic growth is assumed for alternative II-A than for alternative II-B. This presentation illustrates the effect on the financial status of the program of higher real earnings growth, higher employment, and lower inflation, for a given set of demographic assumptions. In terms of the net effect on the status of the program, alternative II-A is more optimistic than is alternative II-B. Of all four sets, alternative I is the most optimistic, and alternative III is the most pessimistic.

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

Economic assumptions

The principal economic assumptions for 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-earnings differential ^b (percent)	Average annual interest rate ^a (percent)	Average annual unemployment rate ^a (percent)
	Real GNP ^a	Average earnings in covered employment	Consumer price index			
Past experience:						
1960-64.....	4.0	3.3	1.3	2.1	3.7	5.7
1965-69.....	4.4	5.4	3.4	2.1	5.2	3.8
1970.....	-2	4.6	5.9	-1.4	7.3	4.9
1971.....	3.4	5.0	4.3	.8	6.0	5.9
1972.....	5.7	7.1	3.3	3.8	5.9	5.6
1973.....	5.6	7.1	6.2	.9	6.6	4.9
1974.....	-.6	7.1	11.0	-3.9	7.5	5.6
1975.....	-1.2	6.7	9.1	-2.5	7.4	8.5
1976.....	5.4	8.4	5.7	2.6	7.1	7.7
1977.....	5.5	6.9	6.5	*2.0	6.2	6.1
1978.....	5.0	*9.6	7.6	*2.5	9.1	5.8
1979.....	2.8	*8.9	11.4	*-5.4	11.0	7.1
1980.....	-.3	*8.1	13.5	*-2.0	13.3	7.6
1981.....	2.5	*6.3	10.3	*-4	12.8	9.7
1982.....	*-2.1	*5.6	6.0	*-4	11.0	9.6
1983.....	*3.7	*4.3	3.0	*1.3		

TABLE 10.—SELECTED ECONOMIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1980-2060 (Cont.)

Calendar year	Average annual percentage increase in—			Real-earnings differential ¹ (percent)	Average annual interest rate ² (percent)	Average annual unemployment rate ³ (percent)
	Real GNP ¹	Average earnings in covered employment	Consumer price index			
Alternative I:						
1984	6.8	5.8	3.4	2.4	12.4	7.5
1985	4.1	3.7	3.2	.5	10.7	8.8
1986	4.2	5.4	3.5	1.9	10.1	8.3
1987	4.0	5.5	3.7	1.9	9.5	6.0
1988	4.0	5.4	3.5	1.9	8.9	5.6
1989	3.9	5.6	3.1	2.5	8.0	5.2
1990	3.2	4.3	2.7	1.6	7.0	5.0
1991	3.1	4.3	2.3	2.0	5.9	5.0
1992	3.1	4.2	2.0	2.2	5.4	5.0
1993	3.1	4.3	2.0	2.3	5.3	4.9
1994	3.1	4.4	2.0	2.4	5.1	4.9
1995	3.7	4.6	2.0	2.6	5.0	5.0
2000	3.8	4.6	2.0	2.6	5.0	5.0
2010 & later..	*3.1	4.5	2.0	2.5	5.0	5.0
Alternative II-A:						
1984	6.8	5.6	3.4	2.2	12.4	7.5
1985	3.9	3.9	3.6	.3	10.8	6.8
1986	3.8	5.6	4.1	1.5	10.4	6.4
1987	3.5	5.7	4.2	1.5	10.0	6.1
1988	3.5	5.5	4.0	1.5	9.4	5.8
1989	3.1	5.6	3.6	2.0	8.5	5.6
1990	2.8	4.5	3.2	1.3	7.5	5.5
1991	2.8	4.8	3.0	1.6	6.5	5.5
1992	2.8	4.9	3.0	1.9	6.0	5.4
1993	2.8	4.9	3.0	1.9	5.8	5.4
1994	2.6	4.9	3.0	1.9	5.7	5.4
1995	3.2	5.1	3.0	2.1	5.5	5.5
2000	3.1	5.1	3.0	2.1	5.5	5.5
2010 & later..	*2.5	5.0	3.0	2.0	5.5	5.5
Alternative II-B:						
1984	6.8	5.3	3.4	1.9	12.4	7.5
1985	3.2	3.8	3.9	.0	10.9	6.9
1986	2.7	5.6	4.7	.8	10.8	6.8
1987	3.0	6.4	5.3	1.1	10.7	6.6
1988	3.0	6.1	5.0	1.1	10.4	6.4
1989	2.9	6.2	4.6	1.6	9.6	6.1
1990	2.5	5.2	4.2	1.0	8.5	6.0
1991	2.5	5.4	4.0	1.4	7.5	6.0
1992	2.5	5.6	4.0	1.6	6.9	5.9
1993	2.5	5.6	4.0	1.6	6.6	5.9
1994	2.5	5.6	4.0	1.6	6.3	5.9
1995	2.6	5.6	4.0	1.6	6.0	6.0
2000	2.6	5.6	4.0	1.6	6.0	6.0
2010 & later..	*2.0	5.5	4.0	1.5	6.0	6.0
Alternative III:						
1984	6.8	4.8	3.4	1.4	12.4	7.5
1985	.7	3.1	4.8	-1.7	11.1	7.4
1986	.0	4.4	5.9	-1.5	11.4	6.6
1987	4.3	7.4	5.1	2.3	11.3	7.7
1988	1.6	5.0	5.4	-5	10.8	7.5
1989	-7	4.5	5.9	-1.5	10.1	8.5
1990	4.0	7.1	4.6	2.4	9.3	7.9
1991	2.6	6.0	4.8	1.2	8.4	7.4
1992	2.5	6.4	5.0	1.4	7.7	7.1
1993	2.2	6.3	5.0	1.3	7.3	6.9
1994	1.9	6.1	5.0	1.1	6.8	6.8
1995	2.0	6.1	5.0	1.1	6.5	7.0
2000	1.9	6.1	5.0	1.1	6.5	7.0
2010 & later..	*1.4	6.0	5.0	1.0	6.5	7.0

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

²The real-earnings differential is defined as the difference between the percentage increase in average annual earnings in covered employment and the percentage increase in the average annual CPI, before rounding.

³The average annual interest rate is the average of the nominal interest rates, compounded semiannually, for special public-debt obligations issuable to the trust funds in each of the 12 months of the year.

⁴Through 1994, the rates shown are crude civilian unemployment rates. For 1995 and later, the rates are total rates (including military personnel), adjusted by age and sex based on the total labor force on July 1, 1985.

*Preliminary.

⁵This value is for 2010. The annual percentage increase in real GNP is assumed to continue to change after 2010 for 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 0.6 for alternatives I, II-A, II-B, and III, respectively.

Alternatives I, II-A, II-B, and III present a range of generally consistent sets of economic assumptions which have been designed to encompass most of the possibilities that might be encountered, particularly in the near term. Alternative I presents the most optimistic outlook, with robust economic growth and low inflation. The intermediate sets of assumptions—alternatives II-A and II-B—bracket the current consensus view of moderate growth and inflation for the first few years; thereafter, alternative II-A continues to reflect more robust economic growth than does alternative II-B. Alternative III is a pessimistic forecast in which the economy experiences two recessions between now and the end of the decade. In view of the fact that three recessions have occurred in the last 12 years, the inclusion of a cyclical forecast seems prudent. The recessions in alternative III are patterned after recent ones in terms of depth and timing of the downturns, although the intervening recoveries are weaker, in general, than those experienced in the last 12 years. This scenario presents a realistic assessment of the combined effects of business cycles and generally weak economic growth on the OASDI program.

For alternatives I, II-A, and II-B, the economic recovery that started in the first quarter of 1983 is assumed to continue through 1985. The strength of the recovery, as measured by growth in real GNP, is assumed to be stronger for alternative I than for alternative II-A. Similarly, growth for alternative II-A is stronger than that for alternative II-B. For alternative III, the recovery is assumed to fade during the first quarter of 1985; a recession is assumed to occur during the remainder of the year and the first quarter of 1986.

After 1985, and continuing through the end of the decade, steady growth in real GNP is assumed to continue, for alternatives I and II-A. For alternative II-B, the economy is assumed to experience a growth recession during the first half of 1986, with a recovery and steady growth thereafter. For alternative III, after 2 years of recovery, a second recession is assumed to begin in the third quarter of 1988, lasting through the second quarter of 1989. For alternatives I, II-A, and II-B, the unemployment rate is assumed to decline gradually toward its ultimate level. For alternative III, the unemployment rate is assumed to reach its ultimate level after the recovery which is assumed to follow the second recession. After the early 1990s, the projected rates of growth in real GNP, for all four alternatives, are determined by the assumed rates of growth in employment, average hours worked, and productivity.

Assumed values for the other economic variables are generally consistent with the assumed rates of real GNP growth and inflation. For alternative II-A, the average annual unemployment rate declines from 7.5 percent in 1984 to its ultimate level of 5.5 percent (age-sex adjusted to the 1985 labor force) in 1995. The annual rate of increase in average earnings in covered employment is assumed to decline generally from the assumed 5.6-percent increase for 1984, to its ultimate rate of 5.0 percent by 2010. The assumed annual rate of increase in the CPI rises from 3.4 percent in 1984 to 4.2 percent in 1987, and then declines to an ultimate rate of 3.0 percent in 1991. The real-earnings differential (i.e., the difference between the annual rates of increase in average earnings in

covered employment and in the CPI) is assumed to remain generally between the 1.3-percentage-point differential experienced in 1983 and the 2.2-percentage-point differential assumed for 1984, reaching its ultimate value of 2.0 percentage points by 2010. The annual interest rate is assumed to reach its ultimate value of 5.5 percent in 1995.

For alternative II-B, the average annual unemployment rate declines to its ultimate level of 6.0 percent in 1995. The annual rate of increase in average earnings in covered employment is assumed to rise to 6.4 percent in 1987, and then to decline generally to its ultimate rate of 5.5 percent by 2010. The annual rate of increase in the CPI is assumed to rise from 3.4 percent in 1984 to 5.3 percent in 1987, and then to decline to an ultimate rate of 4.0 percent in 1991. The real-earnings differential is assumed to remain generally between the 0.8-percentage-point differential assumed for 1986 and the 1.9-percentage-point differential assumed for 1984, reaching its ultimate value of 1.5 percentage points by 2010. The annual interest rate is assumed to decline to its ultimate value of 6.0 percent in 1995.

Demographic assumptions

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

TABLE 11.—SELECTED DEMOGRAPHIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1940-2060

Calendar year	Total fertility rate ¹	Age-sex-adjusted death rate ² (per 100,000)	Life expectancy ³			
			At birth		At age 65	
			Male	Female	Male	Female
Past experience:						
1940.....	2.23	1,403.5	61.4	65.7	11.9	13.4
1945.....	2.42	1,248.1	62.9	68.4	12.6	14.4
1950.....	3.03	1,116.4	65.6	71.1	12.8	15.1
1955.....	3.50	1,030.3	66.7	72.6	13.1	15.6
1960.....	3.81	1,024.8	66.7	73.2	12.9	15.9
1965.....	2.68	1,001.6	66.8	73.8	12.9	16.3
1970.....	2.43	948.6	67.1	74.9	13.1	17.1
1975.....	1.77	848.8	68.7	76.6	13.7	18.0
1976.....	1.74	838.0	69.1	76.8	13.7	18.1
1977.....	1.80	815.5	69.4	77.2	13.9	18.3
1978.....	1.78	809.7	69.8	77.3	13.9	18.3
1979.....	1.82	784.2	70.0	77.7	14.2	18.4
1980.....	1.85	795.5	69.9	77.5	14.0	18.4
1981.....	1.82	773.8	70.4	77.9	14.2	18.6
1982.....	1.81	750.0	70.8	78.2	14.5	18.8
1983.....	1.76	745.1	71.1	78.3	14.5	18.8
Alternative I:						
1984.....	1.79	739.8	71.2	78.4	14.5	18.9
1985.....	1.82	734.4	71.3	78.5	14.5	18.9
1990.....	1.94	709.8	71.7	79.0	14.7	19.2
1995.....	2.06	688.9	72.1	79.4	14.8	19.4
2000.....	2.16	673.6	72.4	79.7	14.9	19.6
2010.....	2.30	654.8	72.8	80.0	15.1	19.9
2020.....	2.30	638.8	73.1	80.3	15.3	20.1
2030.....	2.30	623.2	73.3	80.6	15.5	20.4
2040.....	2.30	608.8	73.6	80.9	15.7	20.8
2050.....	2.30	594.7	73.9	81.2	15.9	20.9
2060.....	2.30	581.5	74.2	81.5	18.1	21.1
Alternatives II-A and II-B:						
1984.....	1.79	732.3	71.3	78.5	14.6	19.0
1985.....	1.80	719.8	71.5	78.8	14.7	19.1
1990.....	1.85	684.3	72.6	79.8	15.1	19.8
1995.....	1.90	621.7	73.4	80.7	15.5	20.3
2000.....	1.94	596.8	73.9	81.2	15.8	20.7
2010.....	2.00	569.2	74.5	81.8	16.1	21.1
2020.....	2.00	545.1	75.0	82.3	16.5	21.6
2030.....	2.00	522.4	75.5	82.9	16.8	22.0
2040.....	2.00	501.0	76.0	83.5	17.2	22.5
2050.....	2.00	480.9	76.4	84.0	17.6	23.0
2060.....	2.00	461.9	76.9	84.8	17.9	23.4

TABLE 11.—SELECTED DEMOGRAPHIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1940-2060 (Cont.)

Calendar year	Total fertility rate ¹	Age-sex-adjusted death rate ² (per 100,000)	Life expectancy ³			
			At birth		At age 65	
			Male	Female	Male	Female
Alternative III:						
1984.....	1.79	724.8	71.4	78.7	14.7	19.1
1985.....	1.77	705.4	71.8	79.0	14.8	19.3
1990.....	1.72	622.9	73.4	80.7	15.8	20.3
1995.....	1.68	563.6	74.6	81.9	16.2	21.2
2000.....	1.64	528.1	75.4	82.7	16.7	21.6
2010.....	1.60	478.3	76.5	84.0	17.5	22.7
2020.....	1.60	435.0	77.6	85.1	16.3	23.6
2030.....	1.60	396.2	78.7	86.3	19.1	24.6
2040.....	1.60	381.5	79.7	87.5	19.9	25.5
2050.....	1.60	330.4	80.8	88.6	20.8	26.5
2060.....	1.60	302.4	81.9	89.7	21.6	27.4

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. The ultimate total fertility rate is assumed to be reached in 2009.

²The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 1970, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year.

³The life expectancy for any year is the average number of years of life remaining for a person if that person were to experience the death rates by age observed in, or assumed for, the selected year.

The demographic assumptions for alternatives II-A and II-B are identical. The assumed ultimate total fertility rate of 2.0 children per woman is attained in 2009, after a gradual increase from the 1983 level of 1.76 children per woman. The age-sex-adjusted death rate is assumed to decrease gradually during the entire projection period, with a reduction of 38 percent from the 1983 level by 2060. The resulting life expectancies at birth in 2060 are 76.9 years for men and 84.6 years for women, compared to 71.1 and 78.3 years, respectively, in 1983. Life expectancies at age 65 in 2060 are projected to be 17.9 years for men and 23.4 years for women, compared to 14.5 and 18.8 years, respectively, in 1983.

For alternative I, the total fertility rate is assumed to reach an ultimate level of 2.3 children per woman in 2009. The age-sex-adjusted death rate is assumed to decrease more slowly than for alternatives II-A and II-B, with the reduction from the 1983 level being 22 percent by 2060. The resulting life expectancies at birth in 2060 are 74.2 years for men and 81.5 years for women, while at age 65 they are 16.1 and 21.1 years, respectively.

For alternative III, the total fertility rate is assumed to decrease from the estimated 1983 level to an ultimate level of 1.6 in 2009. The age-sex-adjusted death rate is assumed to decrease more rapidly than for alternatives II-A and II-B, with the reduction from the 1983 level being 59 percent by 2060. The resulting life expectancies at birth in 2060 are 81.9 years for men and 89.7 years for women, while at age 65 they are 21.6 and 27.4 years, respectively.

The values assumed after the early years for both the economic and the demographic factors are intended to represent the average experience and are not intended to be exact 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 factors are necessary to prepare the estimates presented in this report. Appendix A includes a discussion of some of those factors.

B. AUTOMATIC ADJUSTMENTS

Under the automatic-adjustment provisions of the law, benefits generally are increased once a year to reflect increases in the cost of living. These automatic increases may be modified under certain circumstances, as explained below. For persons becoming eligible for benefits in 1979 and later, the increases generally begin with the year in which the worker reaches age 62, or becomes disabled or dies, if earlier. An automatic cost-of-living benefit increase of 3.5 percent, effective for December 1984, was announced in October 1984, as described in Appendix C.

If the combined assets of the OASI and DI Trust Funds, as a percentage of annual expenditures, are below a specified level, automatic benefit increases will be limited to the *lesser* of the increases in wages or prices. This specified level is 15.0 percent with respect to benefit increases for December of each year, 1984-88, and 20.0 percent thereafter. For purposes of this "stabilizer" provision (in 1985 and later), assets as of the beginning of the year are used, including advance tax transfers for the month of January, but excluding any amounts owed to the HI Trust Fund. The price increase is normally defined to be the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the preceding year through the third quarter of the year in which the December benefit increase will occur. The wage increase is normally defined to be the increase in average wages in the preceding year as compared to the second preceding year. (This wage increase is also used for adjusting the contribution and benefit base and other wage-indexed program amounts.) The law provides for subsequent "catch-up" benefit increases, for those beneficiaries whose previous benefit increases were affected by this provision, when trust fund assets exceed 32.0 percent of annual expenditures.

The law provides for an automatic increase in the contribution and benefit base for the year following a year in which an automatic benefit increase becomes effective, based on the increase in average wages. For 1985, the contribution and benefit base was automatically increased to \$39,600.

The exempt amounts under the retirement earnings test are also increased automatically by the increase in average wages, following an automatic benefit increase. An automatic increase in the exempt amount for beneficiaries at ages 65 through 69—from \$6,960 in 1984 to \$7,320 in 1985—was announced in October 1984. Similarly, an automatic increase was announced in the exempt amount for beneficiaries under age 65—from \$5,160 in 1984 to \$5,400 in 1985. Appendix C describes the aforementioned automatic adjustments, as well as the determinations of the following amounts:

1. The amount of earnings a worker must have in 1985 to be credited with a quarter of coverage;
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 1985; and

3. The average of total wages reported for calendar year 1983, to be used for indexing earnings of workers who first become eligible for benefits, or who die before such eligibility, in 1985 or later.

An historical summary of the Social Security program amounts determined under the automatic-adjustment provisions, and the average-wage series used for indexing earnings, are shown in Appendix D. Estimates of the corresponding amounts through 1990, based on the two intermediate sets of assumptions, are also shown in Appendix D.

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 1990 (the actual benefit increase for 1984 and the actual contribution and benefit bases for 1984 and 1985 are also shown as a basis for comparison):

Calendar year	General benefit increase ¹ (percent) based on alternative—				Contribution and benefit base ² based on alternative—			
	I	II-A	II-B	III	I	II-A	II-B	III
1984.....	3.5	3.5	3.5	3.5	\$37,600	\$37,600	\$37,600	\$37,600
1985.....	(*)	3.4	3.7	4.8	39,600	39,600	39,600	39,600
1986.....	6.7	4.2	5.0	8.1	39,600	41,700	41,700	41,400
1987.....	3.6	4.1	5.3	4.9	43,200	43,200	43,200	42,600
1988.....	3.5	4.0	5.0	5.5	45,300	45,600	45,600	44,400
1989.....	3.1	3.6	4.6	5.1	47,700	48,300	48,600	47,400
1990.....	(*)	3.1	4.1	4.5	50,400	51,000	51,600	49,600

¹Effective with benefits for December of the year shown.

²Effective on January 1 of the stated year.

*Based on the alternative I assumptions, benefit increases would not occur for December of 1985 or 1990 because the assumed applicable increase in the Consumer Price Index for each year is less than 3 percent, which is the minimum required to trigger a benefit increase. Similarly, the absence of automatic benefit increases for December of 1985 and 1990 would prevent corresponding automatic increases in the contribution and benefit bases, and in the exempt amounts under the retirement earnings test, for 1986 and 1991, respectively.

³Based on the alternative III assumptions, the benefit increase for December of 1989 would be determined under the benefit-increase stabilizer provision. If the benefit increase were based on the CPI increase, without the limitation imposed by the stabilizer provision, it would be 6.0 percent based on these assumptions.

The automatic benefit increases shown in the above table based on alternative III reflect the effects of the benefit-increase stabilizer provision on the benefit increase for December 1989. Based on alternative III, the combined assets of the OASI and DI Trust Funds (excluding amounts owed to the HI Trust Fund) would represent less than 20.0 percent of annual expenditures at the beginning of 1989. In addition, the assumed increase in average annual wages in 1988 is less than the assumed annual increase in prices (as measured by the third-quarter CPI) in 1989. Under these conditions, the stabilizer provision would require the automatic benefit increase for December 1989 to be based on the lower increase in average wages, rather than on the CPI increase which would normally apply. While not shown in the table, on the basis of alternative III, the combined assets of the trust funds would increase sufficiently after 1989 to trigger a "catch-up" benefit increase for December 1994 for those beneficiaries whose benefit increases were limited as a result of this provision. The catch-up increase would raise each affected individual's monthly benefit to virtually the same level at which it would have been if all previous increases had been based on the CPI.

Under the automatic-adjustment 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 through 69 (the actual amounts for 1984 and 1985 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 based on alternative—				Annual exempt amount for beneficiaries aged 65 through 69 based on alternative—			
	I	II-A	II-B	III	I	II-A	II-B	III
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	7,320
1986	5,400	5,640	5,640	5,640	7,320	7,880	7,880	7,680
1987	5,880	5,880	5,880	5,880	8,040	7,920	7,920	7,920
1988	6,240	8,240	8,240	8,120	8,400	8,400	8,400	8,280
1989	6,600	6,600	6,600	6,600	8,880	8,880	8,880	8,880
1990	6,960	6,960	6,960	6,960	9,360	9,360	9,360	9,360

¹Effective for January of the stated year.

C. ESTIMATED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD OCTOBER 1, 1984, TO DECEMBER 31, 1989

This subsection presents estimates of the operations and status of the OASI and DI Trust Funds during the period October 1, 1984, to December 31, 1989, based on the assumptions described in the preceding subsections. As previously stated, no changes are assumed to occur in the present statutory provisions and regulations under which the OASDI program operates.

These estimates indicate that the assets of the OASI and DI Trust Funds, on a combined basis, will be sufficient to permit the timely payment of OASDI benefits throughout the short-range period (and for many years thereafter), on the basis of all four sets of assumptions for which estimates are shown. The trust fund levels are estimated to remain relatively low, however, through about 1987. In the event of adverse experience, similar to that illustrated by the pessimistic alternative III assumptions, the DI program could become unable to make timely benefit payments by the end of 1987.

The Social Security Act includes a provision requiring the automatic repayment, based on asset levels, of amounts owed from the OASI Trust Fund to the Hospital Insurance (HI) Trust Fund, as a result of interfund borrowing which occurred in 1982. The estimates based on alternatives I, II-A, and II-B indicate that the increases in the combined assets of the OASI and DI Trust Funds would require the complete repayment, by early 1987, of the \$10.6 billion currently owed from the OASI Trust Fund to the HI Trust Fund. Based on alternative III, the repayment would take longer, with about \$0.3 billion being repaid in 1986, and the remaining \$10.3 billion being repaid in 24 monthly installments in 1988-89. The provision requiring these repayments has the effect of narrowing the range of possible trust fund operations during 1985-88. Earlier and larger repayments would be required under optimistic conditions than under pessimistic conditions. Thus, the results based on the various alternatives are somewhat similar.

As in previous annual reports, the estimates shown in this subsection reflect 12 months of benefit payments in each year of the short-range projection period. In practice, 13 benefit payments can be made in certain years, with the next year having only 11 payments. This situation can result from the provision of law which requires benefit checks to be delivered early when the normal check delivery date is a Saturday, Sunday, or legal public holiday. The benefit checks for December 1987 would normally be delivered on January 3, 1988; however, because that day is a Sunday, and the 2 preceding days are a Saturday and a holiday, the checks will be delivered on December 31, 1987. As noted above, the estimates are adjusted as if those benefit checks were delivered on the usual date.

OASI Trust Fund operations

Estimates of the operations and status of the OASI Trust Fund during calendar years 1985-89 are shown in table 12 based on each of the four alternative sets of assumptions, which are described in a preceding subsection. Actual operations for calendar year 1984 are also shown in the table. For each alternative, employment and earnings are assumed to

increase in every year through 1989. The number of persons with taxable earnings under the OASDI program is expected to increase on the basis of alternatives I, II-A, II-B, and III, from 119 million during calendar year 1984 to about 134 million, 133 million, 132 million, and 128 million, respectively, by 1989. The total annual amount of taxable earnings is expected to increase from about \$1,600 billion in 1984 to \$2,310 billion, \$2,311 billion, \$2,321 billion, and \$2,164 billion, in 1989, on the basis of alternatives I, II-A, II-B, and III, respectively. (In 1984 dollars—taking account of assumed increases in the CPI from 1984 to 1989 based on each alternative—the estimated amounts of taxable earnings in 1989 are \$1,954 billion, \$1,910 billion, \$1,845 billion, and \$1,662 billion, on the basis of alternatives I, II-A, II-B, and III, respectively.) These increases are due in part to the increases in the contribution and benefit base assumed to occur in 1985-89 under the automatic-adjustment provisions. The increases in taxable earnings are also due to (1) projected increases in employment levels and average earnings in covered employment, and (2) various provisions enacted into law in 1983 and 1984, including the extensions of coverage to all newly hired Federal civilian employees and virtually all employees of nonprofit organizations.

TABLE 12.—ESTIMATED OPERATIONS OF THE OASI TRUST FUND BY ALTERNATIVE, CALENDAR YEARS 1984-89
[Amounts in billions]

Calendar year	Income	Disbursements	Interfund borrowing transfers ¹	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year ²
1984 ³	\$169.3	\$161.9	—	\$7.4	\$27.1	20
Alternative I:						
1985.....	182.9	172.7	-\$4.4	5.6	32.9	24
1986.....	197.8	177.5	-10.9	9.2	42.1	26
1987.....	216.2	194.0	-2.2	19.9	62.0	29
1988.....	248.2	206.0	—	42.2	104.2	38
1989.....	271.2	218.2	—	52.9	157.2	56
Alternative II-A:						
1985.....	182.5	172.9	-4.4	5.3	32.4	24
1986.....	199.1	183.6	-8.7	6.7	39.1	25
1987.....	218.2	198.5	-4.4	15.3	54.4	27
1988.....	248.0	209.8	—	38.2	92.6	34
1989.....	270.6	223.8	—	47.1	139.7	50
Alternative II-B:						
1985.....	181.5	172.9	-4.4	4.2	31.3	24
1986.....	197.1	184.1	-7.5	5.5	36.8	24
1987.....	214.4	198.5	-5.6	10.3	47.1	26
1988.....	246.8	214.2	—	32.6	79.7	30
1989.....	270.9	230.2	—	40.7	120.4	43
Alternative III:						
1985.....	178.1	173.1	-4.4	.8	27.8	24
1986.....	187.7	186.4	-2.8	-1.6	26.1	22
1987.....	204.7	203.2	—	1.5	27.6	20
1988.....	233.4	218.6	-4.6	10.2	37.8	20
1989.....	248.1	236.2	-5.7	6.2	44.0	23

¹Negative figures represent interfund loan repayments from the OASI Trust Fund to the DI and HI Trust Funds.

²Assets at the beginning of the year are defined as assets at the end of the prior year, plus advance tax transfers for January.

³Figures for 1984 represent actual experience.

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

The increases in estimated income shown in table 12 on the basis of each set of assumptions reflect the increases in estimated taxable earnings, as described above. In addition, the estimated income to the fund is affected by the scheduled changes in contribution rates.

Rising disbursements during calendar years 1985-89 reflect the effects of the assumed future automatic benefit increases previously shown, as well as the long-range upward trend in the numbers of beneficiaries and in the amounts of average monthly earnings underlying benefits payable under the program. The growth in the number of beneficiaries in the past and the expected growth in the future result partly from the increase in the aged population and partly from two other factors: (1) in each succeeding year, a larger proportion of the persons attaining age 62 is eligible for benefits, and (2) the amendments during 1950-84 modified the eligibility provisions and extended coverage to additional categories of employment.

Growth has also occurred, and will continue to occur, in the proportion of eligible persons who, in fact, receive benefits. This growth is due to several factors, among which are (1) the amendments enacted during 1950-84 which affect the conditions governing the receipt of benefits, and (2) the increasing percentage of eligible persons who are aged 70 and over and who therefore receive benefits regardless of earnings. (The age at which eligible persons may begin to receive full benefits regardless of earnings was reduced from 72 to 70 beginning in 1983.)

The estimates shown in table 12 indicate that income would exceed disbursements in every year, based on each of the four alternative sets of assumptions used in this report. The assets of the OASI Trust Fund at the beginning of 1984, including advance tax transfers for January and amounts owed to the DI and HI Trust Funds, were equal to about 20 percent of the fund's disbursements in 1984. During 1984, income exceeded disbursements by \$7.4 billion. At the beginning of 1985, the assets of the OASI Trust Fund represented about 24 percent of estimated annual expenditures.

Assets are estimated to remain at roughly 25-35 percent of annual expenditures through 1987, based on alternatives I, II-A, and II-B, and to increase rapidly thereafter. Based on alternative III, assets would decrease to about 20 percent of annual expenditures at the beginning of 1988. While not shown in table 12, assets as a percentage of expenditures would begin to grow slowly for the next several years, primarily as a result of the increases in OASI tax rates scheduled for 1988 and 1990 and, to a lesser degree, because of the benefit-increase limitation in 1989, under the stabilizer provision, as described in the preceding subsection. In interpreting the trust fund ratios in table 12, it should be noted that, at the beginning of any month, assets of at least 8-9 percent of annual expenditures are required to make the benefit payments that are due, generally, on the third day of the month. Therefore, the difference between the estimated assets as a percentage of expenditures shown above, and the minimum level of 8-9 percent, represents the reserve available to handle adverse contingencies.

DI Trust Fund operations

The estimated operations and status of the DI Trust Fund during calendar years 1985-89 on the basis of the four sets of assumptions are shown in table 13, together with figures on actual experience in 1984. On the basis of each alternative, income is estimated to increase gradually

from its level in 1984. This increase reflects the same factors, insofar as they apply to income to the DI Trust Fund, that are reflected in the estimated increase in income to the OASI Trust Fund during the same period.

TABLE 13.—ESTIMATED OPERATIONS OF THE DI TRUST FUND BY ALTERNATIVE, CALENDAR YEARS 1984-89
[Amounts in billions]

Calendar year	Income	Disbursements	Interfund borrowing transfers ¹	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year ²
1984 ³	\$17.3	\$18.5	—	-\$1.2	\$4.0	35
Alternative I:						
1985.....	18.2	19.8	\$2.5	1.0	4.9	27
1986.....	19.3	19.2	2.5	2.6	7.6	33
1987.....	20.9	20.5	—	.4	8.0	44
1988.....	23.7	21.2	—	2.5	10.6	45
1989.....	25.6	22.0	—	3.8	14.3	56
Alternative II-A:						
1985.....	16.2	20.3	2.5	.4	4.4	26
1986.....	19.4	20.3	2.5	1.6	8.0	28
1987.....	20.6	21.3	—	-.6	5.4	35
1988.....	23.5	22.4	—	1.1	6.5	31
1989.....	25.4	23.6	—	1.8	6.2	35
Alternative II-B:						
1985.....	16.1	20.3	2.5	.3	4.3	26
1986.....	19.2	20.4	2.5	1.4	5.6	27
1987.....	20.6	21.5	—	-.9	4.7	33
1988.....	23.3	22.6	—	.5	5.2	28
1989.....	25.4	24.2	—	1.2	6.4	29
Alternative III:						
1985.....	17.7	20.6	2.5	-.3	3.6	26
1986.....	16.2	21.2	2.5	-.4	3.2	23
1987 ⁴	19.5	22.8	—	-3.3	-.1	20
1988 ⁴	21.6	24.2	—	-2.4	-2.5	6
1989 ⁴	22.6	25.9	—	-3.1	-5.7	-3

¹Positive figures represent repayments of amounts lent to the OASI Trust Fund in 1982.

²See footnote 2 of table 12.

³See footnote 3 of table 12.

⁴Figures are theoretical. Based on the alternative III assumptions, corrective legislation would be required to enable the timely payment of DI benefits beginning late in 1987. Theoretical figures shown are based on the assumption that funds could be lent to the DI Trust Fund to meet DI expenditures. The income and asset figures are reduced by the amount of interest payable on these theoretical loans.

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

Disbursements are estimated to increase because of automatic benefit increases and because of projected increases in the amounts of average monthly earnings on which benefits are based. In addition, on the basis of all but alternative I, the number of DI beneficiaries is projected to continue increasing throughout the short-range projection period. Based on alternative I, the number of DI beneficiaries is projected to stabilize at roughly its current level before beginning to increase in about 1987.

During 1979-83, the number of disability terminations exceeded the number of disability awards and, consequently, the number of persons receiving benefits under the DI program declined. This decline resulted from (1) disability incidence rates that were significantly lower than those experienced prior to 1978, and (2) benefit termination rates that have been somewhat higher, in part as a result of the increased reviews of the continuing eligibility of disabled beneficiaries as required by legislation enacted in 1980, and amended in 1983 and 1984. This experience was not expected to continue indefinitely (see discussion in

1983 and 1984 Annual Reports, for example), and the number of disability awards in 1984 exceeded the number of disability terminations. While the greater number of awards was consistent with the estimates in the 1984 Annual Report, terminations were substantially fewer than anticipated, as a result of certain court orders, State-ordered moratoria, and the national moratorium announced in April 1984, which suspended the processing of continuing disability reviews. The actual number of terminations in the near future will depend on the manner in which the processing of these reviews is resumed; if actual processing differs from that assumed, actual DI costs could vary from the estimates shown in table 13. Based on the updated incidence and termination assumptions prepared for this report, the number of disability awards is projected to exceed the number of terminations each year on the basis of alternatives II-A, II-B, and III.

At the beginning of 1984, the assets of the DI Trust Fund (including advance tax transfers for January) represented about 35 percent of annual expenditures. During 1984, DI expenditures exceeded DI income by about \$1.2 billion. The DI Trust Fund assets at the beginning of 1985 amounted to about 26 percent of estimated outgo in 1985. Based on the two intermediate sets of assumptions, DI assets are projected to remain in the vicinity of 30 percent of annual expenditures during 1985-89. Using alternative I assumptions, DI assets would increase to 56 percent of annual expenditures at the beginning of 1989.

Under the conditions assumed for alternative III, DI assets would decline to about 20 percent of outgo at the beginning of 1987 and would be insufficient to allow the timely payment of DI benefits by the end of the year. Interfund borrowing is authorized under present law through the end of 1987, but all interfund loans must be repaid by December 31, 1989. While an interfund loan could postpone the depletion of the DI Trust Fund, the amount borrowed could not be repaid by the mandated deadline without corrective legislation. The estimates shown in table 13 do not reflect an interfund loan to the DI Trust Fund; theoretical operations of the fund subsequent to its depletion are shown for informational purposes.

As indicated in table 13, the balance of the loans made in 1982 from the DI Trust Fund to the OASI Trust Fund is assumed to be repaid in 1986 on the basis of each alternative set of assumptions. (The law provides that repayment of amounts owed to the DI Trust Fund must be completed by the end of 1989; the schedule of repayments is otherwise at the discretion of the Managing Trustee.) Financial problems would not result on the basis of alternatives I, II-A, and II-B if the repayment did not occur in 1986. Based on alternative III, however, the repayment would be required to prevent depletion of the DI fund late in 1986 or early in 1987. As described above, further action would be necessary to avoid financial problems 1 year later.

Combined OASI and DI Trust Fund operations

The estimated operations and status of the OASI and DI Trust Funds, combined, during calendar years 1985-89 on the basis of the four alternatives, are shown in table 14, together with figures on actual experience in 1984. These figures are the sums of the corresponding figures shown in tables 12 and 13.

TABLE 14.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, BY ALTERNATIVE, CALENDAR YEARS 1984-89
[Amounts in billions]

Calendar year	Income	Disbursements	Interfund borrowing transfers ¹	Net increase in funds	Funds at end of year	Funds at beginning of year as a percentage of disbursements during year ²
1984 ³	\$186.6	\$180.4	—	\$6.2	\$31.1	21
Alternative I:						
1985.....	201.1	192.5	-\$1.6	8.8	37.8	24
1986.....	218.9	196.7	-8.4	11.9	49.7	27
1987.....	237.1	214.5	-2.2	20.3	70.0	31
1988.....	271.9	227.2	—	44.7	114.8	39
1989.....	297.0	240.3	—	56.7	171.5	56
Alternative II-A:						
1985.....	200.7	193.2	-1.8	5.7	36.8	24
1986.....	218.5	204.0	-8.2	8.3	45.1	25
1987.....	237.0	217.8	-4.4	14.7	59.8	28
1988.....	271.5	232.2	—	39.3	99.1	34
1989.....	296.0	247.2	—	48.8	147.9	48
Alternative II-B:						
1985.....	199.5	193.2	-1.8	4.5	35.6	24
1986.....	216.4	204.5	-5.0	8.8	42.4	25
1987.....	235.0	220.0	-5.6	9.4	51.8	27
1988.....	270.1	237.0	—	33.1	84.9	30
1989.....	296.3	254.5	—	41.9	126.8	41
Alternative III:						
1985.....	195.8	193.7	-1.8	.3	31.4	24
1986.....	205.9	207.6	-3	-2.0	29.3	22
1987 ⁴	224.2	228.0	—	-1.9	27.5	20
1988 ⁴	255.2	242.8	-4.6	7.8	35.3	19
1989 ⁴	270.9	262.1	-5.7	3.1	38.4	21

¹Negative figures represent interfund loan repayments from the OASI Trust Fund to the HI Trust Fund.

²See footnote 2 of table 12.

³See footnote 3 of table 12.

⁴Figures are theoretical. See footnote 4 of table 13 and text for details.

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

At the beginning of 1984, the combined assets of the OASI and DI Trust Funds (including advance tax transfers for January and amounts owed to the HI Trust Fund) were equal to 21 percent of the disbursements in 1984, as shown in table 14. During 1984, total income to the two trust funds was \$6.2 billion higher than total expenditures, resulting in combined OASDI assets at the beginning of 1985 which represented 24 percent of estimated combined expenditures for the year. Based on alternatives II-A and II-B, the combined funds are projected to increase gradually to roughly 40-50 percent of annual outgo at the beginning of 1989. Somewhat faster growth would occur on the basis of alternative I, with combined assets reaching about 56 percent of annual outgo at the beginning of 1989. Based on the alternative III assumptions, assets would decline from their current level to 19 percent at the beginning of 1988, before beginning to increase. The projections in table 14 indicate that a sufficient reallocation of tax rates between OASI and DI would prevent the depletion of the DI Trust Fund on the basis of the alternative III

assumptions. The projections also show that an interfund loan from OASI to DI in 1987 would allow satisfactory operation of the DI Trust Fund in 1987-89. Under present law, however, such loans must be repaid by December 31, 1989, and the DI program would be unable to do so without corrective legislation. For this reason, the combined operations shown in table 14 based on alternative III are theoretical for 1987 and later. On the basis of alternatives I, II-A, and II-B, combined assets would increase substantially in 1988 and later, primarily as a result of the scheduled increases in OASDI tax rates. Assets would increase at a more gradual rate, based on alternative III, beginning in 1990.

The Social Security Act contains several provisions requiring automatic actions if certain "trust fund ratios" are above or below specified levels. Each of these provisions has a unique definition of the ratio to be used, and none of these definitions coincides with the one that is generally used to evaluate the financial status of the Social Security program. Table 15 presents detailed information on the calculation of the usual trust fund ratio and two other ratios used for specified purposes under the law.

TABLE 15.—ESTIMATED OASDI "TRUST FUND RATIOS" BASED ON VARIOUS DEFINITIONS, BY ALTERNATIVE, CALENDAR YEARS 1985-89
[Amounts in millions, ratios in percent]

Calendar year	Cash and invested assets of OASI and DI Trust Funds on January 1 ¹	Advance tax transfers for January	Amounts owed to HI Trust Fund on January 1	OASDI outgo during year	"Contingency reserve trust fund ratio" ²	"Fund ratio" for December benefit increase ³	"Trust fund ratio" for HI loan repayment in January ⁴
Alternative I:							
1985	\$31,075	\$15,316	\$12,437	\$192,525	24.1	17.6	16.1
1986	37,846	15,058	10,613	196,692	26.9	21.5	19.2
1987	49,700	16,126	2,213	214,519	30.7	29.7	23.2
1988	70,045	16,433	—	227,175	38.9	38.9	(*)
1989	114,790	20,115	—	240,274	56.1	56.1	(*)
Alternative II-A:							
1985	31,075	15,316	12,437	193,180	24.0	17.6	16.1
1986	36,777	15,079	10,613	203,961	25.4	20.2	18.0
1987	45,071	16,186	4,413	217,846	28.1	26.1	20.7
1988	59,776	18,452	—	232,197	33.7	33.7	(*)
1989	99,074	20,124	—	247,207	48.2	48.2	(*)
Alternative II-B:							
1985	31,075	15,316	12,437	193,190	24.0	17.6	16.1
1986	35,602	14,939	10,613	204,532	24.7	19.5	17.4
1987	42,421	16,046	5,613	220,028	28.6	24.0	19.3
1988	51,605	18,377	—	237,005	29.6	29.6	(*)
1989	84,946	20,139	—	254,456	41.3	41.3	(*)
Alternative III:							
1985	31,075	15,316	12,437	193,676	24.0	17.5	16.0
1986	31,365	14,197	10,613	207,622	21.9	16.8	15.1
1987	29,338	15,363	10,313	226,041	19.6	15.2	13.0
1988	27,487	17,674	10,313	242,834	18.6	14.4	11.3
1989	35,252	18,853	5,739	262,100	20.6	18.5	13.4

¹Before appropriation of advance tax transfers for January. Includes amounts owed to the HI Trust Fund.

²Combined assets of OASI and DI Trust Funds, plus advance tax transfers for January, as a percentage of OASDI outgo during year. This is the ratio normally used to evaluate the financial status of the trust funds. See estimates in tables 12-14, for example.

³For 1985 and later, combined assets of OASI and DI Trust Funds, plus advance tax transfers for January, minus amounts owed to the HI Trust Fund, as a percentage of OASDI outgo during year. See section 215(i) of the Social Security Act.

⁴Combined assets of OASI and DI Trust Funds, as a percentage of OASDI outgo during year. See section 201(f) of the Social Security Act.

⁵Based on this set of assumptions, amounts owed to the HI Trust Fund are repaid by this year.

*Figures are theoretical. See footnote 4 of table 13 and text for details.

Note: Outgo figures for 1987 and 1988 are adjusted to reflect 12 months of benefit payments in each year; this adjustment also affects assets at the beginning of 1988. See text for details.

The usual definition of the ratio of assets to expenditures, denoted in table 15 as the "contingency reserve trust fund ratio," has already been described. Its purpose is to measure the amount of assets that is readily available for the payment of monthly benefits.

Section 215(i) of the Social Security Act defines an "OASDI fund ratio" for the purpose of determining automatic benefit increases in 1984 and later. If this ratio is below a specified threshold, the benefit increase would be based on the lesser of certain wage and price increases. The projections in table 15 indicate that on the basis of alternatives I, II-A, and II-B, the ratio would not be lower than the 15.0-percent threshold applicable in 1985-88 or the 20.0-percent threshold applicable in 1989. Based on alternative III, the ratio would exceed 15.0 percent during 1985-87 (by relatively small amounts) but would be less than 15.0 percent in 1988 and less than 20.0 percent in 1989.

Table 16 presents the relevant wage and price assumptions for 1985-89. These figures are not exactly the same as similar ones shown previously in table 10, because their definitions are not the same. For example, the wage increases shown in table 16 are based on the same wage series which is used for indexing the contribution and benefit base and other wage-indexed program amounts. The earnings increases shown in table 10 are based on average earnings in covered employment.

TABLE 16.—APPLICABLE INCREASES IN WAGES AND PRICES FOR PURPOSES OF COMPUTING BENEFIT INCREASES UNDER THE OASDI PROGRAM, BY ALTERNATIVE, CALENDAR YEARS 1985-89

Calendar year	Applicable percentage increase in—		Resulting benefit increase ³ (percent)
	Average wages ¹	CPI ²	
Alternative I:			
1985	5.4	2.9	(⁴)
1986	9.2	6.7	6.7
1987	5.1	3.8	3.6
1988	5.5	3.5	3.5
1989	5.4	3.1	3.1
Alternative II-A:			
1985	5.2	3.4	3.4
1986	3.8	4.2	4.2
1987	5.4	4.1	4.1
1988	5.8	4.0	4.0
1989	5.5	3.6	3.6
Alternative II-B:			
1985	4.9	3.7	3.7
1986	3.8	5.0	5.0
1987	5.4	5.3	5.3
1988	6.3	5.0	5.0
1989	6.0	4.6	4.6
Alternative III:			
1985	4.5	4.6	4.6
1986	3.2	6.1	6.1
1987	4.3	4.9	4.9
1988	6.9	5.5	5.5
1989	5.1	6.0	5.1

¹Increase in average total wages (both covered and noncovered) in preceding year as compared to second preceding year.

²Increase in average Consumer Price Index from third quarter of preceding year through third quarter of year shown.

³Equals increase in Consumer Price Index unless "OASDI fund ratio" (as shown in table 15) is less than 15.0 percent for 1985-88 or 20.0 percent for 1989 and later, in which case equals lesser of wage increase or price increase. Effective for December of year shown.

⁴Based on the alternative I assumptions, no benefit increase would occur for December 1985, because the assumed increase in the CPI is less than 3 percent, which is the minimum required to trigger a benefit increase.

⁵Following a year in which no automatic benefit increase was effective, the applicable wage and price increases are measured relative to the last benefit increase. Consequently, figures shown represent increases over a 2-year period.

Based on alternative I, the applicable wage increases are assumed to exceed the corresponding price increases (taking into account the difference in measuring periods) for 1985 and later. Based on alternatives II-A and II-B, this relationship is assumed for all years except 1986, for which the applicable trust fund ratio exceeds 15.0 percent. Based on these three sets of assumptions, then, the benefit-increase stabilizer provision would not affect the automatic benefit increases in 1985-89. Based on the pessimistic alternative III assumptions, such a limitation would occur in 1989, as described in the preceding subsection.

In general, the stabilizer provision would help to prevent the depletion of the trust funds during periods when prices are increasing but real wages are falling. Such conditions persisted during the late 1970s, when the economy experienced slow growth and double-digit inflation. Under certain other types of adverse conditions, however, this provision could have little or no effect. The income of the trust funds depends directly on the size of the taxable payroll, whereas the operation of the stabilizer provision is linked to the growth in average wages. A situation could arise under which the taxable payroll is growing slowly, or even declining, due to high unemployment, but average wages are increasing at a greater rate than are prices. In addition, the stabilizer could fail to trigger even when real wages are falling, because the applicable wage and price indices are measured over time periods which are not contemporaneous. The price index measures changes in current prices, but the wage index measures changes that occurred about a year earlier. Under such circumstances, the relatively low level of OASDI assets through about 1987 could be insufficient to meet the shortfall between income and outgo, without corrective action. After 1987, the expected increases in trust fund assets would make the program less vulnerable to adverse economic conditions.

The benefit increase for December 1985 will not be affected by the stabilizer provision. The 1984 Annual Report cautioned that the "OASDI fund ratio" for 1985 would be very near the threshold level of 15.0 percent; this ratio is currently estimated to be 17.6 percent. The final ratio cannot differ significantly from this amount.

Table 15 also presents OASDI trust fund ratios as used for determining the minimum schedule of repayments on amounts owed from the OASI Trust Fund to the HI Trust Fund. If the combined assets of the OASI and DI Trust Funds exceed 15 percent of the annual expenditures (as defined by section 201(l) of the Social Security Act), the excess must be used to repay any outstanding amount owed. On this basis, \$1,824 million was transferred from the OASI Trust Fund to the HI Trust Fund on January 31, 1985. Repayment of the remaining amount owed would occur in 1986-87, based on alternatives I, II-A, and II-B. Based on alternative III, a small repayment would be required in 1986, and the remainder would be repaid in 24 monthly installments during 1988-89.

As in prior years' reports, for purposes of evaluating the financial status of the program, the amounts lent to the OASI Trust Fund from the DI and HI Trust Funds are included in the invested assets of the OASI Trust Fund. This procedure is followed because such amounts are readily available for the payment of benefits and thus should be

considered when determining the ability of the OASI program to meet its benefit-payment obligations. Similarly, the amounts owed to the DI and HI Trust Funds are not included in the assets of those funds, because these amounts are not readily available for the payment of DI or HI benefits.

It can be argued that a more proper accounting treatment would be to exclude interfund loans from the borrowing fund's assets and to include them in the assets of the lending funds. This "net value" basis would recognize the obligation of the OASI Trust Fund to repay the amounts owed and would reflect the fact that, to the lending funds, such amounts are investments for which interest is received and return of principal is promised. While these are sound arguments, the existing treatment is used to facilitate the evaluation of the trust funds' actual cash operations—in particular, whether sufficient invested assets (borrowed or otherwise) are available at the beginning of any given month to pay the benefits for that month.

For informational purposes, table 17 presents (1) the estimated assets of the OASI and DI Trust Funds, as shown elsewhere in this report, (2) the amounts owed to or owing from other trust funds, and (3) the "net value" of trust fund assets. For the OASI Trust Fund, this last figure represents invested assets, plus cash balances, less amounts owed to the DI and HI Trust Funds. For the DI Trust Fund, the "net value" represents invested assets, plus cash balances, plus amounts owing from the OASI Trust Fund. As indicated, the "net value" of the OASI Trust Fund is low at this time and will remain relatively low for several years. The low "net values" do not imply an inability to pay benefits on time, however, for the reasons described above. Thus, the "net value" is not particularly useful as an indicator of a trust fund's ability to operate satisfactorily, although it may be of interest as an additional indicator of the trust fund's underlying financial status.

TABLE 17.—ASSETS, INTERFUND LOANS OUTSTANDING, AND "NET VALUES" OF THE OASI AND DI TRUST FUNDS AT END OF CALENDAR YEAR, 1981-84, AND ESTIMATES BY ALTERNATIVE, CALENDAR YEARS 1985-89
[In billions]

Calendar year	OASI Trust Fund			DI Trust Fund		
	Assets ¹	Outstanding amounts borrowed ²	"Net value" ³	Assets ¹	Outstanding amounts lent ⁴	"Net value" ⁵
Past experience:						
1981	\$21.5	—	\$21.5	\$3.0	—	\$3.0
1982	22.1	\$17.5	4.6	2.7	\$5.1	7.6
1983	19.7	17.5	2.2	5.2	5.1	10.3
1984	27.1	17.5	9.6	4.0	5.1	9.0
Alternative I:						
1985	32.9	13.2	19.7	4.9	2.5	7.5
1986	42.1	2.2	39.9	7.6	—	7.6
1987	62.0	—	62.0	6.0	—	6.0
1988	104.2	—	104.2	10.6	—	10.6
1989	157.2	—	157.2	14.3	—	14.3
Alternative II-A:						
1985	32.4	13.2	19.2	4.4	2.5	6.9
1986	39.1	4.4	34.7	6.0	—	6.0
1987	54.4	—	54.4	5.4	—	5.4
1988	92.6	—	92.6	6.5	—	6.5
1989	139.7	—	139.7	6.2	—	6.2
Alternative II-B:						
1985	31.3	13.2	18.2	4.3	2.5	6.8
1986	36.8	5.6	31.2	5.6	—	5.6
1987	47.1	—	47.1	4.7	—	4.7
1988	79.7	—	79.7	5.2	—	5.2
1989	120.4	—	120.4	6.4	—	6.4
Alternative III:						
1985	27.8	13.2	14.6	3.6	2.5	6.2
1986	26.1	10.3	15.8	3.2	—	3.2
1987	27.6	10.3	17.3	-1	—	-1
1988	37.8	5.7	32.0	-2.5	—	-2.5
1989	44.0	—	44.0	-5.7	—	-5.7

¹Represents invested assets, plus cash balance at end of year.

²Represents total amounts owed to the DI and HI Trust Funds at end of year.

³See text for description of "net value."

⁴Represents total amounts lent to OASI Trust Fund, less repayments made by end of year.

⁵Figures for DI Trust Fund are theoretical. See footnote 4 of table 13 and text for details.

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

Assets as a percentage of annual expenditures for selected years prior to 1985 are shown in table 18 for both funds combined and for each fund separately. These figures represent "contingency reserve trust fund ratios," as defined previously.

TABLE 18.—ASSETS AT THE BEGINNING OF THE YEAR AS A PERCENTAGE OF EXPENDITURES DURING THE YEAR, BY TRUST FUND, SELECTED CALENDAR YEARS 1950-84

Calendar year	OASI and DI Trust Funds, combined	OASI Trust Fund	DI Trust Fund
1950.....	1,156	1,156	—
1955.....	405	405	—
1960.....	186	180	304
1965.....	110	109	121
1970.....	103	101	126
1975.....	66	63	92
1976.....	57	54	71
1977.....	47	47	48
1978.....	37	39	26
1979.....	30	30	30
1980.....	25	23	35
1981.....	18	18	21
1982.....	15	15	17
1983.....	14	15	14
1984.....	21	20	35

Expenditures in calendar year 1984 from both trust funds, combined, were about 11.3 percent of taxable payroll for the year—0.3 percentage point less than the income rate of 11.6 percent. Based on alternatives I, II-A, and II-B, cost rates are estimated to decline slowly during the short-range projection period, reaching 10.43, 10.73, and 11.00 percent, respectively, in 1989. Based on alternative III, cost rates would increase somewhat, to 12.14 percent in 1989. These percentages are shown in table 19 for both trust funds, separately and combined. Table 19 also shows cost rates for years prior to 1984 and a comparison of the cost rates with the corresponding income rates. As explained previously, the income rate represents the sum of the combined employee-employer contribution rate and the income derived from the Federal income taxation of OASDI benefits, expressed as a percentage of effective taxable payroll.

TABLE 19.—COMPARISON OF COST RATES AND INCOME RATES, BY TRUST FUND, SELECTED CALENDAR YEARS 1950-83, AND ESTIMATED RATES BY ALTERNATIVE, CALENDAR YEARS 1984-89
[As a percentage of taxable payroll]

Calendar year	OASI Trust Fund			DI Trust Fund			OASI and DI Trust Funds, combined		
	Cost rate	Income rate	Balance	Cost rate	Income rate	Balance	Cost rate	Income rate	Balance
Past experience:									
1950	1.17	3.00	1.83	—	—	—	1.17	3.00	1.83
1955	3.34	4.00	.66	—	—	—	3.34	4.00	.66
1960	5.59	5.50	-.09	0.30	0.50	0.20	5.89	6.00	.11
1965	7.23	6.75	-.48	.70	.50	-.20	7.93	7.25	-.68
1970	7.32	7.30	-.02	.81	1.10	.29	8.12	8.40	.28
1975	9.29	8.75	-.54	1.36	1.15	-.21	10.65	9.90	-.75
1976	9.42	8.75	-.67	1.44	1.15	-.29	10.86	9.90	-.96
1977	9.46	8.75	-.71	1.50	1.15	-.35	10.97	9.90	-1.07
1978	9.29	8.55	-.74	1.45	1.55	.10	10.74	10.10	-.64
1979	8.88	8.66	-.22	1.35	1.50	.15	10.23	10.16	-.07
1980 ¹	9.36	9.04	-.32	1.36	1.12	-.28	10.75	10.16	-.59
1981 ¹	9.98	9.40	-.58	1.39	1.30	-.09	11.37	10.70	-.67
1982 ¹	10.65	9.15	-1.50	1.35	1.65	.30	12.00	10.80	-1.20
1983 ¹	10.36	*9.92	-.44	1.23	*1.33	.09	11.59	*11.24	-.35
Alternative I:									
1984	10.09	10.58	.49	1.16	1.01	-.14	11.25	11.59	.34
1985	10.05	10.59	.55	1.15	1.01	-.14	11.20	11.61	.41
1986	9.83	10.60	.97	1.04	1.01	-.03	10.67	11.61	.94
1987	9.70	10.62	.92	1.02	1.01	-.01	10.72	11.83	.91
1988	9.59	11.30	1.71	.99	1.08	.09	10.58	12.37	1.80
1989	9.48	11.31	1.84	.96	1.08	.12	10.43	12.39	1.96
Alternative II-A:									
1984	10.11	10.58	.47	1.16	1.01	-.15	11.27	11.59	.32
1985	10.08	10.59	.54	1.18	1.01	-.17	11.24	11.61	.37
1986	9.87	10.61	.74	1.09	1.01	-.08	10.98	11.62	.66
1987	9.81	10.62	.81	1.07	1.01	-.05	10.87	11.84	.76
1986	9.75	11.30	1.55	1.04	1.08	.03	10.79	12.38	1.59
1989	9.70	11.32	1.62	1.03	1.08	.05	10.73	12.40	1.67
Alternative II-B:									
1984	10.13	10.58	.45	1.16	1.01	-.15	11.29	11.59	.30
1985	10.10	10.59	.49	1.19	1.01	-.17	11.29	11.61	.32
1986	9.98	10.61	.83	1.11	1.01	-.09	11.09	11.62	.53
1987	9.97	10.63	.66	1.08	1.02	-.07	11.05	11.64	.59
1988	9.97	11.31	1.33	1.06	1.08	.01	11.04	12.38	1.34
1989	9.95	11.33	1.38	1.05	1.08	.03	11.00	12.40	1.41
Alternative III:									
1984	10.17	10.58	.40	1.17	1.01	-.15	11.34	11.59	.25
1985	10.29	10.60	.31	1.23	1.01	-.21	11.52	11.61	-.10
1986	10.58	10.62	.04	1.20	1.02	-.19	11.79	11.64	-.15
1987	10.57	10.64	.07	1.19	1.02	-.17	11.75	11.66	-.10
1986	10.63	11.32	.69	1.18	1.08	-.10	11.81	12.40	.59
1989	10.94	11.35	.41	1.20	1.08	-.12	12.14	12.43	.29

¹Cost rates for 1980-83 are preliminary.

²Income rates for 1983 are adjusted to include the lump-sum payment from the general fund of the Treasury for the cost of noncontributory wage credits for military service in 1940-56.

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

As stated previously, estimates of the operations of the trust funds during calendar years 1985-89 have been presented in the preceding tables of this section on the basis of four different sets of economic assumptions, because of the uncertainty of future economic and demographic developments. Under the provisions of the Social Security Act, estimates of the expected operations and status of the trust funds during the next 5 fiscal years are required to be shown in this report. Accordingly, detailed estimates of the expected operations and status of the trust funds during each fiscal year 1985-89 are shown in the remaining tables of this section for the two intermediate sets of assumptions (alternatives II-A and II-B) only. Similar detailed estimates are also shown on a calendar-year basis for 1985-89.

Data on the actual operations of the OASI Trust Fund for selected years during 1940-84, and estimates of the expected operations of the trust fund during 1985-89 on the basis of the intermediate sets of assumptions, are shown in tables 20 and 21 on a fiscal- and calendar-year basis, respectively. Corresponding figures on the operations of the DI Trust Fund are shown in tables 22 and 23. Operations of both trust funds combined are shown in tables 24 and 25. (Data relating to the operations of the two trust funds for years not shown in tables 20-25 are contained in earlier annual reports.) The figures shown in tables 21, 23, and 25 for 1981 and 1982 are adjusted to reflect 12 months of benefit payments in each year. As stated previously, the estimated figures for 1987 and 1988 are also so adjusted.

TABLE 20.—OPERATIONS OF THE OASI TRUST FUND DURING SELECTED FISCAL YEARS 1940-84 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1985-89 ON THE BASIS OF THE INTERMEDIATE SETS OF ASSUMPTIONS
 (In millions)

Fiscal year ¹	Income				Disbursements						Fund at end of period	
	Total	Net contributions ^a	Income from taxation of benefits	Payments from the general fund of the Treasury ^a	Net interest ^a	Total	Benefit payments ^a	Administrative expenses	Transfers to Railroad Retirement Account	Interfund borrowing transfers ^a		Net increase in fund
Past experience:												
1940	\$592	\$550	—	—	\$42	\$28	\$16	\$12	—	—	\$564	\$1,745
1945	1,434	1,310	—	—	124	267	240	27	—	—	1,167	6,613
1950	2,367	2,106	—	—	257	784	727	57	—	—	1,583	12,893
1955	5,525	5,087	—	—	438	4,427	4,333	103	—	—	1,098	21,141
1960	10,360	9,843	—	—	517	11,073	10,270	202	—	—	600	20,829
1965	16,443	15,857	—	—	586	15,962	15,226	300	—	—	436	20,180
1970	31,746	29,955	—	442	1,350	27,321	26,268	474	—	—	579	4,425
1975	58,757	56,017	—	447	2,292	56,676	54,647	848	—	—	982	2,081
1976	62,327	59,555	—	425	2,347	64,295	62,148	935	—	—	1,212	-1,968
July-Sept. 1976	16,186	16,106	—	—	80	17,111	16,877	234	—	—	—	-925
1977	71,796	68,895	—	614	2,287	73,479	71,278	993	—	—	1,208	-1,683
1978	76,811	74,047	—	613	2,152	81,205	78,531	1,086	—	—	1,589	-4,394
1979	86,893	84,358	—	615	1,920	90,128	87,609	1,072	—	—	1,448	-3,235
1980	100,051	97,608	—	557	1,866	103,228	100,626	1,180	—	—	1,442	-3,177
1981	121,572	119,016	—	540	2,016	122,304	119,421	1,298	—	—	1,585	-732
1982	126,629	124,246	—	675	1,708	137,928	134,661	1,474	—	—	1,793	-11,299
1983	148,434	136,127	—	6,086	6,210	151,827	148,025	1,551	—	—	2,251	14,125
1984	160,729	156,553	\$2,132	125	1,919	159,820	155,631	1,585	—	—	2,404	909
Estimated future experience:												
Alternative II-A:												
1985	180,013	175,610	3,206	105	1,092	170,883	166,824	1,725	2,334	-4,364	4,766	32,336
1986	194,757	188,745	3,720	90	2,202	180,911	176,758	1,795	2,359	-8,741	5,104	37,440
1987	211,590	203,587	4,315	72	3,616	193,321	188,918	1,937	2,466	-4,413	13,855	51,295
1988	241,032	230,336	5,004	59	5,633	206,483	201,867	2,085	2,531	—	34,549	85,844
1989	264,270	249,377	5,795	48	9,050	220,113	215,955	2,244	2,514	—	44,157	130,001
Alternative II-B:												
1985	178,495	175,100	3,206	105	1,093	170,894	166,835	1,725	2,334	-4,364	4,237	31,807
1986	192,758	186,877	3,728	90	2,083	181,305	177,146	1,795	2,364	-7,541	3,912	35,719
1987	209,902	202,175	4,352	72	3,303	194,950	190,518	1,948	2,484	-5,613	9,339	45,057
1988	239,859	229,667	5,098	60	5,034	210,288	205,610	2,108	2,570	—	29,571	74,628
1989	264,086	249,908	5,957	49	8,172	226,223	221,951	2,261	2,591	—	37,662	112,490

See following page for footnotes.

¹Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consist of the 12 months ending on September 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ended on June 30, 1976, to fiscal year 1977, which began on October 1, 1976.

²Beginning in 1983, includes government contributions on deemed wage credits for military service in 1957 and later. The amount shown for 1983 includes, in addition to the annual contributions on 1983 wage credits, a net amount of \$5,388 million representing (1) retroactive contributions on deemed wage credits for military service in 1957-82, less (2) all reimbursements received prior to 1983 for the costs of such credits. An adjustment to these amounts totaling \$466 million was transferred to the trust fund from the general fund of the Treasury in 1984.

³Includes payments (1) in 1947-52 and in 1967 and later, for costs of noncontributory wage credits for military service performed before 1957; (2) in 1972-83, for costs of deemed wage credits for military service performed after 1956; and (3) in 1969 and later, for costs of benefits to certain uninsured persons who attained age 72 before 1968. The amount shown for 1978 also includes \$2,724,000 as a single reimbursement for the estimated total costs of granting noncontributory wage credits to individuals who were interned during World War II at places within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

⁴Net interest includes net profits or losses on marketable investments. Beginning in 1967, administrative expenses are charged currently to the trust fund on an estimated basis, with a

final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in net interest. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report. Beginning in 1983, these figures reflect payments from a borrowing trust fund to a lending trust fund for interest on amounts owed under the interfund borrowing provisions. Also, beginning in 1983, interest paid from the trust fund to the general fund on advance tax transfers is reflected. The amount shown for 1983 includes \$6,677 million in interest on (1) retroactive government contributions on deemed wage credits for military service in 1957-82, and (2) unnegotiated benefit checks issued before 1983. The amount shown for 1984 includes an interest adjustment of \$1,732 million on government contributions on deemed wage credits for military service in 1957-83.

⁵Beginning in 1967, includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities. Beginning in 1983, amounts are reduced by amount of reimbursement for unnegotiated benefit checks. The amount shown for 1983 is reduced by \$288 million for all unnegotiated checks issued before 1983; reductions in subsequent years are relatively small.

⁶Positive figure represents amounts lent to the OASI Trust Fund from the DI and HI Trust Funds. Negative figures represent amounts repaid from the OASI Trust Fund to the DI and HI Trust Funds.

TABLE 21.—OPERATIONS OF THE OASI TRUST FUND DURING SELECTED CALENDAR YEARS 1940-84 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1985-89 ON THE BASIS OF THE INTERMEDIATE SETS OF ASSUMPTIONS
[In millions]

Calendar year	Income					Disbursements						Fund at end of period
	Total	Net contributions ¹	Income from taxation of benefits	Payments from the general fund of the Treasury ²	Net interest ³	Total	Benefit payments ⁴	Administrative expenses	Transfers to Railroad Retirement Account	Interfund borrowing transfers ⁵	Net increase in fund	
Past experience:												
1940.....	\$368	\$325	—	—	\$43	\$62	\$35	\$26	—	—	\$306	\$2,031
1945.....	1,420	1,285	—	—	134	304	274	30	—	—	1,116	7,121
1950.....	2,928	2,967	—	\$4	257	1,022	961	61	—	—	1,905	13,721
1955.....	5,167	5,713	—	—	454	5,079	4,968	119	—	—	1,087	21,663
1960.....	11,382	10,666	—	—	516	11,198	10,677	203	318	—	184	20,324
1965.....	16,610	16,017	—	—	593	17,501	16,737	328	436	—	-890	18,235
1970.....	32,220	30,256	—	449	1,515	29,848	28,798	471	579	—	2,371	32,454
1975.....	59,605	56,816	—	425	2,364	60,395	58,517	898	982	—	-790	36,987
1976.....	66,276	63,382	—	614	2,301	67,676	65,705	959	1,212	—	-1,600	35,388
1977.....	72,412	69,572	—	613	2,227	75,309	73,121	981	1,208	—	-2,897	32,491
1978.....	78,094	75,471	—	615	2,008	83,064	80,361	1,115	1,589	—	-4,971	27,520
1979.....	90,274	87,919	—	557	1,797	93,133	90,573	1,113	1,448	—	-2,860	24,660
1980.....	105,641	103,456	—	540	1,845	107,678	105,083	1,154	1,442	—	-1,837	22,823
1981.....	125,361	122,627	—	675	2,060	128,695	123,803	1,307	1,585	—	-1,334	21,490
1982.....	125,198	123,673	—	680	845	142,119	136,806	1,519	1,793	\$17,519	598	22,088
1983.....	150,584	138,337	—	5,541	6,706	152,999	149,215	1,534	2,251	—	-2,416	19,672
1984.....	169,328	164,121	\$2,835	105	2,267	161,883	157,847	1,632	2,404	—	7,445	27,117
Estimated future experience:												
Alternative II-A:												
1985.....	182,536	177,599	3,336	90	1,511	172,897	168,821	1,742	2,334	-4,364	5,274	32,381
1986.....	199,069	192,472	3,848	72	2,677	183,621	179,435	1,826	2,359	-8,741	6,706	39,098
1987.....	218,197	207,225	4,470	59	4,443	196,499	192,062	1,971	2,466	-4,413	15,285	54,383
1988.....	246,008	235,573	5,182	48	7,205	209,772	205,119	2,122	2,531	—	36,236	92,619
1989.....	270,645	253,679	6,000	39	10,928	223,575	218,781	2,280	2,514	—	47,071	139,689
Alternative II-B:												
1985.....	161,470	176,583	3,336	90	1,481	172,908	168,632	1,742	2,334	-4,364	4,196	31,315
1986.....	197,147	190,735	3,859	72	2,452	184,141	179,947	1,830	2,364	-7,541	5,465	36,779
1987.....	214,434	205,915	4,515	80	3,943	198,489	194,020	1,985	2,484	-5,613	10,332	47,111
1988.....	246,799	234,892	5,291	49	6,467	214,169	209,452	2,148	2,570	—	32,630	79,740
1989.....	270,935	254,651	6,179	40	10,064	230,238	225,326	2,321	2,591	—	40,697	120,437

See following page for footnotes.

*Beginning in 1983, includes government contributions on deemed wage credits for military service in 1957 and later. The amount shown for 1983 includes, in addition to the annual contributions on 1983 wage credits, a net amount of \$5,388 million representing (1) retroactive contributions on deemed wage credits for military service in 1957-82, less (2) all reimbursements received prior to 1983 for the costs of such credits. An adjustment to these amounts totaling \$466 million was transferred to the trust fund from the general fund of the Treasury in 1984.

*Includes payments (1) in 1947-51 and in 1966 and later, for costs of noncontributory wage credits for military service performed before 1957; (2) in 1971-82, for costs of deemed wage credits for military service performed after 1956; and (3) in 1968 and later, for costs of benefits to certain uninsured persons who attained age 72 before 1968. The amount shown for 1977 also includes \$2,724,000 as a single reimbursement for the estimated total costs of granting noncontributory wage credits to individuals who were interned during World War II at places within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

*Net interest includes net profits or losses on marketable investments. Beginning in 1967, administrative expenses are charged currently to the trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in net interest. For years prior to 1967, a description of the

method of accounting for administrative expenses is contained in the 1970 Annual Report. Beginning in 1983, these figures reflect payments from a borrowing trust fund to a lending trust fund for interest on amounts owed under the interfund borrowing provisions. Also beginning in 1983, interest paid from the trust fund to the general fund on advance tax transfers is reflected. The amount shown for 1983 includes \$6,677 million in interest on (1) retroactive government contributions on deemed wage credits for military service in 1957-82, and (2) unnegotiated benefit checks issued before 1983. The amount shown for 1984 includes an interest adjustment of \$1,732 million on government contributions on deemed wage credits for military service in 1957-83.

*Beginning in 1966, includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities. Beginning in 1983, amounts are reduced by amount of reimbursement for unnegotiated benefit checks. The amount shown for 1983 is reduced by \$288 million for all unnegotiated checks issued before 1983; reductions in subsequent years are relatively small.

*Positive figure represents amounts lent to the OASI Trust Fund from the DI and HI Trust Funds. Negative figures represent amounts repaid from the OASI Trust Fund to the DI and HI Trust Funds.

TABLE 22.—OPERATIONS OF THE DI TRUST FUND DURING SELECTED FISCAL YEARS 1960-84 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1985-89 ON THE BASIS OF THE INTERMEDIATE SETS OF ASSUMPTIONS
(In millions)

Fiscal year ^a	Income					Disbursements						Fund at end of period
	Total	Net contributions ^a	Income from taxation of benefits	Payments from the general fund of the Treasury ^a	Net interest ^a	Total	Benefit payments ^a	Administrative expenses	Transfers to Railroad Retirement Account	Interfund borrowing transfers ^a	Net increase in fund	
Past experience:												
1960	\$1,034	\$987	—	—	\$47	\$533	\$528	\$32	-\$27	—	\$501	\$2,167
1965	1,237	1,175	—	—	62	1,495	1,382	79	24	—	-257	2,007
1970	4,380	4,141	—	\$16	223	2,954	2,795	149	10	—	1,426	5,104
1975	7,820	7,356	—	52	512	7,982	7,701	253	29	—	-62	8,191
1976	8,355	7,797	—	90	468	9,606	9,314	266	26	—	-1,251	8,939
July-Sept. 1976	2,172	2,159	—	—	13	2,653	2,582	71	—	—	-481	6,459
1977	9,374	8,900	—	103	372	11,590	11,212	378	(*)	—	-2,215	4,243
1978	12,784	12,404	—	128	251	12,655	12,298	327	30	—	129	4,372
1979	15,196	14,750	—	142	305	13,944	13,507	407	30	—	1,252	5,624
1980	17,376	16,805	—	118	453	15,320	14,998	334	-12	—	2,056	7,680
1981	12,993	12,589	—	130	273	17,260	16,846	405	29	—	-4,288	3,392
1982	21,398	20,866	—	166	363	18,035	17,437	572	26	—	3,363	6,755
1983	21,848	19,036	—	1,295	1,515	18,231	17,544	659	28	-\$5,081	-1,466	5,290
1984	17,732	16,394	\$143	—	1,195	18,379	17,772	585	22	—	-647	4,643
Estimated future experience:												
Alternative II-A:												
1985	17,891	18,820	222	—	849	19,916	19,121	732	63	2,540	515	5,157
1986	19,021	18,146	251	—	624	20,297	19,442	787	68	2,541	1,265	6,422
1987	20,442	19,579	286	—	577	21,074	20,206	800	66	—	-631	5,791
1988	22,953	22,093	330	—	530	22,147	21,243	839	66	—	806	6,597
1989	24,907	23,898	382	—	628	23,321	22,366	893	62	—	1,586	8,183
Alternative II-B:												
1985	17,843	16,773	222	—	848	19,916	19,122	732	63	2,540	467	5,108
1986	18,836	17,968	251	—	816	20,336	19,461	787	68	2,541	1,041	6,150
1987	20,276	19,443	288	—	544	21,232	20,361	804	67	—	-956	5,194
1988	22,822	22,029	336	—	458	22,505	21,588	846	70	—	317	5,512
1989	24,854	23,953	391	—	511	23,663	22,891	906	66	—	991	6,503

See following page for footnotes.

¹Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consist of the 12 months ending on September 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ended on June 30, 1976, to fiscal year 1977, which began on October 1, 1976.

²Beginning in 1983, includes government contributions on deemed wage credits for military service in 1957 and later. The amount shown for 1983 includes, in addition to the annual contributions on 1983 wage credits, a net amount of \$402 million representing (1) retroactive contributions on deemed wage credits for military service in 1957-82, less (2) all reimbursements received prior to 1983 for the costs of such credits. An adjustment to these amounts totaling \$62 million was transferred to the trust fund from the general fund of the Treasury in 1984.

³Includes payments (1) in 1967 and later, for costs of noncontributory wage credits for military service performed before 1957; and (2) in 1972-83, for costs of deemed wage credits for military service performed after 1956. The amount shown for 1978 also includes \$3,000 as a single reimbursement for the estimated total costs of granting noncontributory wage credits to individuals who were interned during World War II at places within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

⁴Net interest includes net profits or losses on marketable investments. Beginning in 1967, administrative expenses are charged currently to the trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these

interest adjustments are included in net interest. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report. Beginning in 1983, these figures reflect payments from a borrowing trust fund to a lending trust fund for interest on amounts owed under the interfund borrowing provisions. Also, beginning in 1983, interest paid from the trust fund to the general fund on advance tax transfers is reflected. The amount shown for 1983 includes \$660 million in interest on (1) retroactive government contributions on deemed wage credits for military service in 1957-82, and (2) unnegotiated benefit checks issued before 1983. The amount shown for 1984 includes an interest adjustment of \$169 million on government contributions on deemed wage credits for military service in 1957-83.

⁵Beginning in 1967, includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities. Beginning in 1983, amounts are reduced by amount of reimbursement for unnegotiated benefit checks. The amount shown for 1983 is reduced by \$48 million for all unnegotiated checks issued before 1983; reductions in subsequent years are relatively small.

⁶Negative figure represents amounts lent by the DI Trust Fund to the OASI Trust Fund. Positive figures represent repayment of these amounts.

⁷Less than \$500,000 was transferred from the Railroad Retirement Account to the DI Trust Fund.

TABLE 23.—OPERATIONS OF THE DI TRUST FUND DURING SELECTED CALENDAR YEARS 1960-84 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1985-89 ON THE BASIS OF THE INTERMEDIATE SETS OF ASSUMPTIONS
 (In millions)

Calendar year	Income					Disbursements						Fund at end of period
	Total	Net contributions ¹	Income from taxation of benefits	Payments from the general fund of the Treasury ²	Net interest ³	Total	Benefit payments ⁴	Administrative expenses	Transfers to Railroad Retirement Account	Interfund borrowing transfers ⁵	Net increase in fund	
Past experience:												
1960.....	\$1,063	\$1,010	—	—	\$53	\$600	\$568	\$36	-\$5	—	\$464	\$2,289
1965.....	1,247	1,168	—	—	59	1,687	1,573	90	24	—	-440	1,606
1970.....	4,774	4,481	—	\$18	277	3,259	3,085	164	10	—	1,514	5,814
1975.....	8,035	7,444	—	90	502	8,790	8,505	256	29	—	-754	7,354
1976.....	8,757	8,233	—	103	422	10,368	10,055	285	26	—	-1,609	5,745
1977.....	9,570	9,138	—	128	304	11,945	11,547	399	(⁶)	—	-2,375	3,370
1978.....	13,810	13,413	—	142	256	12,954	12,599	325	30	—	856	4,226
1979.....	15,590	15,114	—	118	358	14,166	13,786	371	30	—	1,404	5,630
1980.....	13,871	13,255	—	130	485	15,872	15,515	368	-12	—	-2,001	3,629
1981.....	17,078	16,738	—	168	172	17,658	17,192	436	29	—	-590	3,049
1982.....	22,715	21,995	—	174	546	17,992	17,376	590	26	-\$5,081	-358	2,691
1983.....	20,682	17,991	—	1,121	1,569	18,177	17,524	625	28	—	2,505	5,195
1984.....	17,309	15,945	\$190	—	1,174	18,546	17,898	626	22	—	-1,237	3,959
Estimated future experience:												
Alternative II-A:												
1985.....	18,170	17,125	233	—	812	20,282	19,459	761	63	2,540	427	4,386
1986.....	19,386	18,505	257	—	824	20,339	19,481	790	68	2,541	1,588	5,974
1987.....	20,768	19,927	296	—	544	21,348	20,473	809	68	—	-590	5,393
1988.....	23,487	22,579	342	—	567	22,426	21,508	851	66	—	1,062	6,455
1989.....	25,404	24,311	395	—	698	23,633	22,664	907	62	—	1,771	8,227
Alternative II-B:												
1985.....	18,071	17,029	233	—	809	20,282	19,458	761	63	2,540	329	4,287
1986.....	19,203	18,340	258	—	606	20,390	19,531	791	68	2,541	1,351	5,641
1987.....	20,592	19,801	299	—	492	21,539	20,659	813	67	—	-847	4,684
1988.....	23,347	22,526	348	—	473	22,835	21,905	860	70	—	511	5,206
1989.....	25,375	24,409	405	—	561	24,218	23,230	922	66	—	1,157	6,363

See following page for footnotes.

*Beginning in 1983, includes government contributions on deemed wage credits for military service in 1957 and later. The amount shown for 1983 includes, in addition to the annual contributions on 1983 wage credits, a net amount of \$402 million representing (1) retroactive contributions on deemed wage credits for military service in 1957-82, less (2) all reimbursements received prior to 1983 for the costs of such credits. An adjustment to these amounts totaling \$62 million was transferred to the trust fund from the general fund of the Treasury in 1984.

*Includes payments (1) in 1966 and later, for costs of noncontributory wage credits for military service performed before 1957; and (2) in 1971-82, for costs of deemed wage credits for military service performed after 1956. The amount shown for 1977 also includes \$3,000 as a single reimbursement for the estimated total costs of granting noncontributory wage credits to individuals who were interned during World War II at places within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

*Net interest includes net profits or losses on marketable investments. Beginning in 1967, administrative expenses are charged currently to the trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in net interest. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report. Beginning in 1983, these figures reflect payments from a borrowing trust fund to a lending trust

fund for interest on amounts owed under the interfund borrowing provisions. Also, beginning in 1983, interest paid from the trust fund to the general fund on advance tax transfers is reflected. The amount shown for 1983 includes \$660 million in interest on (1) retroactive government contributions on deemed wage credits for military service in 1957-82, and (2) unnegotiated benefit checks issued before 1983. The amount shown for 1984 includes an interest adjustment of \$169 million on government contributions on deemed wage credits for military service in 1957-83.

*Beginning in 1966, includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities. Beginning in 1983, amounts are reduced by amount of reimbursement for unnegotiated benefit checks. The amount shown for 1983 is reduced by \$48 million for all unnegotiated checks issued before 1983; reductions in subsequent years are relatively small.

*Negative figure represents amounts lent by the DI Trust Fund to the OASI Trust Fund. Positive figures represent repayment of these amounts.

*Less than \$500,000 was transferred from the Railroad Retirement Account to the DI Trust Fund.

TABLE 24.—OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING SELECTED FISCAL YEARS 1960-84 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1985-89 ON THE BASIS OF THE INTERMEDIATE SETS OF ASSUMPTIONS
[In millions]

Fiscal year ¹	Income					Disbursements						Funds at end of period
	Total	Net contributions ²	Income from taxation of benefits	Payments from the general fund of the Treasury ³	Net interest ⁴	Total	Benefit payments ⁵	Administrative expenses	Transfers to Railroad Retirement Account	Interfund borrowing transfers ⁶	Net increase in funds	
Past experience:												
1960.....	\$11,394	\$10,830	—	—	\$564	\$11,606	\$10,798	\$234	\$574	—	-\$212	\$22,996
1965.....	17,681	17,032	—	—	648	17,456	16,618	379	459	—	224	22,187
1970.....	36,127	34,096	—	\$458	1,572	30,275	29,063	623	589	—	5,851	37,720
1975.....	66,677	63,374	—	499	2,804	64,658	62,547	1,101	1,010	—	2,018	46,138
1976.....	70,682	67,352	—	515	2,815	73,901	71,462	1,200	1,239	—	-3,219	44,919
July-Sept. 1976.	18,359	18,265	—	—	94	19,764	19,460	304	—	—	-1,405	43,514
1977.....	81,170	77,794	—	717	2,659	85,068	82,490	1,370	1,208	—	-3,698	39,815
1978.....	89,595	86,451	—	741	2,403	93,961	90,829	1,413	1,618	—	-4,265	35,350
1979.....	102,089	99,108	—	757	2,225	104,072	101,116	1,479	1,477	—	-1,983	33,967
1980.....	117,427	114,413	—	675	2,339	116,548	115,624	1,494	1,430	—	-1,121	32,248
1981.....	134,565	131,606	—	670	2,289	139,584	136,267	1,703	1,614	—	-5,019	27,226
1982.....	148,027	145,113	—	843	2,072	155,963	152,097	2,046	1,820	—	-7,936	19,290
1983.....	170,260	155,163	—	7,391	7,725	170,058	165,569	2,210	2,279	\$12,437	12,660	31,950
1984.....	178,461	172,946	\$2,275	125	3,115	178,199	173,603	2,171	2,426	—	262	32,212
Estimated future experience:												
Alternative II-A:												
1985.....	197,904	192,431	3,428	105	1,940	190,799	185,945	2,457	2,397	-1,824	5,261	37,493
1986.....	213,778	206,891	3,970	90	2,826	201,208	196,199	2,582	2,427	-6,200	8,369	43,862
1987.....	232,032	223,166	4,601	72	4,193	214,395	209,126	2,737	2,532	-4,413	13,224	57,086
1988.....	263,985	252,429	5,334	59	6,163	228,830	223,110	2,924	2,597	—	35,355	92,441
1989.....	289,178	273,275	6,177	48	9,678	243,435	237,722	3,137	2,576	—	45,743	138,184
Alternative II-B:												
1985.....	197,338	191,874	3,428	105	1,932	190,810	185,956	2,457	2,397	-1,824	4,704	36,916
1986.....	211,594	204,845	3,979	90	2,679	201,641	196,627	2,582	2,432	-5,000	4,953	41,969
1987.....	230,178	221,618	4,640	72	3,847	216,182	210,879	2,752	2,551	-5,813	8,382	50,251
1988.....	262,681	251,696	5,433	80	5,492	232,793	227,199	2,954	2,640	—	29,888	80,139
1989.....	288,940	273,861	6,348	49	8,682	250,087	244,242	3,188	2,657	—	36,853	118,993

See following page for footnotes.

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⁴Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consist of the 12 months ending on September 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ended on June 30, 1976, to fiscal year 1977, which began on October 1, 1976.

⁵Beginning in 1983, includes government contributions on deemed wage credits for military service in 1957 and later. The amount shown for 1983 includes, in addition to the annual contributions on 1983 wage credits, a net amount of \$5,790 million representing (1) retroactive contributions on deemed wage credits for military service in 1957-82, less (2) all reimbursements received prior to 1983 for the costs of such credits. An adjustment to these amounts totaling \$528 million was transferred to the trust funds from the general fund of the Treasury in 1984.

⁶Includes payments (1) in 1947-52 and in 1967 and later, for costs of noncontributory wage credits for military service performed before 1957; (2) in 1972-83, for costs of deemed wage credits for military service performed after 1956; and (3) in 1969 and later, for costs of benefits to certain uninsured persons who attained age 72 before 1968. The amount shown for 1978 also includes \$2,727,000 as a single reimbursement for the estimated total costs of granting noncontributory wage credits to individuals who were interned during World War II at places within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

⁷Net interest includes net profits or losses on marketable investments. Beginning in 1967, administrative expenses are charged currently to the trust funds on an estimated basis, with a

final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in net interest. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report. Beginning in 1983, these figures reflect payments from a borrowing trust fund to a lending trust fund for interest on amounts owed under the interfund borrowing provisions. Also, beginning in 1983, interest paid from the trust funds to the general fund of the Treasury on advance tax transfers is reflected. The amount shown for 1983 includes \$7,337 million in interest on (1) retroactive government contributions on deemed wage credits for military service in 1957-82, and (2) unnegotiated benefit checks issued before 1983. The amount shown for 1984 includes an interest adjustment of \$1,901 million on government contributions on deemed wage credits for military service in 1957-83.

⁸Beginning in 1967, includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities. Beginning in 1983, amounts are reduced by amount of reimbursement for unnegotiated benefit checks. The amount shown for 1983 is reduced by \$336 million for all unnegotiated checks issued before 1983; reductions in subsequent years are relatively small.

⁹Positive figure represents amounts lent to the OASI Trust Fund from the HI Trust Fund. Negative figures represent amounts repaid from the OASI Trust Fund to the HI Trust Fund.

TABLE 25.—OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING SELECTED CALENDAR YEARS 1960-84 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1985-89 ON THE BASIS OF THE INTERMEDIATE SETS OF ASSUMPTIONS
 (In millions)

Calendar year	Income					Disbursements						Funds at end of period
	Total	Net contributions ^a	Income from taxation of benefits	Payments from the general fund of the Treasury ^b	Net interest ^c	Total	Benefit payments ^d	Administrative expenses	Transfers to Railroad Retirement Account	Interfund borrowing transfers ^e	Net increase in funds	
Past experience:												
1960	\$12,445	\$11,876	—	—	\$569	\$11,798	\$11,245	\$240	\$314	—	\$647	\$22,613
1965	17,857	17,205	—	—	651	19,187	18,311	418	459	—	-1,331	19,841
1970	36,993	34,737	—	\$465	1,791	33,108	31,884	635	589	—	3,886	38,068
1975	67,640	64,259	—	515	2,866	69,184	67,022	1,152	1,010	—	-1,544	44,342
1978	75,034	71,595	—	717	2,722	78,242	75,759	1,244	1,239	—	-3,209	41,133
1977	81,982	78,710	—	741	2,531	87,254	84,567	1,379	1,208	—	-5,272	35,861
1976	91,903	88,883	—	757	2,264	96,018	92,960	1,440	1,618	—	-4,115	31,746
1979	105,864	103,034	—	675	2,155	107,320	104,359	1,483	1,477	—	-1,456	30,291
1980	119,712	116,711	—	670	2,330	123,550	120,598	1,522	1,430	—	-3,838	26,453
1981	142,438	139,364	—	843	2,231	144,352	140,995	1,743	1,614	—	-1,914	24,539
1982	147,913	145,667	—	854	1,391	160,111	156,182	2,109	1,820	\$12,437	239	24,778
1983	171,266	156,328	—	6,662	8,276	171,177	166,739	2,159	2,279	—	89	24,867
1984	186,637	180,066	\$3,025	105	3,441	180,429	175,746	2,258	2,426	—	6,208	31,075
Estimated future experience:												
Alternative II-A:												
1985	200,705	194,724	3,568	90	2,323	193,180	188,280	2,503	2,397	-1,824	5,702	36,777
1986	218,455	210,977	4,105	72	3,301	203,961	198,916	2,618	2,427	-6,200	8,294	45,071
1987	236,964	227,152	4,766	59	4,987	217,846	212,535	2,780	2,532	-4,413	14,705	59,776
1988	271,495	258,152	5,523	48	7,772	232,197	226,627	2,973	2,597	—	39,296	99,074
1989	296,049	277,990	6,395	39	11,626	247,207	241,444	3,187	2,576	—	48,842	147,916
Alternative II-B:												
1985	199,541	193,592	3,568	90	2,290	193,190	188,290	2,503	2,397	-1,824	4,526	35,602
1986	216,350	209,104	4,116	72	3,058	204,532	199,478	2,621	2,432	-5,000	6,819	42,421
1987	235,025	225,716	4,814	60	4,435	220,028	214,678	2,798	2,551	-5,613	9,385	51,805
1988	270,146	257,518	5,639	49	6,939	237,005	231,357	3,008	2,640	—	33,141	84,946
1989	296,309	279,060	6,584	40	10,625	254,456	248,556	3,243	2,657	—	41,854	126,800

See following page for footnotes.

¹Beginning in 1983, includes government contributions on deemed wage credits for military service in 1957 and later. The amount shown for 1983 includes, in addition to the annual contributions on 1983 wage credits, a net amount of \$5,790 million representing (1) retroactive contributions on deemed wage credits for military service in 1957-82, less (2) all reimbursements received prior to 1983 for the costs of such credits. An adjustment to these amounts totaling \$528 million was transferred to the trust funds from the general fund of the Treasury in 1984.

²Includes payments (1) in 1947-51 and in 1966 and later, for costs of noncontributory wage credits for military service performed before 1957; (2) in 1971-82, for costs of deemed wage credits for military service performed after 1956; and (3) in 1968 and later, for costs of benefits to certain uninsured persons who attained age 72 before 1968. The amount shown for 1977 also includes \$2,727,000 as a single reimbursement for the estimated total costs of granting noncontributory wage credits to individuals who were interned during World War II at places within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

³Net interest includes net profits or losses on marketable investments. Beginning in 1967, administrative expenses are charged currently to the trust funds on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these

interest adjustments are included in net interest. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report. Beginning in 1983, these figures reflect payments from a borrowing trust fund to a lending trust fund for interest on amounts owed under the interfund borrowing provisions. Also, beginning in 1983, interest paid from the trust funds to the general fund of the Treasury on advance tax transfers is reflected. The amount shown for 1983 includes \$7,337 million in interest on (1) retroactive government contributions on deemed wage credits for military service in 1957-82, and (2) unnegotiated benefit checks issued before 1983. The amount shown for 1984 includes an interest adjustment of \$1,901 million on government contributions on deemed wage credits for military service in 1957-83.

⁴Beginning in 1966, includes payments for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities. Beginning in 1983, amounts are reduced by amount of reimbursement for unnegotiated benefit checks. The amount shown for 1983 is reduced by \$336 million for all unnegotiated checks issued before 1983; reductions in subsequent years are relatively small.

⁵Positive figure represents amounts lent to the OASI Trust Fund from the HI Trust Fund. Negative figures represent amounts repaid from the OASI Trust Fund to the HI Trust Fund.

D. ACTUARIAL ANALYSIS OF BENEFIT DISBURSEMENTS FROM THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES

(Required by section 201(c) of the Social Security Act)

Effective January 1957, monthly benefits have been payable from the OASI Trust Fund to disabled children aged 18 and over of retired and deceased workers in those cases for which the disability began before age 18. The age before which disability is required to have begun was subsequently changed to age 22. Effective February 1968, reduced monthly benefits have been payable from this trust fund to disabled widows and widowers at ages 50 and above.

On December 31, 1984, about 574,000 persons were receiving monthly benefits from the OASI Trust Fund because of their disabilities or the disabilities of children. This total includes 52,000 mothers and fathers (wives or husbands under age 65 of retired-worker beneficiaries and widows or widowers of deceased insured workers) who met all other qualifying requirements and were receiving unreduced benefits solely because they had disabled-child beneficiaries in their care. Also included, beginning with 1981, are mothers and fathers, as described above, who are eligible to receive benefits solely because they have disabled children aged 16 or 17 in their care. Benefits paid from this trust fund to the persons described above totaled \$1,899 million in calendar year 1984. Table 26 shows these and similar figures for selected calendar years during 1960-84, and estimated experience for 1985-89.

TABLE 26.—BENEFITS PAYABLE FROM THE OASI TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES, SELECTED CALENDAR YEARS 1960-89
[Beneficiaries in thousands; benefit payments in millions]

Calendar year	Disabled beneficiaries, end of year			Amount of benefit payments ¹		
	Total	Children ^a	Widows and widowers	Total	Children ^a	Widows and widowers ^a
Past experience:						
1960.....	117	117	—	\$59	\$59	—
1965.....	214	214	—	134	134	—
1970.....	316	281	36	301	280	\$41
1975.....	435	376	59	664	560	104
1976.....	457	395	62	748	637	111
1977.....	480	414	65	888	748	120
1978.....	494	430	64	950	823	127
1979.....	507	445	62	1,071	948	125
1980.....	519	480	59	1,223	1,097	126
1981.....	527	473	54	1,421	1,296	125
1982.....	533	484	49	1,566	1,451	115
1983.....	550	504	46	1,691	1,581	110
1984.....	574	527	47	1,899	1,714	185
Estimated future experience:						
Alternative II-A:						
1985.....	566	540	46	2,080	1,887	193
1986.....	600	554	46	2,209	2,008	201
1987.....	613	567	46	2,380	2,168	212
1988.....	626	580	46	2,559	2,335	224
1989.....	640	594	46	2,750	2,514	236
Alternative II-B:						
1985.....	586	540	46	2,080	1,887	193
1986.....	600	554	46	2,216	2,014	202
1987.....	613	567	46	2,405	2,190	215
1988.....	626	580	46	2,814	2,386	228
1989.....	640	594	46	2,832	2,589	243

¹Beginning in 1966, includes payments for vocational rehabilitation services.

^aAlso includes certain mothers and fathers.

^aIn 1983 and prior years, reflects the offsetting effect of lower benefits payable to disabled widows and widowers who continue to receive benefits after attaining age 60 (62, for disabled widowers, prior to 1973) as compared to the higher nondisabled widow's and widower's benefits that would otherwise be payable.

Total benefit payments from the OASI Trust Fund with respect to disabled beneficiaries are estimated to increase from \$2,080 million in calendar year 1985 to \$2,750 million in calendar year 1989, based on alternative II-A, and to \$2,832 million in calendar year 1989, based on alternative II-B.

In calendar year 1984, benefit payments (including expenditures for vocational rehabilitation services) with respect to disabled persons from the OASI Trust Fund and from the DI Trust Fund (including payments from the latter fund to all children and spouses of disabled-worker beneficiaries) totaled \$19,800 million, of which \$1,899 million, or 9.6 percent, represented payments from the OASI Trust Fund. These and similar figures for selected calendar years during 1960-84 and estimates for calendar years 1985-89 are presented in table 27.

TABLE 27.—BENEFIT PAYMENTS UNDER THE OASDI PROGRAM WITH RESPECT TO DISABLED BENEFICIARIES, BY TRUST FUND, SELECTED CALENDAR YEARS 1960-89
(Amounts in millions)

Calendar year	Benefit payments ¹ from —			
	Total ¹	DI Trust Fund ²	OASI Trust Fund	
			Amount ³	As a percentage of total benefit payments with respect to disabled beneficiaries
Past experience:				
1960.....	\$627	\$568	\$59	9.4
1965.....	1,707	1,573	134	7.9
1970.....	3,386	3,085	301	8.9
1975.....	9,189	8,505	684	7.2
1976.....	10,803	10,055	748	6.9
1977.....	12,415	11,547	868	7.0
1978.....	13,549	12,599	950	7.0
1979.....	14,857	13,786	1,071	7.2
1980.....	16,738	15,515	1,223	7.3
1981.....	18,613	17,192	1,421	7.6
1982.....	18,942	17,376	1,566	8.3
1983.....	19,215	17,524	1,691	8.8
1984.....	19,797	17,898	1,899	9.6
Estimated future experience:				
Alternative II-A:				
1985.....	21,539	19,459	2,080	9.7
1986.....	21,890	19,481	2,209	10.2
1987.....	22,853	20,473	2,380	10.4
1988.....	24,067	21,508	2,559	10.6
1989.....	25,414	22,664	2,750	10.8
Alternative II-B:				
1985.....	21,538	19,458	2,080	9.7
1986.....	21,747	19,531	2,216	10.2
1987.....	23,064	20,859	2,405	10.4
1988.....	24,519	21,905	2,814	10.7
1989.....	26,062	23,230	2,832	10.9

¹Beginning in 1966, includes payments for vocational rehabilitation services.

²Benefit payments to disabled workers and their children and spouses.

³Benefit payments to disabled children aged 18 and over, to certain mothers and fathers (see text), and to disabled widows and widowers (see footnote 3, table 26).

E. ACTUARIAL STATUS OF THE TRUST FUNDS

Historically, the actuarial status of the OASDI program has been measured by the actuarial balance, as described earlier in this section. Recent annual reports have shown both medium-range and long-range actuarial balances, which have been computed, respectively, for the 25-year and 75-year periods beginning with the calendar year of issuance of the report. Accordingly, the medium-range and long-range actuarial balances shown in this report pertain to the periods 1985-2009 and 1985-2059, respectively. Also presented are actuarial balances for the second and third 25-year subperiods of the 75-year projection period.

As described earlier in this section, a single measure of the actuarial balance over a long period may not reveal problems which could occur during that period. Therefore, in addition to the medium-range and long-range actuarial balances, two other indicators of the financial condition of the trust funds are shown in this report. One is the series of annual balances (that is, the year-by-year differences between the estimated total income rates and cost rates), and the other is the series of estimated trust fund ratios (assets at the beginning of the year expressed as a percentage of outgo during the year).

The estimates are sensitive to changes in the underlying economic and demographic assumptions. The degree of sensitivity, however, varies considerably among the various assumptions. For example, variations in assumed fertility rates have little effect on the medium-range estimates, because almost all of the projected covered workers and beneficiaries were born prior to the start of the projection period. Variations in economic factors, however, such as increases in earnings and prices, have significant effects on the estimates, even in the medium-range period. In general, the degree of confidence that can be placed in the assumptions and estimates is greater for the medium-range period than for the long-range period. Nonetheless, even for the medium-range period, the estimates are only an indication of the trend and general range of future program experience. Appendix B contains a more detailed discussion of the effects on the estimates of varying certain economic and demographic assumptions.

Table 28 presents a comparison of the estimated cost rates and total income rates of the OASDI program, based on alternatives II-A and II-B. On the basis of alternative II-A, annual surpluses are estimated until about 2020, after which annual deficits are estimated. These deficits are estimated to increase steadily to a peak of 1.67 percent of taxable payroll in 2035 and then decrease to about 1.3 percent by the end of the long-range projection period. This pattern of annual surpluses and deficits produces a long-range actuarial surplus of 0.38 percent of taxable payroll, which consists of average annual surpluses of 2.42 and 0.09 percent of taxable payroll for the first and second 25-year subperiods, respectively, and an average annual deficit of 1.38 percent for the third 25-year subperiod.

On the basis of alternative II-B, annual surpluses are estimated until about 2015, after which deficits are estimated for each year. These estimated deficits increase more rapidly than those based on alternative II-A, and peak around 2035 at 2.73 percent of taxable payroll. Although

the annual deficits thereafter are significantly larger than those based on alternative II-A, they follow a similar pattern, decreasing to about 2.3 percent by the end of the long-range projection period. This pattern of annual surpluses and deficits produces a long-range actuarial deficit of 0.41 percent of taxable payroll, which consists of an average annual surplus of 2.00 percent of taxable payroll for the first 25-year subperiod, and average annual deficits of 0.78 and 2.46 percent for the second and third 25-year subperiods, respectively.

TABLE 28.—COMPARISON OF ESTIMATED COST RATES AND INCOME RATES OF THE OASDI PROGRAM, ON THE BASIS OF ALTERNATIVES II-A AND II-B, CALENDAR YEARS 1985-2060
[As a percentage of taxable payroll]

Calendar year	Cost rate			Income rate			Balance
	OASI	DI	Total	Payroll tax	Taxation of benefits	Total	
Alternative II-A:							
1985	10.06	1.18	11.24	11.40	0.21	11.61	0.37
1986	9.87	1.09	10.96	11.40	.22	11.62	.66
1987	9.81	1.07	10.87	11.40	.24	11.64	.76
1988	9.75	1.04	10.79	12.12	.28	12.38	1.59
1989	9.70	1.03	10.73	12.12	.28	12.40	1.67
1990	9.77	1.02	10.79	12.40	.30	12.70	1.91
1991	9.73	1.01	10.74	12.40	.33	12.73	1.99
1992	9.70	1.01	10.71	12.40	.36	12.76	2.04
1993	9.67	1.01	10.69	12.40	.39	12.79	2.10
1994	9.64	1.02	10.66	12.40	.42	12.82	2.16
1995	9.46	1.03	10.49	12.40	.38	12.78	2.30
1996	9.26	1.04	10.30	12.40	.38	12.78	2.48
1997	9.04	1.05	10.09	12.40	.38	12.78	2.68
1998	8.81	1.06	9.66	12.40	.37	12.77	2.91
1999	8.83	1.06	9.69	12.40	.37	12.77	3.08
2000	8.53	1.08	9.81	12.40	.37	12.77	3.16
2001	8.45	1.10	9.56	12.40	.37	12.77	3.21
2002	8.38	1.13	9.51	12.40	.37	12.77	3.26
2003	8.32	1.16	9.48	12.40	.37	12.77	3.29
2004	8.27	1.20	9.46	12.40	.37	12.77	3.31
2005	8.25	1.23	9.48	12.40	.37	12.77	3.30
2006	8.27	1.27	9.54	12.40	.38	12.78	3.24
2007	8.30	1.31	9.62	12.40	.39	12.79	3.17
2008	8.36	1.35	9.72	12.40	.39	12.79	3.07
2009	8.48	1.39	9.87	12.40	.40	12.80	2.93
2010	8.62	1.41	10.03	12.40	.41	12.81	2.78
2015	9.68	1.52	11.20	12.40	.47	12.87	1.67
2020	11.06	1.58	12.64	12.40	.55	12.95	.31
2025	12.28	1.65	13.92	12.40	.63	13.03	-.90
2030	13.04	1.60	14.64	12.40	.68	13.08	-1.56
2035	13.21	1.56	14.77	12.40	.71	13.11	-1.67
2040	13.01	1.56	14.57	12.40	.72	13.12	-1.46
2045	12.84	1.81	14.45	12.40	.73	13.13	-1.32
2050	12.84	1.62	14.45	12.40	.73	13.13	-1.32
2055	12.63	1.60	14.43	12.40	.73	13.13	-1.30
2060	12.79	1.60	14.40	12.40	.73	13.13	-1.27
25-year averages:							
1985-2009	9.06	1.12	10.18	12.26	.35	12.60	2.42
2010-2034	11.31	1.57	12.68	12.40	.57	12.97	.09
2035-2059	12.91	1.59	14.50	12.40	.72	13.12	-1.38
75-year average:							
1985-2059	11.10	1.43	12.52	12.35	.55	12.90	.38

TABLE 28.—COMPARISON OF ESTIMATED COST RATES AND INCOME RATES OF THE OASDI PROGRAM, ON THE BASIS OF ALTERNATIVES II-A AND II-B, CALENDAR YEARS 1985-2060 (Cont.)

[As a percentage of taxable payroll]

Calendar year	Cost rate			Income rate			Balance
	OASI	DI	Total	Payroll tax	Taxation of benefits	Total	
Alternative II-B:							
1985.....	10.10	1.19	11.29	11.40	0.21	11.61	0.32
1986.....	9.98	1.11	11.09	11.40	.22	11.62	.53
1987.....	9.97	1.08	11.05	11.40	.24	11.64	.59
1988.....	9.97	1.06	11.04	12.12	.26	12.38	1.34
1989.....	9.95	1.05	11.00	12.12	.28	12.40	1.41
1990.....	10.03	1.04	11.07	12.40	.31	12.71	1.64
1991.....	10.01	1.03	11.04	12.40	.34	12.74	1.70
1992.....	10.00	1.03	11.03	12.40	.37	12.77	1.74
1993.....	9.98	1.03	11.01	12.40	.40	12.80	1.78
1994.....	9.96	1.04	11.00	12.40	.43	12.83	1.83
1995.....	9.81	1.05	10.86	12.40	.40	12.80	1.94
1996.....	9.65	1.07	10.72	12.40	.40	12.80	2.08
1997.....	9.47	1.08	10.55	12.40	.39	12.79	2.24
1998.....	9.26	1.09	10.35	12.40	.39	12.79	2.44
1999.....	9.11	1.10	10.21	12.40	.39	12.79	2.57
2000.....	9.04	1.12	10.17	12.40	.39	12.79	2.62
2001.....	8.98	1.15	10.13	12.40	.39	12.79	2.66
2002.....	8.93	1.18	10.11	12.40	.39	12.79	2.68
2003.....	8.88	1.21	10.09	12.40	.39	12.79	2.70
2004.....	8.64	1.25	10.09	12.40	.40	12.80	2.70
2005.....	8.83	1.29	10.12	12.40	.40	12.80	2.87
2006.....	8.86	1.34	10.20	12.40	.41	12.81	2.81
2007.....	8.91	1.38	10.29	12.40	.41	12.81	2.52
2008.....	8.98	1.42	10.40	12.40	.42	12.82	2.42
2009.....	9.11	1.46	10.56	12.40	.43	12.83	2.27
2010.....	9.26	1.48	10.74	12.40	.44	12.84	2.10
2015.....	10.38	1.60	11.98	12.40	.51	12.91	.93
2020.....	11.85	1.66	13.51	12.40	.59	12.99	-.52
2025.....	13.17	1.74	14.90	12.40	.87	13.07	-1.83
2030.....	14.01	1.69	15.70	12.40	.73	13.13	-2.57
2035.....	14.25	1.64	15.89	12.40	.76	13.16	-2.73
2040.....	14.06	1.65	15.71	12.40	.77	13.17	-2.54
2045.....	13.90	1.70	15.59	12.40	.78	13.18	-2.41
2050.....	13.88	1.70	15.58	12.40	.78	13.18	-2.40
2055.....	13.86	1.69	15.55	12.40	.78	13.18	-2.37
2060.....	13.83	1.69	15.51	12.40	.78	13.18	-2.33
25-year averages:							
1985-2009.....	9.46	1.15	10.62	12.26	.36	12.62	2.06
2010-2034.....	12.14	1.65	13.79	12.40	.61	13.01	-.78
2035-2059.....	13.96	1.68	15.64	12.40	.78	13.18	-2.46
75-year average:							
1985-2059.....	11.85	1.49	13.35	12.35	.58	12.94	-.41

The estimated average long-range income rates based on alternatives II-A and II-B are about 103.0 and 96.9 percent, respectively, of the estimated average long-range cost rates (of 12.52 and 13.35 percent of taxable payroll). Because, in each case, the estimated average income rate is between 95 and 105 percent of the estimated average cost rate, the program is in close actuarial balance, based on both alternatives II-A and II-B. These balances will tend to decline slowly over time as the valuation period moves forward and near-term years of surplus are replaced by distant years of deficit.

The estimated cost rates increase rapidly after the medium-range period, primarily because the number of beneficiaries is projected to increase more rapidly than is the number of covered workers. This occurs because the relatively large number of persons born during the period of high fertility rates from the end of World War II through the early 1960s will reach retirement age, and begin to receive benefits, while the relatively small number of persons born during the subsequent periods of low fertility rates will comprise the labor force. During the

last years of the projection period, the cost rates generally stabilize at a fairly high level, which reflects the stabilization in the projected ratio of the number of beneficiaries to the number of covered workers. Such stabilization results from the relatively smooth pattern of the assumed fertility rates. A comparison of the numbers of beneficiaries and covered workers, both historical and as projected on the basis of all four alternatives, is shown in table 29.

TABLE 29.—COMPARISON OF OASDI BENEFICIARIES AND COVERED WORKERS
BY ALTERNATIVE, CALENDAR YEARS 1945-2060

Calendar year	Covered workers ¹ (in thousands)	Beneficiaries ^a (in thousands)			Covered workers per OASDI beneficiary	Beneficiaries per 100 covered workers
		OASI	DI	Total		
1945	48,390	1,108	—	1,108	41.9	2
1950	48,260	2,930	—	2,930	18.5	6
1955	65,200	7,563	—	7,563	6.6	12
1960	72,530	13,740	522	14,262	5.1	20
1965	80,680	18,509	1,648	20,157	4.0	25
1970	93,090	22,618	2,568	25,186	3.7	27
1975	100,200	26,998	4,125	31,123	3.2	31
1980	*113,000	30,365	4,734	35,119	*3.2	*31
1981	*113,400	31,074	4,636	35,710	*3.2	*31
1982	*112,600	31,207	4,184	35,391	*3.2	*31
1983	*113,400	31,833	3,693	35,526	*3.2	*32
1984	*116,930	32,251	3,769	36,059	*3.3	*30
Alternative I:						
1985	123,111	32,761	3,857	36,638	3.4	30
1990	135,389	35,610	3,804	39,414	3.4	29
1995	142,242	37,254	3,846	41,100	3.5	29
2000	152,565	38,197	4,243	42,440	3.6	28
2005	180,632	39,565	4,901	44,466	3.6	28
2010	185,021	42,929	5,616	48,547	3.4	29
2015	167,830	48,606	6,046	54,652	3.1	33
2020	169,691	55,541	6,288	61,829	2.7	36
2025	172,319	62,207	6,561	68,768	2.5	40
2030	175,896	66,940	6,483	73,423	2.4	42
2035	180,584	68,962	6,425	75,407	2.4	42
2040	185,678	68,930	6,535	75,465	2.5	41
2045	191,131	68,959	6,845	75,804	2.5	40
2050	197,070	69,640	7,064	76,704	2.6	39
2055	203,556	70,665	7,259	78,144	2.6	38
2060	210,359	72,441	7,451	79,892	2.6	38
Alternative II-A:						
1985	123,100	32,805	3,878	36,683	3.4	30
1990	134,371	35,921	4,046	39,967	3.4	30
1995	140,775	37,721	4,467	42,188	3.3	30
2000	146,656	39,029	5,145	44,174	3.4	30
2005	154,696	40,689	6,070	46,759	3.3	30
2010	157,456	44,314	7,013	51,327	3.1	33
2015	158,093	50,261	7,560	57,821	2.7	37
2020	157,560	57,496	7,846	65,342	2.4	41
2025	156,868	64,519	8,154	72,673	2.2	46
2030	156,834	69,872	7,993	77,865	2.0	50
2035	156,834	72,107	7,842	79,949	2.0	51
2040	157,454	72,353	7,894	80,237	2.0	51
2045	156,009	72,547	8,155	80,702	2.0	51
2050	158,542	73,189	8,244	81,433	2.0	51
2055	159,246	73,874	8,248	82,122	2.0	51
2060	160,281	74,376	8,335	82,711	2.0	51
Alternative II-B:						
1985	122,902	32,805	3,878	36,683	3.4	30
1990	133,300	35,921	4,043	39,964	3.3	30
1995	139,485	37,719	4,466	42,185	3.3	30
2000	146,113	39,023	5,142	44,165	3.3	30
2005	151,562	40,676	6,065	46,741	3.2	31
2010	154,247	44,291	7,004	51,295	3.0	33
2015	154,856	50,228	7,547	57,775	2.7	37
2020	154,308	57,452	7,828	65,280	2.4	42
2025	153,588	64,462	8,131	72,593	2.1	47
2030	153,521	69,603	7,967	77,570	2.0	51
2035	154,108	72,028	7,815	79,843	1.9	52
2040	154,658	72,264	7,855	80,119	1.9	52
2045	155,184	72,450	8,124	80,574	1.9	52
2050	155,872	73,082	8,213	81,295	1.9	52
2055	156,871	73,759	8,216	81,975	1.9	52
2060	158,033	74,256	8,303	82,559	1.9	52

TABLE 29.—COMPARISON OF OASDI BENEFICIARIES AND COVERED WORKERS BY ALTERNATIVE, CALENDAR YEARS 1945-2060 (Cont.)

Calendar year	Covered workers ¹ (in thousands)	Beneficiaries ² (in thousands)			Covered workers per OASDI beneficiary	Beneficiaries per 100 covered workers
		OASI	DI	Total		
Alternative III:						
1985.....	122,050	32,829	3,893	36,722	3.3	30
1990.....	129,140	36,211	4,285	40,496	3.2	31
1995.....	137,035	38,142	5,095	43,237	3.2	32
2000.....	141,577	39,785	8,031	45,816	3.1	32
2005.....	145,209	41,784	7,179	48,963	3.0	34
2010.....	146,028	45,825	8,306	54,131	2.7	37
2015.....	144,156	52,312	8,934	61,246	2.4	42
2020.....	140,845	60,222	9,225	69,447	2.0	49
2025.....	136,365	68,083	9,524	77,607	1.8	57
2030.....	132,202	74,242	9,230	83,472	1.6	63
2035.....	128,330	77,743	8,928	86,671	1.5	68
2040.....	124,090	78,996	8,827	87,823	1.4	71
2045.....	119,632	80,057	8,958	89,015	1.3	74
2050.....	115,232	81,261	8,754	90,015	1.3	78
2055.....	111,200	81,685	8,358	90,043	1.2	81
2060.....	107,476	81,121	8,017	89,138	1.2	83

¹Workers who pay OASDI taxes at some time during the year.

²Beneficiaries with monthly benefits in current-payment status as of June 30.

³Preliminary.

Note: The numbers of beneficiaries do not include certain uninsured persons, most of whom both attained age 72 before 1968 and have fewer than 3 quarters of coverage, in which cases the costs are reimbursed by the general fund of the Treasury. The number of such uninsured persons was 45,098 as of June 30, 1984, and is estimated to be less than 500 by the turn of the century.

Table 29 shows that the number of covered workers per beneficiary, which was about 3.3 in 1984, is estimated to decline in the future. Based on alternative I, for which high fertility rates and small reductions in death rates are assumed, the ratio declines to an ultimate level of about 2.6. Based on alternative III, for which low fertility rates and substantial reductions in death rates are assumed, the decline is much greater, reaching 1.2 workers per beneficiary. Based on alternatives II-A and II-B, the ratio declines to 2.0 and 1.9 workers per beneficiary, respectively. The impact of these changes on OASDI financing is indicated by the projected number of beneficiaries per 100 workers. Based on alternatives I, II-A, II-B, and III, this rises by the end of the long-range period to levels of 38, 51, 52, and 83, respectively. These levels are, respectively, 27, 70, 73, and 177 percent higher than the current level of 30 beneficiaries per 100 covered workers.

The implication of this demographic shift is a significantly higher cost rate during the last third of the long-range period than during the first two-thirds. Based on all but the most optimistic of the four alternative sets of assumptions used in this report, the OASDI program is estimated to have substantial annual deficits during the last 25 years. Based on alternatives II-B and III, such deficits are also estimated for the middle 25 years of the long-range projection period; even based on alternative II-A, the estimated average annual surplus for those middle years is small. Therefore, at some point, either the costs would need to be reduced or the income would need to be raised in order to maintain actuarial balance.

Table 30 shows the OASDI cost rates on the basis of the four alternatives. Based on alternatives I and II-A, the cost rates generally decline for the next 20 years. Based on alternative II-B, the cost rates remain fairly level for about a decade before following a similar

downward pattern. Based on alternative III, the cost rates fluctuate for about a decade at levels higher than currently experienced, and then decline for a few years. During the latter part of the medium-range period, the cost rates begin to rise, based on all four alternatives.

After the medium-range period, on the basis of each alternative, the cost rates increase rapidly (because of the demographic shift discussed earlier). Based on alternative I, the cost rates peak around 2030, after which they decrease through the end of the projection period. Based on alternatives II-A and II-B, they follow a similar pattern, except that the peak occurs about 2035 and the decline thereafter is less. Based on alternative III, the cost rates continuously increase through the end of the long-range projection period.

The OASDI cost rates based on alternatives I and III differ by about 16 percentage points at the end of the long-range period, although the difference is only 3.93 percentage points at the end of the medium-range period. The average long-range cost rate for the OASDI program varies from 10.24 percent on the basis of alternative I, to 17.84 percent on the basis of alternative III, while the average medium-range cost rate varies much less—from 9.44 to 11.85 percent.

TABLE 30.—ESTIMATED COST RATES OF THE OASDI PROGRAM BY ALTERNATIVE,
CALENDAR YEARS 1985-2060
[As a percentage of taxable payroll]

Calendar year	I	II-A	II-B	III
1985	11.20	11.24	11.29	11.52
1986	10.67	10.96	11.09	11.79
1987	10.72	10.87	11.05	11.75
1988	10.58	10.79	11.04	11.81
1989	10.43	10.73	11.00	12.14
1990	10.42	10.79	11.07	12.15
1991	10.18	10.74	11.04	12.04
1992	10.30	10.71	11.03	11.96
1993	10.10	10.69	11.01	11.93
1994	10.14	10.66	11.00	12.01
1995	9.71	10.49	10.86	11.94
1996	9.63	10.30	10.72	11.87
1997	9.35	10.09	10.55	11.76
1998	9.07	9.86	10.35	11.81
1999	8.85	9.89	10.21	11.52
2000	8.70	9.81	10.17	11.53
2001	8.59	9.56	10.13	11.56
2002	8.50	9.51	10.11	11.59
2003	8.42	9.48	10.09	11.62
2004	8.35	9.46	10.09	11.88
2005	8.32	9.48	10.12	11.77
2006	8.34	9.54	10.20	11.90
2007	8.37	9.82	10.29	12.06
2008	8.43	9.72	10.40	12.23
2009	8.54	9.87	10.56	12.47
2010	8.65	10.03	10.74	12.71
2015	9.53	11.20	11.98	14.44
2020	10.58	12.64	13.51	16.68
2025	11.42	13.92	14.90	19.00
2030	11.72	14.64	15.70	20.82
2035	11.51	14.77	15.89	22.04
2040	11.04	14.57	15.71	22.68
2045	10.67	14.45	15.59	23.82
2050	10.44	14.45	15.58	24.85
2055	10.27	14.43	15.55	25.62
2060	10.15	14.40	15.51	26.17
25-year averages:				
1985-2009	9.44	10.18	10.82	11.85
2010-2034	10.82	12.68	13.79	17.49
2035-2059	10.67	14.50	15.64	24.18
75-year average:				
1985-2059	10.24	12.52	13.35	17.84

Future OASDI cost rates will not necessarily be within the range defined by the results based on alternatives I and III. Nonetheless, because alternatives I and III define a reasonably wide range of economic and demographic conditions, the resulting estimates delineate a reasonable range for future program costs.

The variations in cost, as reflected in the patterns of the cost rates based on the four alternative sets of assumptions, are also reflected in the patterns of the cost as a percentage of Gross National Product (GNP) based on the four alternatives. Table 31 shows a comparison of the OASDI cost as a percentage of GNP on the basis of the four alternatives. Various similarities exist between the patterns of these cost percentages and the cost rates shown in the previous table. Based on alternatives I and II-A, the percentages generally decline slowly for the next 20 years. Based on alternative II-B, the percentages remain fairly level for about a decade before following a similar downward pattern. Based on alternative III, the percentages fluctuate for about a decade at levels slightly higher than currently experienced, and then decline for several years. During the latter part of the medium-range period, the percentages begin to rise slightly on the basis of all four alternatives. Shortly after the end of the medium-range period, based on each alternative, the percentages increase rapidly (because of the demographic shift discussed earlier) and peak around 2030 based on alternatives I, II-A, and II-B, while continuing to increase through the end of the long-range projection period based on alternative III.

Another similarity is that the costs as a percentage of GNP also differ by a relatively large amount at the end of the long-range period (about 4.6 percentage points between alternatives I and III), although differing by a much smaller amount at the end of the medium-range period (1.38 percentage points). In addition, the average long-range cost as a percentage of GNP varies by a relatively large amount (from 4.46 percent based on alternative I, to 6.86 percent based on alternative III), while the average medium-range cost varies by a much smaller amount (from 4.16 to 5.03 percent).

TABLE 31.—ESTIMATED COST OF THE OASDI PROGRAM AS A PERCENTAGE OF GNP BY ALTERNATIVE, CALENDAR YEARS 1985-2060

Calendar year	I	II-A	II-B	III
1985	4.91	4.92	4.94	5.03
1986	4.65	4.81	4.86	5.10
1987	4.71	4.76	4.82	5.06
1988	4.63	4.72	4.80	5.08
1989	4.58	4.70	4.79	5.21
1990	4.57	4.72	4.82	5.17
1991	4.43	4.71	4.81	5.13
1992	4.53	4.69	4.80	5.11
1993	4.41	4.68	4.79	5.11
1994	4.46	4.66	4.78	5.16
1995	4.28	4.58	4.71	5.12
1996	4.25	4.50	4.64	5.07
1997	4.13	4.41	4.57	5.02
1998	4.01	4.30	4.48	4.94
1999	3.91	4.23	4.41	4.90
2000	3.85	4.19	4.38	4.89
2001	3.81	4.17	4.37	4.89
2002	3.76	4.15	4.35	4.89
2003	3.73	4.13	4.34	4.89
2004	3.70	4.12	4.33	4.91
2005	3.69	4.12	4.33	4.93
2006	3.70	4.14	4.36	4.97
2007	3.71	4.17	4.38	5.02
2008	3.73	4.21	4.42	5.08

TABLE 31.—ESTIMATED COST OF THE OASDI PROGRAM AS A PERCENTAGE OF GNP
BY ALTERNATIVE, CALENDAR YEARS 1985-2060 (Cont.)

Calendar year	I	II-A	II-B	III
2009.....	3.78	4.27	4.48	5.16
2010.....	3.83	4.34	4.55	5.25
2015.....	4.21	4.81	5.01	5.66
2020.....	4.65	5.37	5.57	6.64
2025.....	4.99	5.66	6.06	7.42
2030.....	5.10	6.11	6.29	7.98
2035.....	4.99	6.10	6.28	6.29
2040.....	4.78	5.98	6.12	6.44
2045.....	4.58	5.66	5.99	6.62
2050.....	4.46	5.60	5.90	6.83
2055.....	4.36	5.74	5.81	6.83
2060.....	4.29	5.67	5.71	6.95
25-year averages:				
1985-2009.....	4.16	4.44	4.59	5.03
2010-2034.....	4.66	5.45	5.64	6.86
2035-2059.....	4.57	5.66	5.97	6.86
75-year average:				
1985-2059.....	4.48	5.25	5.40	6.66

Table 32 shows a comparison of the estimated average cost rates and the estimated average total income rates, by trust fund. In the medium range, actuarial surpluses are estimated for the OASI program, on the basis of all four alternatives, and for the DI program on the basis of all but alternative III. The combined OASDI medium-range actuarial surplus ranges from 0.82 percent of taxable payroll based on alternative III, to 3.14 percent based on alternative I.

In the long range, actuarial surpluses are estimated for the OASI program based on alternatives I and II-A, and deficits are estimated based on alternatives II-B and III. For the DI program, similar patterns are estimated, except that a negligible deficit—that is, less than 0.005 percent of payroll—is estimated based on alternative II-A. The combined OASDI long-range actuarial balance ranges from a surplus of 2.55 percent of taxable payroll based on alternative I, to a deficit of 4.69 percent based on alternative III.

TABLE 32.—COMPARISON OF ESTIMATED AVERAGE COST RATES AND TOTAL INCOME RATES
BY ALTERNATIVE AND TRUST FUND
[As a percentage of taxable payroll]

Calendar years	Average cost rate			Average total income rate			Balance		
	OASI	DI	Total	OASI	DI	Total	OASI	DI	Total
Alternative I:									
1985-2009.....	8.50	0.94	9.44	11.30	1.28	12.58	+2.80	+0.34	+3.14
2010-2034.....	9.51	1.12	10.62	11.40	1.47	12.87	+1.90	+35	+2.25
2035-2059.....	9.61	1.06	10.67	11.46	1.47	12.93	+1.85	+41	+2.28
1985-2059.....	9.20	1.04	10.24	11.39	1.41	12.79	+2.18	+37	+2.55
Alternative II-A:									
1985-2009.....	9.06	1.12	10.18	11.32	1.29	12.80	+2.26	+17	+2.42
2010-2034.....	11.31	1.57	12.88	11.46	1.49	12.97	+17	-0.08	+0.09
2035-2059.....	12.91	1.59	14.50	11.62	1.50	13.12	-1.29	-0.09	-1.38
1985-2059.....	11.10	1.43	12.52	11.46	1.42	12.90	+3.38	-0.00	+3.38
Alternative II-B:									
1985-2009.....	9.46	1.15	10.62	11.33	1.29	12.82	+1.67	+13	+2.00
2010-2034.....	12.14	1.65	13.79	11.52	1.49	13.01	-0.62	-1.16	-0.78
2035-2059.....	13.96	1.88	15.64	11.68	1.50	13.18	-2.28	-1.18	-2.46
1985-2059.....	11.85	1.49	13.35	11.51	1.43	12.94	-0.35	-0.07	-0.41
Alternative III:									
1985-2009.....	10.46	1.39	11.65	11.37	1.30	12.66	+1.91	-0.09	+1.82
2010-2034.....	15.21	2.28	17.49	11.86	1.52	13.16	-3.56	-0.78	-4.31
2035-2059.....	21.63	2.55	24.18	12.06	1.54	13.60	-9.57	-1.01	-10.58
1985-2059.....	15.77	2.07	17.84	11.69	1.45	13.15	-4.07	-0.62	-4.69

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

Table 33 shows the estimated trust fund ratios for the OASI and DI programs, on the basis of all four alternatives. The OASI and DI ratios are estimated to be relatively low for the next several years, before increasing to very high levels thereafter. Based on alternative I, they increase throughout the long-range projection period to extremely high levels, around 1,700 percent for OASI and 2,600 percent for DI. In contrast, based on alternative III, the OASI ratio, after peaking around 215 percent, decreases rapidly until the fund is exhausted in 2024; the DI ratio decreases rapidly from its current level, and the fund becomes exhausted in 1987.

TABLE 33.—ESTIMATED TRUST FUND RATIOS BY ALTERNATIVE AND TRUST FUND, CALENDAR YEARS 1985-2060

Calendar year	Alternative I			Alternative II-A			Alternative II-B			Alternative III		
	OASI	DI	Total	OASI	DI	Total	OASI	DI	Total	OASI	DI	Total
1985.....	24	27	24	24	26	24	24	26	24	24	26	24
1986.....	26	33	27	25	28	25	24	27	25	22	23	22
1987.....	29	44	31	27	35	28	26	33	27	20	20	20
1988.....	38	45	39	34	31	34	30	28	30	20	(¹)	19
1989.....	56	56	56	50	35	48	43	29	41	23	(¹)	21
1990.....	77	72	76	87	41	84	57	33	54	25	(¹)	21
1991.....	102	106	103	86	81	84	73	50	71	30	(¹)	26
1992.....	126	139	127	106	82	104	86	69	87	36	(¹)	32
1993.....	154	177	156	126	103	124	105	87	104	43	(¹)	39
1994.....	178	210	181	147	123	145	122	105	121	51	(¹)	45
1995.....	212	251	218	170	142	167	141	122	139	59	(¹)	53
1996.....	244	287	248	196	160	192	182	137	159	68	(¹)	61
1997.....	282	329	286	225	176	220	184	151	181	78	(¹)	69
1998.....	325	372	330	257	191	250	210	163	205	90	(¹)	79
1999.....	371	416	375	292	206	282	237	174	230	103	(¹)	89
2000.....	417	453	420	325	218	313	263	182	254	116	(¹)	98
2001.....	463	510	468	359	244	345	288	204	279	127	(¹)	110
2002.....	512	565	517	393	268	378	314	224	304	139	(¹)	119
2003.....	562	613	568	428	287	411	341	239	328	151	(¹)	129
2004.....	614	655	618	464	302	444	367	250	353	163	(¹)	138
2005.....	665	692	668	499	313	475	394	258	376	174	(¹)	146
2006.....	716	725	717	534	321	506	420	262	399	185	(¹)	153
2007.....	766	754	784	568	325	535	445	264	420	195	(¹)	159
2008.....	813	779	809	599	327	561	468	262	440	203	(¹)	163
2009.....	853	805	847	625	328	583	487	259	455	209	(¹)	166
2010.....	880	833	882	647	328	602	503	256	488	213	(¹)	166
2015.....	1,007	962	1,001	707	315	654	537	223	495	196	(¹)	135
2020.....	1,039	1,099	1,046	689	289	639	504	177	463	119	(¹)	53
2025.....	1,044	1,220	1,062	635	248	590	433	115	396	(¹)	(¹)	(¹)
2030.....	1,061	1,419	1,095	572	214	533	347	51	315	(¹)	(¹)	(¹)
2035.....	1,117	1,651	1,187	518	196	484	261	(¹)	234	(¹)	(¹)	(¹)
2040.....	1,223	1,857	1,284	478	177	446	180	(¹)	156	(¹)	(¹)	(¹)
2045.....	1,352	2,006	1,418	443	147	410	102	(¹)	81	(¹)	(¹)	(¹)
2050.....	1,479	2,182	1,551	405	112	372	24	(¹)	(¹)	(¹)	(¹)	(¹)
2055.....	1,607	2,372	1,686	365	78	333	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)
2060.....	1,735	2,568	1,822	325	48	294	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)
Trust fund is estimated to be exhausted in.....	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)	2050	2034	2049	2024	1987	2021

¹The fund is estimated to be exhausted.

²The fund is not estimated to be exhausted within the projection period.

Note: The OASDI ratios shown for years after a given fund is estimated to be exhausted are theoretical and are shown for informational purposes only.

Table 34 itemizes the reasons for the changes in the medium-range and long-range actuarial balances, based on alternative II-B, between last year's report and this report. Also shown are the estimated effects associated with each reason for change.

TABLE 34.—CHANGE IN ESTIMATED MEDIUM-RANGE AND LONG-RANGE ACTUARIAL BALANCE ON THE BASIS OF ALTERNATIVE II-B BY TRUST FUND AND REASON FOR CHANGE
[As a percentage of taxable payroll]

Item	Medium range			Long range		
	OASI	DI	Total	OASI	DI	Total
Shown in last year's report: ¹						
Average total income rate	11.29	1.27	12.56	11.48	1.42	12.90
Average cost rate	9.45	1.10	10.54	11.51	1.45	12.95
Actuarial balance	+1.84	+1.17	+2.01	-0.03	-0.03	-0.06
Changes in actuarial balance due to changes in:						
Legislation	-0.00	-0.01	-0.01	-0.00	-0.01	-0.01
Valuation period	+0.08	+0.01	+0.09	-0.03	+0.00	-0.03
Economic assumptions	-0.01	-0.00	-0.01	+0.08	+0.01	+0.09
Demographic assumptions	+0.06	+0.00	+0.06	-0.02	-0.00	-0.02
Disability assumptions	-0.00	-0.05	-0.05	-0.00	-0.04	-0.04
Correction of immigration methods	-0.02	-0.00	-0.02	-0.22	-0.02	-0.24
All other factors	-0.08	+0.01	-0.07	-0.12	+0.02	-0.09
Total change in actuarial balance	+0.03	-0.04	-0.01	-0.32	-0.04	-0.35
Shown in this report: ²						
Actuarial balance	+1.87	+1.13	+2.00	-0.35	-0.07	-0.41
Average cost rate	9.46	1.15	10.62	11.85	1.49	13.35
Average total income rate	11.33	1.29	12.62	11.51	1.43	12.94

¹Cost rates, total income rates, and taxable payroll are calculated on the basis of the 1984 alternative II-B, for which the ultimate assumptions include annual increases of 5.5 percent in average earnings in covered employment and 4.0 percent in the CPI, an annual unemployment rate of 6.0 percent, and a total fertility rate of 2.0 children per woman. The averages are computed for projection periods commencing with 1984.

²Cost rates, total income rates, and taxable payroll are calculated on the basis of the 1985 alternative II-B, for which the assumptions are described in a preceding subsection. The averages are computed for projection periods commencing with 1985.

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

Since the issuance of last year's report, several laws affecting the OASDI program were enacted. Those having a perceptible effect on the financial status of the program are described in Section III of this report. Most of those laws have only short-term financial implications and, therefore, only negligible effects on the medium-range and long-range actuarial balances. The small effects shown in table 34 for changes in legislation are virtually entirely attributable to the enactment of the Social Security Disability Benefits Reform Act of 1984 (Public Law 98-460).

In changing from the valuation periods of last year's report, which were 1984-2008 and 1984-2058 for the medium-range and long-range periods, respectively, to the valuation periods of this report, 1985-2009 and 1985-2059, 1984 is replaced by 2009 in the medium range and by 2059 in the long range. For the OASI program, the estimated surplus for 1984 shown in last year's report (0.41 percent of taxable payroll) is replaced by a larger surplus for 2009 (2.49 percent) and by a deficit for 2059 (2.14 percent), thereby increasing the medium-range actuarial balance and decreasing the long-range actuarial balance. For the DI program, the estimated deficit for 1984 shown in last year's report (0.14 percent) is replaced by a surplus for 2009 (0.06 percent), thereby increasing the medium-range actuarial balance; it is replaced by a deficit for 2059 of 0.13 percent, which is so similar in magnitude that the resulting increase in the long-range actuarial balance is negligible. The

net effects of the OASI and DI changes are OASDI actuarial balances that are higher in the medium range and lower in the long range.

Various economic assumptions were revised for this year's report. As compared with last year's report, labor force participation rates are assumed to be slightly lower, average real earnings in covered employment through 1994 are assumed to increase slightly more rapidly, the index of average earnings used in the projection of benefits better reflects net earnings from self-employment, and taxable payroll better reflects the relative levels of wages, salaries, and net earnings from self-employment. These changes result in a small decrease in the medium-range actuarial balance and an increase in the long-range actuarial balance.

Various demographic assumptions were changed for this report. The starting population was decreased slightly to reflect updated U.S. population estimates prepared by the Bureau of the Census. The ultimate total fertility rate is the same, but the rates for the early years are lower, because the most recent estimates of the rates for 1983 and 1984 are lower than they were a year ago. Net immigration is assumed to be 500,000 persons per year, rather than 400,000 as in last year's report; the effect of this change alone is an increase in the long-range actuarial balance of 0.11 percent of taxable payroll. The net effect of all the demographic changes is an increase in the medium-range actuarial balance and a decrease in the long-range actuarial balance.

The most significant change in disability assumptions is the use of death-termination rates for disabled-worker beneficiaries that vary with time. For estimates in past reports, these death-termination rates were assumed to remain at constant levels throughout the projection period. For this report, the rates are assumed to decline in a manner similar to that assumed for total U.S. mortality rates. This change results in longer durations of entitlement to disability benefits and, therefore, higher costs and lower actuarial balances.

After last year's report was issued, a computational error was discovered in the method used to develop the age distribution of the assumed number of immigrants, for purposes of projecting the total population. This error had existed since the 1980 Census data were incorporated into the projection methodology, in 1982 (after the issuance of the 1982 Annual Report). Although the error did not distort the aggregate net number of immigrants, it affected the age distribution such that, on average, a lower age was assumed than is indicated by the historical data. Correcting this error in methodology results in higher cost rates and lower actuarial balances, because of decreased taxable payrolls (from the decreased numbers of younger immigrants) and increased aggregate benefits (from the increased numbers of older immigrants).

Numerous changes were made in other items. These changes result in increases in the DI actuarial balances and decreases in the OASI and combined OASDI actuarial balances.

VII. CONCLUSION

The actuarial estimates shown in this report indicate that the assets of the OASI and DI Trust Funds, on a combined basis, will be sufficient to permit the timely payment of OASDI benefits for many years into the future, on the basis of all four sets of economic and demographic assumptions. As before, the trust fund levels are estimated to remain relatively low through about 1987; the financial condition of the DI program, in particular, will need to be carefully monitored for the next several years. After 1987, the OASDI program's ability to withstand temporary economic downturns is expected to improve steadily. The long-range estimates indicate that the program is in close actuarial balance, as defined below, based on the two intermediate sets of assumptions.

In the short range, the estimates for the trust funds, separately, indicate that the OASI program would operate satisfactorily during this period, based on all four sets of assumptions. The DI program would also operate satisfactorily in the short range, based on optimistic or intermediate assumptions like those designated as alternatives I, II-A, and II-B. In the event of adverse experience, however, similar to that illustrated by the pessimistic alternative III set of assumptions, the DI program would become unable to make timely benefit payments by the end of 1987.

The assets of the DI Trust Fund, in the short range, are estimated to be significantly lower than shown in the 1984 Annual Report, primarily because of the effects of higher benefit costs. The higher costs reflect the effects of Administration initiatives concerning the continuing disability review process and the disability reforms that were enacted into law in October 1984. The effect of these changes is to lower the estimated trust fund balances to the extent that, based on the pessimistic assumptions, the DI program would experience near-term financial problems.

In the short range (and for several decades thereafter), the combined assets of the OASI and DI Trust Funds are estimated to increase each year, on the basis of alternatives I, II-A, and II-B. Based on alternative III, the assets of the OASI Trust Fund are estimated to be more than sufficient to prevent the depletion of the DI fund during the short range. Thus, if financial problems similar to those illustrated by alternative III were to become imminent, they could be prevented from occurring by a reallocation of contribution rates between OASI and DI. This remedy would not involve any increases in total OASDI taxes, nor any reductions in OASDI benefits.

The estimates based on alternatives I, II-A, and II-B indicate that the growth in the combined assets of the OASI and DI Trust Funds would require the complete repayment, by January 1987, of the \$10.6 billion currently owed from the OASI Trust Fund to the DI Trust Fund. Based on alternative III, the repayment would take longer, with about \$0.3 billion being repaid in 1986, and the remaining \$10.3 billion being repaid in 24 monthly installments in 1988-89. The \$2.5 billion currently owed from the OASI Trust Fund to the DI Trust Fund is assumed to be repaid in 1986, based on all four sets of assumptions.

For the long-range 75-year projection period, the estimates based on the intermediate alternative II-B assumptions indicate that the OASDI program has an average annual deficit of 0.41 percent of taxable payroll. Although this deficit is larger than the corresponding 0.06-percent deficit shown in the 1984 report, the program is still estimated to be in "close actuarial balance"—that is, the average annual income rate is between 95 and 105 percent of the average annual cost rate. The long-range actuarial deficit represents about 3 percent of the average annual cost rate for the program.

The estimates based on alternative II-B show a pattern of recurring annual surpluses in the first half, and recurring annual deficits in the latter half, of the 75-year projection period. The long-range actuarial deficit of 0.41 percent of taxable payroll consists of an average annual surplus of 2.00 percent of taxable payroll for the first 25-year subperiod, and average annual deficits of 0.78 and 2.46 percent for the second and third 25-year subperiods, respectively. Thus, in the absence of other changes, the long-range actuarial balance will tend to decline slowly over time as the valuation period moves forward and near-term years of surplus are replaced by distant years of deficit.

APPENDIX A.—ASSUMPTIONS AND METHODS UNDERLYING THE MEDIUM-RANGE AND LONG-RANGE ESTIMATES

This appendix describes the assumptions and methods which underlie the medium-range and long-range estimates in this report. Unless specifically stated otherwise, the assumptions and methods were used for each of the four alternatives. Some of the economic and demographic assumptions which vary by alternative are summarized in the section entitled "Actuarial Estimates." Further details about the assumptions, methods, and actuarial estimates are contained in Actuarial Studies published by the Office of the Actuary, Social Security Administration, and are available upon request. Estimates of the trust fund operations during the long-range period expressed in dollar amounts will be published by the Office of the Actuary, shortly after the issuance of this report.

TOTAL POPULATION

Projections were made of the population in the Social Security coverage area by age, sex, and marital status as of July 1 of each year 1984 through 2060. The projections started with the U.S. population, including armed forces overseas, on July 1, 1983, as estimated by the Bureau of the Census, based on the 1980 Census, and adjusted for births, deaths, and net immigration during 1980-83. This population estimate was adjusted for net census undercount and was increased by the estimated populations in the geographic areas covered by the OASDI program but not included in the U.S. population. The population was then projected using assumed rates of birth and death and assumed levels of net immigration.

Historically, fertility rates in the U.S. have fluctuated widely. The total fertility rate is defined to be the average number of children that 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 childbearing period. The total fertility rate decreased from 3.3 after World War I to 2.1 during the Great Depression, rose to 3.7 in 1957, and then fell to 1.7 in 1976. Since then, it has been about 1.8 children per woman.

The past variations in fertility rates have resulted from changes in social attitudes, economic conditions, and the availability and use of birth-control methods. Future fertility rates may exceed the present low level, because such a low level has never been experienced in the United States for a long period of time, and because such a level is well below that needed to maintain the size of the population, in the absence of increased net immigration. The recent historical and projected trends in certain population characteristics, however, are consistent with a continued relatively low fertility rate. These trends include the rising percentages of women who have never married, of women who are divorced, and of young women who are in the labor force. Based on consideration of these factors, ultimate total fertility rates of 2.3, 2.0, 2.0, and 1.6 children per woman were selected for alternatives I, II-A, II-B, and III, respectively. For each alternative, the total fertility rate is assumed to reach its ultimate level in 2009. These ultimate values can be compared to those used by the Bureau of the Census for its latest series of

population projections. Those fertility rates range from 2.3 to 1.6, with an intermediate assumption of 1.9.¹ A rate of 2.1 would ultimately result in a nearly constant population if net immigration were equal to zero and if death rates were constant at levels close to current U.S. experience.

Historically, death rates in the United States have steadily declined. The age-sex-adjusted death rate—which is the crude rate that would occur in the enumerated total population as of April 1, 1970, if that population were to experience the death rates by age and sex for the selected year—declined at an average rate of 1.3 percent per year between 1900 and 1983. The past reductions in death rates have resulted from many factors, including increased medical knowledge, increased availability of health-care services, and improvements in personal health-care practices such as diet and exercise. Based on consideration of the likelihood of continued progress in these and other areas, three alternative sets of ultimate annual percentage reductions in central death rates by sex and cause of death were selected for 2009 and later. Of these three sets of assumptions, the intermediate set, which is used for both alternatives II-A and II-B, is considered most likely to be realized. The average annual percentage reductions used for alternative I are smaller than those for alternatives II-A and II-B, while those used for alternative III are greater. Between 1983 and 2009, these reductions in central death rates for alternatives II-A and II-B are assumed to change gradually from the average annual reductions by age, sex, and cause of death observed between 1968 and 1981, to the ultimate annual percentage reductions by sex and cause of death assumed for 2009 and later. Alternative I reductions are assumed to change gradually from 50 percent of the average annual reductions observed between 1968 and 1981, while alternative III reductions are assumed to change gradually from 150 percent of the average annual reductions observed between 1968 and 1981, reaching the assumed ultimate percentage reductions in 2009 in each case.

After adjustment for changes in the age-sex distribution of the population, death rates were projected to decline at an average annual rate of about 0.3 percent, 0.6 percent, and 1.2 percent between 1983 and 2060 for alternative I, alternatives II-A and II-B, and alternative III, respectively.

Net immigration is assumed to be 700,000, 500,000, and 300,000 persons per year for alternative I, alternatives II-A and II-B, and alternative III, respectively. The assumed net immigration does not include aliens who may enter the United States illegally, largely because no reliable estimate of their number exists. For alternatives I, II-A, and II-B, however, numbers of refugees are assumed to be admitted periodically, over and above the annual quotas provided in present law. Those illegal aliens who were enumerated in the 1980 Census were automatically included in the starting population.

Table A1 shows the projected population by broad age group, for each of the four alternatives. Because eligibility for many categories of

¹U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 952, "Projections of the Population of the United States By Age, Sex, and Race: 1983-2080," U.S. Government Printing Office, Washington, D.C., May 1984.

OASDI benefits depends on marital status, the population was projected by marital status, as well as by age and sex. Marriage rates and divorce rates were based on recent data from the National Center for Health Statistics.

TABLE A1.—SOCIAL SECURITY AREA POPULATION AS OF JULY 1 AND DEPENDENCY RATIOS, BY ALTERNATIVE AND BROAD AGE GROUP, CALENDAR YEARS 1960-2060

Calendar year	Population (in thousands)				Dependency ratio	
	Under 20	20-64	65 and over	Total	Aged ¹	Total ²
Past experience:						
1960.....	73,108	98,689	17,147	188,944	0.174	0.915
1965.....	78,959	104,121	18,952	203,032	.162	.850
1970.....	80,738	112,813	20,684	214,035	.164	.801
1975.....	78,586	122,705	23,192	224,483	.189	.629
1980.....	74,934	134,850	26,100	235,884	.194	.749
Alternative I:						
1985.....	72,877	145,862	29,071	247,810	.199	.699
1990.....	74,212	153,502	32,208	259,922	.210	.683
1995.....	77,045	160,224	34,325	271,594	.214	.695
2000.....	79,741	167,740	35,235	282,716	.210	.685
2005.....	81,664	175,864	36,389	293,917	.207	.671
2010.....	84,410	181,942	39,274	305,626	.219	.680
2015.....	87,806	184,645	44,919	317,370	.243	.719
2020.....	91,558	185,573	51,510	328,641	.278	.771
2025.....	95,007	185,478	58,809	339,294	.317	.829
2030.....	97,940	187,284	64,249	349,473	.343	.866
2035.....	100,981	192,355	66,056	359,392	.343	.866
2040.....	104,487	198,910	65,827	369,224	.331	.856
2045.....	108,271	205,591	65,304	379,166	.316	.844
2050.....	112,003	211,844	65,911	389,558	.311	.841
2055.....	115,568	218,214	67,020	400,802	.307	.837
2060.....	119,144	225,446	66,503	413,093	.304	.832
Alternatives II-A and II-B:						
1985.....	72,728	145,614	29,082	247,424	.200	.699
1990.....	73,169	152,660	32,448	258,277	.213	.692
1995.....	74,413	158,802	35,015	268,230	.220	.689
2000.....	74,969	165,728	36,445	277,142	.220	.672
2005.....	74,234	173,228	38,063	285,525	.220	.648
2010.....	74,226	178,091	41,362	293,679	.232	.649
2015.....	74,979	178,819	47,438	301,296	.265	.685
2020.....	78,051	177,210	54,484	307,745	.307	.737
2025.....	76,723	174,065	62,291	313,079	.358	.789
2030.....	76,872	172,213	68,280	317,365	.396	.843
2035.....	77,024	173,124	70,599	320,747	.408	.853
2040.....	77,522	174,997	70,791	323,310	.405	.848
2045.....	78,225	178,436	70,557	325,218	.400	.843
2050.....	78,830	176,638	71,340	326,808	.404	.850
2055.....	79,230	177,221	72,074	328,525	.407	.854
2060.....	79,569	178,449	72,633	330,651	.407	.853
Alternative III:						
1985.....	72,572	145,365	29,092	247,029	.200	.699
1990.....	71,860	151,811	32,875	256,348	.215	.689
1995.....	71,016	157,345	35,851	264,012	.227	.678
2000.....	88,805	163,645	37,573	273,023	.230	.850
2005.....	64,710	170,499	39,728	274,935	.233	.613
2010.....	61,418	173,809	43,829	278,954	.251	.604
2015.....	59,217	172,208	50,455	281,881	.293	.837
2020.....	57,489	167,498	58,342	283,317	.348	.692
2025.....	55,457	160,618	67,161	283,256	.418	.784
2030.....	53,106	154,338	74,354	281,798	.482	.826
2035.....	50,822	150,301	77,892	279,015	.518	.856
2040.....	48,908	148,759	79,248	274,915	.540	.873
2045.....	47,270	142,320	80,020	269,610	.562	.694
2050.....	45,690	136,128	81,634	263,420	.600	.935
2055.....	43,884	130,548	82,291	256,821	.630	.967
2060.....	42,338	126,016	81,853	250,207	.650	.986

¹Population aged 65 and over, divided by population aged 20-64.

²Sum of population aged 65 and over, and population under age 20, divided by population aged 20-64.

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

COVERED POPULATION

The number of covered workers in a year is defined as the number of persons who, at any time during the year, have OASDI taxable earnings. Projections of the numbers of covered workers were made by applying projected coverage rates to the projected Social Security area population. The coverage rates—i.e., the number of covered workers in the year, as a percentage of the population as of July 1—were determined by age and sex using projected labor force participation rates and unemployment rates, and their historical relationships to coverage rates. In addition, the coverage rates were adjusted to reflect the increase in coverage of Federal civilian employment that will result from the 1983 amendments.

Labor force participation rates were projected by age and sex, taking into account projections of the percentage of the population that is married, the percentage of the population that is disabled, the number of children in the population, and the state of the economy. In addition, recent trends in the labor force participation rates that cannot be fully explained by the above factors (such as much of the recent increase in the rate for women) were assumed to continue through 2005. All of these factors vary by alternative. For men, the projected age-adjusted labor force participation rates for alternatives I, II-A, and II-B for 2060 are, respectively, 2.3, 0.8, and 0.2 percentage points higher than the 1984 level of 76.9 percent, while the rate for alternative III is 1.5 percentage points lower. For women, the projected age-adjusted labor force participation rates increase for all of the alternatives. The projected rates for 2060 are 7.3, 6.2, 4.5, and 3.7 percentage points, respectively, above the 1984 level of 53.6 percent.

The total age-sex-adjusted unemployment rate averaged 5.7 percent for the 30 years 1955-84 and 7.3 percent for the 10 years 1975-84. The ultimate total age-sex-adjusted unemployment rate is assumed to be 5.0, 5.5, 6.0, and 7.0 percent for alternatives I, II-A, II-B, and III, respectively. For alternatives I, II-A, and II-B, the unemployment rate is assumed to decline gradually, reaching its ultimate level in 1995. For alternative III, the unemployment rate is assumed to peak in 1986 and again in 1989, because of assumed recessions, and thereafter to decline gradually, reaching its ultimate level in 1995.

The projected age-adjusted coverage rate for men increases from its 1984 level of 73.2 percent to 78.7, 76.9, 76.1, and 74.1 percent in 2060 on the basis of alternatives I, II-A, II-B, and III, respectively. Correspondingly, for women, it increases from its 1984 level of 54.1 percent to 65.1, 63.8, 61.9, and 60.6 percent, respectively.

AVERAGE EARNINGS AND INFLATION

Future increases in average earnings and in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) will directly affect the OASDI program. Average earnings in covered employment for each year have a direct affect on the size of the taxable payroll and on the future level of average benefits. Increases in the CPI directly affect the automatic cost-of-living benefit increases, while inflation in general affects the nominal levels of average earnings, GNP, and taxable payroll. In addition, increases in average wages in the U.S. economy

directly affect the indexation, under the automatic-adjustment provisions in the law, of the benefit formulas, the contribution and benefit base, the exempt amounts under the retirement earnings test, the amount of earnings required for a quarter of coverage, and under certain circumstances, the automatic cost-of-living benefit increases.

Increases in average earnings were projected in two components—increases in real average earnings and increases in the CPI. For simplicity, real-earnings increases are expressed in the form of real-earnings differentials—i.e., the percentage increase in average nominal earnings, minus the percentage increase in the CPI. The assumed ultimate real-earnings differentials are based on analysis of trends in productivity gains and the factors linking productivity gains with real-earnings differentials. For the 30 years 1955-84, annual increases in productivity for the U.S. economy averaged 2.0 percent, the result of average annual increases of 2.7, 1.9, and 1.3 percent for the 10-year periods 1955-64, 1965-74, and 1975-84, respectively. Meanwhile, the real-earnings differential averaged 1.0 percentage point for the 30 years 1955-84, the result of average annual increases of 2.4 and 1.1 percentage points, and an average annual decrease of 0.4 percentage point, respectively, for the aforementioned 10-year periods. The change in the linkage between annual increases in productivity and the real-earnings differential averaged 1.0 percent for the 30 years 1955-84, and 1.7 percent for the 10 years 1975-84. The change in the linkage reflects changes in such factors as the average number of hours worked per year, the extent to which workers share in the value of production, and the proportion of employee compensation paid as wages.

The ultimate annual increases in productivity are assumed to be 2.67, 2.35, 2.05, and 1.75 percent for alternatives I, II-A, II-B, and III, respectively. The corresponding ultimate annual declines in the linkage are assumed to be 0.2, 0.4, 0.6, and 0.8 percent. The resulting ultimate real-earnings differentials are 2.5, 2.0, 1.5, and 1.0 percent.

For alternative II-A, the CPI-W is assumed to increase ultimately at an annual rate of 3.0 percent. For alternative II-B, the CPI-W is assumed to increase ultimately at an annual rate of 4.0 percent, which is somewhat lower than the average annual increase of 4.6 percent experienced between 1954 and 1984. The ultimate increases in the average annual CPI-W for alternatives I and III of 2.0 percent and 5.0 percent, respectively, were chosen to include a reasonable range of possible values. Ultimate annual increases in the GNP price deflator are assumed to be the same, for each alternative, as for the CPI-W.

The ultimate increases in average annual earnings in covered employment are assumed to be 4.5, 5.0, 5.5, and 6.0 percent, for alternatives I, II-A, II-B, and III, respectively. These were obtained, for each alternative, by adding the assumed annual percentage increase in the CPI-W to the assumed real-earnings differential. Ultimate increases in average wages and earnings for the U.S. economy are very similar to those assumed for average earnings in covered employment.

TAXABLE PAYROLL

The taxable payroll is that amount which, when multiplied by the combined employee-employer tax rate, yields the total amount of taxes

paid by employees, employers, and the self-employed. The taxable payroll is important not just in estimating OASDI income, but also in determining cost rate, income rate, and actuarial balance. These terms are defined in the introduction to the section entitled "Actuarial Estimates."

In practice, the taxable payroll is calculated as a weighted average of the earnings on which employees, employers, and self-employed persons make contributions to the OASDI program. The weighting takes into account the lower tax rates, as compared to the combined employee-employer rate, which apply to tips and multiple-employer "excess wages," and which did apply, before 1984, to net earnings from self-employment. For 1984 and later, the amounts of earnings for employees, employers, and the self-employed were projected separately. For 1983 and later, taxable payroll also includes deemed wage credits for military service. Estimates of taxable earnings for employees, employers, and the self-employed were developed from corresponding estimates of earnings in the U.S. economy, by means of factors which adjust for various differences in these measures. The factors adjust total U.S. earnings by removing earnings from noncovered employment, adding earnings from various outlying areas which are covered by Social Security but are not included in published "U.S." data, and removing earnings above the taxable earnings base.

The cost of the OASDI program can also be expressed as a percentage of the Gross National Product (GNP). Such percentages (which are shown in table 31) are based on the estimated cost rates and on the estimated ratios of taxable payroll to GNP, which are presented in table A2. Projections of GNP were made for the first several years based on assumed quarterly changes in real GNP and in the GNP price deflator. Thereafter, projections of GNP were made in relation to the estimated amounts of earnings in the U.S. economy, and thus, indirectly, in relation to assumed increases in productivity. These projections were based on projected or assumed changes in the size of the employed labor force, the level of average earnings, the ratio of earnings to worker compensation, and the ratio of worker compensation to GNP.

The ratio of taxable payroll to GNP has risen since 1960, in part because of ad hoc increases in the contribution and benefit base. The increase in the ratio for 1983 is largely the result of reflecting in the taxable payroll the special lump-sum transfers made in that year, representing contributions on deemed wage credits granted for military service in 1957-83. The ratio was projected to increase generally for several years for each alternative (as compared to the value shown for 1982), because of the expanded coverage resulting from the 1983 amendments. The long-range trend, however, was projected to be downward, because of a continuation of increases in the ratio of nonwage employee compensation—i.e., fringe benefits—to total compensation. The ratio of wages to total employee compensation is assumed to decline ultimately by 0.1, 0.2, 0.3, and 0.4 percent per year for alternatives I, II-A, II-B, and III, respectively. This ratio declined at average annual rates of 0.43 percent for the 30 years 1955-84, and 0.48 percent for the 10 years 1975-84.

TABLE A2.—RATIO OF TAXABLE PAYROLL TO GNP BY ALTERNATIVE, CALENDAR YEARS 1960-2060

Calendar year	Past experience			
	Projected, by alternative			
	I	II-A	II-B	III
1960			0.402	
1965350	
1970407	
1975419	
1980436	
1981429	
1982434	
1983447	
1984	437	436	435	433
1985	439	436	438	437
1990	438	437	435	425
1995	441	437	434	428
2000	442	436	431	424
2005	443	435	428	419
2010	443	433	424	413
2015	442	429	418	406
2020	439	425	412	398
2025	437	421	407	390
2030	435	417	401	383
2035	433	413	395	376
2040	431	409	390	369
2045	429	405	384	362
2050	427	402	379	355
2055	425	398	373	349
2060	423	394	368	342

INSURED POPULATION

There are three types of insured status under the OASDI program: fully, currently, and disability. Fully insured status is required of an aged worker for eligibility to a primary retirement benefit and for the eligibility of the worker's spouse and children to auxiliary benefits. Fully insured status is also required of a deceased worker for the eligibility of the worker's survivors to benefits (with the exception of child survivors and parents of eligible child survivors, in which cases the deceased worker is required to have had either currently insured status or fully insured status). Disability insured status, which is more restrictive than fully insured status, is required of a disabled worker for eligibility to a primary disability benefit and for the eligibility of the worker's spouse and children to auxiliary benefits.

Projections of the percentage of the population that is fully insured were made by age and sex, based on past and projected coverage rates, the requirement for fully insured status, and their historical relationships to fully insured rates. Currently insured status was disregarded for purposes of these estimates, because the number of cases in which eligibility for benefits is based solely on currently insured status is relatively small. Projections of the percentage of the fully insured population that is also disability insured were developed from historical trends relating the two. Finally, the fully insured and disability insured populations were developed from the projected total population by applying the appropriate percentages.

The fully insured population by age and sex was further subdivided by marital status, in a manner consistent with the division of the total population by marital status. Married men are assumed to be more likely to be fully insured than are widowers who, in turn, are assumed to be

more likely to be fully insured than are single and divorced men. By contrast, single and divorced women are assumed to be more likely to be fully insured than are widows who, in turn, are assumed to be more likely to be fully insured than are married women. The relative difference between a widowed woman's probability of being fully insured and a married woman's is assumed to decrease through time, reflecting the projected large increase in labor force participation among married women.

OLD-AGE AND SURVIVORS INSURANCE BENEFICIARIES

The numbers of OASI beneficiaries were projected for each type of benefit separately, by the sex of the worker on whose earnings the benefits are based, and by the age of the beneficiary. For selected types of benefits, the numbers of beneficiaries were also projected by marital status.

The numbers of retired-worker beneficiaries were projected as a percentage of the aged fully insured population. The percentages for ages 70 and over are assumed to be 100, because the retirement earnings test and delayed retirement credit do not apply after age 70. For 1990, the percentages for ages 65 through 69 are assumed to increase, reflecting the change effective then in withholding under the retirement earnings test. The percentages for ages 62 through 69 were projected for each year of birth as a function of the ratio of the monthly benefit amount payable at each age of entitlement to the amount payable at entitlement age 70. Thus, the percentages were projected to decline gradually as the increases in the delayed retirement credit become effective, and to decline more rapidly, beginning in 2000, during the years in which the normal retirement age is scheduled to increase. Ultimate percentages are assumed to be reached in 2030.

The numbers of aged-spouse beneficiaries were estimated from the population projected by age, sex, and marital status. The benefits of aged-spouse beneficiaries are based on the earnings records of their husbands or wives, who are referred to as "wage earners." To the numbers of spouses aged 62 and over in the population, a series of factors were applied, representing the probabilities that the spouse and the wage earner meet all of the conditions of eligibility—i.e., the probabilities that (1) the spouse is not insured, (2) the spouse is not earning enough to have his or her benefits withheld, (3) the wage earner is 62 or over, (4) the wage earner is insured, (5) the wage earner is receiving benefits, and (6) a residual factor including the probability that the spouse is not eligible to receive a significant governmental pension based on earnings in noncovered employment.

In addition, the same factors were applied to the numbers of divorced persons aged 62 and over in the population, with two differences. First, an additional factor is required to reflect the probability that the person's former wage-earner spouse is still alive (otherwise, he or she may be entitled to a divorced widow(er)'s benefit). Second, factor (5) was not applied because, effective for January 1985, divorced persons need not wait to receive benefits until their former wage-earner spouses are receiving benefits.

The projected numbers of children under age 18, and students aged 18, who are eligible for benefits as children of retired-worker beneficiaries, were based on the projected numbers of children in the population with mothers or fathers who are aged 62 and over. To these numbers of children, two factors were applied, representing the probabilities that their mothers or fathers are both insured and receiving benefits. The numbers of disabled children aged 18 and over were projected as a percentage of the adult population. The numbers of young-spouse beneficiaries were estimated as a proportion of the projected numbers of minor-child beneficiaries, taking into account projected changes in average family size.

The numbers of aged-widow(er) beneficiaries were estimated from the population by age, sex, and marital status. Three factors were applied to the numbers of widow(er)s in the population aged 60 and over. These factors represent the probabilities that (1) the deceased wage-earner was fully insured at death, (2) the widow(er) is not fully insured, and (3) the widow(er)'s benefits are not withheld under the retirement earnings test or because of eligibility for a governmental pension based on earnings in noncovered employment. In addition, some insured widow(er)s who had not applied for their retired-worker benefits are assumed to receive widow(er) benefits. Also, the same factors were applied to the numbers of divorced persons aged 60 and over in the population, with an additional factor representing the probability that the person's former wage-earner spouse is deceased.

The projected numbers of children under age 18, and students aged 18, who are eligible for benefits as survivors of deceased workers, were based on the projected numbers of children in the population whose mothers or fathers are deceased. To these numbers of children, one factor was applied, representing the probability that the mother or father was insured at death. The numbers of disabled children aged 18 and over were projected as a percentage of the adult population. The numbers of mother and father survivor beneficiaries were projected from the numbers of minor-child beneficiaries, taking into account projected changes in average family size.

The numbers of parent survivor beneficiaries were projected as a function of the uninsured population aged 62 and over.

Table A3 shows the projected numbers of beneficiaries under the OASI program. Included among the beneficiaries who receive retired-worker benefits are some persons who also receive residual benefits consisting of the excesses of any potential auxiliary benefits over their retired-worker benefits. Estimates of the number of such residual payments were made separately for wives, widows, husbands, and widowers. Residual payments to other beneficiaries were not taken into account, because of the negligible cost involved.

TABLE A3.—OASI BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS AS OF JUNE 30 BY ALTERNATIVE, CALENDAR YEARS 1960-2060
[In thousands]

Calendar year	Retired workers and auxiliaries			Survivors				Total
	Worker	Wife-husband	Child	Widow-widower	Mother-father	Child	Parent	
Past experience:								
1960	7,813	2,224	260	1,471	368	1,549	35	13,740
1965	10,843	2,601	429	2,228	472	1,900	36	18,509
1970	13,066	2,851	535	3,151	514	2,673	29	22,818
1975	18,210	2,838	633	3,823	568	2,905	22	28,996
1976	16,789	2,867	638	3,939	576	2,911	21	27,740
1977	17,380	2,899	870	4,042	573	2,843	19	28,428
1978	17,924	2,942	862	4,147	569	2,800	18	29,062
1979	18,590	2,966	651	4,260	567	2,739	17	29,789
1980	19,167	2,987	633	4,354	560	2,688	15	30,365
1981	19,792	3,010	639	4,448	549	2,624	14	31,074
1982	20,392	3,019	522	4,540	520	2,201	13	31,207
1983	21,060	3,051	491	4,632	494	2,083	12	31,633
1984	21,588	3,033	479	4,722	367	2,030	11	32,251
Alternative I:								
1985	22,096	3,042	468	4,809	381	1,975	10	32,781
1990	24,610	3,144	451	5,148	388	1,863	7	35,610
1995	26,296	3,486	411	4,878	358	1,813	14	37,254
2000	27,312	3,385	427	4,838	358	1,866	15	38,197
2005	28,777	3,257	472	4,755	352	1,837	15	39,565
2010	32,104	3,253	554	4,654	345	2,002	18	42,929
2015	37,554	3,421	636	4,588	345	2,066	18	48,606
2020	44,069	3,708	711	4,556	347	2,134	16	55,541
2025	50,285	3,984	757	4,609	357	2,189	15	62,207
2030	54,780	4,069	760	4,896	370	2,249	16	66,940
2035	58,747	4,003	763	4,773	380	2,289	18	68,982
2040	58,827	3,768	759	4,706	389	2,354	17	68,930
2045	56,890	3,674	792	4,773	397	2,415	17	68,959
2050	57,568	3,634	819	4,713	409	2,480	17	69,840
2055	58,703	3,707	847	4,647	421	2,543	16	70,885
2060	60,094	3,816	869	4,609	433	2,604	15	72,441
Alternative II-A:								
1985	22,122	3,042	468	4,810	381	1,972	10	32,805
1990	24,942	3,179	450	5,149	378	1,816	7	35,921
1995	26,815	3,583	408	4,879	334	1,687	14	37,721
2000	28,223	3,547	418	4,858	318	1,849	16	39,029
2005	30,030	3,470	447	4,804	299	1,822	17	40,689
2010	33,671	3,498	507	4,729	284	1,607	18	44,314
2015	39,457	3,688	563	4,656	276	1,603	18	50,261
2020	48,352	4,000	612	4,638	271	1,605	18	57,496
2025	53,002	4,309	639	4,675	270	1,606	18	64,519
2030	57,974	4,424	633	4,752	271	1,598	19	69,672
2035	60,395	4,375	627	4,835	269	1,567	20	72,107
2040	60,840	4,159	613	4,879	265	1,576	21	72,353
2045	61,156	4,033	829	4,880	261	1,567	21	72,547
2050	61,902	3,975	639	4,832	260	1,559	21	73,189
2055	62,643	4,008	645	4,748	259	1,549	21	73,874
2060	63,202	4,060	645	4,655	258	1,537	20	74,376
Alternative II-B:								
1985	22,122	3,042	468	4,810	381	1,972	10	32,805
1990	24,941	3,180	450	5,149	378	1,816	7	35,921
1995	26,811	3,586	408	4,880	334	1,686	14	37,719
2000	28,204	3,557	418	4,863	318	1,848	16	39,023
2005	29,985	3,493	446	4,816	299	1,820	17	40,676
2010	33,594	3,534	507	4,750	284	1,604	18	44,291
2015	39,349	3,735	563	4,688	276	1,599	18	50,228
2020	46,209	4,059	611	4,682	270	1,601	19	57,452
2025	52,818	4,385	638	4,732	270	1,601	19	64,462
2030	57,746	4,518	632	4,822	271	1,593	19	69,603
2035	60,128	4,484	626	4,919	269	1,582	20	72,026
2040	60,540	4,278	611	4,978	265	1,571	21	72,284
2045	60,823	4,162	627	4,994	260	1,561	22	72,450
2050	61,534	4,116	637	4,959	260	1,553	22	73,082
2055	62,248	4,157	643	4,886	259	1,543	22	73,759
2060	62,787	4,215	643	4,802	257	1,530	21	74,256

TABLE A3.—OASI BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS AS OF JUNE 30 BY ALTERNATIVE, CALENDAR YEARS 1960-2060 (Cont.)
[In thousands]

Calendar year	Retired workers and auxiliaries			Survivors				Total
	Worker	Wife-husband	Child	Widow-widower	Mother-father	Child	Parent	
Alternative III:								
1965	22,147	3,042	468	4,811	381	1,970	10	32,829
1990	25,251	3,215	448	5,150	370	1,770	7	38,211
1995	27,287	3,877	403	4,879	313	1,567	15	38,142
2000	29,044	3,715	404	4,876	283	1,446	17	39,785
2005	31,210	3,720	410	4,853	250	1,323	20	41,784
2010	35,284	3,828	445	4,812	224	1,232	20	45,825
2015	41,598	4,082	475	4,763	208	1,166	22	52,312
2020	49,174	4,471	498	4,752	194	1,110	22	60,222
2025	56,660	4,878	507	4,778	183	1,056	23	68,083
2030	62,811	5,095	493	4,841	174	1,004	24	74,242
2035	66,069	5,131	477	4,927	163	950	26	77,743
2040	67,504	4,964	454	4,998	150	897	28	78,896
2045	68,692	4,862	454	5,034	139	847	29	80,057
2050	70,014	4,812	447	5,026	131	800	30	81,261
2055	70,588	4,804	435	4,951	124	754	31	81,685
2060	70,254	4,778	417	4,815	117	709	30	81,121

Note: The numbers of beneficiaries do not include certain uninsured persons, most of whom both attained age 72 before 1968 and have fewer than 3 quarters of coverage, in which cases the costs are reimbursed by the general fund of the Treasury. The number of such uninsured persons was 43,098 as of June 30, 1984, and is estimated to be less than 500 by the turn of the century. Totals do not necessarily equal the sums of rounded components.

DISABILITY INSURANCE BENEFICIARIES

The numbers of workers entitled to Disability Insurance benefits were projected from the estimated numbers of such beneficiaries on December 31, 1984, by adding new entitlements, and subtracting terminations. The starting number of entitled disabled-worker beneficiaries was estimated by age, sex, and duration of entitlement. The numbers of new entitlements during each year were projected by applying assumed disability incidence rates, by age and sex, to the projected disability insured population (excluding those already entitled to disabled-worker benefits). The numbers of terminations during each year were projected by applying assumed death and recovery rates, by age, sex, and duration of entitlement, to the disabled-worker population, and adding the number of disabled-worker beneficiaries automatically converted to retired-worker beneficiaries at the normal retirement age (currently, age 65).

The disability incidence rates, which declined during 1975-82 and increased during 1983-84, are assumed to continue increasing from 1984 through 2000, at which time they reach ultimate levels which, for alternatives II-A and II-B, are about 25 percent higher than the corresponding average rates for 1979-83. For the other alternatives, the disability incidence rates follow patterns similar to the one for alternatives II-A and II-B. For alternative I, the ultimate levels are assumed to be about the same as the average for 1979-83, and, for alternative III, about 50 percent higher.

The death and recovery rates were projected by age, sex, and duration of entitlement. For alternatives II-A and II-B, the death rates are assumed to decline steadily throughout the 75-year projection period, reaching levels in 2060 approximately 21 percent lower than those experienced by disabled-worker beneficiaries during 1977-80. The recovery rates are assumed to remain constant at levels about 15 percent higher than those of the same period, thereby allowing for the estimated effect of the periodic reviews required by provisions of law first enacted in 1980, and amended in 1983 and 1984.

For alternative I, the death rates are assumed to remain constant at levels equal to those experienced by disabled-worker beneficiaries during 1977-80, and the recovery rates are assumed to remain constant at levels 30 percent higher than those of the same period. For alternative III, the reductions in death rates are assumed to be double those for alternatives II-A and II-B; the death rates in 2060 are about 42 percent lower than those experienced during 1977-80. The alternative III recovery rates are assumed to be equal to those experienced during 1977-80.

The projected numbers of children under age 18, and students aged 18, who are eligible for benefits as children of disabled-worker beneficiaries, were based on the projected numbers of children in the population by age and sex of each parent. To these numbers of children were applied factors representing the probability that either of their parents is disabled. The numbers of disabled children aged 18 and over were projected as a function of the numbers of disabled-worker beneficiaries and the size of the adult population.

The numbers of young-spouse beneficiaries were projected as a proportion of the projected numbers of child beneficiaries who are either under age 16 or disabled, taking into account projected changes in family size. The numbers of aged-spouse beneficiaries were projected as a proportion of the numbers of disabled-worker beneficiaries, based on recent experience and allowing for projected changes in marriage rates.

Table A4 shows the projected numbers of beneficiaries under the DI program.

TABLE A4.—DI BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS AS OF JUNE 30 BY ALTERNATIVE, CALENDAR YEARS 1960-2060
[In thousands]

Calendar year	Disabled workers	Auxiliaries		Total
		Wives and husbands	Children	
Past experience:				
1960	371	56	94	522
1965	944	187	518	1,648
1970	1,438	271	861	2,568
1975	2,363	429	1,333	4,125
1976	2,602	468	1,462	4,533
1977	2,755	482	1,496	4,733
1978	2,858	491	1,512	4,861
1979	2,877	483	1,466	4,826
1980	2,863	468	1,403	4,734
1981	2,835	450	1,350	4,636
1982	2,713	399	1,071	4,164
1983	2,591	357	944	3,893
1984	2,567	305	917	3,789
Alternative I:				
1985	2,631	308	918	3,857
1990	2,630	308	866	3,804
1995	2,637	288	920	3,846
2000	2,942	303	998	4,243
2005	3,496	325	1,080	4,901
2010	4,121	347	1,149	5,818
2020	4,486	360	1,200	6,046
2025	4,668	374	1,246	6,288
2030	4,878	389	1,294	6,561
2035	4,770	386	1,327	6,483
2040	4,879	387	1,359	6,425
2045	4,743	392	1,400	6,535
2050	4,981	411	1,452	6,845
2055	5,133	426	1,505	7,064
2060	5,261	440	1,557	7,259
	5,391	453	1,608	7,451

TABLE A4.—DI BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS AS OF JUNE 30 BY ALTERNATIVE, CALENDAR YEARS 1960-2060 (Cont.)
[In thousands]

Calendar year	Disabled workers	Auxiliaries		Total
		Wives and husbands	Children	
Alternative II-A:				
1985	2,645	310	923	3,878
1990	2,798	330	919	4,048
1995	3,067	338	1,063	4,467
2000	3,589	369	1,183	5,145
2005	4,393	402	1,275	6,070
2010	5,250	431	1,332	7,013
2015	5,751	448	1,383	7,560
2020	5,998	462	1,387	7,846
2025	6,263	477	1,413	8,154
2030	6,103	468	1,422	7,993
2035	5,957	461	1,424	7,842
2040	5,993	459	1,432	7,884
2045	6,231	474	1,451	8,155
2050	6,295	481	1,468	8,244
2055	6,281	484	1,483	8,248
2060	6,324	491	1,520	8,335
Alternative II-B:				
1985	2,645	310	923	3,878
1990	2,795	330	919	4,043
1995	3,066	338	1,063	4,466
2000	3,589	369	1,183	5,142
2005	4,388	402	1,275	6,065
2010	5,241	431	1,332	7,004
2015	5,738	448	1,362	7,547
2020	5,981	462	1,386	7,828
2025	6,242	477	1,412	8,131
2030	6,079	468	1,421	7,967
2035	5,932	461	1,423	7,815
2040	5,966	458	1,430	7,855
2045	6,201	474	1,449	8,124
2050	6,285	481	1,466	8,213
2055	6,251	484	1,481	8,216
2060	6,294	491	1,518	8,303
Alternative III:				
1985	2,654	312	928	3,893
1990	2,965	350	970	4,285
1995	3,509	388	1,196	5,095
2000	4,281	433	1,337	6,031
2005	5,315	470	1,394	7,179
2010	6,408	500	1,398	8,306
2015	7,046	512	1,377	8,934
2020	7,348	523	1,354	9,225
2025	7,654	534	1,336	9,524
2030	7,416	513	1,302	9,230
2035	7,181	492	1,256	8,928
2040	7,139	475	1,213	8,827
2045	7,287	481	1,180	8,958
2050	7,135	472	1,147	8,754
2055	6,793	453	1,111	8,358
2060	6,506	434	1,075	8,017

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

AVERAGE BENEFITS

Average benefits were projected by type of benefit based on recent historical averages, projected average Primary Insurance Amounts (PIAs), and projected ratios of average benefits to average PIAs. Average PIAs were calculated from projected distributions of beneficiaries by duration from year of award, average awarded PIAs, and increases thereto since the year of award, because of automatic benefit increases, recomputations to reflect additional covered earnings, and other factors. Average awarded PIAs were calculated from projected earnings histories, which were developed from the actual earnings histories associated with a sample of awards made in 1979.

For several types of benefits—retired-worker, aged-spouse, and aged-widow(er) benefits—the percentage of the PIA that is payable depends

on the age at initial entitlement to benefits. Projected ratios of average benefits to average PIAs for these types of benefits were based on projections of age distributions at initial entitlement.

BENEFIT PAYMENTS

For each type of benefit, annual benefit payments were calculated as the product of (1) the number of beneficiaries on June 30, and (2) twelve times the corresponding average monthly benefit. These amounts were adjusted to include retroactive payments to newly awarded beneficiaries.

Lump-sum death payments were calculated as the product of the number of such payments, which was projected on the basis of the assumed death rates, the projected fully insured population, the estimated percentage of the fully insured population that would qualify for benefits, and the amount of the lump-sum death payment, which is \$255.

ADMINISTRATIVE EXPENSES

The projection of administrative expenses through 1994 was based on assumed increases in average wages, increases in the CPI, and increases in the number of beneficiaries. For years after 1994, administrative expenses are assumed to increase with the numbers of beneficiaries and with average earnings in covered employment, taking into account assumed increases in productivity.

RAILROAD RETIREMENT FINANCIAL INTERCHANGE

The effect of the financial interchange with the Railroad Retirement program was evaluated on the basis of trends similar to those used in estimating the cost of OASDI benefits. The resulting effect was an average annual long-range cost to the OASDI program of 0.02 percent of taxable payroll.

BENEFITS TO UNINSURED PERSONS

The law provides for special monthly cash payments to certain uninsured persons who attained age 72 before 1968 or who have 3 quarters of coverage for each year after 1966 and before the year of attainment of age 72. These payments are made from the OASI Trust Fund, which is then reimbursed from the general fund of the Treasury for the costs (including administrative expenses and interest) associated with providing payments to those persons with fewer than 3 quarters of coverage. Neither the payments nor the reimbursements are reflected in the cost rates or the income rates. These amounts are reflected, however, in tables which show trust fund operations.

APPENDIX B.—SENSITIVITY ANALYSIS

This appendix presents estimates which illustrate the sensitivity of the medium-range and long-range estimates to changes in selected individual assumptions. Although the estimates based on the four alternative sets of assumptions illustrate the variations in the estimated actuarial balances resulting from different combinations of assumptions, they do not show the variations resulting from changes in any single assumption. In this sensitivity analysis, alternative II-B is used as the reference point, and one assumption at a time within that alternative is varied. Similar variations in the selected assumptions within the other alternatives would result in similar relative variations in the actuarial balances.

Each table which follows shows the effects of changing the particular assumption under consideration on the average OASDI cost rates, total income rates, and balances. Because the income rates consist mostly of the contribution rates, which are specified in the law, the income rates themselves vary only slightly with changes in assumptions. Consequently, they are not considered in the discussion of the tables. The change in each of the balances is approximately equal to the change in the corresponding cost rate—but in the opposite direction.

TOTAL FERTILITY RATE

Table B1 shows the estimated average OASDI cost rates, income rates, and balances, on the basis of alternative II-B with various assumed ultimate total fertility rates. These assumptions are that the ultimate total fertility rates will be 1.6 children per woman (as assumed for alternative III), 2.0 (as assumed for alternatives II-A and II-B), and 2.3 (as assumed for alternative I). The rates are assumed to change gradually from their current levels and to reach their ultimate values in 2009.

TABLE B1.—ESTIMATED AVERAGE OASDI COST RATES, TOTAL INCOME RATES, AND BALANCES, BASED ON ALTERNATIVE II-B WITH VARIOUS FERTILITY ASSUMPTIONS
(As a percentage of taxable payroll)

Calendar years	Ultimate total fertility rate ¹		
	1.6	2.0	2.3
Average cost rate:			
1985-2009	10.59	10.62	10.64
2010-2034	14.40	13.79	13.42
2035-2059	18.55	15.64	13.99
1985-2059	14.51	13.35	12.68
Average total income rate:			
1985-2009	12.62	12.62	12.62
2010-2034	13.04	13.01	12.99
2035-2059	13.32	13.18	13.10
1985-2059	12.99	12.94	12.90
Balance:			
1985-2009	+2.03	+2.00	+1.98
2010-2034	-1.36	-.78	-.42
2035-2059	-5.22	-2.46	-.90
1985-2059	-1.52	-.41	+.22

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. The ultimate total fertility rate is assumed to be reached in 2009.

For the first 25 years, the average cost rate for the three fertility assumptions varies by only 0.05 percent of taxable payroll. In contrast, the average long-range cost rate varies over a wide range, decreasing from 14.51 to 12.68 percent, as the assumed ultimate total fertility rate increases from 1.6 to 2.3. Similarly, while the medium-range actuarial

balance varies by only 0.05 percent of taxable payroll, the long-range actuarial balance varies over a much wider range—from -1.52 to +0.22 percent.

During the medium-range period, changes in fertility affect the working population only slightly and result in relatively minor changes in the number of child beneficiaries. Hence, the program cost is affected only slightly. For the 75-year long-range period, however, changes in fertility have a relatively greater impact on the labor force than on the beneficiary population, thereby resulting in significant changes in cost. Each increase of 0.1 in the ultimate total fertility rate increases the long-range actuarial balance by about 0.25 percent of taxable payroll.

DEATH RATES

Table B2 shows the estimated average OASDI cost rates, income rates, and balances, on the basis of alternative II-B with various assumptions about future reductions in death rates. The analysis was developed by varying the percentage decrease assumed to occur during 1983-2060 in the age-sex-adjusted death rate. The decreases assumed for this period are about 22 percent (as assumed for alternative I), 38 percent (as assumed for alternatives II-A and II-B), and 59 percent (as assumed for alternative III).

TABLE B2.—ESTIMATED AVERAGE OASDI COST RATES, TOTAL INCOME RATES, AND BALANCES, BASED ON ALTERNATIVE II-B WITH VARIOUS DEATH-RATE ASSUMPTIONS
(As a percentage of taxable payroll)

Calendar years	Reduction in death rates ¹		
	22 percent	38 percent	59 percent
Average cost rate:			
1985-2009	10.43	10.62	10.81
2010-2034	13.16	13.79	14.63
2035-2059	14.49	15.64	17.52
1985-2059	12.69	13.35	14.32
Average total income rate:			
1985-2009	12.61	12.62	12.63
2010-2034	12.98	13.01	13.05
2035-2059	13.12	13.18	13.27
1985-2059	12.91	12.94	12.98
Balance:			
1985-2009	+2.19	+2.00	+1.82
2010-2034	-.18	-.78	-1.58
2035-2059	-1.37	-2.46	-4.25
1985-2059	+2.21	-.41	-1.34

¹The measure of the reduction in death rates is the percentage decrease in the age-sex-adjusted death rate during 1983-2060.

Because the decreases in death rates are assumed to occur gradually, the variation in program cost for the medium-range period is less pronounced than the variation for the long-range period. The medium-range cost rate increases from 10.43 percent (for 22-percent lower ultimate death rates) to 10.81 percent (for 59-percent lower ultimate rates). The long-range cost rate increases from 12.69 to 14.32 percent. The actuarial balance decreases from +2.19 to +1.82 percent for the medium-range period, and from +0.21 to -1.34 percent for the long-range period.

Lower death rates cause both the income and outgo of the OASDI program to be higher than they would otherwise be. The outgo, however, will increase more rapidly than the income for the medium- and long-range periods. Reductions in the death rates for people who

have attained the normal retirement age (people whose death rates are the highest) extend the length of time that retirement benefits are paid. Although an increase in taxable payroll results from lower death rates at ages 50 through the normal retirement age, this is more than offset by the additional retirement and disability benefits which subsequently result. At ages 20-49, death rates are so low that even substantial reductions would not result in significant increases in the numbers of covered workers or beneficiaries. Lower death rates at ages below 20 have relatively little long-term effect on the relationship between outgo and taxable payroll. Consequently, if death rates by age are lower by the same relative amount, outgo increases at a rate greater than the rate of growth in payroll, thereby resulting in higher cost rates. Each additional 10-percent reduction in the age-sex-adjusted death rate assumed to occur in 1983-2060, relative to the 38-percent reduction assumed for alternative II-B, decreases the long-range actuarial balance by about 0.40 percent of taxable payroll.

DISABILITY INCIDENCE RATES

Table B3 shows the estimated average OASDI cost rates, income rates, and balances, on the basis of alternative II-B with various assumptions about future disability incidence rates. These assumptions are that the ultimate annual age-sex-adjusted disability incidence rate will be about the same as the average of the corresponding annual rates experienced during 1979-83 (as assumed for alternative I), about 25 percent higher than the 1979-83 experience (as assumed for alternatives II-A and II-B), and about 50 percent higher than such experience (as assumed for alternative III). The rates are assumed to change gradually from their current levels and to reach their ultimate values in 2000.

TABLE B3.—ESTIMATED AVERAGE OASDI COST RATES, TOTAL INCOME RATES, AND BALANCES, BASED ON ALTERNATIVE II-B WITH VARIOUS DISABILITY INCIDENCE ASSUMPTIONS
(As a percentage of taxable payroll)

Calendar years	Increase in disability incidence rates ¹		
	None	25 percent	50 percent
Average cost rate:			
1985-2009	10.48	10.62	10.76
2010-2034	13.49	13.79	14.10
2035-2059	15.32	15.64	15.94
1985-2059	13.09	13.35	13.60
Average total income rate:			
1985-2009	12.61	12.62	12.62
2010-2034	13.00	13.01	13.03
2035-2059	13.16	13.18	13.19
1985-2059	12.83	12.94	12.95
Balance:			
1985-2009	+2.14	+2.00	+1.86
2010-2034	-.49	-.78	-1.07
2035-2059	-2.16	-2.46	-2.75
1985-2059	-.17	-.41	-.65

¹The increase in disability incidence rates is based on the ratio of the ultimate annual age-sex-adjusted incidence rate (reached in 2000) to the average of the corresponding annual rates experienced during 1979-83.

For the medium-range period, the average cost rate increases with increasing disability incidence rates from 10.48 percent (for no increase) to 10.76 percent (for a 50-percent increase). For the long-range period, it increases from 13.09 to 13.60 percent. The actuarial balance decreases from +2.14 to +1.86 percent for the medium-range period, and from -0.17 to -0.65 percent for the long-range period. Each 10-percent increase

in the assumed ultimate disability incidence rates decreases the long-range actuarial balance by about 0.10 percent of taxable payroll.

DISABILITY TERMINATION RATES

Table B4 shows the estimated average OASDI cost rates, income rates, and balances, on the basis of alternative II-B with various assumptions about future disability termination rates.

For alternative I, death-termination rates by age and sex are assumed to be the same, throughout the long-range projection period, as the corresponding annual rates experienced during 1977-80. For the other alternatives, such rates are assumed to decline throughout the 75-year projection period. At the end of that period, they reach levels that, in comparison with the corresponding annual rates experienced during 1977-80, are about 21 percent lower for alternatives II-A and II-B, and about 42 percent lower for alternative III.

For alternative III, recovery-termination rates by age and sex are assumed to be about the same, throughout the long-range projection period, as the corresponding rates experienced during 1977-80. For alternatives II-A and II-B, such rates are assumed to be about 15 percent higher than those experienced in 1977-80; for alternative I, they are about 30 percent higher than the base-period rates. Recovery-termination rates for alternatives II-A and II-B are 15 percent higher than the rates experienced during 1977-80, in order to reflect the effects of the periodic reviews required by provisions of law first enacted in 1980, and amended in 1983 and 1984.

TABLE B4.—ESTIMATED AVERAGE OASDI COST RATES, TOTAL INCOME RATES, AND BALANCES, BASED ON ALTERNATIVE II-B WITH VARIOUS DISABILITY TERMINATION ASSUMPTIONS

(As a percentage of taxable payroll)

Calendar years	Disability termination rates based on alternative—		
	I	II-A and II-B	III
Average cost rate:			
1985-2009.....	10.59	10.62	10.65
2010-2034.....	13.72	13.79	13.88
2035-2059.....	15.53	15.64	15.75
1985-2059.....	13.28	13.35	13.43
Average total income rate:			
1985-2009.....	12.82	12.62	12.62
2010-2034.....	13.01	13.01	13.02
2035-2059.....	13.17	13.18	13.18
1985-2059.....	12.93	12.94	12.94
Balance:			
1985-2009.....	+2.03	+2.00	+1.97
2010-2034.....	-.71	-.78	-.88
2035-2059.....	-2.35	-2.46	-2.57
1985-2059.....	-.35	-.41	-.49

For the medium-range period, the average cost rate increases with decreasing disability termination rates from 10.59 percent (for the relatively high rates assumed for alternative I) to 10.65 percent (for the relatively low rates assumed for alternative III). For the long-range period, it increases from 13.28 to 13.43 percent. The actuarial balance decreases from +2.03 to +1.97 percent for the medium-range period, and from -0.35 to -0.49 percent for the long-range period.

CONSUMER PRICE INDEX

Table B5 shows the estimated average OASDI cost rates, income rates, and balances, on the basis of alternative II-B with various assumptions about the rate of increase for the CPI. These assumptions are that the ultimate annual increase in the CPI will be 2.0 percent (as assumed for alternative I), 3.0 percent (as assumed for alternative II-A), 4.0 percent (as assumed for alternative II-B), 5.0 percent (as assumed for alternative III), and 6.0 percent. In each case, the ultimate real-earnings differential is assumed to be 1.5 percentage points (as assumed for alternative II-B), yielding ultimate percentage increases in average annual earnings in covered employment of 3.5, 4.5, 5.5, 6.5, and 7.5 percent, respectively.

TABLE B5.—ESTIMATED AVERAGE OASDI COST RATES, TOTAL INCOME RATES, AND BALANCES, BASED ON ALTERNATIVE II-B WITH VARIOUS CPI-INCREASE ASSUMPTIONS
(As a percentage of taxable payroll)

Calendar years	Ultimate percentage increases in earnings-CPI ¹				
	3.5-2.0	4.5-3.0	5.5-4.0	6.5-5.0	7.5-6.0
Average cost rate:					
1985-2009.....	10.84	10.73	10.62	10.51	10.41
2010-2034.....	14.25	14.03	13.79	13.57	13.35
2035-2059.....	16.16	15.90	15.64	15.38	15.11
1985-2059.....	13.75	13.55	13.35	13.15	12.96
Average total income rate:					
1985-2009.....	12.63	12.62	12.62	12.62	12.61
2010-2034.....	13.03	13.02	13.01	13.00	12.99
2035-2059.....	13.20	13.19	13.18	13.17	13.15
1985-2059.....	12.95	12.95	12.94	12.93	12.92
Balance:					
1985-2009.....	+1.79	+1.90	+2.00	+2.10	+2.20
2010-2034.....	-1.22	-1.00	-.78	-.57	-.36
2035-2059.....	-2.96	-2.71	-2.46	-2.21	-1.96
1985-2059.....	-.80	-.61	-.41	-.23	-.04

¹The first value in each pair is the assumed ultimate annual percentage increase in average earnings in covered employment. The second value is the assumed ultimate annual percentage increase in the CPI.

For both the medium-range and long-range periods, the average cost rate decreases with greater assumed rates of increase in the CPI. For the medium range, the average cost rate decreases from 10.84 percent (for CPI increases of 2.0 percent) to 10.41 percent (for CPI increases of 6.0 percent). For the long range, it decreases from 13.75 to 12.96 percent. The actuarial balance increases from +1.79 to +2.20 percent for the medium-range period, and from -0.80 to -0.04 percent for the long-range period.

The patterns described above result primarily from the time lag between the effects of the CPI changes on taxable payroll and on benefit payments. When assuming a greater rate of increase in the CPI (in conjunction with a constant real-earnings differential), the effect on taxable payroll of the implied greater rate of increase in average earnings is experienced immediately, while the effect on benefits of the greater rate of increase in the CPI is experienced with a lag of about 1 year. In addition, the effect on benefits of the greater rate of increase in average earnings is experienced no sooner than 2 years later. Thus, the higher taxable payrolls have a stronger effect than the higher benefits have, thereby resulting in lower cost rates. The effect of each 1.0-percentage-point increase in the rate of change assumed for the CPI is an increase in the long-range actuarial balance of about 0.20 percent of taxable payroll.

REAL-EARNINGS DIFFERENTIAL

Table B6 shows the estimated average OASDI cost rates, income rates, and balances, on the basis of alternative II-B with various real-earnings assumptions. These assumptions are that the ultimate real-earnings differential will be 1.0 percentage point (as assumed for alternative III), 1.5 percentage points (as assumed for alternative II-B), 2.0 percentage points (as assumed for alternative II-A), and 2.5 percentage points (as assumed for alternative I). In each case, the ultimate annual increase in the CPI is assumed to be 4.0 percent (as assumed for alternative II-B), yielding ultimate percentage increases in average annual earnings in covered employment of 5.0, 5.5, 6.0, and 6.5 percent, respectively.

TABLE B6.—ESTIMATED AVERAGE OASDI COST RATES, TOTAL INCOME RATES, AND BALANCES, BASED ON ALTERNATIVE II-B WITH VARIOUS REAL-EARNINGS ASSUMPTIONS
(As a percentage of taxable payroll)

Calendar years	Ultimate percentage increase in earnings-CPI ¹			
	5.0-4.0	5.5-4.0	6.0-4.0	6.5-4.0
Average cost rate:				
1985-2009	10.99	10.62	10.27	9.94
2010-2034	14.72	13.79	12.95	12.18
2035-2059	16.82	15.64	14.57	13.60
1985-2059	14.17	13.35	12.60	11.91
Average total income rate:				
1985-2009	12.63	12.62	12.61	12.59
2010-2034	13.05	13.01	12.97	12.94
2035-2059	13.24	13.18	13.12	13.08
1985-2059	12.97	12.94	12.90	12.87
Balance:				
1985-2009	+1.64	+2.00	+2.34	+2.65
2010-2034	-1.66	-78	+02	+76
2035-2059	-3.58	-2.46	-1.45	-53
1985-2059	-1.20	-.41	+30	+96

¹The first value in each pair is the assumed ultimate annual percentage increase in average earnings in covered employment. The second value is the assumed ultimate annual percentage increase in the CPI. The difference between the two values is the real-earnings differential.

For the medium-range period, the average cost rate decreases from 10.99 percent (for a real-earnings differential of 1.0 percentage point) to 9.94 percent (for a differential of 2.5 percentage points). For the long-range period, it decreases from 14.17 to 11.91 percent. The actuarial balance increases from +1.64 to +2.65 percent for the medium-range period, and from -1.20 to +0.96 percent for the long-range period.

The average cost rate decreases with increasing real-earnings differentials, because the higher real-earnings levels increase the taxable payroll, while benefit increases are not affected. Although the initial benefit levels are higher because of the higher earnings, these increases are more than offset by the increases in the taxable payroll of future workers. Each 0.5-percentage-point increase in the assumed real-earnings differential increases the long-range actuarial balance by about 0.70 percent of taxable payroll.

VI. ACTUARIAL ESTIMATES

Section 201(c)(2) of the Social Security Act requires the Board of Trustees to 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, 1984, is presented in the preceding section of this report. Estimates of the operations and status of the trust funds during fiscal years 1985-89 are presented in this section. Similar estimates for calendar years 1985-89 are also presented.

In the short range, the adequacy of the trust fund level is often measured by the "contingency reserve trust fund ratio," which is defined to be the assets at the beginning of the year, including advance tax transfers for January and amounts owed to other trust funds, expressed as a percentage of the outgo during the year. Thus, this ratio represents the proportion of the year's outgo which is available at the beginning of the year. The primary purpose of the trust funds is to act as contingency reserves. During periods when outgo temporarily exceeds income, as might happen during an economic recession, trust fund assets are used to meet the shortfall. In the event of recurring shortfalls for an extended period, the trust funds can allow sufficient time for the development of legislation to restore financial balance to the program. Although there is no general agreement regarding the appropriate size of the trust funds, each of them should be at least large enough to accomplish these purposes. When either trust fund is not this large, its future financing—to be considered adequate—must provide for rebuilding the fund within a reasonable period of time, without significant declines in the interim.

Section 201(c) of the Act also requires that the annual 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 calendar 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 are the concepts of "cost rate" and "total income rate," each of which is expressed as a percentage of taxable payroll. The OASDI taxable payroll consists of the total earnings which are subject to OASDI taxes, adjusted to include, after 1982, deemed wages based on military service, and to reflect the lower effective tax rates (as compared to the combined employee-employer rate) which apply to tips and to multiple-employer "excess wages," and which did apply, before 1984, to net earnings from self-employment. The cost rate is the ratio of the cost (or outgo or disbursements) of the program to the taxable payroll. In this context, the outgo is defined to include benefit payments, administrative expenses, net transfers under the financial interchange between the trust funds and the Railroad Retirement Account, and payments for vocation-

APPENDIX C

Federal Register / Vol. 49, No. 212 / Wednesday, October 31, 1984

**DEPARTMENT OF HEALTH AND
HUMAN SERVICES**

Office of the Secretary

**Cost-of-Living Increase in Benefits
Under Titles II and XVI for 1985;
Average of the Total Wages for 1983;
Contribution and Benefit Base, Quarter
of Coverage Amount, Retirement
Earnings Test Exempt Amounts, and
Formulas for Computing Benefits for
1985; Old-Age, Survivors, and
Disability Insurance (OASDI) Fund
Ratio for 1984; and Tables of Benefit
Amounts for 1985**

AGENCY: Social Security Administration,
HHS.

ACTION: Notice.

SUMMARY: The Secretary has
determined—

(1) A 3.5 percent cost-of-living
increase in benefits under title II
(section 215(i)) of the Social Security Act
(the Act);

(2) An increase in Federal SSI (title
XVI) benefits for 1985 to \$3,900 for an
eligible individual, \$5,856 for an eligible
individual with an eligible spouse, and
\$1,956 for an essential person (section
1617 of the Act);

(3) The average of the total wages for
1983 to be \$15,239.24;

(4) The Social Security contribution
and benefit base to be \$39,600 for
remuneration paid in 1985 and self-
employment income earned in taxable
years beginning in 1985;

(5) The amount of earnings a person
must have to be credited with a quarter
of coverage in 1985 to be \$410; and

(6) The monthly exempt amount under
the Social Security retirement earnings
test for taxable years ending in calendar
year 1985 to be \$610 for beneficiaries
age 65 through 69 and \$450 for
beneficiaries under age 65.

We also describe the computation of
benefits for a worker and the worker's
family who first become eligible for
benefits in 1985, and the computation of
the OASDI fund ratio used in the

determination of an automatic increase
of benefits under titles II and XVI.

Finally, we are publishing two tables
of OASDI benefit amounts. The first
table reflects: (a) The automatic benefit
increase, and (b) the new higher average
monthly wage and related benefit
amounts made possible by the higher
contribution and benefit base. This table
will be used primarily to compute the
retirement benefits of workers who
attained age 62, became disabled or died
before 1979, and to compute the related
maximum family benefit increase. The
second table provides the range of
primary insurance amounts and the
corresponding maximum family benefits
under the "special minimum benefit"
provision, as revised to reflect the
automatic benefit increase. These
benefits are payable to certain
individuals with long periods of
relatively low earnings.

FOR FURTHER INFORMATION CONTACT:

Clare M. Albrecht, Office of the
Actuary, Social Security Administration,
6401 Security Boulevard, Baltimore,
Maryland 21235, telephone (301) 594-
3882.

SUPPLEMENTARY INFORMATION: The
Secretary is required by the Act to
publish within 45 days after the close of
the third calendar quarter of 1984 the
benefit increase percentage and the
tables of benefits (section 215(i)(2)(D)).
Also, the Secretary is required to
publish before November 1 the average
of the total wages for 1983 (section
215(i)(2)(C)(iii)) and the OASDI fund
ratio for 1984 (section 215(i)(2)(C)(iii)).
Finally, the Secretary is required to
publish on or before November 1 the
contribution and benefit base for 1985
(section 230(a)), the amount of earnings
required to be credited with a quarter of
coverage in 1985 (section 213(d)(2)), the
monthly exempt amounts under the
Social Security retirement earnings test
for 1985 (section 203(f)(8)(A)), the
formula for computing a primary
insurance amount for workers who first

become eligible for benefits or die in 1985 (section 215(a)(1)(D)), and the formula for computing the maximum amount of benefits payable to the family of a worker who first becomes eligible for old-age benefits or dies in 1985 (section 203(a)(2)(C))

Cost-of-Living Increases

General

The cost-of-living increase is 3.5 percent for benefits under titles II and XVI of the Social Security Act.

Under title II, old-age survivors, and disability insurance benefits will increase by 3.5 percent beginning with the December 1984 benefits, which are payable on January 3, 1985. The kinds of benefits payable to individuals entitled under this program are old-age, disability, wife's, husband's, child's, widow's, widower's, mother's, father's, and parent's insurance benefits. This increase is based on the authority contained in section 215(i) of the Act (42 U.S.C. 415(i)), as amended by section 201 of Pub. L. 95-216 enacted December 20, 1977, and sections 111 and 112 of Pub. L. 98-21 enacted April 20, 1983.

Under title XVI, Federal SSI payment levels will also increase by 3.5 percent effective for payments made for the month of January 1985 but paid on December 31, 1984. This is based on the authority contained in section 1617 of the Act (42 U.S.C. 1382f), as amended by section 182 of Pub. L. 97-248 enacted September 3, 1982, and as further amended by section 401 of Pub. L. 98-21, enacted April 20, 1983. The percentage increase effective January 1985 is the same as the title II benefit increase and the annual payment amount is rounded, when not a multiple of \$12, to the next lower multiple of \$12.

Automatic Benefit Increase Computation

Under section 215(i) of the Act, the third calendar quarter of 1984 is a cost-of-living computation quarter for all the purposes of the Act. The Secretary is therefore required to increase benefits, effective with December 1984, for individuals entitled under section 227 or

228 of the Act, to increase primary insurance amounts of all other individuals entitled under title II of the Act, and to increase maximum benefits payable to a family. For 1984, the benefit increase is the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers for the third quarter of 1984 over the index for the third quarter of 1983. Automatic benefit increases may be modified by a "stabilizer" provision under certain adverse financial conditions that are described in the section on the OASDI fund ratio. The December 1984 benefit increase is not affected by this provision.

Section 215 (i)(1) of the Act provides that the Consumer Price Index for a cost-of-living computation quarter shall be the arithmetical mean of this index for the 3 months in that quarter. The Department of Labor's revised Consumer Price Index for Urban Wage Earners and Clerical Workers for each month in the quarter ending September 30, 1983, was: for July 1983, 298.2; for August 1983, 299.5; and for September 1983, 300.8. The arithmetical mean for this calendar quarter is 299.5. The corresponding Consumer Price Index for each month in the quarter ending September 30, 1984, was for July 1984, 307.5; for August 1984, 310.3; and for September 1984, 312.1. The arithmetical mean for this calendar quarter is 310.0. Thus, because the Consumer Price Index for the calendar quarter ending September 30, 1984 exceeds that for the calendar quarter ending September 30, 1983 by 3.5 percent, a cost-of-living benefit increase of 3.5 percent is effective for benefits under title II of the Act beginning December 1984.

Title II Benefit Amounts

In accordance with section 215(i)(4) of the Act, the primary insurance amounts and the maximum family benefits shown in columns IV and V of the revised benefit table (table 1) were obtained by increasing by 3.5 percent the corresponding amounts established by: (1) The last cost-of-living increase; (2) the extension of the benefit table made

under section 215(i)(4) and published on November 1, 1983 at 48 FR 50414; and by extending the table due to the increase in the contribution and benefit base for 1985, as described below. The table applies only to those persons who attained age 62, became disabled or died before January 1979 and is deemed to appear in section 215(a) of the Act. Note that this table does not apply to those individuals who become eligible (i.e., reach age 62, or become disabled) or die after 1978; their benefits will generally be determined by a benefit formula provided by the Social Security Amendments of 1977 (Pub. L. 95-216), as described below. For persons who first become eligible for benefits or who die before age 62 in the period 1979-1984, the 3.5 percent increase will apply beginning with benefits for December 1984 and will be included in checks received in January 1985; but the 3.5 percent increase will not apply for persons who first become eligible for benefits or die after 1984.

Section 215(i)(2)(D) of the Act also requires that, when the Secretary determines an automatic increase in Social Security benefits, the Secretary shall publish in the **Federal Register** a revision of the range of the primary insurance amounts and corresponding maximum family benefits based on the dollar amount and other provisions described in section 215(a)(1)(C)(i). These benefits are referred to as "special minimum benefits" and are payable to certain individuals with long periods of relatively low earnings. In accordance with section 215(a)(1)(C)(i), the attached table 2 shows the revised range of primary insurance amounts and corresponding maximum family benefit amounts after the 3.5 percent benefit increase.

Section 227 of the Act as amended by section 304 of Pub. L. 98-21 provides flat-rate benefits to a worker who became age 72 before 1969 and was not insured under the usual requirements, and to his or her spouse or surviving spouse. Section 228 of the Act (also as amended by Pub. L. 98-21) provides

similar benefits at age 72 for certain uninsured persons. The current monthly benefit amount of \$129.90 for an individual under sections 227 and 228 of the Act is increased by 3.5 percent to obtain the new amount of \$134.40. The present monthly benefit amount of \$65.20 for a spouse under section 227 is increased by 3.5 percent to \$67.40.

Title XVI Benefit Amounts

In accordance with section 1617 of the Act, Federal benefit rates for the aged, blind, and disabled are increased by 3.5 percent effective January 1985. Therefore, the yearly Federal SSI rates of \$3,768.00 for an eligible individual, \$5,664.00 for an eligible individual with an eligible spouse and \$1,884.00 for an essential person, which are effective January 1984, are increased, effective with January 1985, to \$3,900.00, \$5,856.00, and \$1,956.00 respectively after rounding. The monthly payment amount is determined by dividing the yearly guarantee by 12, and subtracting monthly countable income. In the case of an eligible individual with an eligible spouse, the amount payable is further divided equally between the two spouses.

Average of the Total Wages for 1983

The determination of the average wage figure for 1983 is based on the 1982 average wage figure of \$14,531.34 announced in the **Federal Register** on November 1, 1983 (48 FR 50414), along with the percentage increase in average wages from 1982 to 1983 measured by annual wage data tabulated by the Internal Revenue Service (IRS). The average amounts of wages calculated directly from IRS data were \$14,923.19 and \$15,650.18 for 1982 and 1983, respectively. To determine an average wage figure for 1983 at a level that is consistent with the series of average wages for 1951-1977 (published December 29, 1978, at 43 FR 61016), we multiplied the 1982 average wage figure of \$14,531.34 by the percentage increase in average wages from 1982 to 1983 (based on IRS data) as follows (with the

result rounded to the nearest cent):
 Average wage for 1983 = $\$14,531.34 \times$
 $\$15,650.18 \div \$14,923.19 = \$15,239.24$.
 Therefore, the average wage for 1983 is
 determined to be $\$15,239.24$.

Contribution and Benefit Base

General

The contribution and benefit base is $\$39,600$ for remuneration paid in 1985 and self-employment income earned in taxable years beginning in 1985.

The contribution and benefit base serves two purposes:

(1) It is the maximum annual amount of earnings on which Social Security taxes are paid.

(2) It is the maximum annual amount used in figuring a person's Social Security benefits.

Computation

Section 230(c) of the Act provides a table with the contribution and benefit base for each year 1978, 1979, 1980, and 1981. For years after 1981, section 230(b) of the Act contains a formula for determining the contribution and benefit base. Under the prescribed formula, the contribution and benefit base for 1985 shall be equal to the 1984 base of $\$37,800$ multiplied by the ratio of: (1) The average amount, per employee, of total wages for the calendar year 1983 to (2) the average amount of those wages for the calendar year 1982. Section 230(b) further provides that if the amount so determined is not a multiple of $\$300$, it shall be rounded to the nearest multiple of $\$300$.

Average Wages

The average wage for calendar year 1982 was previously determined to be $\$14,531.34$. The average wage for calendar year 1983 has been determined to be $\$15,239.24$, as stated herein.

Amount

The ratio of the average wage for 1983, $\$15,239.24$, compared to that for 1982, $\$14,531.34$, is 1.0487154. Multiplying the 1984 contribution and benefit base of $\$37,800$ by the ratio 1.0487154 produces

the amount of $\$39,641.44$ which must then be rounded to $\$39,600$. Accordingly, the contribution and benefit base is determined to be $\$39,600$ for 1985.

Quarter of Coverage Amount

General

The 1985 amount of earnings required for a quarter of coverage is $\$410$. A quarter of coverage is the basic unit for determining whether a worker is insured under the Social Security program. For years before 1978, an individual generally was credited with a quarter of coverage for each quarter in which wages of $\$50$ or more were paid, or for which $\$100$ or more of self-employment income were credited, to the individual. Beginning in 1978, wages generally are no longer reported on a quarterly basis; instead, annual reports are made. With the change to annual reporting, section 352(b) of the Social Security Amendments of 1977 (Pub. L. 95-216) amended section 213(d) of the Act to provide that a quarter of coverage would be credited for each $\$250$ of an individual's total wages and self-employment income for calendar year 1978 (up to a maximum of 4 quarters of coverage for the year). Section 213(d) also provides that this amount shall be redetermined each year and any change published in the *Federal Register* no later than November 1 of the year preceding the year for which the change is effective.

Computation

Under the prescribed formula, the quarter of coverage amount for 1985 shall be equal to the 1978 amount of $\$250$ multiplied by the ratio of: (1) The average amount, per employee, of total wages for calendar year 1983 to (2) the average amount of those wages reported for calendar year 1976. The section further provides that if the amount so determined is not a multiple of $\$10$, it shall be rounded to the nearest multiple of $\$10$.

Average Wages

The average wage for calendar year 1976 was previously determined to be

\$9,226.48. This was published in the **Federal Register** on December 29, 1978, at 43 FR 61016. The average wage for calendar year 1983 has been determined to be \$15,239.24 as stated herein.

Quarter of Coverage Amount

The ratio of the average wage for 1983, \$15,239.24, compared to that for 1976, \$9,226.48 is 1.651685. Multiplying the 1978 quarter of coverage amount of \$250 by the ratio of 1.651685 produces the amount of \$412.92 which must then be rounded to \$410. Accordingly, the quarter of coverage amount is determined to be \$410 for 1985.

Retirement Earnings Test Exempt Amounts

(a) Beneficiaries Aged 70 or Over

Beginning with months after December 1982, there is no limit on the amount an individual aged 70 or over may earn and still receive Social Security benefits. The age at which the retirement test ceases to apply is reduced from age 72 to age 70 by Pub. L. 97-35, which amended section 203(c)(1) of the Act.

(b) Beneficiaries Aged 65 through 69.—The retirement earnings test monthly exempt amount for beneficiaries aged 65 through 69 is stated in the Act at section 203(f)(8)(D) for years 1978 through 1982. A formula is provided in section 203(f)(8)(B) for computing the exempt amount applicable for years after 1982. The monthly exempt amount for 1984 was determined by this formula to be \$580. Under the formula, the exempt amount for 1985 shall be the 1984 exempt amount multiplied by the ratio of: (1) The average amount, per employee, of the total wages for calendar year 1983 to (2) the average amount of those wages for calendar year 1982. This section further provides that if the amount so determined is not a multiple of \$10, it shall be rounded to the nearest multiple of \$10.

Average Wages

Average wages for this purpose are

determined in the same way as for the contribution and benefit base. Therefore, the ratio of the average wages for 1983, \$15,239.24 compared to that for 1982, \$14,531.34, is 1.0487154.

Exempt Amount for Beneficiaries Aged 65 Through 69

Multiplying the 1984 retirement earnings test monthly exempt amount of \$580 by the ratio of 1.0487154 produces the amount of \$608.25. This must then be rounded to \$610. The retirement earnings test monthly exempt amount for beneficiaries aged 65 through 69 is determined to be \$610 for 1985. The corresponding retirement earnings test annual exempt amount for these beneficiaries is \$7,320.

(c) Beneficiaries Under Age 65

Section 203 of the Act provides that beneficiaries under age 65 have a lower retirement earnings test monthly exempt amount than those beneficiaries aged 65 through 69. The exempt amount for beneficiaries under age 65 is determined by a formula provided in section 203(f)(8)(B) of the Act. Under the formula, the monthly exempt amount for beneficiaries under age 65 is \$430 for 1984. The formula provides that the exempt amount for 1985 shall be the 1984 exempt amount for beneficiaries under age 65 multiplied by the ratio of (1) the average amount, per employee, of the total wages for calendar year 1983 to (2) the average amount of those wages for calendar year 1982. The section further provides that if the amount so determined is not a multiple of \$10, it shall be rounded to the nearest multiple of \$10.

Average Wages

Average wages for this purpose are determined in the same way as for the contribution and benefit base. Therefore, the ratio of the average wages for 1983, \$15,239.24, compared to that of 1982, \$14,531.34, is 1.0487154.

Exempt Amount for Beneficiaries Under Age 65.

Multiplying the 1984 retirement

earnings test monthly exempt amount of \$430 by the ratio 1.0487154 produces the amount of \$450.95. This must then be rounded to \$450. The retirement earnings test monthly exempt amount for beneficiaries under age 65 is determined to be \$450 for 1985. The corresponding retirement earnings test annual exempt amount for these beneficiaries is \$5,400.

Computing Benefits After 1978

The Social Security Amendments of 1977 changed the formula for determining an individual's primary insurance amount after 1978. This basic new formula is based on "wage indexing" and was fully explained with interim regulations and final regulations published in the *Federal Register* on December 29, 1978 (43 FR 60877) and July 15, 1982 (47 FR 30731) respectively. It generally applies when a worker after 1978 attains age 62, becomes disabled, or dies before age 62. This formula uses the worker's earnings after they have been adjusted, or "indexed," in proportion to the increase in average wages of all workers. Using this method, we determine the worker's "average indexed monthly earnings." We then compute the primary insurance amount, using the worker's "average indexed monthly earnings." The computation formula is adjusted automatically each year to reflect changes in general wage levels.

Average Indexed Monthly Earnings

To assure that a worker's future benefits reflect the general rise in the standard of living that occurs during his or her working lifetime, we adjust or "index" the worker's past earnings to take into account the change in general wage levels that has occurred during the worker's years of employment. These adjusted earnings are then used to compute the worker's primary insurance amount.

For example, to compute the average indexed monthly earnings for a worker attaining age 62, becoming disabled, or dying before attaining age 62, in 1985,

we divide the average of the total wages for 1983, \$15,239.24, by the average of the total wages for each year prior to 1983 in which the worker had earnings. We then multiply the actual wages and self-employment income as defined in section 211(b) of the Act credited for each year by the corresponding ratio to obtain the worker's adjusted earnings for each year. After determining the number of years we must use to compute the primary insurance amount, we pick those years with highest indexed earnings, total those indexed earnings and divide by the total number of months in those years. This figure is rounded down to the next lower dollar amount, and becomes the average indexed monthly earnings figure to be used in computing the worker's primary insurance amount for 1985.

Computing the Primary Insurance Amount

The primary insurance amount is the sum of three separate percentages of portions of the average indexed monthly earnings. In 1979 (the first year the formula was in effect), these portions were the first \$180, the amount between \$180 and \$1,085, and the amount over \$1,085. The amounts for 1985 are obtained by multiplying the 1979 amounts by the ratio between the average of the total wages for 1983, \$15,239.24, and for 1977, \$9,779.44. These results are then rounded to the nearest dollar. For 1985, the ratio is 1.558294. Multiplying the 1979 amounts of \$180 and \$1,085 by 1.558294 produces the amounts of \$280.49 and \$1,690.75. These must then be rounded to \$280 and \$1,691. Accordingly, the portions of the average indexed monthly earnings to be used in 1985 are determined to be the first \$280, the amount between \$280 and \$1,691, and the amount over \$1,691.

Consequently, for individuals who first become eligible for old-age insurance benefits or disability insurance benefits in 1985, or who die in 1985 before becoming eligible for benefits, we will compute their primary insurance amount by adding the following:

(a) 90 percent of the first \$280 of their average indexed monthly earnings, plus

(b) 32 percent of the average indexed monthly earnings over \$280 and through \$1,691, plus

(c) 15 percent of the average indexed monthly earnings over \$1,691.

This amount is then rounded to the next lower multiple of \$.10 if it is not already a multiple of \$.10. This formula and the adjustments we have described are contained in section 215(a) of the Act (42 U.S.C. 415(a)) as amended by Pub. L. 97-35.

Maximum Benefits Payable to a Family

The 1977 Amendments continued the long established policy of limiting the total monthly benefits which a worker's family may receive based on his or her primary insurance amount. Those amendments also continued the then existing relationship between maximum family benefits and primary insurance amounts but did change the method of computing the maximum amount of benefits which may be paid to a worker's family. The 1980 Amendments (Pub. L. 96-265) established a new formula for computing the maximum benefits payable to the family of a disabled worker. This new formula is applied to the family benefits of workers who first become entitled to disability insurance benefits after June 30, 1980, and who first become eligible for these benefits after 1978. The new formula was explained in a Final Rule published in the *Federal Register* on May 8, 1981, at 46 FR 25601. For disabled workers initially entitled to disability benefits before July 1980, or whose disability began before 1979, the family maximum payable is computed the same as the old-age and survivor family maximum.

Computing the Old-Age and Survivor Family Maximum

The formula used to compute the family maximum is similar to that used to compute the primary insurance amount. It involves computing the sum of four separate percentages of portions of the worker's primary insurance amount. In 1979, these portions were the

first \$230, the amount between \$230 and \$332, the amount between \$332 and \$433, and the amount over \$433. The amounts for 1985 are obtained by multiplying the 1979 amounts by the ratio between the average of the total wages for 1983, \$15,239.24, and the average for 1977, \$9,779.44. This amount is then rounded to the nearest dollar. For 1985, the ratio is 1.558294. Multiplying the amounts of \$230, \$332, and \$433 by 1.558294 produces the amounts of \$358.41, \$517.35, and \$674.74. These amounts are then rounded to \$358, \$517, and \$675. Accordingly, the portions of the primary insurance amounts to be used in 1985 are determined to be the first \$358, the amount between \$358 and \$517, the amount between \$517 and \$675 and the amount over \$675.

Consequently, for the family of a worker who becomes age 62 or dies in 1985, the total amount of benefits payable to them will be computed so that it does not exceed:

(a) 150 percent of the first \$358 of the worker's primary insurance amount, plus

(b) 272 percent of the worker's primary insurance amount over \$358 through \$517, plus

(c) 134 percent of the worker's primary insurance amount over \$517 through \$675, plus

(d) 175 percent of the worker's primary insurance amount over \$675.

This amount is then rounded to the next lower multiple of \$.10 if it is not already a multiple of \$.10. This formula and the adjustments we have described are contained in section 203(a) of the Act (42 U.S.C. 403(a)) as amended by Pub. L. 97-35.

Extension of Benefit Table Effective January 1985

Table 1 includes an extension of the Table for Determining Primary Insurance Amount and Maximum Family Benefits provided in section 215(a)(5) of the Act. This extension reflects the higher average monthly wage and related benefit amounts now possible under the increased

contribution and benefit base published by this Notice effective January 1985 in accordance with section 215(i) of the Act. Table 1 will apply primarily to benefits based on earnings of workers who reached age 62 before 1979.

OASDI Fund Ratio

General

Section 215(i) of the Act was amended by section 112 of Pub. L. 98-21, the Social Security Amendments of 1983, to include a "stabilizer" provision that modifies the automatic OASDI benefit increase under certain circumstances. If the combined assets of the OASI and DI Trust Funds, as a percentage of annual expenditures, are below a specified level, automatic benefit increases are limited to the lesser of the increases in wages or prices. The minimum level specified for the OASDI fund ratio is 15.0 percent for benefit increases for December of 1984 through December 1988, and 20.0 percent thereafter. The amendments also provide for subsequent "catch-up" benefit increases for beneficiaries whose previous benefit increases were affected by this provision. "Catch-up" benefit increases occur only when trust fund assets exceed 32.0 percent of annual expenditures.

Computation

The 1983 Amendments specify the computation and application of the OASDI fund ratio beginning with the

December 1984 benefit increase. The OASDI fund ratio for 1984 is defined as the ratio of (1) the estimated combined assets of the OASI and DI Trust Funds at the end of 1984 (not excluding amounts owed to the Hospital Insurance (HI) Trust Fund), plus advance tax transfers for January 1985, to (2) the estimated expenditures of the OASI and DI Trust Funds during 1984, excluding payments of interest and principal to the HI Trust Fund and transfer payments between the OASI and DI Trust Funds, and reducing any transfers to the Railroad Retirement Account by any transfers from that account into either trust fund.

Ratio

The combined assets of the OASI and DI Trust Funds at the end of 1984 (including amounts owed to the HI Trust Fund and advance tax transfers for January 1985) are estimated to be \$45,245 million, and the expenditures are estimated to be \$180,875 million. Thus, the OASDI fund ratio for 1984 is 25.0 percent, which exceeds the applicable threshold of 15.0 percent. As a result, the "stabilizer" provision is not effective for December 1984.

(Catalog of Federal Domestic Assistance Programs Nos. 13.802-13.805, and 13.807 Social Security Programs.)

Dated: October 29, 1984.

Margaret M. Heckler,
Secretary of Health and Human Services.

BILLING CODE 4190-11-M

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1983)—or his primary insurance amount (as determined under sub-sec.(c)) is—	III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is—		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—	V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
16.21	16.20	189.30	77	76	185.90	293.90
	16.84	192.30	77	78	199.00	298.50
16.85	17.60	196.60	79	80	203.60	305.50
17.61	18.40	200.20	81	81	207.20	311.10
18.41	19.24	203.70	82	83	210.80	316.50
19.25	20.00	208.10	84	85	215.30	323.30
20.01	20.84	212.10	86	87	219.50	329.30
20.65	21.28	215.30	88	89	222.80	334.40
21.29	21.66	219.70	90	90	227.30	341.10
21.99	22.28	223.40	91	92	231.20	347.00
22.29	22.68	227.00	93	94	234.90	352.50
22.69	23.08	230.60	95	96	238.60	358.40
23.09	23.44	234.90	97	97	243.10	364.80
23.45	23.76	238.80	98	99	247.10	370.80
23.77	24.20	243.50	100	101	252.00	378.00
24.21	24.80	248.80	102	102	255.40	383.30
24.61	25.00	250.90	103	104	259.60	389.50
25.01	25.48	255.60	105	106	264.50	396.90
25.49	25.92	259.60	107	107	268.60	403.40
25.93	26.40	263.60	108	109	273.00	409.50
26.41	26.94	267.90	110	113	277.20	415.90
26.95	27.46	271.60	114	118	281.10	421.60
27.47	28.00	275.60	119	122	285.40	428.10
28.01	28.68	280.10	123	127	289.90	435.00
28.69	29.25	284.30	128	132	294.20	441.30
29.26	29.68	288.10	133	136	298.10	447.40
29.69	30.36	292.00	137	141	302.20	453.50
30.37	30.92	296.30	142	146	306.60	459.90
30.93	31.36	300.70	147	150	311.20	466.80
31.37	32.00	304.10	151	155	314.70	472.20
32.01	32.60	308.80	156	160	319.40	479.20
32.61	33.20	312.70	161	164	323.60	485.50
33.21	33.88	316.60	165	169	327.60	491.80
33.89	34.50	320.90	170	174	332.10	498.30
34.51	35.00	324.80	175	178	336.10	504.30
35.01	35.80	329.20	179	183	340.70	511.00
35.81	36.40	333.00	184	188	344.60	517.00
36.41	37.08	337.40	189	193	349.20	524.00
37.09	37.80	341.50	194	197	353.40	530.30
37.61	38.20	345.50	198	202	357.50	536.50
38.21	39.12	350.10	203	207	362.30	543.40
39.13	39.68	354.00	208	211	366.30	549.70
39.69	40.33	357.20	212	216	369.70	554.70
40.34	41.12	361.80	217	221	374.40	561.70
41.13	41.76	365.90	222	225	378.70	568.20
41.77	42.44	370.40	226	230	383.30	575.10
42.45	43.20	374.40	231	235	387.50	581.50
43.21	43.76	379.00	236	239	392.20	588.50
43.77	44.44	382.50	240	244	395.80	596.40
44.45	44.88	386.20	245	249	399.70	608.80
44.89	45.60	391.10	250	253	404.70	618.80
		394.80	254	258	408.60	630.80
		398.30	259	263	412.20	642.80
		403.30	264	267	417.40	652.50
		406.90	268	272	421.10	664.90
		411.40	273	277	425.70	676.80
		415.30	278	281	429.80	686.60
		419.40	282	286	434.00	698.90
		423.90	287	291	438.70	711.30
		427.30	292	295	442.20	720.60
		432.00	296	300	447.10	732.90
		436.00	301	305	451.20	745.50
		439.70	306	309	455.00	755.10
		444.20	310	314	459.70	767.20
		447.80	315	319	463.40	779.60
		451.90	320	323	467.70	789.20
		456.20	324	328	472.10	801.40
		460.00	329	333	476.10	813.60
		464.90	334	337	481.10	823.70
		468.10	338	342	484.40	835.60
		472.50	343	347	489.00	847.90
		477.00	348	351	493.60	857.60
		480.50	352	356	497.30	869.80

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984 (Cont.)

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1983)—or his primary insurance amount (as determined under sub-sec.(c)) is—		III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is—		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—	V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
		485.30	357	361		502.20	882.10
		489.00	362	365		506.10	891.60
		492.60	366	370		510.00	904.00
		497.30	371	375		514.70	915.90
		501.40	376	379		518.90	926.10
		505.70	380	384		523.30	938.40
		509.40	385	389		527.20	950.40
		513.30	390	393		531.20	960.00
		517.90	394	398		536.00	972.50
		521.60	399	403		540.00	984.60
		526.20	404	407		544.80	994.20
		529.60	408	412		548.30	1006.60
		533.50	413	417		552.10	1018.60
		537.20	418	421		556.00	1028.40
		541.60	422	426		560.50	1040.70
		545.30	427	431		564.30	1052.90
		548.60	432	436		567.60	1065.20
		553.20	437	440		572.50	1069.90
		556.60	441	445		576.00	1076.40
		560.40	446	450		580.00	1082.20
		564.40	451	454		564.10	1086.90
		568.30	455	459		588.10	1093.00
		571.90	460	464		591.90	1098.90
		575.50	465	468		595.60	1104.20
		580.10	469	473		600.40	1110.10
		583.30	474	478		603.70	1116.30
		587.00	479	482		607.50	1121.30
		591.10	483	487		611.70	1127.60
		595.10	488	492		615.90	1133.70
		598.60	493	496		619.50	1139.60
		602.90	497	501		624.00	1144.30
		606.40	502	506		627.60	1150.40
		610.10	507	510		631.40	1155.40
		613.90	511	515		635.30	1161.50
		618.20	516	520		639.60	1167.90
		621.70	521	524		643.40	1172.50
		625.30	525	529		647.10	1178.70
		629.90	530	534		651.90	1184.70
		633.10	535	538		655.20	1189.60
		637.10	539	543		659.30	1195.60
		640.90	544	548		663.30	1201.90
		645.00	549	553		667.50	1208.00
		648.50	554	556		671.10	1211.50
		651.60	557	560		674.40	1216.50
		655.20	561	563		678.10	1220.20
		656.50	564	567		681.50	1225.20
		662.50	568	570		685.60	1229.60
		665.60	571	574		688.60	1233.50
		668.90	575	577		692.30	1237.50
		672.00	578	581		695.50	1242.00
		675.50	582	584		699.10	1245.90
		678.40	585	588		702.10	1250.70
		682.50	589	591		706.30	1254.30
		685.80	592	595		709.80	1258.20
		889.20	596	598		713.30	1262.50
		692.60	599	602		716.80	1267.90
		695.90	603	605		720.20	1271.40
		699.20	606	609		723.60	1276.00
		702.80	610	612		727.30	1280.00
		706.10	613	616		730.60	1284.80
		709.40	617	620		734.20	1289.60
		713.00	621	623		737.90	1293.30
		716.10	624	627		741.10	1298.40
		719.70	628	630		744.60	1302.90
		723.00	631	634		748.30	1309.30
		726.50	635	637		751.90	1315.40
		730.00	638	641		755.50	1321.70
		733.20	642	644		758.80	1327.80
		738.70	645	648		762.40	1334.00
		739.90	649	652		765.70	1339.90
		742.10	653	656		768.00	1343.80
		744.20	657	660		770.20	1347.40
		748.60	661	665		772.90	1352.50

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984 (Cont.)

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1983)—or his primary insurance amount (as determined under sub-sec.(c)) is—		III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is—		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—	V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
		749.40	666	670		775.80	1357.40
		752.20	671	675		778.50	1361.80
		755.00	678	680		781.40	1366.80
		757.50	681	685		784.00	1371.80
		760.50	686	690		787.10	1376.20
		762.80	691	695		789.40	1381.80
		765.30	696	700		792.00	1386.10
		768.20	701	705		795.00	1391.00
		770.90	706	710		797.80	1396.00
		773.80	711	715		800.80	1400.50
		776.30	716	720		803.40	1405.80
		779.00	721	725		806.20	1410.30
		781.90	726	730		809.10	1415.40
		784.40	731	735		811.80	1420.30
		787.20	736	740		814.70	1424.90
		789.70	741	745		817.30	1430.10
		792.00	746	750		819.70	1434.50
		794.70	751	755		822.50	1439.00
		797.00	756	760		824.80	1442.80
		799.30	761	765		827.20	1447.00
		801.10	766	770		829.10	1451.20
		803.80	771	775		831.70	1455.00
		805.80	778	780		834.00	1459.00
		808.20	781	785		836.40	1463.10
		810.10	786	790		838.40	1467.10
		812.30	791	795		840.70	1471.10
		814.70	796	800		843.20	1475.20
		817.00	801	805		845.50	1479.40
		819.30	806	810		847.90	1483.30
		821.40	811	815		850.10	1487.80
		823.70	818	820		852.50	1491.40
		825.90	821	825		854.80	1495.80
		828.20	826	830		857.10	1499.50
		830.30	831	835		859.30	1503.80
		832.50	836	840		861.60	1507.50
		834.80	841	845		864.00	1512.00
		836.90	846	850		866.10	1515.50
		839.30	851	855		866.60	1519.80
		841.50	856	860		870.90	1523.80
		843.70	861	865		873.20	1527.90
		848.10	866	870		875.70	1532.00
		848.20	871	875		877.80	1536.00
		850.40	878	880		880.10	1539.90
		852.70	881	885		882.50	1544.20
		854.80	886	890		884.70	1547.90
		857.00	891	895		886.90	1552.60
		859.30	896	900		889.30	1556.10
		881.70	901	905		891.80	1560.30
		863.90	906	910		894.10	1564.50
		886.10	911	915		896.40	1568.50
		868.80	916	920		899.00	1572.20
		870.50	921	925		900.90	1576.70
		872.60	926	930		903.10	1580.40
		874.80	931	935		905.40	1584.50
		877.20	936	940		907.90	1588.60
		879.40	941	945		910.10	1592.70
		881.80	946	950		912.40	1596.60
		884.00	951	955		914.90	1600.90
		886.50	956	960		917.50	1604.90
		888.70	961	965		919.80	1608.70
		890.40	966	970		921.50	1613.00
		892.70	971	975		923.90	1617.10
		894.90	976	980		926.20	1620.90
		897.50	981	985		928.90	1624.90
		899.50	986	990		930.90	1629.00
		901.70	991	995		933.20	1633.20
		904.10	996	1000		935.70	1637.00
		906.20	1001	1005		937.90	1640.50
		907.70	1006	1010		939.40	1644.40
		910.00	1011	1015		941.80	1647.80
		912.20	1016	1020		944.10	1651.90
		914.10	1021	1025		946.00	1655.10
		915.70	1026	1030		947.70	1659.00

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984 (Cont.)

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1983)—or his primary insurance amount (as determined under sub-sec.(c)) is—		III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is—		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—		V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—	
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—	At least—	But not more than—	At least—	But not more than—
		918.10	1031	1035		950.20		1662.60	
		920.00	1036	1040		952.20		1666.10	
		922.00	1041	1045		954.20		1670.00	
		924.30	1046	1050		956.60		1673.40	
		925.90	1051	1055		958.30		1676.70	
		927.90	1056	1060		960.30		1680.90	
		930.20	1061	1065		962.70		1684.30	
		932.20	1066	1070		964.80		1688.00	
		934.10	1071	1075		966.70		1691.80	
		936.10	1078	1080		968.80		1695.30	
		938.30	1081	1085		971.10		1698.90	
		940.00	1086	1090		972.90		1702.50	
		942.20	1091	1095		975.10		1706.30	
		944.40	1096	1100		977.40		1710.10	
		948.00	1101	1105		979.10		1713.40	
		948.20	1106	1110		981.30		1717.20	
		950.30	1111	1115		983.50		1720.60	
		952.20	1116	1120		985.50		1724.60	
		954.30	1121	1125		987.70		1728.00	
		958.20	1126	1130		989.60		1731.70	
		956.20	1131	1135		991.70		1735.10	
		960.30	1136	1140		993.90		1739.20	
		962.50	1141	1145		996.10		1742.80	
		964.50	1146	1150		998.20		1746.30	
		966.10	1151	1155		999.90		1749.70	
		968.40	1156	1160		1002.20		1753.40	
		970.50	1161	1165		1004.40		1757.30	
		972.40	1166	1170		1006.40		1761.00	
		974.50	1171	1175		1008.60		1764.60	
		976.40	1176	1180		1010.50		1768.20	
		978.10	1181	1185		1012.30		1771.40	
		980.10	1186	1190		1014.40		1774.70	
		981.80	1191	1195		1016.10		1778.30	
		983.70	1196	1200		1018.10		1781.70	
		985.70	1201	1205		1020.10		1784.90	
		987.50	1206	1210		1022.00		1788.50	
		989.30	1211	1215		1023.90		1791.70	
		991.20	1216	1220		1025.80		1795.10	
		993.10	1221	1225		1027.80		1798.30	
		995.10	1226	1230		1029.90		1801.90	
		996.80	1231	1235		1031.60		1805.10	
		998.50	1238	1240		1033.40		1808.60	
		1000.60	1241	1245		1035.60		1812.10	
		1002.50	1246	1250		1037.50		1815.40	
		1004.20	1251	1255		1039.30		1818.70	
		1006.10	1256	1260		1041.30		1822.20	
		1008.10	1261	1265		1043.30		1825.60	
		1009.90	1266	1270		1045.20		1828.90	
		1011.60	1271	1275		1047.00		1832.00	
		1013.50	1276	1280		1048.90		1835.60	
		1015.10	1281	1285		1050.60		1838.60	
		1017.00	1286	1290		1052.50		1841.80	
		1018.90	1291	1295		1054.50		1844.90	
		1020.50	1296	1300		1056.20		1848.10	
		1022.20	1301	1305		1057.90		1851.30	
		1023.90	1306	1310		1059.70		1854.50	
		1025.70	1311	1315		1061.50		1857.60	
		1027.70	1316	1320		1063.60		1861.00	
		1029.30	1321	1325		1065.30		1863.90	
		1031.10	1326	1330		1067.10		1867.40	
		1032.70	1331	1335		1068.80		1870.50	
		1034.50	1336	1340		1070.70		1873.70	
		1038.30	1341	1345		1072.50		1876.80	
		1038.00	1346	1350		1074.30		1879.90	
		1039.80	1351	1355		1076.10		1883.00	
		1041.50	1356	1360		1077.90		1886.20	
		1043.40	1361	1365		1079.90		1889.30	
		1044.90	1366	1370		1081.40		1892.60	
		1046.70	1371	1375		1083.30		1895.70	
		1048.60	1378	1380		1085.30		1898.90	
		1050.10	1381	1385		1086.80		1901.80	
		1051.80	1388	1390		1088.60		1904.90	
		1053.40	1391	1395		1090.20		1907.90	

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984 (Cont.)

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1983)—or his primary insurance amount (as determined under sub-sec.(c)) is—	III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is—		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—	V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		1054.90	1396	1400	1091.80	1910.90
		1056.70	1401	1405	1093.80	1913.70
		1058.20	1406	1410	1095.20	1916.80
		1059.90	1411	1415	1096.90	1919.80
		1061.50	1416	1420	1098.80	1922.90
		1063.20	1421	1425	1100.40	1925.90
		1064.80	1426	1430	1102.00	1928.90
		1066.70	1431	1435	1104.00	1931.80
		1068.40	1436	1440	1105.70	1934.80
		1069.90	1441	1445	1107.30	1937.70
		1071.70	1446	1450	1109.20	1941.00
		1073.20	1451	1455	1110.70	1943.80
		1074.80	1458	1480	1112.40	1946.90
		1076.80	1461	1485	1114.20	1949.80
		1078.10	1466	1470	1115.80	1952.80
		1079.80	1471	1475	1117.50	1955.80
		1081.30	1476	1480	1119.10	1958.50
		1083.10	1481	1485	1121.00	1961.50
		1084.50	1486	1490	1122.40	1964.10
		1086.20	1491	1495	1124.20	1967.10
		1087.80	1496	1500	1125.60	1969.90
		1089.20	1501	1505	1127.30	1972.90
		1090.70	1506	1510	1128.80	1975.40
		1092.30	1511	1515	1130.50	1978.20
		1093.90	1516	1520	1132.10	1981.10
		1095.40	1521	1525	1133.70	1984.10
		1096.90	1526	1530	1135.20	1986.80
		1098.50	1531	1535	1136.90	1989.50
		1100.10	1536	1540	1138.60	1992.40
		1101.80	1541	1545	1140.10	1995.20
		1103.20	1546	1550	1141.80	1997.90
		1104.80	1551	1555	1143.40	2000.80
		1106.30	1556	1560	1145.00	2003.60
		1107.80	1561	1565	1146.50	2006.50
		1109.40	1566	1570	1148.20	2009.10
		1110.90	1571	1575	1149.70	2012.10
		1112.40	1576	1580	1151.30	2014.90
		1114.00	1581	1585	1152.90	2017.70
		1115.60	1588	1590	1154.60	2020.40
		1117.10	1591	1595	1156.10	2023.40
		1118.70	1596	1600	1157.80	2026.20
		1120.20	1601	1605	1159.40	2029.00
		1121.80	1606	1610	1161.00	2031.80
		1123.20	1611	1615	1162.50	2034.80
		1124.90	1616	1620	1164.20	2037.30
		1126.40	1621	1625	1165.80	2040.20
		1128.10	1626	1630	1167.50	2042.90
		1129.70	1631	1635	1169.20	2045.90
		1131.10	1636	1640	1170.60	2048.50
		1132.80	1641	1645	1172.40	2051.50
		1134.30	1646	1650	1174.00	2054.20
		1135.90	1651	1655	1175.60	2057.10
		1137.40	1656	1660	1177.20	2059.80
		1138.90	1661	1665	1178.70	2062.60
		1140.50	1666	1670	1180.40	2065.40
		1142.00	1671	1675	1181.90	2068.30
		1143.80	1676	1680	1183.60	2071.10
		1145.20	1681	1685	1185.20	2074.00
		1146.70	1686	1690	1186.80	2076.70
		1148.30	1691	1695	1188.40	2079.60
		1149.60	1696	1700	1189.80	2082.40
		1151.30	1701	1705	1191.50	2085.30
		1152.70	1706	1710	1193.00	2088.00
		1154.30	1711	1715	1194.70	2090.80
		1155.80	1716	1720	1196.20	2093.50
		1157.40	1721	1725	1197.90	2096.50
		1159.00	1726	1730	1199.50	2099.10
		1180.50	1731	1735	1201.10	2102.00
		1162.20	1736	1740	1202.80	2104.70
		1163.60	1741	1745	1204.30	2107.70
		1165.20	1746	1750	1205.90	2110.40
		1166.70	1751	1755	1207.50	2113.30
		1168.30	1756	1760	1209.10	2118.10

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984 (Cont.)

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1963)—or his primary insurance amount (as determined under sub-sec.(c)) is—		III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is—		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—		V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a) on the basis of his wages and self-employment income shall be—	
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—	At least—	But not more than—	At least—	But not more than—
		1169.90	1761	1765		1210.60		2119.10	
		1171.40	1766	1770		1212.30		2121.60	
		1172.90	1771	1775		1213.90		2124.50	
		1174.50	1776	1780		1215.60		2127.40	
		1176.00	1781	1785		1217.10		2130.40	
		1177.70	1786	1790		1218.90		2132.90	
		1179.20	1791	1795		1220.40		2135.70	
		1180.80	1796	1800		1222.10		2138.60	
		1182.30	1801	1805		1223.60		2141.50	
		1183.90	1806	1810		1225.30		2144.20	
		1185.40	1811	1815		1226.80		2147.10	
		1187.00	1816	1820		1228.50		2149.90	
		1188.40	1821	1825		1229.90		2152.80	
		1190.10	1826	1830		1231.70		2155.30	
		1191.60	1831	1835		1233.30		2158.30	
		1193.20	1836	1840		1234.90		2161.20	
		1194.80	1841	1845		1236.60		2164.10	
		1196.20	1846	1850		1238.00		2166.50	
		1197.90	1851	1855		1239.80		2169.50	
		1199.30	1856	1860		1241.20		2172.30	
		1201.00	1861	1865		1243.00		2175.20	
		1202.50	1866	1870		1244.50		2177.80	
		1204.00	1871	1875		1246.10		2180.80	
		1205.80	1876	1880		1247.70		2183.60	
		1207.10	1881	1885		1249.30		2186.50	
		1208.70	1886	1890		1251.00		2189.20	
		1210.20	1891	1895		1252.50		2192.20	
		1211.80	1896	1900		1254.20		2194.90	
		1213.40	1901	1905		1255.80		2197.80	
		1214.80	1906	1910		1257.30		2200.40	
		1216.40	1911	1915		1258.90		2203.10	
		1217.70	1916	1920		1260.30		2205.70	
		1219.10	1921	1925		1261.70		2208.20	
		1220.50	1926	1930		1263.20		2210.90	
		1222.00	1931	1935		1264.70		2213.30	
		1223.40	1936	1940		1266.20		2216.10	
		1224.80	1941	1945		1267.60		2218.50	
		1226.30	1946	1950		1269.20		2221.10	
		1227.70	1951	1955		1270.80		2223.50	
		1229.00	1958	1960		1272.00		2226.30	
		1230.50	1961	1965		1273.50		2229.70	
		1231.90	1966	1970		1275.00		2231.40	
		1233.40	1971	1975		1276.50		2233.70	
		1234.80	1976	1980		1277.80		2236.40	
		1236.30	1981	1985		1279.50		2239.00	
		1237.50	1986	1990		1280.80		2241.60	
		1238.80	1991	1995		1282.10		2244.00	
		1240.30	1996	2000		1283.70		2246.70	
		1241.70	2001	2005		1285.10		2249.10	
		1243.20	2006	2010		1286.70		2251.60	
		1244.50	2011	2015		1288.00		2254.30	
		1246.10	2016	2020		1289.70		2256.90	
		1247.40	2021	2025		1291.00		2259.50	
		1248.80	2026	2030		1292.50		2262.10	
		1250.20	2031	2035		1293.90		2264.40	
		1251.70	2036	2040		1295.50		2267.10	
		1253.10	2041	2045		1296.90		2269.50	
		1254.50	2046	2050		1298.40		2272.30	
		1256.00	2051	2055		1299.90		2274.80	
		1257.40	2056	2060		1301.40		2277.40	
		1258.60	2061	2065		1302.60		2279.70	
		1260.10	2066	2070		1304.20		2282.50	
		1261.50	2071	2075		1305.60		2284.90	
		1263.00	2076	2080		1307.20		2287.60	
		1264.30	2081	2085		1308.50		2290.10	
		1265.80	2086	2090		1310.10		2292.80	
		1267.20	2091	2095		1311.50		2295.20	
		1268.50	2096	2100		1312.80		2297.90	
		1270.00	2101	2105		1314.40		2300.20	
		1271.40	2106	2110		1315.80		2303.00	
		1272.90	2111	2115		1317.40		2305.40	
		1274.20	2116	2120		1318.70		2308.10	
		1275.70	2121	2125		1320.30		2310.50	

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984 (Cont.)

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1983)—or his primary insurance amount (as determined under sub-sec.(c)) is—		III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is—		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—		V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—	
At least—	But not more than—			At least—	But not more than—				
		1277.10	2126	2130		1321.70		2313.20	
		1278.60	2131	2135		1323.30		2315.70	
		1279.90	2136	2140		1324.80		2318.40	
		1281.20	2141	2145		1326.00		2320.70	
		1282.80	2146	2150		1327.80		2323.50	
		1284.10	2151	2155		1329.00		2325.90	
		1285.50	2156	2160		1330.40		2328.50	
		1286.90	2161	2165		1331.90		2330.90	
		1288.10	2166	2170		1333.10		2333.00	
		1289.40	2171	2175		1334.50		2335.40	
		1290.60	2176	2180		1335.70		2337.50	
		1291.80	2181	2185		1337.00		2339.90	
		1293.00	2186	2190		1338.20		2342.10	
		1294.20	2191	2195		1339.40		2344.20	
		1295.50	2196	2200		1340.80		2346.50	
		1296.70	2201	2205		1342.00		2348.80	
		1298.00	2206	2210		1343.40		2351.10	
		1299.20	2211	2215		1344.60		2353.20	
		1300.40	2216	2220		1345.90		2355.50	
		1301.70	2221	2225		1347.20		2357.80	
		1302.90	2226	2230		1348.50		2360.10	
		1304.20	2231	2235		1349.80		2362.20	
		1305.40	2236	2240		1351.00		2364.30	
		1306.50	2241	2245		1352.20		2366.70	
		1307.90	2246	2250		1353.60		2368.80	
		1309.10	2251	2255		1354.90		2371.10	
		1310.40	2256	2260		1356.20		2373.30	
		1311.60	2261	2265		1357.50		2375.70	
		1312.80	2266	2270		1358.70		2377.80	
		1314.00	2271	2275		1359.90		2380.00	
		1315.20	2276	2280		1361.20		2382.30	
		1316.50	2281	2285		1362.50		2384.60	
		1317.80	2286	2290		1363.90		2386.80	
		1319.10	2291	2295		1365.20		2389.00	
		1320.20	2296	2300		1366.40		2391.30	
		1321.40	2301	2305		1367.60		2393.80	
		1322.70	2306	2310		1368.90		2395.80	
		1323.90	2311	2315		1370.20		2398.00	
		1325.20	2316	2320		1371.50		2400.20	
		1326.40	2321	2325		1372.80		2402.60	
		1327.50	2326	2330		1373.90		2404.70	
		1328.90	2331	2335		1375.40		2407.00	
		1330.10	2336	2340		1376.60		2409.20	
		1331.40	2341	2345		1377.90		2411.50	
		1332.80	2346	2350		1379.20		2413.70	
		1333.90	2351	2355		1380.50		2416.10	
		1335.00	2356	2360		1381.70		2418.20	
		1336.20	2361	2365		1382.90		2420.40	
		1337.50	2366	2370		1384.30		2422.60	
		1338.80	2371	2375		1385.60		2424.90	
		1340.10	2376	2380		1387.00		2427.10	
		1341.20	2381	2385		1388.10		2429.30	
		1342.40	2386	2390		1389.30		2431.60	
		1343.70	2391	2395		1390.70		2433.90	
		1344.90	2396	2400		1391.90		2435.90	
		1346.20	2401	2405		1393.30		2438.30	
		1347.40	2406	2410		1394.50		2440.50	
		1348.70	2411	2415		1395.90		2442.90	
		1349.90	2416	2420		1397.10		2444.90	
		1351.10	2421	2425		1398.30		2447.30	
		1352.40	2426	2430		1399.70		2449.50	
		1353.80	2431	2435		1400.90		2451.90	
		1354.80	2436	2440		1402.20		2453.90	
		1356.00	2441	2445		1403.40		2456.20	
		1357.20	2446	2450		1404.70		2458.50	
		1358.50	2451	2455		1406.00		2460.80	
		1359.80	2456	2460		1407.30		2462.90	
		1361.10	2461	2465		1408.70		2465.20	
		1362.20	2466	2470		1409.80		2467.50	
		1363.50	2471	2475		1411.20		2469.70	
		1364.80	2476	2480		1412.30		2471.60	
		1365.70	2481	2485		1413.40		2473.80	
		1366.60	2486	2490		1414.60		2475.70	

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984 (Cont.)

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1983)—or his primary insurance amount (as determined under sub-sec.(c)) is—		III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is—		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—		V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—	
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—	At least—	But not more than—	At least—	But not more than—
	1367.90	2491	2495			1415.70		2477.70	
	1369.00	2496	2500			1416.90		2479.80	
	1370.20	2501	2505			1418.10		2481.80	
	1371.20	2506	2510			1419.10		2483.70	
	1372.40	2511	2515			1420.40		2485.80	
	1373.50	2516	2520			1421.50		2487.80	
	1374.80	2521	2525			1422.70		2489.80	
	1375.70	2526	2530			1423.80		2491.80	
	1376.80	2531	2535			1424.90		2493.90	
	1377.90	2536	2540			1426.10		2495.90	
	1379.10	2541	2545			1427.30		2497.90	
	1380.10	2546	2550			1428.40		2499.90	
	1381.30	2551	2555			1429.60		2502.00	
	1382.40	2556	2560			1430.70		2503.90	
	1383.50	2561	2565			1431.90		2505.90	
	1384.60	2566	2570			1433.00		2506.00	
	1385.70	2571	2575			1434.10		2510.00	
	1386.80	2576	2580			1435.40		2511.90	
	1388.00	2581	2585			1436.50		2514.10	
	1389.00	2586	2590			1437.60		2516.00	
	1390.20	2591	2595			1438.60		2518.00	
	1391.30	2596	2600			1439.90		2520.00	
	1392.30	2601	2605			1441.00		2522.10	
	1393.50	2606	2610			1442.20		2524.00	
	1394.60	2611	2615			1443.40		2526.10	
	1395.80	2616	2620			1444.60		2526.10	
	1396.80	2621	2625			1445.60		2530.10	
	1397.90	2626	2630			1446.80		2532.10	
	1399.10	2631	2635			1448.00		2534.30	
	1400.20	2636	2640			1449.20		2536.10	
	1401.20	2641	2645			1450.20		2538.20	
	1402.40	2646	2650			1451.40		2540.00	
	1403.50	2651	2655			1452.60		2542.20	
	1404.70	2656	2660			1453.80		2544.20	
	1405.70	2661	2665			1454.80		2546.20	
	1406.80	2666	2670			1456.00		2548.20	
	1408.00	2671	2675			1457.20		2550.30	
	1409.10	2676	2680			1458.40		2552.20	
	1410.10	2681	2685			1459.40		2554.30	
	1411.30	2686	2690			1460.60		2556.30	
	1412.40	2691	2695			1461.80		2558.30	
	1413.60	2696	2700			1463.00		2560.20	
	1414.60	2701	2705			1464.10		2562.20	
	1415.60	2706	2710			1465.10		2564.00	
	1416.70	2711	2715			1466.20		2565.90	
	1417.70	2716	2720			1467.30		2567.70	
	1418.70	2721	2725			1468.30		2569.80	
	1419.80	2726	2730			1469.40		2571.50	
	1420.80	2731	2735			1470.50		2573.40	
	1421.80	2736	2740			1471.50		2575.20	
	1422.90	2741	2745			1472.70		2577.20	
	1423.90	2746	2750			1473.70		2579.00	
	1424.90	2751	2755			1474.70		2580.90	
	1426.00	2756	2760			1475.90		2582.70	
	1427.00	2761	2765			1476.90		2584.70	
	1428.00	2766	2770			1477.90		2586.50	
	1429.10	2771	2775			1479.10		2588.40	
	1430.10	2776	2780			1480.10		2590.20	
	1431.10	2781	2785			1481.10		2592.10	
	1432.20	2786	2790			1482.30		2594.00	
	1433.20	2791	2795			1483.30		2595.90	
	1434.30	2796	2800			1484.50		2597.70	
	1435.30	2801	2805			1485.50		2599.70	
	1436.30	2806	2810			1486.50		2601.50	
	1437.40	2811	2815			1487.70		2603.40	
	1436.40	2816	2820			1486.70		2605.30	
	1439.40	2821	2825			1489.70		2607.10	
	1440.50	2826	2830			1490.90		2609.00	
	1441.50	2831	2835			1491.90		2610.90	
	1442.50	2836	2840			1492.90		2612.70	
	1443.60	2841	2845			1494.10		2614.70	
	1444.60	2846	2850			1495.10		2618.40	
	1445.80	2851	2855			1496.10		2618.40	

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984 (Cont.)

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1983)—or his primary insurance amount (as determined under sub-sec. (c)) is—		III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is—		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—		V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—	
At least—	But not more than—			At least—	But not more than—				
		1446.70	2856	2860		1497.30		2620.30	
		1447.70	2861	2865		1498.30		2622.10	
		1448.70	2866	2870		1499.40		2624.00	
		1449.80	2871	2875		1500.50		2625.80	
		1450.80	2878	2880		1501.50		2627.70	
		1451.80	2881	2885		1502.60		2629.70	
		1452.90	2886	2890		1503.70		2631.40	
		1453.90	2891	2895		1504.70		2633.40	
		1455.00	2896	2900		1505.90		2635.30	
		1456.00	2901	2905		1506.90		2637.10	
		1457.00	2906	2910		1507.90		2639.00	
		1458.10	2911	2915		1509.10		2640.90	
		1459.10	2918	2920		1510.10		2642.70	
		1460.10	2921	2925		1511.20		2644.70	
		1461.20	2926	2930		1512.30		2646.40	
		1462.20	2931	2935		1513.30		2646.40	
		1463.20	2938	2940		1514.40		2650.20	
		1464.30	2941	2945		1515.50		2652.10	
		1465.30	2946	2950		1516.50		2654.00	
		1466.30	2951	2955		1517.80		2655.90	
		1467.40	2956	2960		1518.70		2657.70	
		1468.40	2961	2965		1519.70		2659.70	
		1469.40	2966	2970		1520.80		2661.50	
		1470.50	2971	2975		1521.90		2663.40	
		1471.50	2976	2980		1523.00		2665.20	
		1472.50	2981	2985		1524.00		2666.90	
		1473.50	2986	2990		1525.00		2668.80	
		1474.50	2991	2995		1526.10		2670.80	
		1475.50	2996	3000		1527.10		2672.40	
		1476.50	3001	3005		1528.10		2674.20	
		1477.50	3006	3010		1529.20		2676.00	
		1478.50	3011	3015		1530.20		2677.80	
		1479.50	3016	3020		1531.20		2679.70	
		1480.50	3021	3025		1532.30		2681.40	
		1481.50	3026	3030		1533.30		2683.30	
		1482.50	3031	3035		1534.30		2685.10	
		1483.50	3036	3040		1535.40		2686.90	
		1484.50	3041	3045		1536.40		2688.70	
		1485.50	3046	3050		1537.40		2690.50	
		1486.50	3051	3055		1538.50		2692.30	
		1487.50	3056	3060		1539.50		2694.20	
		1488.50	3061	3065		1540.50		2695.90	
		1489.50	3066	3070		1541.60		2697.80	
		1490.50	3071	3075		1542.60		2699.50	
		1491.50	3076	3080		1543.70		2701.40	
		1492.50	3081	3085		1544.70		2703.20	
		1493.50	3086	3090		1545.70		2705.00	
		1494.50	3091	3095		1546.80		2706.80	
		1495.50	3096	3100		1547.80		2708.60	
		1496.50	3101	3105		1548.80		2710.40	
		1497.50	3106	3110		1549.90		2712.30	
		1498.50	3111	3115		1550.90		2714.00	
		1499.50	3116	3120		1551.90		2715.90	
		1500.50	3121	3125		1553.00		2717.70	
		1501.50	3126	3130		1554.00		2719.50	
		1502.50	3131	3135		1555.00		2721.30	
		1503.50	3136	3140		1556.10		2723.10	
		1504.50	3141	3145		1557.10		2724.90	
		1505.50	3146	3150		1558.10		2726.80	
			3151	3155		1559.10		2728.40	
			3156	3160		1560.10		2730.10	
			3161	3165		1561.10		2731.90	
			3166	3170		1562.10		2733.60	
			3171	3175		1563.10		2735.40	
			3176	3180		1564.10		2737.10	
			3181	3185		1565.10		2738.90	
			3186	3190		1566.10		2740.60	
			3191	3195		1567.10		2742.40	
			3196	3200		1568.10		2744.10	
			3201	3205		1569.10		2745.90	
			3206	3210		1570.10		2747.60	
			3211	3215		1571.10		2749.40	
			3216	3220		1572.10		2751.10	

TABLE 1.—TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS BEGINNING DECEMBER 1984 (Cont.)

I (primary insurance benefit under 1939 act, as modified)—if an individual's primary insurance benefit (as determined under sub-sec. (d)) is—		II (primary insurance amount effective for Dec. 1983)—or his primary insurance amount (as determined under sub-sec.(c)) is—		III (average monthly wage)—or his average monthly wage (as determined under sub-sec. (b)) is-		IV (primary insurance amount)—the amount referred to in the preceding paragraphs of this subsection shall be—		V (maximum family benefits)—and the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—	
At least—	But not more than—	At least—	But not more than—	At least—	But not more than—	At least—	But not more than—	At least—	But not more than—
		3221	3225			1573.10			2752.90
		3226	3230			1574.10			2754.60
		3231	3235			1575.10			2756.40
		3236	3240			1576.10			2758.10
		3241	3245			1577.10			2759.90
		3246	3250			1578.10			2761.60
		3251	3255			1579.10			2763.40
		3256	3260			1580.10			2765.10
		3261	3265			1581.10			2766.90
		3266	3270			1582.10			2768.60
		3271	3275			1583.10			2770.40
		3276	3280			1584.10			2772.10
		3281	3285			1585.10			2773.90
		3286	3290			1586.10			2775.60
		3291	3295			1587.10			2777.40
		3296	3300			1588.10			2779.10

TABLE 2.—SPECIAL MINIMUM PRIMARY INSURANCE AMOUNTS AND MAXIMUM FAMILY BENEFITS

Special minimum primary insurance amount payable for Dec. 1983	No. of years required minimum earnings level	Special minimum primary insurance amount payable for Dec. 1984	Special maximum family benefit payable for Dec. 1984
18.10	11	18.70	28.10
35.80	12	37.00	55.60
53.70	13	55.50	83.50
71.50	14	74.00	111.10
89.30	15	92.40	138.70
107.30	16	111.00	166.60
125.10	17	129.40	194.10
143.00	18	148.00	222.00
160.80	19	166.40	249.60
178.50	20	184.70	277.20
196.50	21	203.30	305.20
214.30	22	221.60	332.80
232.30	23	240.40	360.80
250.10	24	258.80	388.30
267.90	25	277.20	415.90
285.90	26	295.90	444.00
303.70	27	314.30	471.60
321.50	28	332.70	499.20
339.30	29	351.10	526.90
357.10	30	369.50	554.50

**APPENDIX D.—AUTOMATIC ADJUSTMENTS UNDER OLD-AGE,
SURVIVORS, AND DISABILITY INSURANCE**

The Social Security Act specifies that certain program amounts affecting the determination of OASDI benefits are to be adjusted annually, in general, to reflect changes in the economy. The law prescribes specific formulas which, when applied to reported statistics, produce "automatic" revisions in these program amounts and hence in the benefit-computation procedures.

In this appendix, values are shown for the program amounts which are subject to automatic adjustment, from the time that such adjustments became effective through 1985. Projected values for future years through 1990, based on the two intermediate sets of assumptions (alternatives II-A and II-B), are also shown. Many of these assumptions are described in the subsection of this report entitled "Economic and Demographic Assumptions" and are shown in tables 10 and 11. The subsection entitled "Automatic Adjustments," and Appendix C, provide a more complete description of the program amounts affected by the automatic-adjustment procedures.

Under section 215(b)(3) of the Social Security Act, the average amount of total wages for each year after 1950 is used to index the earnings of most workers first becoming eligible for benefits in 1979 or later. This procedure converts a worker's past earnings to approximately their equivalent values near the time of the worker's retirement or other eligibility, and these values are used to calculate the worker's Average Indexed Monthly Earnings (AIME). The average amount of total wages for each year is also used to adjust most of the program amounts that are subject to the automatic-adjustment provisions. A copy of the notice announcing the average wage for 1983, including a brief description of its derivation, is shown in Appendix C, which also describes the determinations of other program amounts that are in effect for 1985. Table D1 shows the average amount of total wages as announced for each year 1951 through 1983, together with estimated values for 1984 through 1990 based on the two intermediate sets of assumptions.

TABLE D1.—AVERAGE AMOUNT OF TOTAL WAGES FOR 1951-83 AND ESTIMATED AMOUNTS FOR 1984-90, ON THE BASIS OF THE INTERMEDIATE SETS OF ASSUMPTIONS

Calendar year	Actual amounts	
1951		\$2,799.16
1952		2,973.32
1953		3,139.44
1954		3,155.64
1955		3,301.44
1956		3,532.36
1957		3,641.72
1958		3,673.80
1959		3,855.80
1960		4,007.12
1961		4,086.78
1962		4,281.40
1963		4,396.64
1964		4,576.32
1965		4,658.72
1966		4,938.36
1967		5,213.44
1968		5,571.76
1969		5,893.78
1970		6,186.24
1971		8,497.08
1972		7,133.80
1973		7,580.18
1974		8,030.76
1975		8,630.92
1976		9,226.48
1977		9,779.44
1978		10,556.03
1979		11,479.46
1980		12,513.46
1981		13,773.10
1982		14,531.34
1983		15,239.24
	Estimated amount by alternative-	
	II-A	II-B
1984	\$16,031.08	\$15,992.80
1985	16,642.77	16,595.36
1986	17,542.19	17,491.41
1987	18,529.18	18,590.81
1988	19,547.66	19,714.94
1989	20,640.27	20,941.96
1990	21,680.61	22,134.72

The provisions for automatic cost-of-living increases in OASDI benefits were originally enacted in 1972 and first became effective with the benefit increase for June 1975. The determination of the benefit increase effective for December 1984 is shown in Appendix C. Table D2 shows the automatic benefit increases determined for each year 1975-84, and the benefit increases for each year 1985-90 on the basis of the two intermediate sets of assumptions.

TABLE D2.—OASDI PROGRAM AMOUNTS DETERMINED UNDER THE AUTOMATIC-ADJUSTMENT PROVISIONS FOR 1975-85 AND PROJECTED FUTURE AMOUNTS FOR 1986-90, ON THE BASIS OF THE INTERMEDIATE SETS OF ASSUMPTIONS

Calendar year	Benefit increase ¹ (percent)	Contribution and benefit base	"Old-law" contribution and benefit base ²	Retirement earnings test exempt amounts		Amount of earnings required for quarter of coverage ³	AIME "bend points" in PIA formula		PIA "bend points" in maximum-family-benefit formula		
				Under age 65	Ages 65 and over ⁴		First	Second	First	Second	Third
Actual experience:											
1975.....	8.0	\$14,100	(*)	\$2,520	\$2,520	(*)	(*)	(*)	(*)	(*)	(*)
1976.....	6.4	15,300	(*)	2,760	2,760	(*)	(*)	(*)	(*)	(*)	(*)
1977.....	5.9	16,500	(*)	3,000	3,000	(*)	(*)	(*)	(*)	(*)	(*)
1978.....	6.5	17,700	(*)	3,240	4,000	\$250	(*)	(*)	(*)	(*)	(*)
1979.....	9.9	22,900	\$18,900	3,480	4,500	260	\$180	\$1,085	\$230	\$332	\$433
1980.....	14.3	25,900	20,400	3,720	5,000	290	194	1,171	248	358	467
1981.....	11.2	29,700	22,200	4,080	5,500	310	211	1,274	270	390	508
1982.....	7.4	32,400	24,300	4,440	6,000	340	230	1,388	294	425	554
1983.....	3.5	35,700	26,700	4,920	6,600	370	254	1,528	324	468	610
1984.....	3.5	37,800	28,200	5,160	6,960	390	267	1,612	342	493	643
1985.....	(*)	39,600	29,700	5,400	7,320	410	280	1,691	358	517	675
Projected future experience:											
Alternative II-A:											
1986.....	4.2	41,700	31,200	5,640	7,680	430	295	1,779	377	544	710
1987.....	4.1	43,200	32,400	5,880	7,920	450	306	1,846	391	565	737
1988.....	4.0	45,600	34,200	6,240	8,400	480	323	1,946	413	596	777
1989.....	3.6	48,300	36,000	6,600	8,880	500	341	2,056	436	629	820
1990.....	3.1	51,000	38,100	6,960	9,360	530	360	2,169	460	664	866
Alternative II-B:											
1986.....	5.0	41,700	31,200	5,640	7,680	430	294	1,774	376	543	708
1987.....	5.3	43,200	32,400	5,880	7,920	450	305	1,841	390	563	735
1988.....	5.0	45,600	34,200	6,240	8,400	470	322	1,941	411	594	774
1989.....	4.6	48,600	36,300	6,600	8,880	500	342	2,063	437	631	823
1990.....	4.1	51,600	38,400	6,960	9,360	530	363	2,187	464	669	873

¹Effective with benefits payable for June in each year 1975-82, and for December in each year after 1982.

²Contribution and benefit base that would have been determined automatically under the law in effect prior to enactment of the Social Security Amendments of 1977.

³In 1955-82, retirement earnings test did not apply at ages 72 and over; beginning in 1983, it does not apply at ages 70 and over.

⁴See Appendix C for a description of quarter-of-coverage requirements prior to 1978.

⁵No provision in law for this amount in this year.

⁶Amount not subject to automatic-adjustment provisions in this year.

⁷Amount specified by Social Security Amendments of 1977.

⁸Amount specified for first year by Social Security Amendments of 1977; amounts for subsequent years subject to automatic-adjustment provisions.

⁹Actual benefit increase for December 1985 has not been determined. Estimates of that increase, based on alternatives II-A and II-B, are 3.4 percent and 3.7 percent, respectively.

The law provides for an automatic increase in the contribution and benefit base for the year following a year in which an automatic benefit increase became effective. The base for 1975 was the first one determined on this basis. (Amendments enacted in December 1973 provided that the 11-percent general benefit increase that became effective in 1974 would be considered an automatic cost-of-living benefit increase for purposes of the automatic-adjustment provisions.) The bases for 1979-81 were specified by the 1977 amendments at levels above those which were expected to occur under the automatic-adjustment provisions (and which, in fact, as the experience developed, were above such levels). Starting again in 1982, the bases have been determined automatically on the basis of increases in average wages. Table D2 shows actual past and projected future amounts for the contribution and benefit base.

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-adjustment provisions 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 OASDI benefits for certain workers who are eligible to receive 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. Table D2 shows the old-law bases for 1979-85, together with estimated amounts for 1986-90 on the basis of the two intermediate sets of assumptions.

The 1972 amendments specified that the amount of earnings exempted from the withholding of benefits under the retirement earnings test would increase automatically in the year following a year in which an automatic cost-of-living benefit increase became effective. The 1977 amendments modified this procedure by establishing two different exempt amounts—one for those under age 65 and another for those aged 65 and over. The former amounts continued to increase automatically, while the latter amounts were specified for 1978-82, after which they again increase automatically. The exempt amounts are shown in table D2 for 1975-90.

The 1977 amendments specified the amount of earnings required in 1978 to be credited with a "quarter of coverage" and provided for automatic adjustment of this amount for future years. Table D2 shows the amounts for 1978-90.

The 1977 amendments substantially revised the method of computing benefits for most workers first becoming eligible for benefits in 1979 and later. The formula used to compute the Primary Insurance Amount (PIA) for workers who first become eligible for benefits, or who died before becoming eligible, in 1979 is:

90 percent of the first \$180 of AIME, plus
 32 percent of AIME in excess of \$180
 but not in excess of \$1,085, plus
 15 percent of AIME in excess of \$1,085.

The amounts separating the individual's AIME into intervals—the “bend points”—are adjusted automatically by the changes in average wages as specified in section 215(a)(1)(B) of the Social Security Act. (A regular-minimum benefit of \$122 and a special-minimum benefit varying by “years of coverage” are also provided, although for most workers first becoming eligible for benefits in 1982 and later, the regular-minimum benefit of \$122 has been eliminated.) The bend points for 1979-85, and the values projected for 1986-90, are shown in table D2.

A similar formula is used to compute the maximum total amount of monthly benefits payable on the basis of the earnings of a retired or deceased individual. This formula is a function of the individual's PIA, and is shown below for workers who first became eligible for benefits, or who died before becoming eligible, in 1979:

150 percent of the first \$230 of PIA, plus
 272 percent of the PIA in excess of \$230
 but not in excess of \$332, plus
 134 percent of the PIA in excess of \$332
 but not in excess of \$433, plus
 175 percent of the PIA in excess of \$433.

These PIA-interval bend points are adjusted automatically in accordance with section 203(a)(2) of the Act. The maximum-family-benefit bend points for 1979-90 are shown in table D2.

APPENDIX E.—ACTUARIAL ESTIMATES FOR THE OASI, DI, AND HI PROGRAMS, COMBINED

In this appendix, actuarial estimates for the OASI, DI, and Hospital Insurance (HI) programs are combined to facilitate analysis of the adequacy of the combined income and assets of these three trust funds relative to their combined expenditures. These estimates represent the combination of the estimates shown in this report and in the concurrent report for the HI Trust Fund.

Public Law 97-123 granted limited authority for borrowing among the OASI, DI, and HI Trust Funds; this authority expired on December 31, 1982. The Social Security Amendments of 1983 reinstated interfund borrowing authority and extended it through the end of 1987. In addition, the current provisions of the law (1) prohibit new loans from a trust fund if its assets are below specified levels, and (2) set forth minimum standards for the repayment of interfund loans (including a requirement for the complete repayment of all such loans before 1990). Estimates shown in this appendix for the combined trust funds are theoretical after 1987 because, under present law, no authority exists for transferring assets from one trust fund to another after 1987 except to repay amounts owed. Thus, the emphasis in this appendix on combined operations should not obscure the financial status of the individual trust funds.

Table E1 shows estimated assets of the three funds, separate and combined, as a percentage of annual expenditures for calendar years 1985-94, based on the four alternative sets of assumptions used in this report. These estimates indicate that, except on the basis of alternative III, no further interfund loans would be necessary during 1985-87. On the basis of alternative III, the assets of the DI Trust Fund would be insufficient to allow the timely payment of DI benefits by the end of 1987. As described earlier in this report, an interfund loan could postpone the depletion of the DI fund; the amount borrowed, however, could not be repaid by the mandated deadline of December 31, 1989, without corrective legislation.

The estimates also indicate that, except on the basis of alternative III, the \$10.6 billion owed from the OASI Trust Fund to the HI Trust Fund, after the repayment of \$1.8 billion in January 1985, would be repaid by early 1987 using the minimum standard in the law, based on the trust fund ratio, for repayment of such amounts owed. Based on alternative III, a small repayment would be required to the HI Trust Fund in 1986, with the remainder being repaid in 24 monthly installments in 1988-89, in accordance with procedures specified in the law. Based on all four alternatives, the \$2.5 billion owed from the OASI Trust Fund to the DI Trust Fund, after the repayment of \$2.5 billion in January 1985, is assumed to be repaid in 1986.

Based on alternatives I, II-A, and II-B, the combined assets of the OASI and DI Trust Funds would increase as a percentage of outgo throughout the short-range projection period. Based on alternative III, assets would decline relative to outgo through 1987; after 1989, significant growth would occur. The assets of the HI Trust Fund, as a percentage of annual expenditures, are estimated to increase for at least

the next several years based on all four sets of assumptions. Except for the alternative I projections, HI assets are estimated to begin declining near the end of this decade. As described in the concurrent HI Annual Report, the HI Trust Fund would have sufficient assets to meet obligations throughout the medium-range period based on alternative I, but would be exhausted in 2000 based on alternative II-A, in 1998 based on alternative II-B, and in 1992 based on alternative III. The HI estimates are significantly more favorable than those in last year's report. For alternatives I, II-A, and II-B, this improvement is due to two major actions: (1) The Secretary of Health and Human Services has tentatively decided to set prospective payment rates for fiscal year 1986 at the same level as for fiscal year 1985, and (2) in later years, the limiting annual increase in rates which can be granted without specific justification is equal to the increase in the hospital input price index plus one-quarter percentage point. Prior to the enactment of the Deficit Reduction Act of 1984, the limiting annual increase in rates was equal to the increase in the hospital input price index plus one percentage point. For alternative III, prospective payment rates are assumed to increase by the price index plus one-quarter percentage point in fiscal year 1986 and later.

Table E1 indicates that the combined assets of the OASI, DI, and HI Trust Funds would be sufficient to meet combined obligations through the end of 1994 based on each of the four alternative sets of assumptions. These estimates suggest that a reallocation of tax rates among the OASI, DI, and HI programs, or the extension of interfund borrowing authority beyond 1987, could be sufficient to prevent the potential short-range financing problems of the DI and HI programs for a number of years. Under adverse economic conditions, however, the margin for safety would be small throughout the short-range projection period.

TABLE E1.—ESTIMATED ASSETS¹ OF THE OASI, DI, AND HI TRUST FUNDS, SEPARATE AND COMBINED, AT BEGINNING OF YEAR, AS A PERCENTAGE OF ANNUAL EXPENDITURES DURING YEAR, CALENDAR YEARS 1985-94

Calendar year	OASI	DI	OASDI	HI	Total OASDI and HI
Alternative I:					
1985	24	27	24	32	26
1986	26	33	27	42	30
1987	29	44	31	71	39
1988	38	45	39	87	49
1989	56	56	56	98	65
1990	77	72	76	108	83
1991	102	106	103	118	106
1992	126	139	127	125	126
1993	154	177	156	132	150
1994	178	210	181	136	171
Alternative II-A:					
1985	24	26	24	32	26
1986	25	28	25	42	29
1987	27	35	28	67	36
1988	34	31	34	85	44
1989	50	35	48	92	58
1990	67	41	64	97	71
1991	86	61	84	98	87
1992	106	82	104	97	102
1993	126	103	124	93	117
1994	147	123	145	86	131
Alternative II-B:					
1985	24	26	24	32	26
1986	24	27	25	41	28
1987	26	33	27	63	34
1988	30	28	30	81	40
1989	43	29	41	86	51
1990	57	33	54	88	62
1991	73	50	71	87	74
1992	89	69	87	83	86

TABLE E1.—ESTIMATED ASSETS¹ OF THE OASI, DI, AND HI TRUST FUNDS, SEPARATE AND COMBINED, AT BEGINNING OF YEAR, AS A PERCENTAGE OF ANNUAL EXPENDITURES DURING YEAR, CALENDAR YEARS 1985-94 (Cont.)

Calendar year	OASI	DI	OASDI	HI	Total OASDI and HI
Alternative II-B: (Cont.)					
1983	105	87	104	77	97
1984	122	105	121	67	108
Alternative III:					
1985	24	26	24	32	26
1986	22	23	22	37	25
1987	20	20	20	41	24
1988	20	(*)	19	41	23
1989	23	(*)	21	43	26
1990	25	(*)	21	40	25
1991	30	(*)	26	25	26
1992	36	(*)	32	6	26
1993	43	(*)	39	(*)	25
1994	51	(*)	45	(*)	23

¹Assets of the OASI and DI Trust Funds include advance tax transfers for January.

*The fund is estimated to be exhausted.

Note: The assumptions underlying the estimates for the HI Trust Fund are described in Appendix A of the HI Annual Report. The ratios for OASDI and for OASDI and HI, combined, shown for years after a given fund is estimated to be exhausted, are theoretical and are shown for informational purposes only.

Table E2 shows estimated cost rates for the OASI, DI, and HI programs during 1985-2009, based on alternatives I, II-A, II-B, and III. This table also shows a comparison of total cost rates and total income rates for the three programs combined. As previously discussed, cost rates represent program expenditures as a percentage of taxable payroll. The total income rate represents the combined employee-employer contribution rate for the OASI, DI, and HI programs, plus the OASDI income rate attributable to income from the taxation of OASDI benefits, as described earlier in this report. The definition of taxable payroll is slightly different for OASDI and HI, because of the different coverage provisions for Federal civilian employees and Railroad employees under the two programs. This difference does not materially affect the comparisons. In addition, the cost rates shown for the HI program exclude the cost associated with rebuilding and maintaining the HI Trust Fund at a level suitable for a contingency reserve. Table 8 of the HI Annual Report presents these additional costs.

TABLE E2.—COMPARISON OF ESTIMATED COST RATES AND TOTAL INCOME RATES FOR THE OASI, DI, AND HI PROGRAMS, BY ALTERNATIVE, CALENDAR YEARS 1985-2009
 [As a percentage of taxable payroll¹]

Calendar year	Cost rate			Total	Total income rate	Balance ^a
	OASI	DI	HI ^a			
Alternative I:						
1985	10.05	1.15	2.66	13.85	14.31	0.45
1986	9.63	1.04	2.61	13.28	14.51	1.24
1987	9.70	1.02	2.62	13.34	14.53	1.20
1988	9.59	.99	2.66	13.24	15.27	2.03
1989	9.48	.94	2.69	13.12	15.29	2.17
1990	9.48	.94	2.74	13.15	15.59	2.44
1991	9.27	.91	2.80	12.98	15.61	2.63
1992	9.38	.92	2.82	13.12	15.64	2.53
1993	9.20	.90	2.87	12.97	15.67	2.69
1994	9.23	.91	2.89	13.03	15.70	2.67
1995	8.82	.88	2.91	12.61	15.66	3.04
1996	8.74	.89	2.91	12.55	15.66	3.11
1997	8.48	.87	2.92	12.27	15.65	3.38
1998	8.21	.86	2.92	11.99	15.64	3.65
1999	8.00	.85	2.92	11.76	15.63	3.87
2000	7.85	.88	2.92	11.62	15.63	4.01
2001	7.73	.87	2.91	11.50	15.63	4.13
2002	7.62	.88	2.90	11.40	15.63	4.23
2003	7.52	.89	2.89	11.31	15.63	4.32
2004	7.44	.91	2.88	11.23	15.63	4.40
2005	7.39	.94	2.87	11.19	15.63	4.44
2006	7.38	.96	2.86	11.20	15.63	4.43
2007	7.39	.99	2.85	11.23	15.64	4.41
2008	7.42	1.01	2.86	11.29	15.64	4.35
2009	7.50	1.03	2.85	11.39	15.65	4.26
25-year average: 1985-2009	8.50	.94	2.83	12.26	15.47	3.20
Alternative II-A:						
1985	10.06	1.18	2.66	13.90	14.31	.41
1986	9.87	1.09	2.59	13.55	14.52	.97
1987	9.81	1.07	2.65	13.52	14.54	1.01
1988	9.75	1.04	2.73	13.52	15.28	1.76
1989	9.70	1.03	2.80	13.53	15.30	1.77
1990	9.77	1.02	2.90	13.69	15.60	1.91
1991	9.73	1.01	3.00	13.75	15.63	1.88
1992	9.70	1.01	3.09	13.81	15.66	1.85
1993	9.67	1.01	3.18	13.87	15.69	1.82
1994	9.64	1.02	3.26	13.92	15.72	1.80
1995	9.46	1.03	3.33	13.82	15.68	1.87
1996	9.26	1.04	3.39	13.69	15.68	1.99
1997	9.04	1.05	3.44	13.53	15.68	2.14
1998	8.81	1.06	3.50	13.38	15.67	2.31
1999	8.63	1.06	3.55	13.24	15.67	2.43
2000	8.53	1.08	3.60	13.21	15.67	2.46
2001	8.45	1.10	3.64	13.20	15.67	2.47
2002	8.38	1.13	3.69	13.20	15.67	2.47
2003	8.32	1.16	3.73	13.21	15.67	2.46
2004	8.27	1.20	3.78	13.24	15.67	2.43
2005	8.25	1.23	3.82	13.30	15.67	2.37
2006	8.27	1.27	3.87	13.41	15.68	2.27
2007	8.30	1.31	3.92	13.54	15.69	2.15
2008	8.36	1.35	3.99	13.71	15.69	1.98
2009	8.48	1.39	4.05	13.92	15.70	1.78
25-year average: 1985-2009	9.06	1.12	3.37	13.54	15.50	1.95
Alternative II-B:						
1985	10.10	1.19	2.67	13.96	14.31	.35
1986	9.98	1.11	2.62	13.71	14.52	.81
1987	9.97	1.06	2.69	13.74	14.54	.80
1988	9.97	1.06	2.78	13.82	15.28	1.46
1989	9.95	1.05	2.66	13.85	15.30	1.45
1990	10.03	1.04	2.97	14.04	15.61	1.57
1991	10.01	1.03	3.06	14.12	15.64	1.52
1992	10.00	1.03	3.17	14.20	15.67	1.47
1993	9.98	1.03	3.27	14.28	15.70	1.42
1994	9.96	1.04	3.36	14.36	15.73	1.37
1995	9.81	1.05	3.44	14.30	15.70	1.40
1996	9.65	1.07	3.52	14.24	15.70	1.46
1997	9.47	1.06	3.58	14.13	15.69	1.56
1998	9.26	1.09	3.68	14.01	15.69	1.68
1999	9.11	1.10	3.72	13.94	15.69	1.75
2000	9.04	1.12	3.79	13.98	15.69	1.73
2001	8.96	1.15	3.85	13.98	15.69	1.71
2002	8.93	1.18	3.91	14.02	15.69	1.87
2003	8.88	1.21	3.97	14.06	15.89	1.63
2004	8.64	1.25	4.03	14.12	15.70	1.57
2005	8.63	1.29	4.09	14.21	15.70	1.49
2006	8.88	1.34	4.15	14.34	15.71	1.36

TABLE E2.—COMPARISON OF ESTIMATED COST RATES AND TOTAL INCOME RATES FOR THE OASI, DI, AND HI PROGRAMS, BY ALTERNATIVE, CALENDAR YEARS 1985-2009 (Cont.)
 (As a percentage of taxable payroll¹)

Calendar year	Cost rate			Total	Total income rate	Balance ^a
	OASI	DI	HI ^b			
Alternative II-B: (Cont.)						
2007.....	8.91	1.38	4.21	14.50	15.71	1.21
2008.....	8.98	1.42	4.29	14.89	15.72	1.03
2009.....	9.11	1.46	4.36	14.93	15.73	.80
25-year average: 1985-2009.....	9.46	1.15	3.52	14.14	15.51	1.37
Alternative III:						
1985.....	10.29	1.23	2.74	14.26	14.31	.05
1986.....	10.58	1.20	2.98	14.85	14.54	-.11
1987.....	10.57	1.19	2.98	14.71	14.56	-.16
1988.....	10.63	1.18	3.12	14.93	15.30	-.37
1989.....	10.94	1.20	3.30	15.44	15.33	-.10
1990.....	10.96	1.18	3.48	15.61	15.64	.03
1991.....	10.86	1.18	3.65	15.69	15.67	-.02
1992.....	10.79	1.17	3.82	15.78	15.70	-.08
1993.....	10.75	1.17	4.00	15.93	15.73	-.20
1994.....	10.82	1.19	4.16	16.19	15.77	-.42
1995.....	10.72	1.22	4.36	16.30	15.74	-.56
1996.....	10.61	1.26	4.54	16.41	15.74	-.67
1997.....	10.46	1.30	4.70	16.46	15.74	-.73
1998.....	10.28	1.33	4.88	16.49	15.74	-.76
1999.....	10.16	1.36	5.08	16.58	15.74	-.85
2000.....	10.13	1.40	5.25	16.78	15.74	-1.04
2001.....	10.11	1.45	5.43	16.98	15.74	-1.24
2002.....	10.09	1.49	5.61	17.20	15.75	-1.45
2003.....	10.08	1.54	5.80	17.42	15.75	-1.67
2004.....	10.08	1.60	5.99	17.67	15.76	-1.91
2005.....	10.11	1.66	6.19	17.96	15.76	-2.19
2006.....	10.18	1.72	6.39	18.29	15.77	-2.52
2007.....	10.27	1.78	6.62	18.67	15.78	-2.89
2008.....	10.39	1.85	6.87	19.11	15.79	-3.31
25-year average: 1985-2009.....	10.57	1.90	7.12	19.58	15.81	-3.76
25-year average: 1985-2009.....	10.46	1.39	4.76	16.60	15.56	-1.05

¹Taxable payroll is slightly different for OASDI and HI, because of different coverage provisions for Federal civilian employees and Railroad employees under the respective programs. The difference does not materially affect the comparison.

^bCost rates exclude amounts required for trust fund building and maintenance.

^aThe balance is the total income rate minus the combined OASDI and HI cost rate. Positive balances are surpluses, and negative balances are deficits.

The pattern of estimated OASI and DI cost rates for the next 25 years was described earlier in this report. The HI costs as a percentage of taxable payroll are estimated to increase generally through this period based on all four alternatives, for reasons described in the HI Annual Report. Based on alternative I, the combined OASDI and HI cost rates would decline steadily from the 1985 level of 13.85 percent of taxable payroll to 11.19 percent in 2005, and thereafter increase to 11.39 percent in 2009. Based on alternative II-A, the combined cost rate would remain around the 1985 level of 13.90 percent of taxable payroll through 1994, then decline through the end of the century, before increasing to 13.92 percent in 2009. Based on alternative II-B, the combined cost rate would remain around the 1985 level of 13.96 percent of taxable payroll through the end of the century, and thereafter increase, reaching 14.93 percent in 2009. Based on alternative III, the combined cost rate would increase steadily from its 1985 level of 14.26 percent of taxable payroll, reaching 19.58 percent in 2009.

Based on alternatives I, II-A, and II-B, the cost rate for OASDI and HI combined would be less than the combined income rate in each year 1985 through 2009. Based on alternative III, however, the combined cost rate would be greater than the combined income rate for every year

after 1985, except 1988 and 1990, when increases in the OASDI contribution rate are scheduled in the law. On average, for the 25-year period, total income for OASDI and HI would exceed total costs by 3.20, 1.95, and 1.37 percent of taxable payroll, respectively, on the basis of alternatives I, II-A, and II-B, while on the basis of alternative III, the combined income rate would be 1.05 percent of taxable payroll less than the combined cost rate.

Table E3 presents a comparison of the cost and income rates for the long-range 75-year projection period, on the basis of the four alternative sets of assumptions.

TABLE E3.—COMPARISON OF ESTIMATED COST RATES AND TOTAL INCOME RATES FOR THE OASI, DI, AND HI PROGRAMS, BY ALTERNATIVE, CALENDAR YEARS 1985-2060
[As a percentage of taxable payroll]¹

Calendar year	Cost rate				Total	Total income rate	Balance ²
	OASI	DI	HI ¹	Total			
Alternative I:							
1985.....	10.05	1.15	2.66	13.85	14.31	0.45	
1990.....	9.48	.94	2.74	13.15	15.59	2.44	
1995.....	8.82	.88	2.91	12.61	15.66	3.04	
2000.....	7.85	.88	2.92	11.62	15.63	4.01	
2005.....	7.39	.94	2.87	11.19	15.63	4.44	
2010.....	7.61	1.05	2.83	11.48	15.65	4.17	
2015.....	8.42	1.11	2.87	12.40	15.70	3.31	
2020.....	9.45	1.14	3.03	13.61	15.76	2.15	
2025.....	10.26	1.16	3.28	14.70	15.82	1.11	
2030.....	10.61	1.11	3.54	15.28	15.84	.58	
2035.....	10.45	1.07	3.73	15.24	15.85	.81	
2040.....	9.99	1.05	3.83	14.87	15.84	.97	
2045.....	9.59	1.07	3.86	14.52	15.84	1.32	
2050.....	9.37	1.07	3.86	14.30	15.83	1.53	
2055.....	9.21	1.06	3.85	14.12	15.82	1.70	
2060.....	9.10	1.05	3.84	14.00	15.81	1.82	
25-year averages:							
1985-2009.....	8.50	.94	2.83	12.26	15.47	3.20	
2010-2034.....	9.51	1.12	3.18	13.80	15.77	1.97	
2035-2059.....	9.81	1.06	3.84	14.51	15.83	1.32	
75-year average:							
1985-2059.....	9.20	1.04	3.28	13.52	15.89	2.17	
Alternative II-A:							
1985.....	10.06	1.18	2.66	13.90	14.31	.41	
1990.....	9.77	1.02	2.90	13.69	15.60	1.91	
1995.....	9.46	1.03	3.33	13.82	15.66	1.87	
2000.....	8.53	1.06	3.80	13.21	15.67	2.46	
2005.....	8.25	1.23	3.82	13.30	15.67	2.37	
2010.....	8.82	1.41	4.10	14.14	15.71	1.57	
2015.....	9.66	1.52	4.55	15.75	15.77	.03	
2020.....	11.06	1.58	5.13	17.77	15.85	-1.91	
2025.....	12.26	1.65	5.82	19.74	15.93	-3.81	
2030.....	13.04	1.60	6.44	21.07	15.98	-5.09	
2035.....	13.21	1.56	6.82	21.59	16.01	-5.58	
2040.....	13.01	1.56	7.00	21.57	16.02	-5.56	
2045.....	12.84	1.61	7.05	21.50	16.03	-5.48	
2050.....	12.84	1.62	7.06	21.51	16.03	-5.48	
2055.....	12.83	1.60	7.04	21.46	16.03	-5.44	
2060.....	12.60	1.60	7.03	21.42	16.03	-5.40	
25-year averages:							
1985-2009.....	9.06	1.12	3.37	13.54	15.50	1.95	
2010-2034.....	11.31	1.57	5.42	18.30	15.87	-2.43	
2035-2059.....	12.91	1.59	7.01	21.52	16.02	-5.50	
75-year average:							
1985-2059.....	11.10	1.43	5.27	17.79	15.80	-1.99	
Alternative II-B:							
1985.....	10.10	1.19	2.67	13.96	14.31	.35	
1990.....	10.03	1.04	2.97	14.04	15.81	1.57	
1995.....	9.81	1.05	3.44	14.30	15.70	1.40	
2000.....	9.04	1.12	3.79	13.96	15.89	1.73	
2005.....	8.83	1.29	4.09	14.21	15.70	1.49	
2010.....	9.26	1.48	4.42	15.16	15.74	.58	
2015.....	10.38	1.60	4.90	16.88	15.81	-1.07	
2020.....	11.65	1.66	5.53	19.04	15.89	-3.15	
2025.....	13.17	1.74	6.27	21.17	15.97	-5.20	
2030.....	14.01	1.69	6.94	22.64	16.03	-6.82	
2035.....	14.25	1.84	7.36	23.24	16.06	-7.19	
2040.....	14.06	1.65	7.55	23.26	16.07	-7.19	
2045.....	13.90	1.70	7.81	23.20	16.08	-7.12	

TABLE E3.—COMPARISON OF ESTIMATED COST RATES AND TOTAL INCOME RATES FOR THE OASI, DI, AND HI PROGRAMS, BY ALTERNATIVE, CALENDAR YEARS 1985-2060 (Cont.)
[As a percentage of taxable payroll¹]

Calendar year	Cost rate			Total	Total income rate	Balance ²
	OASI	DI	HI ³			
Alternative II-B: (Cont.)						
2050.....	13.88	1.70	7.62	23.20	16.08	-7.12
2055.....	13.86	1.69	7.59	23.14	16.08	-7.06
2060.....	13.83	1.69	7.58	23.10	16.08	-7.01
25-year averages:						
1985-2009.....	9.46	1.15	3.52	14.14	15.51	1.37
2010-2034.....	12.14	1.65	5.85	19.64	15.91	-3.73
2035-2059.....	13.96	1.68	7.57	23.20	16.08	-7.13
75-year average:						
1985-2059.....	11.85	1.49	5.65	19.00	15.83	-3.16
Alternative III:						
1985.....	10.29	1.23	2.74	14.26	14.31	.05
1990.....	10.96	1.19	3.46	15.61	15.64	.03
1995.....	10.72	1.22	4.36	16.30	15.74	-.56
2000.....	10.13	1.40	5.25	16.78	15.74	-1.04
2005.....	10.11	1.66	6.19	17.96	15.76	-2.19
2010.....	10.77	1.94	7.36	20.07	15.82	-4.25
2015.....	12.31	2.13	8.90	23.34	15.91	-7.43
2020.....	14.41	2.27	10.72	27.40	16.03	-11.37
2025.....	16.58	2.42	12.74	31.74	16.15	-15.59
2030.....	18.41	2.41	14.46	35.28	16.26	-19.02
2035.....	19.63	2.40	15.40	37.44	16.35	-21.09
2040.....	20.41	2.46	15.82	38.69	16.42	-22.28
2045.....	21.23	2.60	15.94	39.76	16.50	-23.27
2050.....	22.23	2.63	15.96	40.81	16.55	-24.26
2055.....	23.03	2.59	15.90	41.52	16.59	-24.94
2060.....	23.61	2.57	15.89	42.06	16.62	-25.44
25-year averages:						
1985-2009.....	10.46	1.39	4.76	16.60	15.56	-1.05
2010-2034.....	15.21	2.28	11.49	28.97	16.08	-12.90
2035-2059.....	21.63	2.55	15.86	40.04	16.50	-23.54
75-year average:						
1985-2059.....	15.77	2.07	10.70	28.54	16.04	-12.49

¹Taxable payroll is slightly different for OASDI and HI, because of different coverage provisions for Federal civilian employees and Railroad employees under the respective programs. The difference does not materially affect the comparison.

²Cost rates for HI exclude amounts required for trust fund building and maintenance.

³The balance is the total income rate minus the combined OASDI and HI cost rate. Positive balances are surpluses, and negative balances are deficits.

The trend in long-range OASDI cost rates was described earlier in this report. The HI cost rates are estimated to increase substantially based on the four alternatives, from the current level of 2.7 percent of taxable payroll to about 3.8, 7.0, 7.6, and 15.9 percent, respectively, in 2060, after having peaked at slightly higher levels around 2050. Combined OASDI and HI cost rates would follow a similar pattern, reaching 14.00, 21.42, 23.10, and 42.06 percent of taxable payroll in 2060. The combined cost rates would be less than the combined total income rates throughout the long-range period based on alternative I, but would exceed the combined total income rates for all years after 2015, based on alternatives II-A and II-B, and for all years after 1990, based on alternative III. The combined average actuarial balances for the 75-year period would be a surplus of 2.17 percent of taxable payroll on the basis of alternative I, and deficits of 1.99, 3.16, and 12.49 percent on the basis of alternatives II-A, II-B, and III, respectively.

As noted previously in this report and in the HI Annual Report, long-range estimates such as these are subject to considerable uncertainty and should be interpreted carefully. Based on alternatives II-A and II-B, however, which represent intermediate economic and demographic conditions, the combined cost of the OASDI and HI programs would significantly exceed their combined income after the turn of the century.

APPENDIX F.—STATEMENT OF ACTUARIAL OPINION

It is my opinion that (1) the techniques and methodology used herein in evaluating the actuarial status of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds are generally accepted within the actuarial profession; and (2) the assumptions used and the resulting cost estimates are, in the aggregate, reasonable for the purpose of evaluating the financial and actuarial status of the trust funds, taking into consideration the experience and expectations of the program.

Harry C. Ballantyne

HARRY C. BALLANTYNE,
*Associate of the Society of Actuaries,
Member of the American Academy of Actuaries,
Chief Actuary, Social Security Administration*

