

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

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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)



APRIL 1, 1985.—Referred to the Committee on Ways and Means and  
ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE



**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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**COMMUNICATION**

**FROM**

**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**

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## LETTER OF TRANSMITTAL

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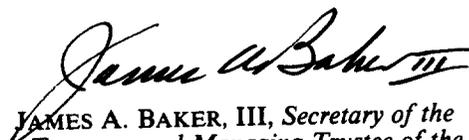
BOARD OF TRUSTEES OF THE  
FEDERAL OLD-AGE AND SURVIVORS INSURANCE  
AND DISABILITY INSURANCE TRUST FUNDS,  
Washington, D.C., March 28, 1985

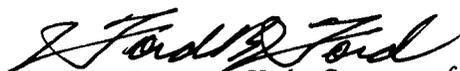
HONORABLE THOMAS P. O'NEILL, JR.  
Speaker of the House of Representatives  
Washington, D.C.

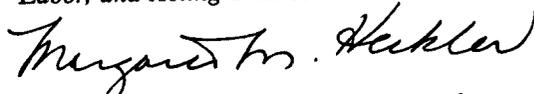
HONORABLE GEORGE BUSH  
President of the Senate  
Washington, D.C.

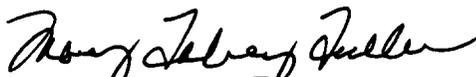
GENTLEMEN: We have the honor of transmitting to you the 1985 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (the 45th such report), in compliance with the provisions of section 201(c)(2) of the Social Security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

Respectfully,

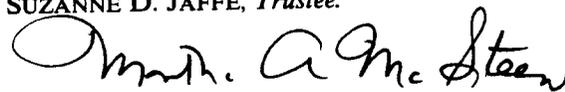
  
JAMES A. BAKER, III, *Secretary of the  
Treasury, and Managing Trustee of the  
Trust Funds.*

  
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.....	6,600	3.850	3.500	.350	5.8000	5.2750	.5250
1967.....	6,600	3.900	3.550	.350	5.9000	5.3750	.5250
1968.....	7,800	3.800	3.325	.475	5.8000	5.0875	.7125
1969.....	7,800	4.200	3.725	.475	6.3000	5.5875	.7125
1970.....	7,800	4.200	3.850	.550	6.3000	5.4750	.8250
1971.....	7,800	4.600	4.050	.550	6.9000	6.0750	.8250
1972.....	9,000	4.600	4.050	.550	6.9000	6.0750	.8250
1973.....	10,800	4.850	4.300	.550	7.0000	6.2050	.7950
1974.....	13,200	4.950	4.375	.575	7.0000	6.1850	.8150
1975.....	14,100	4.950	4.375	.575	7.0000	6.1850	.8150
1976.....	15,300	4.950	4.375	.575	7.0000	6.1850	.8150
1977.....	16,500	4.950	4.375	.575	7.0000	6.1850	.8150
1978.....	17,700	5.050	4.275	.775	7.1000	6.0100	1.0900
1979.....	22,900	5.080	4.330	.750	7.0500	6.0100	1.0400
1980.....	25,900	5.080	4.520	.560	7.0500	6.2725	.7775
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 <sup>1</sup> .....	37,800	5.700	5.200	.500	11.4000	10.4000	1.0000
1985 <sup>1</sup> .....	39,600	5.700	5.200	.500	11.4000	10.4000	1.0000
Rates scheduled in present law:							
1986-87 <sup>2</sup> .....	( <sup>1</sup> )	5.700	5.200	.500	11.4000	10.4000	1.0000
1988-89 <sup>1</sup> .....	( <sup>1</sup> )	6.060	5.530	.530	12.1200	11.0600	1.0600
1990-99.....	( <sup>1</sup> )	6.200	5.600	.600	12.4000	11.2000	1.2000
2000 and later.....	( <sup>1</sup> )	6.200	5.490	.710	12.4000	10.9800	1.4200

<sup>1</sup>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). 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.

<sup>2</sup>Subject 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 <sup>1</sup> , September 30, 1983.....		\$26,680,674
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 1988:		
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 administrative 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.....	682,851	
Less interest on transfers to the general fund account for the Supplemental Security Income program due to adjustment in allocation of administrative 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 <sup>1</sup> , September 30, 1984.....		27,589,589

<sup>1</sup>Assets 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
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 <sup>1</sup>	Net contributions	Benefit payments <sup>1</sup>
Actual amount .....	\$156,553	\$155,831	\$16,394	\$17,772
Estimated amount published in 1983 report .....	\$155,163	\$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

<sup>1</sup>Includes 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	76.6
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	( <sup>1</sup> )	54	( <sup>1</sup> )
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	( <sup>1</sup> )
Lump-sum death payments .....	206	0.1	214	0.1

<sup>1</sup>Less 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
<b>Obligations sold only to the trust funds (special issues):</b>		
<b>Certificates of indebtedness:</b>		
11½-percent, 1984.....	\$7,421,193,000.00	—
12½-percent, 1985.....	—	\$6,671,094,000.00
<b>Bonds:</b>		
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, 1988.....	—	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, 1996.....	—	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
<b>Total investments.....</b>	<b>25,502,697,000.00</b>	<b>27,223,772,000.00</b>
<b>Undisbursed balances.....</b>	<b>1,157,976,874.71</b>	<b>345,816,750.91</b>
<b>Total assets.....</b>	<b>26,660,673,874.71</b>	<b>27,569,588,750.91</b>

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 <sup>1</sup> , September 30, 1983.....		\$5,269,529
<b>Receipts:</b>		
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
<b>Disbursements:</b>		
Benefit payments:		
Gross benefit payments.....	17,824,614	
Less collected overpayments.....	69,290	
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 <sup>1</sup> , September 30, 1984.....		4,642,587

<sup>1</sup>Assets 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 <sup>1</sup>	Par value	Book value <sup>1</sup>
<b>Investments in public-debt obligations:</b>				
<b>Public issues:</b>				
<b>Treasury bonds:</b>				
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
4¼-percent, 1989-94	68,400,000	68,047,501.11	68,400,000	68,079,807.95
4¼-percent, 1975-85	20,795,000	20,792,665.94	20,795,000	20,794,139.42
4¼-percent, 1987-92	80,800,000	80,834,606.40	80,800,000	80,825,578.92
6½-percent, 1984...	15,000,000	15,004,972.72	—	—
7½-percent, 1988-93	26,500,000	26,119,495.16	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	26,000,000	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	30,061,992.54
<b>Total investments in public issues.....</b>	<b>296,995,000</b>	<b>295,732,307.82</b>	<b>281,995,000</b>	<b>280,838,948.78</b>
<b>Obligations sold only to the trust funds (special issues):</b>				
<b>Certificates of indebtedness:</b>				
11½-percent, 1984	665,422,000	665,422,000.00	—	—
12½-percent, 1985	—	—	394,612,000	394,612,000.00
<b>Bonds:</b>				
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
<b>Total obligations sold only to the trust funds (special issues).....</b>	<b>4,991,501,000</b>	<b>4,991,501,000.00</b>	<b>4,373,587,000</b>	<b>4,373,587,000.00</b>
<b>Total investments in public-debt obligations.</b>	<b>5,288,496,000</b>	<b>5,287,233,307.82</b>	<b>4,655,582,000</b>	<b>4,654,425,948.78</b>
<b>Undisbursed balances<sup>2</sup>.....</b>	<b>—</b>	<b>2,295,570.68</b>	<b>—</b>	<b>-11,839,211.06</b>
<b>Total assets.....</b>	<b>—</b>	<b>5,289,528,878.50</b>	<b>—</b>	<b>4,642,586,737.72</b>

<sup>1</sup>Par value, plus unamortized premium or less discount outstanding.<sup>2</sup>Negative 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.