

ACTUARIAL NOTE

NUMBER 52

JUNE 1969

U.S. DEPARTMENT OF
HEALTH, EDUCATION, AND WELFARE
SOCIAL SECURITY ADMINISTRATION

COMPARISON OF ACTUAL EXPERIENCE UNDER OASDHI SYSTEM WITH SHORT-RANGE COST ESTIMATES

by Robert J. Myers and Margaret A. Lannen
Office of the Actuary

This is the seventh in a series of notes comparing actual experience under the Old-Age, Survivors, Disability, and Health Insurance system with the short-range cost estimates (for both fiscal and calendar years), which are contained in the annual Trustees Reports. These short-range estimates are based on the assumptions that no legislative changes will be made in the period under consideration and that economic activity will expand, with increases occurring in employment and in earnings rates. Therefore, it should be recognized that these estimates may vary from actual experience to some extent, because of changing economic conditions. Statutory changes, changes in reporting and appropriating procedures, and over- or under-appropriation of taxes to the trust funds (which are adjusted subsequently) also may account for some of the differences between actual and estimated experience.

Table 1 presents a comparison of actual experience for calendar year 1968 with the estimates shown in the 1968 Trustees Reports. For the OASI Trust Fund, the estimates of the income items were \$40 million lower than the actual experience, and the estimates of the outgo items were higher than the actual experience by \$26 million, with the result that the assets at the end of the calendar year exceeded the estimate by \$65 million. For the DI Trust Fund, income was \$37 million higher than the estimate, and outgo was \$82 million lower than the estimate, so

that the fund at the end of the calendar year was \$118 million higher than the estimate.

For the SMI Trust Fund, income for calendar year 1968 was \$2 million higher than the estimate, and outgo was \$83 million lower than the estimate, so that the balance in the fund at the end of the calendar year was \$84 million higher than estimated. The difference in outgo was due primarily to a greater lag in filing and adjudicating claims than estimated. For the HI Trust Fund, the estimates did not include transactions relating to the uninsured persons who would be covered for the benefits of this program, the cost for whom is borne out of the General Fund of the Treasury. Therefore, since the HI Trust Fund was not totally reimbursed during the calendar year, the HI estimates cannot rightfully be compared with the actual calendar year 1968 experience.

Table 2 presents a comparison of the balances in the trust funds at the end of calendar years 1960-68 with the estimates made at about the beginning of each of the same years. In each year the estimates have been very close to the actual experience, with the greatest variation being for calendar year 1966. Since these estimates are generally made at the beginning of each calendar year, it is to be expected that there would be greater variation than in a fiscal-year comparison (where the estimates project only about 6 months into the future).

Table 1
COMPARISON OF PROGRESS OF OASDHI TRUST FUNDS,
CALENDAR YEAR 1968

<u>Item</u>	<u>Amount (in millions)</u>		<u>Estimate as Percent of Actual</u>
	<u>Actual</u>	<u>Estimate</u>	
OASI Trust Fund			
Contributions ¹	\$23,875	\$23,838	99.8%
Benefit Payments	22,642	22,664	100.1
Administrative Expenses	476	469	98.5
Interest Income	939	936	99.7
Transfer to Railroad Retirement	438	450	102.7
Federal Payment for Special Benefits	226	226	100.0
Payments for Vocational Rehabilitation Services	1	—	—
Fund at End of Year	25,704	25,639	99.7
DI Trust Fund			
Contributions ¹	\$3,348	\$3,315	99.0%
Benefit Payments	2,294	2,374	103.5
Administrative Expenses	127	129	101.6
Interest Income	106	102	96.2
Transfer to Railroad Retirement	20	20	100.0
Payments for Vocational Rehabilitation Services	16	16	100.0
Fund at End of Year	3,025	2,907	96.1
HI Trust Fund			
Contributions ¹	\$4,138	*	—
Benefit Payments	4,179	*	—
Administrative Expenses	99	*	—
Interest Income	74	*	—
Transfer from Railroad Retirement	54	*	—
Reimbursement for Uninsured Persons	1,022	*	—
Fund at End of Year	2,083	*	—
SMI Trust Fund			
Premiums	\$ 832	\$ 832	100.0%
Government Contributions	858	857	99.9
Benefit Payments	1,518	1,625	107.0
Administrative Expenses	183	159	86.9
Interest Income	21	20	95.2
Fund at End of Year	421	337	80.0

¹ Includes transfer from General Fund for military service credits (\$156 million to OASI, \$32 million to DI, and \$22 million to HI).

² No comparable estimate was made for the HI Trust Fund for calendar year 1968.

Table 2
COMPARISON OF BALANCES IN FUND AT END OF
CALENDAR YEAR, 1960-68

<u>Calendar Year</u>	<u>Amount (in millions)</u>		<u>Estimate as Percent of Actual</u>
	<u>Actual</u>	<u>Estimate</u>	
OASI Trust Fund			
1960	\$20,324	\$20,203	99.4%
1961	19,725	20,001	101.4
1962	18,337	18,713	102.1
1963	18,480	18,426	99.7
1964	19,125	18,615	97.3
1965	18,235	17,936	98.4
1966	20,570	18,787	91.3
1967	24,222	24,005	99.1
1968	25,704	25,639	99.7
DI Trust Fund			
1960	\$ 2,289	\$ 2,303	100.6%
1961	2,437	2,494	102.3
1962	2,368	2,466	104.1
1963	2,235	2,232	99.9
1964	2,047	2,038	99.6
1965	1,606	1,576	98.1
1966	1,739	1,617	93.0
1967	2,029	2,070	102.0
1968	3,025	2,907	96.1
HI Trust Fund			
1966	\$ 944	\$ 618	65.5%
1967	1,073	*	*
1968	2,083	*	*
SMI Trust Fund			
1966	\$ 122	\$ 223	182.8%
1967	412	288	69.9
1968	421	337	80.0

* No comparable estimates were made for the HI Trust Fund for calendar years 1967 and 1968.

Note: Estimate for 1961 contained in actuarial cost report dated July 10, 1961; estimate for 1965 contained in actuarial cost report dated July 30, 1965; estimates for other years contained in annual Trustees Reports.