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20TH ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

LETTER

FROM

SECRETARY OF THE TREASURY AND MANAGING TRUSTEE OF THE TRUST FUNDS

TRANSMITTING

THE 20TH ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND, PURSUANT TO SECTION 201(C) OF THE SOCIAL SECURITY ACT, AS AMENDED

MARCH 8, 1960.—Referred to the Committee on Ways and Means and ordered to be printed

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LETTER OF TRANSMITTAL

BOARD OF TRUSTEES OF THE FEDERAL
OLD-AGE AND SURVIVORS INSURANCE AND
DISABILITY INSURANCE TRUST FUNDS,
Washington, D.C., March 1, 1960.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D.C.

SIR: We have the honor to transmit to you the 20th Annual Report of the Board of Trustees of the Federal old-age and survivors insurance trust fund and the Federal disability insurance trust fund, in compliance with the provisions of section 201(c) of the Social Security Act, as amended.

Respectfully,

ROBERT B. ANDERSON,
Secretary of the Treasury, and Managing Trustee of the Trust Funds.

JAMES P. MITCHELL,
Secretary of Labor.

ARTHUR S. FLEMMING,
Secretary of Health, Education, and Welfare.

W. L. MITCHELL,
Commissioner of Social Security, and Secretary, Board of Trustees.

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TWENTIETH ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

Fiscal year ending June 30, 1959

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, as amended. The Board is comprised of three members who serve in an ex officio capacity. The members of the Board are the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare. The Secretary of the Treasury is designated by law as the managing trustee. The Commissioner of Social Security is secretary of the Board.

FISCAL YEAR HIGHLIGHTS

Two amendments to the Social Security Act and related sections of the Internal Revenue Code, enacted August 28, 1958, went into effect on January 1, 1959. The maximum amount of earnings taxable and creditable toward benefits was increased from $4,200 to $4,800 a year. In addition, contribution rates were increased as follows: employees and employers, from 2¼ percent of taxable earnings to 2½ percent each; the self-employed, from 3⅜ percent to 3¾ percent. Because these increases were effective for only half the fiscal year 1959, their full impact on annual contribution receipts was not felt in that year.

Under another provision of the 1958 amendments, beginning with September 1958, benefits became payable for the first time to certain dependents of disabled worker beneficiaries. Partly as a result of this extended protection, and partly as a result of an increase of 37 percent in the number of disabled worker beneficiaries during fiscal year 1959, the total number of beneficiaries under the disability insurance program increased 80 percent, from 200,000 to 361,000, between June 1958 and June 1959.

In June 1959, the total number of old-age and survivors insurance beneficiaries was 12,820,000, or 9.5 percent more than in June 1958. There were 9,636,000 retirement beneficiaries, of whom 7,296,000 were retired worker beneficiaries, and 2,340,000 were their entitled wives, dependent husbands, and young children. The total number of survivor beneficiaries in June 1959 was 3,184,000. For each of these classes of beneficiaries, the increase over June 1958 was between

9 and 10 percent, or about the same as the increase for all old-age and survivors insurance beneficiaries. The estimated number of persons with taxable earnings under old-age, survivors, and disability insurance in calendar year 1959 was about 72.5 million.

Disbursements of the old-age and survivors insurance trust fund in fiscal year 1959 were about 17 percent more than in fiscal year 1958; receipts increased by about 3.6 percent. Total disbursements amounted to $9,380 million, not including $74 million representing overpayments of employee contributions subject to refund. Receipts, exclusive of these refunds, were $8,109 million. The excess of outgo over income, amounting to $1,271 million, decreased the total assets of the trust fund from $22,813 million on June 30, 1958, to $21,541 million on June 30, 1959. The disbursements in fiscal year 1959 included $9,049 million for benefits and $206 million for administrative expenses. The receipts included $7,565 million in net contributions and $543 million in interest on investments.

Estimates for the five fiscal years 1960–64 show continued increases in both the receipts and the disbursements of the old-age and survivors insurance trust fund. The estimates indicate that total income of the fund will exceed its total outgo over the period of the five fiscal years 1960–64. According to these estimates, at the end of fiscal year 1964 the old-age and survivors insurance trust fund will amount to $23 billion, with income of $15 billion and outgo of $13.3 billion in that fiscal year. During the five fiscal years 1960–64, it is estimated that the trust fund will not exceed 1.7 times the highest expected annual outgo during the 5-year period.

Long-range cost estimates for the old-age and survivors insurance program, as amended in 1958, indicate that the program is in approximate actuarial balance. Under high employment assumptions, the level-premium cost of the benefit payments and administrative expenses, at 3-percent interest, ranges from 7.35 to 9.61 percent of payroll, depending on the combination of cost assumptions selected. On the basis of intermediate-cost assumptions, such level-premium cost is 8.38 percent of payroll as compared with the level-premium equivalent of the contributions of 8.18 percent of payroll.

Disbursements of the disability insurance trust fund in fiscal year 1959, totaling $361 million, were almost twice as large as in fiscal 1958; in contrast, total receipts declined slightly from $942 million in fiscal 1958 to $928 million in fiscal 1959. The fund's disbursements consisted of $339 million for benefits and $21 million for administrative expenses. Its receipts consisted of $895 million in net contributions (after deduction of refunds amounting to $10 million) and $33 million in interest on investments. The net addition of $568 million raised the total assets of the disability insurance trust fund to $1,667 million on June 30, 1959.

Estimates of the expected operations of the disability insurance trust fund during the five fiscal years 1960–64 show that this trust fund at the end of fiscal year 1964 will amount to $4.1 billion, with receipts of $1.2 billion and disbursements of $0.7 billion in that fiscal year. On June 30, 1964, the trust fund will amount to about 5.7 times the highest expected annual disbursements during the 5-year period 1960–64.

The long-range cost estimates for the disability insurance program show that under high employment assumptions the level-premium cost of the benefit payments and administrative expenses, at 3 percent interest, ranges from 0.26 to 0.46 percent of payroll, depending on the combination of assumptions used. On the basis of intermediate-cost assumptions, such level premium cost is 0.35 percent of payroll, as compared with the level-premium equivalent of the contributions of 0.50 percent of payroll.

The period over which the special obligations held by the trust funds will mature was lengthened on June 30, 1959. Under the new schedule of maturities, about $1,133 million of the $17,227 million invested in special obligations by the old-age and survivors insurance trust fund, and about $100 million of the $1,533 million so invested by the disability insurance trust fund, will become available for reinvestment at the end of each of the 15 fiscal years from 1960 to 1974.

The advisory council on social security financing submitted its report to the board of trustees on January 1, 1959. The advisory council's report and the Board's comments on that report were included in the 19th annual report of the board of trustees.

SOCIAL SECURITY AMENDMENTS OF 1958

The 1958 amendments to the Social Security Act and related sections of the Internal Revenue Code (Public Law 85-840, approved August 28, 1958) will have significant effects on both the immediate and long-range future levels of income and disbursements under the system. Benefit amounts were increased. Provision was made for the payment of monthly benefits to the dependents of disabled workers. Eligibility requirements for the payment of benefits to certain classes of beneficiaries were liberalized. The schedule of contribution rates was substantially revised to continue to reflect the intent that the program be self-supporting.

The more important changes, significant from an actuarial standpoint, are presented below:

1. Larger benefits were made payable to future beneficiaries as well as to persons on the rolls. The primary insurance amounts on which the new benefit rates are based are shown in a benefit table which replaces the benefit formulas and conversion table of prior law.

(*a*) The maximum amount of earnings taxable and creditable toward benefits was raised to $4,800 a year, beginning with 1959.

(*b*) Benefit amounts were increased, beginning January 1959, by about 7 percent. The minimum primary insurance amount is $33 and the maximum primary insurance amount for beneficiaries on the rolls in January 1959 was $116. For workers coming on the rolls after that date, benefits will range as high as $127, because of the higher earnings base. However, the maximum benefit of $127, based on the maximum possible average monthly wage of $400, will not become generally payable until many years have elapsed.

(*c*) The minimum benefit for a family containing only one survivor beneficiary is $33.

(*d*) The maximum monthly amount of family benefits payable with respect to each amount of average monthly earnings is set forth in the benefit table. In general, as in prior law, benefits are limited to 80 percent of average monthly earnings, but this may not reduce benefits below 1½ times the primary insurance amount (for the primary insurance amount plus $20, if larger). The dollar maximum on family benefits was raised from $200 to $254.

2. Beginning with September 1958, benefits were provided for wives, dependent husbands, and children of disability insurance beneficiaries similar to those previously provided only for dependents of old-age insurance beneficiaries. These benefits are payable from the Federal disability insurance trust fund.

3. The disability benefits offset provision was repealed effective with disability insurance benefits and childhood disability benefits payable for August 1958. This provision had required that the montly social security benefits payable to disabled workers (and those payable to persons disabled in childhood) be reduced by the amount of any periodic benefit payable on account of disability under other Federal programs (other than veteran's compensation) or a State workman's compensation system.

4. The requirement of currently insured status for the disability "freeze" and for disability insurance benefits was removed. Fully insured status was added as a requirement for the freeze, so that work requirements for the freeze and for cash benefits are alike.

5. Disability insurance benefits were made payable for as many as 12 months before the month in which the application is filed if all other requirements have been met for such prior months.

6. The June 30, 1958, deadline for filing fully retroactive disability freeze applications was postponed to June 30, 1961. Disability freeze applicants who file after June 30, 1961, may establish a freeze period beginning as early as 18 months before the month of filing application.

7. Changes were made in provisions relating to dependents' benefits.

(*a*) Dependent parents of a deceased worker can become eligible for benefits even though a widow, a dependent widower, or a dependent child survives the worker.

(*b*) Disabled children aged 18 or over are now presumed dependent on their parents under the same rules as younger children. Under previous law, a disabled child who was 18 or over at the time he applied for a child's insurance benefit or at the time his parent died, was required to show that he had been receiving at least one-half of his support from his parent.

8. Retirement test provisions were amended to raise from $80 to $100 the amount of wages a beneficiary may have in a month without losing benefits for that month even though during the year he earns above $1,200, the annual exempt amount.

9. Changes relating to the financing of the system were made with the intent of assuring that it will continue to be self-supporting. The employee and employer contribution rates for old-age and survivors insurance were each increased, as of January 1, 1959, by one-fourth of 1 percent above the previously scheduled rates, with a corresponding increase for the self-employed. Future increases in tax rates are scheduled at 3-year intervals (rather than at 5-year intervals) bebinning with 1960. The new schedule, including the employee and employer contribution rate of one-fourth of 1 percent each for disability insurance, is as follows: 1959, 2½ percent each for employees and employers; 1960–62, 3 percent; 1963–65, 3½ percent; 1966–68, 4 percent; 1969 and thereafter, 4½ percent each. The contribution rates on self-employment income continue to equal 1½ times the employee rates.

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 U.S. Treasury to hold the amounts accumulated under the old-age and survivors insurance program. All the financial operations of the program through July 31, 1956, were handled through this fund. The Social Security Amendments of 1956, which became law August 1, 1956, provided for the creation of the Federal disability insurance trust fund—a fund entirely separate from the old-age and survivors insurance trust fund—through which are handled all financial operations in connection with the system of monthly disability benefits payable to insured workers aged 50 to 64 and to their dependents. The financial operations of the old-age, survivors, and disability insurance program which relate to the system of old-age and survivors insurance benefits continue to be handled through the old-age and survivors insurance trust fund.

The primary source of receipts of the two funds is amounts deposited in or appropriated to each of them under permanent appropriation on the basis of contributions paid by workers and their employers, and by individuals with self-employment income, in employments covered by the old-age, survivors, and disability insurance program. All employees and their employers in employments covered by the program are required to pay contributions with respect to the wages of individual workers. All covered self-employed persons are required to pay contributions with respect to their self-employment income. In general, beginning with calendar year 1959, an individual's contributions are computed on annual wages or self-employment income, or both wages and self-employment income combined, up to a maximum of $4,800, with the contributions being determined first on the wages and then on any self-employment income necessary to make up the $4,800.

The Internal Revenue Code, as amended, provides that the contribution rate for employees and their employers shall be 2½ percent each for the calendar year 1959, and that the rates shall rise to 3 percent each on January 1, 1960, to 3½ percent each on January 1, 1963, to 4 percent each on January 1, 1966, and to 4½ percent each on January 1, 1969. The contribution rates on self-employment income are equal to 1½ times the corresponding employee rates. The Social Security Act, as amended in 1956, provides that beginning January 1, 1957, of the total contribution income based on these rates, contributions at the rate of one-fourth of 1 percent each for employees and employers, and three-eighths of 1 percent for the self-employed shall be allocated to the disability insurance trust fund.

Except for amounts received by the Secretary of the Treasury under State agreements and deposited directly in the trust funds, all contributions are collected by the Internal Revenue Service and are paid into the Treasury as internal revenue collections. However, sums equivalent to 100 percent of these taxes are transferred to the trust funds from time to time. Such transfers are first made on the basis of estimated tax receipts. The exact amount is not known since old-age, survivors, and disability insurance and income taxes withheld are not separately identified in tax-collection reports received by the Treasury Department. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable on the basis of reported earnings.

An employee who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum can receive a refund of the taxes he paid on such excess wages. The amount of taxes subject to refund for any period is a charge against each of the trust funds in the ratio in which the amount was appropriated to or deposited in such trust funds for that period.

The second source from which receipts of the trust funds are derived is interest received on investments held by the funds. The investment procedures of the funds are described later in this section.

The income and expenditures of the trust funds are also affected by Public Law 234, approved October 30, 1951, which amended the Railroad Retirement Act to provide a system of coordination and financial interchange between the railroad retirement and old-age and survivors insurance programs. Public Law 880, approved August 1, 1956, amended Public Law 234 to include financial interchanges between the railroad retirement and the disability insurance programs. A description of the legislative provisions governing the allocation of costs between the two programs appears in appendix II.

Under a decision of the Comptroller General of the United States (B-4906) dated October 11, 1951, receipts derived from the sale of miscellaneous supplies and reimbursable services are credited to and form a part of the trust funds, where the initial outlays therefor were paid from the trust funds. Formerly, these moneys were credited to the general fund of the Treasury as miscellaneous receipts.

Under Public Law 85–840 approved August 28, 1958, the Secretary of Health, Education, and Welfare is authorized to charge for providing certain services not directly related to the old-age, survivors, and disability insurance programs. The Bureau of Old-Age and Survivors Insurance has accumulated a unique body of information in the course of the administration of the program. Situations arise when it is in the public interest to utilize this information to perform certain services, such as forwarding letters for health research purposes to holders of social security account numbers, when such services can be performed without interfering unduly with the administration of the program. Such services could not properly be provided at the expense of the trust funds. Receipts derived from performance of these services are credited to and form a part of the trust funds.

Public Law 719, approved August 10, 1946, provided noncontributory survivor protection to certain veterans of World War II. The legislation provided, and the old-age and survivors insurance trust fund received, reimbursement from the general fund of the Treasury for the additional costs arising from these provisions. Under Public Law 734, approved August 28, 1950, these additional costs arising after August 31, 1950, were borne by the trust fund. Public Law 881, approved August 1, 1956, provides that the old-age and survivors insurance trust fund shall be reimbursed for all additional costs arising after August 31, 1950, from the 1946 provisions. Public Law 881 also provides that (1) the old-age and survivors insurance trust fund shall be reimbursed for all past and future additional expenditures resulting from the provisions that granted noncontributory $160 monthly wage credits to persons who served in the Armed Forces from September 16, 1940, through December 31, 1956; and (2) the disability insurance trust fund shall be reimbursed for all additional expenditures after July 31, 1956, resulting from these provisions. Public Law 85-840 broadened the provisions of prior law dealing with noncontributory wage credits of $160 for each month of active military service for the United States to provide such credits for certain American citizens who served in the armed forces of our allies during World War II. As in the case of the other noncontributory credit for military service, the trust funds will be reimbursed for the additional costs arising from the new provisions. A summary of the legislative history of the financing of credit for military service appears in appendix II.

Expenditures for benefit payments and administrative expenses under the old-age, survivors, and disability insurance program are paid out of the trust funds. All expenses incurred by the Department of Health, Education, and Welfare and by the Treasury Department in carrying out the provision of title II of the Social Security Act, as amended, and of the Internal Revenue Code relating to the collection of insurance contributions, are charged to the trust funds. The Secretary of Health, Education, and Welfare certifies benefit payments to the managing trustee who makes the payments from the respective trust funds in accordance therewith.

Congress has authorized expenditures from the trust funds for construction of an office building and related facilities for the Bureau of Old-Age and Survivors Insurance.

The managing trustee invests that portion of each trust fund which, in his judgment, is not required to meet current expenditures for benefits and administration. The Social Security Act restricts permissible investments of the trust funds to interest-bearing obligations of the U.S. Government or to obligations guaranteed as to both principal and interest by the United States. Obligations of these types may be acquired on original issue at par [1] or by purchase of outstand ing obligations at their market price. In addition, the Social Security Act authorizes the issuance of public-debt obligations for purchase by the trust funds. The law requires that such public-debt obligations shall have maturities fixed with due regard for the needs of the trust funds and bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of their issue, borne by all marketable interest-bearing obligations of the United States forming a part of the public debt that are not due or callable until after the expiration of 5 years from the date of original issue (where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest on such special obligations is required to be the multiple of one-eight of 1 percent nearest such average rate).

Interest on public issues held by the trust funds is received by the funds at the time the interest is paid on the particular issues held. Interest on public-debt obligations issued specifically for purchase by the trust funds is payable semiannually or at redemption.

Public issues acquired by the funds may be sold at any time by the managing trustee at their market price. Public-debt obligations issued for purchase by the trust funds may be redeemed at par plus accrued interest. Interest receipts and proceeds from the sale or redemption of obligations held in the trust funds are available for in-

[1] Public Law 86-346 (approved Sept. 22, 1959) amended this provision so that such obligations may be acquired "on original issue at the issue price."

vestment in the same manner as other receipts of the funds. Interest earned by the invested assets of the trust funds will provide income to meet a portion of future benefit disbursements. The role of interest in meeting future benefit payments is indicated in tables 21 and 22.

In addition, the assets of the trust funds assure the continued payment of benefits without sharp changes in contribution rates during periods of short-run fluctuations in total income and expenditures.

SUMMARY OF THE OPERATIONS OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, FISCAL YEAR 1959

A statement of the income and disbursements of the Federal old-age and survivors insurance trust fund in the fiscal year which began on July 1, 1958, and ended on June 30, 1959, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 1.

TABLE 1.—*Statement of operations of the old-age and survivors insurance trust fund during the fiscal year 1959*

Total assets of the trust fund, June 30, 1958			$22,812,600,170.70
Receipts, fiscal year 1959:			
Tax contributions:			
Appropriations	$7,157,673,756.40		
Deposits arising from State agreements	481,091,875.55		
Gross tax contributions	7,638,765,631.95		
Less payment into the Treasury for taxes subject to refund	73,680,000.00		
Net tax contributions		$7,565,085,631.95	
Interest and profit:			
On investments	$542,979,330.08		
On administrative expenses reimbursed by disability insurance trust fund	440,900.00		
Total interest and profit		543,420,230.08	
Total receipts		8,108,505,862.03	
Disbursements, fiscal year 1959:			
Benefit payments		9,049,146,280.60	
Transfers to railroad retirement account		124,441,000.00	
Administrative expenses:			
Department of Health, Education, and Welfare	$175,125,154.11		
Treasury Department	37,028,409.44		
Preparation and construction of building for Bureau of Old-Age and Survivors Insurance	11,623,263.83		
Gross administrative expenses	223,776,827.38		
Less receipts from sale of surplus materials, supplies, etc	155,934.74		
Less reimbursement for administrative expenses by disability insurance trust fund	17,290,055.00		
Less reimbursement for construction by disability insurance trust fund	236,418.00		
Net administrative expenses		206,094,419.64	
Total disbursements		9,379,681,700.24	
Net addition to the trust fund			−1,271,175,838.21
Total assets of the trust fund, June 30, 1959			21,541,424,332.49

The total assets of the old-age and survivors insurance trust fund amounted to $22,813 million on June 30, 1958. These assets decreased to $21,541 million by the end of the fiscal year 1959, as a result of an excess of disbursements over receipts amounting to $1,271 million.

Net receipts of the trust fund during the fiscal year 1959 amounted to $8,109 million. Of this total, $7,158 million represented tax collections appropriated to the fund and $481 million represented amounts received by the Secretary of the Treasury in accordance with State agreements and deposited in the trust fund. However, $74 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum. Net contributions amounted to $7,565 million and represented an increase of 4 percent over the amount for the preceding fiscal year, primarily as a result of the increase in the contribution rate which went into effect January 1, 1959. Virtually all of the other $543 million of receipts consisted of interest and profit on the investments of the fund.

Disbursements from the trust fund during the fiscal year 1959 totaled $9,380 million. Of this total, $9,049 million was for benefit payments, an increase of 15 percent over the corresponding amount paid in the fiscal year 1958. This increase was due in part to the expected growth in the number of beneficiaries as the program matures, and also to the higher benefits payable under the 1958 amendments.

Under the financial interchange provisions of the Railroad Retirement Act, a determination was made that a transfer of $121,300,000 to the railroad retirement account from the old-age and survivors insurance trust fund would place the trust fund in the same position as it would have been on June 30, 1957, if railroad employment had always been covered under the Social Security Act. This amount, together with interest thereon for fiscal year 1958, totaling $3,141,000, was transferred to the railroad retirement account in July 1958.

Administrative expenses of the fund totaled $206 million and reflected increased expenditures for construction of an office building for the Bureau of Old-Age and Survivors Insurance and for processing the larger workloads resulting from the 1958 amendments. Administrative expenses were 2.7 percent of contribution income and 2.3 percent of benefit payments during fiscal year 1959. Figures for each of the last 10 fiscal years are shown in table 2.

TABLE 2.—*Relationship of net administrative expenses*[1] *to contribution income and benefit payments, old-age and survivors insurance trust fund, fiscal years 1950–59*

Fiscal year	Administrative expenses as a percentage of—		Fiscal year	Administrative expenses as a percentage of—	
	Contribution income	Benefit payments		Contribution income	Benefit payments
1950	2.7	7.8	1955	2.0	2.4
1951	2.3	4.7	1956	1.9	2.3
1952	2.4	4.3	1957	2.3	2.3
1953	2.2	3.4	1958	2.3	2.1
1954	1.9	2.7	1959	2.7	2.3

[1] Include administrative expenses, less receipts from sale of surplus materials, services, etc. For fiscal years 1954–59, include cost of construction of an office building for the Bureau of Old-Age and Survivors Insurance. Beginning fiscal year 1957, expenses incurred by the Department of Health, Education, and Welfare under disability insurance program are initially charged to the old-age and survivors insurance trust fund. Reimbursements are then made from the disability insurance trust fund in the following fiscal year.

The distribution of benefit payments in fiscal years 1958 and 1959, by type of benefit, is shown in table 3. Approximately 86 percent of the total benefit payments from the old-age and survivors insurance trust fund in the fiscal year 1959 was accounted for by monthly benefits to aged persons—retired workers and their wives (including a relatively small number of wives under age 62) or dependent husbands, and aged widows, dependent widowers, and dependent parents of deceased workers. Approximately 12 percent of the benefit payments represented monthly benefits on behalf of children of deceased or retired workers and to mothers—practically all of them under age 65—who had children of deceased workers in their care. The balance of the benefits paid consisted of lump-sum death payments.

TABLE 3.—*Estimated distribution of benefit payments from the old-age and survivors insurance trust fund, by type of benefit, fiscal years 1958 and 1959*

[In millions]

Type of benefit	1958		1959	
	Amount	Percent of total	Amount	Percent of total
Total	$7,874.9	100	$9,049.1	100
Monthly benefits [1]	7,732.2	[2] 98	8,899.5	[2] 98
Old-age (retired workers)	5,245.8	67	6,041.4	67
Wife's or husband's (aged wives or dependent husbands of old-age beneficiaries or their young wives if caring for child beneficiary)	810.0	10	913.4	10
Widow's or dependent widower's (aged widows or aged dependent widowers of workers)	706.2	9	833.4	9
Parent's (aged dependent parents of deceased workers)	19.6	(3)	22.3	(3)
Child's (children, under age 18 or disabled, of old-age beneficiaries)	50.5	1	65.6	1
Child's (children, under age 18 or disabled, of deceased workers)	689.1	9	781.8	9
Mother's (widows or dependent divorced wives of deceased workers caring for child beneficiaries)	211.0	3	241.6	3
Lump-sum death payments	142.7	2	149.6	2

[1] Under the Social Security Amendments of 1956, (1) effective November 1956, the minimum retirement age for women was reduced from 65 to 62, and (2) effective January 1957, benefits became payable to disabled children aged 18 or over whose disability began before they reached age 18.
[2] Total does not necessarily equal the sum of rounded components.
[3] Less than 0.5 percent.

On June 30, 1959, about 12.8 million persons in some 9.5 million families were receiving monthly benefits under the old-age and survivors insurance program (table 4). Average monthly family benefits at the close of the fiscal year showed sizable increases over the corresponding averages a year earlier (table 4) primarily because of the higher benefit rates provided by the 1958 amendments.

TABLE 4.—*Estimated number of families and beneficiaries receiving benefits under the old-age, survivors, and disability insurance program, and average family amount, by family group, end of fiscal years 1958 and 1959*

Family classification of beneficiaries receiving benefits	June 30, 1958			June 30, 1959			Percentage increase in average monthly amount per family 1959 from 1958
	Number of families	Number of beneficiaries	Average monthly amount per family	Number of families	Number of beneficiaries	Average monthly amount per family	
	Thousands	*Thousands*		*Thousands*	*Thousands*		
Total	8,797.1	11,905.3		9,728.5	13,181.4		
Retired worker families	6,638.5	8,785.1		7,295.6	9,636.6		
Worker only	4,662.0	4,662.0	$62.00	5,153.6	5,153.6	$68.30	10
Male	2,500.6	2,500.6	69.80	2,700.6	2,700.6	77.30	11
Female	2,161.4	2,161.4	53.00	2,453.0	2,453.0	58.30	10
Worker and aged wife	1,835.2	3,670.4	110.20	1,978.1	3,956.2	120.60	9
Worker and young wife [1]	.8	1.6	105.10	.6	1.2	113.70	8
Worker and aged dependent husband	13.7	27.4	93.20	14.7	29.4	104.70	12
Worker and 1 or more children	29.1	69.4	106.70	33.5	78.4	119.70	12
Worker, wife aged 65 or over, and 1 or more children	8.0	26.2	139.00	14.7	47.9	152.70	10
Worker, young wife, and 1 or more children	89.6	327.8	128.30	100.3	369.6	148.20	16
Worker, husband, and 1 or more children	.1	.3	129.00	.1	.3	135.00	5
Survivor families	1,958.2	2,919.8		2,157.7	3,183.6		
Aged widow	1,165.4	1,165.4	51.60	1,311.5	1,311.5	56.20	9
Aged dependent widower	1.5	1.5	48.30	1.7	1.7	53.20	10
Widowed mother only [1]	1.2	1.2	50.30	1.1	1.1	57.20	14
Widowed mother and 1 child	145.1	290.2	116.20	154.2	308.4	129.00	11
Widowed mother and 2 children	101.8	305.4	149.50	107.9	323.7	166.50	11
Widowed mother and 3 or more children	96.5	459.6	148.10	102.7	494.0	177.50	20
Divorced wife and 1 or more children	.3	.8	137.40	.3	.8	161.60	18
Aged widow and 1 or more children	5.8	11.9	105.50	8.6	17.8	113.00	7
Widower and 1 or more children	(2)	(2)	94.00	(2)	(2)	94.30	(3)
1 child only	258.0	258.0	51.20	276.5	276.5	56.40	10
2 children	99.4	198.8	88.10	104.9	209.8	97.00	10
3 children	34.2	102.6	113.80	35.1	105.3	125.00	10
4 or more children	21.3	95.0	123.60	22.2	98.8	150.00	21
1 aged dependent parent	26.0	26.0	52.70	28.5	28.5	58.60	11
2 aged dependent parents	1.7	3.4	98.40	1.7	3.4	110.40	12
1 or 2 aged dependent parents and 1 or more other survivors	0	0	0	.8	2.3	190.00	
Disabled worker families [4]	200.4	200.4		275.2	361.2		
Worker only	200.4	200.4	74.40	235.6	235.6	87.70	18
Male	158.8	158.8	75.50	179.0	179.0	91.40	21
Female	41.6	41.6	70.10	56.6	56.6	75.80	8
Worker and aged wife				12.7	25.4	130.00	
Worker and aged dependent husband				.1	.2	104.00	
Worker and 1 or more chil-children				6.4	18.6	158.00	
Worker, wife aged 65 or over, and 1 or more children				.2	.6	200.00	
Worker, young wife, and 1 or more children				20.2	80.8	188.00	

[1] Benefits to children were being withheld.
[2] Less than 50.
[3] Less than 0.5 percent.
[4] Benefits to disabled workers aged 50-64 began July 1957, and benefits to their dependents began September 1958.

During the fiscal year, a period of disability, i.e., a disability freeze, was established for 170,000 workers. Under this provision, a worker's benefit rates and his insured status are preserved during the period when his disability prevents him from performing any substantial gainful work. By the end of November 1958—the latest date for which data are available—there were about 56,000 persons receiving old-age benefits that had been increased by $9.51 a month, on the average, by the disability freeze. About 18,200 wives and young children of retired workers and about 15,700 widows, children, and dependent parents of workers who had established a period of disability before death were also receiving larger monthly benefits because of the freeze. For the same reason, during the 11 months ended November 1958, lump-sum death payments based on the earnings records of 10,600 deceased workers were increased by an average amount of $25.94 per worker.

The assets of the trust fund at the end of fiscal year 1959 totaled $21,541 million, consisting of $20,474 million in the form of obligations of the U.S. Government, and $1,067 million in undisbursed balances. Table 5 shows a comparison of the total assets of the fund and their distribution at the end of the fiscal years 1958 and 1959.

TABLE 5.—*Assets of the old-age and survivors insurance trust fund, by type, at end of fiscal years 1958 and 1959*

	June 30, 1958		June 30, 1959	
	Par value	Book value [1]	Par value	Book value [1]
Investments:				
Public issues:				
Treasury notes:				
2⅝-percent, series A, 1963	$30,000,000	$30,000,000.00	$30,000,000	$30,000,000.00
3½-percent, series A, 1960	47,500,000	47,405,203.22	47,500,000	47,405,203.22
3⅝-percent, series A, 1962	176,000,000	175,958,906.27	176,000,000	175,958,906.27
3¾-percent, series C, 1962	20,000,000	20,000,000.00	20,000,000	20,000,000.00
4-percent, series A, 1961	119,100,000	119,102,017.81	119,100,000	119,101,441.29
4-percent, series B, 1962	15,000,000	15,000,000.00	15,000,000	15,000,000.00
4-percent, series B, 1963			25,000,000	25,000,000.00
Treasury bonds:				
2¼-percent, 1959–62	4,205,000	4,207,097.61	4,205,000	4,205,585.40
2½-percent, 1961	10,450,000	9,960,343.75	10,450,000	9,960,343.75
2½-percent, 1962–67	58,650,000	58,721,467.67	58,650,000	58,703,600.75
2½-percent, 1963	4,500,000	4,155,625.00	4,500,000	4,155,625.00
2½-percent, 1963–68	116,480,000	116,583,059.39	116,480,000	116,564,321.35
2½-percent, 1964–69	96,004,000	95,260,209.28	104,004,000	102,842,360.04
2½-percent, 1965–70	456,547,500	456,703,664.50	456,747,500	456,857,225.84
2½-percent, 1966–71	308,077,500	307,955,448.28	308,077,500	307,945,931.30
2½-percent, 1967–72	150,593,250	150,613,203.36	164,593,250	163,720,703.36
2⅝-percent, 1965	211,900,000	211,584,140.63	225,400,000	224,165,703.13
2¾-percent, 1961	2,000,000	1,907,187.50	2,000,000	1,907,187.50
2¾-percent bonds, investment series B, 1975–80	1,064,902,000	1,065,998,780.00	1,064,902,000	1,065,883,329.48
3-percent, 1966	25,000,000	25,000,000.00	25,000,000	25,000,000.00
3-percent, 1995	85,170,000	85,125,776.37	85,170,000	85,125,776.37
3¼-percent, 1978–83	45,100,000	44,910,656.26	45,100,000	44,910,656.26
3½-percent, 1990	56,500,000	56,683,705.32	63,850,000	63,393,620.77
3⅞-percent, 1974	25,000,000	25,000,000.00	25,000,000	25,000,000.00
4-percent, 1969	26,500,000	26,500,000.00	36,500,000	36,500,000.00
4-percent, 1980			18,000,000	17,833,057.82
Total public issues	3,155,179,250	3,154,336,492.22	3,251,229,250	3,247,140,578.90
Accrued interest purchased		67,297.32		52,307.98
Total investments in public issues	3,155,179,250	3,154,403,789.54	3,251,229,250	3,247,192,886.88
Public-debt obligations (special issues): [2]				
Certificates of indebtedness:				
2½-percent, 1959	9,924,785,000	9,924,785,000.00		
2⅝-percent, 1960			400,237,000	400,237,000.00
Notes:				
2½-percent, 1959	500,000,000	500,000,000.00		
2½-percent, 1960	965,000,000	965,000,000.00	965,000,000	965,000,000.00
2½-percent, 1961	965,000,000	965,000,000.00	965,000,000	965,000,000.00
2½-percent, 1962	965,000,000	965,000,000.00	965,000,000	965,000,000.00
2½-percent, 1963	465,000,000	465,000,000.00	465,000,000	465,000,000.00
2⅝-percent, 1961			168,000,000	168,000,000.00
2⅝-percent, 1962			168,000,000	168,000,000.00
2⅝-percent, 1963			168,000,000	168,000,000.00
2⅝-percent, 1964			168,000,000	168,000,000.00
Bonds:				
2½-percent, 1963	500,000,000	500,000,000.00	500,000,000	500,000,000.00
2½-percent, 1964	965,000,000	965,000,000.00	965,000,000	965,000,000.00
2½-percent, 1965	965,000,000	965,000,000.00	965,000,000	965,000,000.00
2½-percent, 1966	965,000,000	965,000,000.00	965,000,000	965,000,000.00
2½-percent, 1967	965,000,000	965,000,000.00	965,000,000	965,000,000.00
2½-percent, 1968	465,000,000	465,000,000.00	465,000,000	465,000,000.00
2⅝-percent, 1965			168,000,000	168,000,000.00
2⅝-percent, 1966			168,000,000	168,000,000.00
2⅝-percent, 1967			168,000,000	168,000,000.00
2⅝-percent, 1968			668,000,000	668,000,000.00
2⅝-percent, 1969			1,133,000,000	1,133,000,000.00
2⅝-percent, 1970			1,133,000,000	1,133,000,000.00
2⅝-percent, 1971			1,133,000,000	1,133,000,000.00
2⅝-percent, 1972			1,133,000,000	1,133,000,000.00
2⅝-percent, 1973			1,133,000,000	1,133,000,000.00
2⅝-percent, 1974			1,133,000,000	1,133,000,000.00
Total public-debt obligations	18,609,785,000	18,609,785,000.00	17,227,237,000	17,227,237,000.00
Total investments	21,764,964,250	21,764,188,789.54	20,478,466,250	20,474,429,886.88
Undisbursed balances		1,048,411,381.16		1,066,994,445.61
Total assets		22,812,600,170.70		21,541,424,332.49

[1] Par value plus unamortized premium less discount outstanding.
[2] All special issues—certificates, notes, and bonds—mature June 30 of the year shown.

The net decrease in the par value of the investments owned by the fund during the fiscal year 1959 amounted to $1,286 million. New securities at a total par value of $17,201 million were acquired through the investment of receipts of the fund and through the reinvestment of funds made available from the maturity or sale of securities during the year. The par value of securities redeemed during the fiscal year was $18,462 million. In addition, $25 million of public issues were sold, providing additional income to the fund in the form of a profit amounting to nearly $38,000. This profit represents the difference between proceeds received at time of sale, after deduction for accrued interest and investment expense, and the book value at time of sale. A summary of security transactions during the fiscal year is presented in table 6.

TABLE 6.—*Statement of transactions in public debt securities for the old-age and survivors insurance trust fund during the fiscal year 1959*

[All amounts represent par value]

	Acquisitions	Dispositions
Public issues:		
Treasury notes:		
3½-percent series B 1959	$25,000,000	$25,000,000
4-percent series B 1963	25,000,000	0
Treasury bonds:		
2½-percent, 1964-69	8,000,000	0
2½-percent, 1965-70	200,000	0
2½-percent, 1967-72	14,000,000	0
2⅝-percent, 1965	13,500,000	0
3½-percent, 1990	7,350,000	0
4-percent, 1969	10,000,000	0
4-percent, 1980	18,000,000	0
Total public issues	121,050,000	25,000,000
Public-debt obligations (special issues):[1]		
Certificates of indebtedness:		
2½-percent, 1959	0	9,924,785,000
2⅝-percent, 1959	8,037,514,000	8,037,514,000
2⅝-percent, 1960	400,237,000	0
Notes:		
2½-percent, 1959	0	500,000,000
2⅝-percent, 1961	168,000,000	0
2⅝-percent, 1962	168,000,000	0
2⅝-percent, 1963	168,000,000	0
2⅝-percent, 1964	168,000,000	0
Bonds:		
2⅝-percent, 1965	168,000,000	0
2⅝-percent, 1966	168,000,000	0
2⅝-percent, 1967	168,000,000	0
2⅝-percent, 1968	668,000,000	0
2⅝-percent, 1969	1,133,000,000	0
2⅝-percent, 1970	1,133,000,000	0
2⅝-percent, 1971	1,133,000,000	0
2⅝-percent, 1972	1,133,000,000	0
2⅝-percent, 1973	1,133,000,000	0
2⅝-percent, 1974	1,133,000,000	0
Total public-debt obligations	17,079,751,000	18,462,299,000
Total transactions	17,200,801,000	18,487,299,000

[1] All special issues—certificates, notes, and bonds—mature June 30 of the year shown.

The 1956 amendments provided that the public-debt obligations issued for purchase by the old-age and survivors insurance and the disability insurance trust funds shall have maturities fixed with due regard for the needs of the funds. Under this provision, the maturities of the public-debt obligations issued for purchase by the funds have been lengthened gradually over a period of several years. On June 30, 1959, the special issues held by the old-age and survivors insurance trust fund were distributed in approximately equal amounts of $1,133 million among maturities ranging from 1 to 15 years (table 5).

Since the average rate of interest, as of May 31, 1959, borne by all marketable Government obligations with maturity dates exceeding 5 years from date of issue was 2.619 percent, the rate of interest (rounded to the nearest one-eighth of 1 percent) on the public-debt obligations (special issues) acquired on June 30, 1959, was 2⅝ percent.

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1959

A statement of the income and disbursements of the Federal disability insurance trust fund for fiscal year 1959 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 disability insurance trust fund during the fiscal year 1959*

Total assets of the trust fund, June 30, 1958			$1,098,972,819.52
Receipts, fiscal year 1959:			
Tax contributions:			
Appropriations	$846,681,035.92		
Deposits arising from State agreements	58,064,365.95		
Gross tax contributions	904,745,401.87		
Less payment into the Treasury for taxes subject to refund	9,750,000.00		
Net tax contributions		$894,995,401.87	
Interest and profit:			
On investments	33,734,353.84		
Less transfer to old-age and survivors insurance trust fund with reimbursed administrative expenses	440,900.00		
Net interest and profit		33,293,453.84	
Total receipts		928,288,855.71	
Disbursements, fiscal year 1959:			
Benefit payments		339,230,682.29	
Administrative expenses:			
Reimbursement to the old-age and survivors insurance trust fund:			
For administrative expenses of the Department of Health, Education, and Welfare	17,290,055.00		
For construction of building for the Bureau of Old-Age and Survivors Insurance	236,418.00		
Treasury Department	3,884,007.97		
Total administrative expenses		21,410,480.97	
Total disbursements		360,641,163.26	
Net addition to the trust fund			567,647,692.45
Total assets of the trust fund, June 30, 1959			1,666,620,511.97

Net receipts of the fund amounted to $928 million. Of this total, $847 million represented tax collections appropriated to the fund, and $58 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. However, $10 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum. The remaining $33 million of receipts consisted of interest on investments.

Disbursements from the fund totaled $361 million, of which $339 million was for benefit payments, and the remaining $21 million was for administrative expenses.

At the end of fiscal year 1959, some 361,000 persons in 275,000 families were receiving monthly benefits payable from the disability insurance trust fund (table 4). The distribution of benefit payments in fiscal years 1958 and 1959, by type of benefit, is shown in table 8. Because the provisions of the 1958 amendments affecting disabled-worker beneficiaries and their dependents were effective for only part of fiscal year 1959, the full effect of the amendments was not reflected in the annual total of benefit payments.

TABLE 8.—*Estimated distribution of benefit payments under the disability insurance program, by type of benefit, fiscal years 1958 and 1959*

[Amounts in millions]

Type of benefit	1958		1959	
	Amount	Percent of total	Amount	Percent of total
Total [1]	$168.4	100	$339.2	[2] 100
Disability (disabled worker)	168.4	100	311.1	92
Wife's or husband's (aged wives or dependent husbands of disability beneficiaries or their young wives if caring for child beneficiary)			12.3	4
Child's (children, under age 18 or disabled, of disability beneficiary)			15.8	5

[1] Benefits to disabled workers aged 50 to 64 began July 1957, and benefits to their dependents began September 1958. However, disbursements from the trust fund were first made to these 2 classes of beneficiaries in August 1957, and October 1958, respectively.
[2] Total does not necessarily equal the sum of rounded components.

The assets of this fund at the end of fiscal year 1959 totaled $1,667 million, consisting of $1,607 million in the form of obligations of the U.S. Government, and $60 million in undisbursed balances. Table 9 shows a comparison of the total assets of the fund and their distribution at the end of the fiscal years 1958 and 1959.

TABLE 9.—*Assets of the disability insurance trust fund, by type, at end of fiscal years 1958 and 1959*

	June 30, 1958		June 30, 1959	
	Par value	Book value [1]	Par value	Book value [1]
Investments:				
Public issues:				
Treasury notes:				
2⅝-percent series A 1963	$10,000,000	$10,000,000.00	$10,000,000	$10,000,000.00
3¾-percent series C 1962	7,000,000	7,000,000.00	7,000,000	7,000,000.00
4-percent series B 1962	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4-percent series B 1963			5,000,000	5,000,000.00
Treasury bonds:				
2⅝ percent, 1965	16,750,000	16,643,750.00	18,250,000	18,042,968.75
3 percent, 1966	10,000,000	10,000,000.00	10,000,000	10,000,000.00
3½ percent, 1990			1,500,000	1,374,062.50
3⅞ percent, 1974	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4 percent, 1969	5,000,000	5,000,000.00	10,000,000	10,000,000.00
4 percent, 1980			2,000,000	1,993,828.13
Total, public issues	58,750,000	58,643,750.00	73,750,000	73,410,859.38
Accrued interest purchased		20,179.29		13,040.43
Total, investments in public issues		58,663,929.29		73,423,899.81
Public-debt obligations (special issues): [2]				
Certificates of indebtedness:				
2½ percent, 1959	658,294,000	658,294,000.00		
2⅝ percent, 1960			88,950,000	88,950,000.00
Notes:				
2½ percent, 1959	7,500,000	7,500,000.00		
2½ percent, 1960	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2½ percent, 1961	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2½ percent, 1962	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2½ percent, 1963	30,000,000	30,000,000.00	30,000,000	30,000,000.00
2⅝ percent, 1961			63,000,000	63,000,000.00
2⅝ percent, 1962			63,000,000	63,000,000.00
2⅝ percent, 1963			63,000,000	63,000,000.00
2⅝ percent, 1964			63,000,000	63,000,000.00
Bonds:				
2½ percent, 1963	7,500,000	7,500,000.00	7,500,000	7,500,000.00
2½ percent, 1964	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2½ percent, 1965	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2½ percent, 1966	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2½ percent, 1967	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2½ percent, 1968	30,000,000	30,000,000.00	30,000,000	30,000,000.00
2⅝ percent, 1965			63,000,000	63,000,000.00
2⅝ percent, 1966			63,000,000	63,000,000.00
2⅝ percent, 1967			63,000,000	63,000,000.00
2⅝ percent, 1968			70,500,000	70,500,000.00
2⅝ percent, 1969			100,500,000	100,500,000.00
2⅝ percent, 1970			100,500,000	100,500,000.00
2⅝ percent, 1971			100,500,000	100,500,000.00
2⅝ percent, 1972			100,500,000	100,500,000.00
2⅝ percent, 1973			100,500,000	100,500,000.00
2⅝ percent, 1974			100,500,000	100,500,000.00
Total, public-debt obligations	995,794,000	995,794,000.00	1,533,450,000	1,533,450,000.00
Total investments	1,054,544,000	1,054,457,929.29	1,607,200,000	1,606,873,899.81
Undisbursed balances		44,514,890.23		59,746,612.16
Total assets		1,098,972,819.52		1,666,620,511.97

[1] Par value plus unamortized premium less discount outstanding.
[2] All special issues—certificates, notes, and bonds—mature June 30 of the year shown.

The net increase in the par value of the investments owned by the fund during the fiscal year amounted to $553 million. New securities at a total par value of $2,157 million were acquired through the investment of receipts of the fund, and through the reinvestment of funds made available from the maturity or sale of securities during the year. The par value of securities redeemed during the year was $1,599 million. In addition, $5 million of public issues were sold at a profit of $8,000. A summary of security transactions during the fiscal year is presented in table 10.

TABLE 10.—*Statement of transactions in public debt securities for the disability insurance trust fund during the fiscal year 1959*

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury notes:		
3½-percent series B, 1959	$5,000,000	$5,000,000
4-percent series B, 1963	5,000,000	0
Treasury bonds:		
2⅝-percent, 1965	1,500,000	0
3½-percent, 1990	1,500,000	0
4-percent, 1969	5,000,000	0
4-percent, 1980	2,000,000	0
Total public issues	20,000,000	5,000,000
Public-debt obligations (special issues): [1]		
Certificates of indebtedness:		
2½-percent, 1959	0	658,294,000
2⅝-percent, 1959	933,095,000	933,095,000
2⅝-percent, 1960	88,950,000	0
Notes:		
2½-percent, 1959	0	7,500,000
2⅝-percent, 1961	63,000,000	0
2⅝-percent, 1962	63,000,000	0
2⅝-percent, 1963	63,000,000	0
2⅝-percent, 1964	63,000,000	0
Bonds:		
2⅝-percent, 1965	63,000,000	0
2⅝-percent, 1966	63,000,000	0
2⅝-percent, 1967	63,000,000	0
2⅝-percent, 1968	70,500,000	0
2⅝-percent, 1969	100,500,000	0
2⅝-percent, 1970	100,500,000	0
2⅝-percent, 1971	100,500,000	0
2⅝-percent, 1972	100,500,000	0
2⅝-percent, 1973	100,500,000	0
2⅝-percent, 1974	100,500,000	0
Total public-debt obligations	2,136,545,000	1,598,889,000
Total transactions	2,156,545,000	1,603,889,000

[1] All special issues—certificates, notes, and bonds—mature June 30 of the year shown.

As indicated in the preceding section of this report, the maturity dates of the special issues held by the trust funds have been gradually lengthened over a period of several years. On June 30, 1959, these holdings of the disability insurance trust fund were distributed in approximately equal amounts of $100,500,000 among maturities ranging from 1 to 15 years.

Since the statutory provisions defining the rate of interest that special issues shall bear are the same for the two trust funds, the rate of interest on the special issues acquired by the disability insurance trust fund on June 30, 1959, was also 2⅝ percent.

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1959, TO DECEMBER 31, 1964

In the following statement of the expected operations and status of the trust funds during the period July 1, 1959, to December 31, 1964, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period under consideration. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Because it is difficult to foresee economic developments, the assumptions and the resulting estimates here presented are subject to some uncertainty. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.

Estimates are presented in table 11 to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1960–64. They are based on the assumption that business activity continues to expand, with a gradual but steady increase in employment and earnings through 1964. Figures on actual experience in earlier fiscal years are also presented. The increase in estimated income from contributions in fiscal years 1960–64 reflects the assumed uptrend in the levels of employment and earnings as well as the effect of the provisions of the 1958 amendments, which increased the scheduled tax rates and the maximum annual earnings taxable and creditable under the program. Benefit disbursements increase because of the amendments and also because of the long-range upward trend in the number of beneficiaries under the program.

TABLE 11.—*Operations of the old-age and survivors insurance trust fund, fiscal years 1937–64*

[In millions]

Fiscal year	Transactions during period							Fund at end of period [4]
	Income			Disbursements			Net increase in fund [4]	
	Tax contributions [1]	Interest on investments [2]	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses [3]	Transfers to railroad retirement account		
Past experience:								
1937–59	$63, 434	$5, 579	$15	$45, 891	$1, 472	$124	$21, 541	$21, 541
1941	688	56	----------	64	27	----------	653	2, 398
1942	896	71	----------	110	27	----------	830	3, 227
1943	1, 130	87	----------	149	27	----------	1, 041	4, 268
1944	1, 292	103	----------	185	33	----------	1, 178	5, 446
1945	1, 310	124	----------	240	27	----------	1, 167	6, 613
1946	1, 238	148	----------	321	37	----------	1, 028	7, 641
1947	1, 459	163	(5)	426	41	----------	1, 157	8, 798
1948	1, 616	191	1	512	47	----------	1, 248	10, 047
1949	1, 690	230	3	607	53	----------	1, 263	11, 310
1950	2, 106	257	4	727	57	----------	1, 583	12, 893
1951	3, 120	287	4	1, 498	70	----------	1, 843	14, 736
1952	3, 594	334	4	1, 982	85	----------	1, 864	16, 600
1953	4, 097	387	----------	2, 627	89	----------	1, 766	18, 366
1954	4, 589	451	----------	3, 276	89	----------	1, 676	20, 043
1955	5, 087	448	----------	4, 333	103	----------	1, 098	21, 141
1956	6, 442	495	----------	5, 361	124	----------	1, 452	22, 593
1957	6, 540	561	----------	6, 515	150	----------	436	23, 029
1958	7, 267	557	----------	7, 875	166	----------	−216	22, 813
1959	7, 565	543	----------	9, 049	206	124	−1, 271	21, 541
Estimated future experience:								
1960	9, 585	514	----------	10, 346	204	567	−1, 018	20, 524
1961	11, 120	517	[6] 172	11, 086	200	278	245	20, 769
1962	11, 572	519	95	11, 743	204	260	−21	20, 748
1963	12, 677	531	98	12, 310	208	280	508	21, 256
1964	14, 381	558	95	12, 795	214	275	1, 750	23, 006

[1] Beginning in 1953, include adjustments for refunds of contributions.
[2] Includes (1) profits on marketable investments, (2) for fiscal years 1954–58, interest transferred from the railroad retirement account, and (3) beginning in 1958, interest on administrative expenses reimbursed by the disability insurance trust fund.
[3] Include administrative expenses, less receipts from sale of surplus materials, services, etc. For fiscal years 1954–62, include cost of construction of an office building for the Bureau of Old-Age and Survivors Insurance. Beginning fiscal year 1957, expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund. Reimbursements, including interest, are then made from the disability insurance trust fund in the following fiscal year.
[4] Totals do not necessarily equal the sum of rounded components.
[5] Less than $500,000.
[6] The budget for fiscal year 1961 did not provide for this reimbursement (see text for futher details).

NOTE.—In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared January 1960.

Aggregate income of the old-age and survivors insurance trust fund is expected to exceed aggregate outgo in the 5-year period covering fiscal years 1960–64. During this period, there is an estimated net increase in the trust fund of $1.5 billion. During the 5 fiscal years 1960–64, the old-age and survivors insurance trust fund will have a maximum estimated size that is 1.7 times the highest expected annual outgo during the 5-year period.

Estimates consistent with those shown on a fiscal-year basis in table 11 are presented in table 12 to show the progress of the old-age and survivors insurance trust fund on a calendar-year basis. During 1960–62, annual income and annual outgo of the trust fund are expected to be in close balance. With the rate increase scheduled to take place in 1963, total income is expected to exceed total disbursements and the upward trend in the size of the fund will be resumed.

TABLE 12.—*Operations of the old-age and survivors insurance trust fund, calendar years 1937–64*

[In millions]

Calendar year	Transactions during period							Fund at end of period
	Income			Disbursements			Net increase in fund	
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
Past experience:								
1937–58	$59,109	$5,310	$15	$41,070	$1,377	$124	$21,864	$21,864
1941	789	56	----------	88	26	----------	731	2,762
1942	1,012	72	----------	131	28	----------	926	3,688
1943	1,239	88	----------	166	29	----------	1,132	4,820
1944	1,316	107	----------	209	29	----------	1,184	6,005
1945	1,285	134	----------	274	30	----------	1,116	7,121
1946	1,295	152	----------	378	40	----------	1,029	8,150
1947	1,557	164	1	466	46	----------	1,210	9,360
1948	1,685	281	3	556	51	----------	1,362	10,722
1949	1,666	146	4	667	54	----------	1,094	11,816
1950	2,667	257	4	961	61	----------	1,905	13,721
1951	3,363	417	4	1,885	81	----------	1,818	15,540
1952	3,819	365	----------	2,194	88	----------	1,902	17,442
1953	3,945	414	----------	3,006	88	----------	1,265	18,707
1954	5,163	468	----------	3,670	92	----------	1,869	20,576
1955	5,713	461	----------	4,968	119	----------	1,087	21,663
1956	6,172	531	----------	5,715	132	----------	856	22,519
1957	6,825	557	----------	7,347	162	----------	−126	22,393
1958	7,566	552	----------	8,327	194	124	−528	21,864
Estimated future experience:								
1959	8,052	532	----------	9,842	184	282	−1,724	20,141
1960	10,575	513	172	10,716	197	285	62	20,203
1961	11,391	518	95	11,415	202	278	109	20,312
1962	11,692	525	98	12,027	206	260	−178	20,134
1963	13,787	544	95	12,553	211	280	1,382	21,516
1964	14,519	583	90	13,000	215	275	1,702	23,218

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 11.

Benefit disbursements will continue to increase over the next 5 calendar years as the number of beneficiaries under the program increases. Table 13 shows the annual amount of benefit payments distributed by classification of beneficiaries.

TABLE 13.—*Old-age and survivors insurance benefit payments, distributed by classification of beneficiaries, calendar years 1940–64*

[In millions]

Calendar year	Total benefit disbursements [1]	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers			
				Monthly benefits			Lump-sum payments
				Total [1]	Aged widows, dependent widowers, and dependent parents	Widowed mothers, dependent divorced wives, and dependent children	
Past experience: [2]							
1940	$35.4	$14.8	$2.4	$6.4	$0.5	$5.9	$11.8
1941	88.1	43.6	7.6	23.6	2.7	20.9	13.3
1942	130.7	64.8	11.4	39.5	5.9	33.7	15.0
1943	165.9	79.1	13.9	55.2	9.9	45.2	17.8
1944	209.0	96.6	16.9	73.5	14.6	58.8	22.0
1945	273.9	125.8	22.3	99.6	21.0	78.6	26.1
1946	378.1	189.1	33.2	127.9	29.3	98.7	27.9
1947	466.2	244.7	42.9	149.1	38.3	110.8	29.5
1948	556.2	299.9	52.2	171.8	49.4	122.4	32.3
1949	667.2	372.9	64.5	196.6	62.2	134.3	33.2
1950	961.1	556.9	94.5	276.9	92.3	184.6	32.7
1951	1,885.2	1,134.9	186.1	506.8	164.5	342.3	57.3
1952	2,194.1	1,327.7	211.6	591.5	201.2	390.3	63.3
1953	3,006.3	1,884.2	291.1	743.5	260.2	483.4	87.5
1954	3,670.2	2,339.6	358.4	880.0	317.0	563.0	92.2
1955	4,968.2	3,252.9	494.9	1,107.5	412.2	695.4	112.9
1956	5,714.6	3,792.8	568.5	1,244.1	486.1	758.0	109.3
1957	7,347.3	4,888.4	799.4	1,520.7	671.7	849.0	138.8
1958	8,327.0	5,566.5	907.4	1,720.1	777.5	942.7	132.9
Estimated future experience:							
1959	9,842	6,553	1,059	2,062	945	1,117	168
1960	10,716	7,114	1,154	2,276	1,064	1,212	172
1961	11,415	7,530	1,218	2,485	1,184	1,301	182
1962	12,027	7,886	1,270	2,681	1,298	1,383	190
1963	12,553	8,177	1,315	2,863	1,403	1,460	198
1964	13,000	8,433	1,352	3,011	1,503	1,508	204

[1] Totals do not necessarily equal the sum of rounded components.
[2] Partly estimated.

Benefit expenditures expressed as a percentage of payroll will also continue to increase. Benefit payments were 4.77 percent of taxable earnings for calendar year 1958. It is estimated that by 1964 benefit expenditures from the old-age and survivors insurance trust fund will be 5.81 percent of taxable earnings. Figures for each of the calendar years 1960–64 are shown in table 14.

TABLE 14.—*Old-age and survivors insurance benefit payments as a percentage [1] of taxable earnings, calendar years 1940–64*

Calendar year	Benefit payments as a percentage of taxable earnings	Calendar year	Benefit payments as a percentage of taxable earnings
Past experience:		Past experience—Continued	
1940	0.11	1953	2.28
1941	.21	1954	2.83
1942	.25	1955	3.26
1943	.27	1956	[2] 3.48
1944	.32	1957	[2] 4.20
1945	.44	1958	[2] 4.77
1946	.55	Estimated future experience:	
1947	.59	1959	5.08
1948	.66	1960	5.30
1949	.82	1961	5.49
1950	1.10	1962	5.64
1951	1.60	1963	5.74
1952	1.76	1964	5.81

[1] For years 1951 and later, percentage takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

[2] Preliminary, subject to revision on complete tabulation of taxable self-employment earnings for 1956–58 and of taxable wages for 1957–58.

The growth in the number of beneficiaries in the past and the expected growth in the future is attributable in large measure to the rising number of aged workers eligible for and receiving old-age (primary) benefits. This is illustrated in table 15 which contains an analysis of workers aged 65 and over eligible for old-age (primary) benefits by age attained as of the beginning of each of the calendar years 1941 through 1964.

The growth in the number of eligible workers aged 65 and over was gradual but uninterrupted during the calendar years 1941 to 1949, inclusive. This growth resulted partly from the increase in the population at these attained ages, but primarily from the fact that in each passing year a larger proportion of the persons attaining age 65 had fully insured status.

The marked increase in the number of workers eligible for benefits in 1951 was due to the liberalized insured-status provisions of the 1950 amendments to the Social Security Act. Although the same factors that contributed before 1951 to the growth in the number of eligible persons aged 65 and over have continued to be operative after 1950, the amendments in 1950, 1954, and 1956 which liberalized the insured-status provisions and extended coverage to new areas of employment have an even greater effect.

As is indicated in table 15, a considerable proportion of the workers aged 65 and over who were eligible for old-age (primary) benefits in the past remained in covered employment (or, if they left covered employment, later returned to it) and did not receive benefits. Since January 1, 1945, however, the proportion of eligible workers receiving retirement benefits has been increasing except for temporary halts due to special circumstances resulting from the amendments of 1950 and 1954. In general, due to the increasing percentage of eligibles aged 72 or over who receive benefits regardless of earnings, the past upward trend in this proportion is expected to continue.

TABLE 15.—*Workers aged 65 and over eligible for and receiving old-age (primary) benefits, by attained age, calendar years 1941–64*

[In thousands]

Beginning of calendar year	All workers aged 65 and over			Workers aged 65–69			Workers aged 70 and over		
	Number eligible for benefits [1]	Persons receiving benefits		Number eligible for benefits [1]	Persons receiving benefits		Number eligible for benefits [1]	Persons receiving benefits	
		Number	Percent of number eligible		Number	Percent of number eligible		Number	Percent of number eligible
Past experience:									
1941	548	112	20	376	85	23	172	28	16
1942	680	200	29	445	134	30	235	66	28
1943	831	260	31	522	153	29	309	107	35
1944	1,016	306	30	608	156	26	408	151	37
1945	1,244	378	30	708	167	24	536	211	39
1946	1,469	518	35	805	212	26	664	306	46
1947	1,637	702	43	868	271	31	769	430	56
1948	1,813	875	48	930	325	35	883	550	62
1949	1,990	1,048	53	1,000	380	38	990	668	67
1950	2,164	1,286	59	1,069	474	44	1,095	812	74
1951	3,139	1,771	56	1,663	721	43	1,476	1,050	71
1952	3,504	2,278	65	1,825	942	52	1,679	1,337	80
1953	4,366	2,644	61	2,260	1,055	47	2,106	1,589	75
1954	4,786	3,222	67	2,418	1,300	54	2,368	1,922	81
1955	5,306	3,775	71	2,636	1,518	58	2,670	2,257	85
1956	5,879	4,474	76	2,821	1,744	62	3,058	2,729	89
1957	6,802	4,999	74	3,175	1,876	59	3,627	3,123	86
1958	7,394	5,931	80	3,377	2,257	67	4,017	3,675	91
1959 [2]	7,803	6,608	85	3,471	2,475	71	4,332	4,133	95
Estimated future experience:									
1960	8,225	7,187	87	3,540	2,656	75	4,685	4,531	97
1961	8,620	7,565	88	3,599	2,703	75	5,021	4,862	97
1962	8,954	7,892	88	3,618	2,721	75	5,336	5.171	97
1963	9,224	8,161	88	3,613	2,721	75	5,611	5,440	97
1964	9,429	8,369	89	3,593	2,708	75	5,836	5,661	97

[1] Figures for 1941–59 are partly estimated. Females aged 62–64 eligible for old-age benefits are excluded from the table. No adjustments have been made to reflect changes arising from (1) provisions that coordinate the old-age and survivors and railroad retirement programs, and (2) noncontributory wage credits for military service.

[2] Data are as of Dec. 1, 1958.

As a result of the amendments in 1956, an insured woman worker aged 62–64 may elect to receive an actuarially reduced retirement benefit. (Table 15 excludes data relating to women aged 62–64.) On January 1, 1960, there were an estimated 750,000 women workers aged 62–64 eligible for old-age benefits, of whom about 343,000, or 46 percent, were drawing such benefits. It is estimated that on January 1, 1964, 50 percent of the 745,000 women workers aged 62–64 eligible for old-age benefits will be receiving such benefits.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in table 16 together with the figures on actual experience in earlier years. Income of the disability insurance trust fund is expected to exceed disbursements in each of the 5 fiscal years 1960–64. During this 5-year period, it is estimated that the disability insurance trust fund will increase by about $2.3 billion and will have a maximum size that is 5.7 times the highest expected annual outgo during fiscal years 1960–64.

TABLE 16.—*Operations of the disability insurance trust fund, fiscal years 1957–64*

[In millions]

Fiscal year	Transactions during period							Fund at end of period [4]
	Income			Disbursements			Net increase in fund [4]	
	Tax contributions [1]	Interest on investments [2]	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses [3]	Transfers to railroad retirement account		
Past experience:								
1957–59	$2,159	$50	----------	$508	$35	----------	$1,667	$1,667
1957	337	1	----------	----------	1	----------	337	337
1958	926	16	----------	168	12	----------	762	1,099
1959	895	33	----------	339	21	----------	568	1,667
Estimated future experience:								
1960	978	48	----------	520	32	−$26	500	2,167
1961	1,024	61	[5] $1	576	37	−2	475	2,642
1962	1,052	72	1	618	37	−1	471	3,113
1963	1,078	84	2	652	37	0	475	3,588
1964	1,114	97	2	682	38	1	492	4,080

[1] Adjusted for refunds.
[2] Includes profits on marketable investments.
[3] Expenses of the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund. Reimbursements, including interest, are then made from the disability insurance trust fund in the following fiscal year.
[4] Totals do not necessarily equal the sum of rounded components.
[5] The budget for fiscal year 1961 did not provide for this reimbursement (see text for further details).

NOTE.—Reference should be made to the text which describes the underlying assumptions and limitations. Estimates were prepared January 1960.

Estimates consistent with those shown on a fiscal-year basis in table 16 are presented in table 17 to show the progress of the disability insurance trust fund on a calendar-year basis.

TABLE 17.—*Operations of the disability insurance trust fund, calendar years 1957–64*

[In millions]

Calendar year	Transactions during period							Fund at end of period
	Income			Disbursements			Net increase in fund	
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
Past experience:								
1957–58	$1,667	$32		$306	$15		$1,379	$1,379
1957	702	7		57	3		649	649
1958	966	25		249	12		729	1,379
Estimated future experience:								
1959	891	40		457	50	−$22	447	1,825
1960	1,007	53	$1	550	37	−4	478	2,303
1961	1,037	66	1	599	36	−2	471	2,774
1962	1,063	78	2	635	37	−1	472	3,246
1963	1,090	91	2	668	38	0	477	3,723
1964	1,125	104	2	695	39	1	496	4,219

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 16.

The total amount of benefit payments under the disability insurance program will continue to increase over the next 5 calendar years as the number of beneficiaries increases. Benefit expenditures as a percentage of payroll will also continue to increase. Benefit payments were 0.14 percent of taxable earnings for calendar year 1958. It is estimated that in 1959 benefit expenditures will rise to 0.24 percent of payroll, reflecting the effect of the 1958 amendments. Figures for each of the calendar years 1957–64 are shown in table 18.

TABLE 18.—*Disability insurance benefit payments as a percentage*[1] *of taxable earnings, calendar years 1957–64*

Calendar year	Benefit payments as a percentage of taxable earnings	Calendar year	Benefit payments as a percentage of taxable earnings
Past experience:		Estimated future experience—Continued:	
1957	[2] 0.03	1961	0.29
1958	[2] .14	1962	.30
Estimated future experience:		1963	.31
1959	.24	1964	.31
1960	.27		

[1] Takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund.

[2] Preliminary, subject to revision on complete tabulation of taxable wages and self-employment earnings for 1957–58.

Public Law 234, approved October 30, 1951, amended the Railroad Retirement Act to provide a new basis of coordinating the railroad retirement program with old-age and survivors insurance. A description of the legislative provisions governing the financial interchanges arising from the allocation of costs between the two systems is contained in appendix II. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determined that a transfer of $274,600,000 to the railroad retirement account from the old-age and survivors insurance trust fund would place the old-age and survivors insurance trust fund in the same position as of June 30, 1958, as it would have been if railroad employment had always been covered under the Social Security Act. This sum together with interest thereon for fiscal year 1959, amounting to $7,448,000, or a total of $282,048,000 was transferred to the railroad retirement account in July 1959. The estimates shown in tables 11 and 12 reflect the effect of future interchanges between the railroad retirement account and the old-age and survivors insurance trust fund. The amount of $567 million for fiscal year 1960 (table 12) is the total of the $282 million referred to above and an estimated $285 million assumed to be transferred in the latter part of June 1960 based on the financial interchange determination to be made as of June 30, 1959.

Public Law 880, approved August 1, 1956, provides for similar annual determinations and for financial interchanges between the railroad retirement account and the disability insurance trust fund. Upon completion of the first determination, it was established that, as of June 30, 1958, a transfer of $21,400,000 from the railroad retirement account to the disability insurance trust fund was necessary. This amount, together with interest thereon for fiscal year 1959, totaling $580,000, was transferred to the trust fund in July 1959. The estimates shown in tables 16 and 17 reflect the effect of future interchanges between the railroad retirement account and the disability insurance trust fund.

Public Law 881, approved August 1, 1956, provides that the old-age and survivors insurance trust fund, and where appropriate the disability insurance trust fund, shall be reimbursed from general revenues for past and future expenditures resulting from the provisions that granted noncontributory $160 monthly wage credits to persons who served in the Armed Forces from September 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivorship protection to certain World War II veterans for a period of 3 years after leaving service. In accordance with these provisions, the annual reimbursement is to be made up of two parts: (1) the additional costs arising from payments during the period September 1950 through June 1956, the total of which is to be amortized in annual installments over a 10-year period; and (2) the additional costs arising from payments made after June 30, 1956, to be repaid to each of the trust funds on a current basis. The estimates shown in the various tables in this section of the report reflect the effect of these reimbursements and are based on the assumption that the required appropriations will be made in fiscal year 1961 and thereafter. The budget for the fiscal year 1961 (p. M63) did not make any provision for such reimbursements, pending development of legislative proposals dealing with situations in which, under present law, payments are required to be made from general funds to both the railroad retirements account and to the trust funds on account of military service. The budget stated that—

the Federal Government should not, as required by the Railroad Retirement Act, pay more than the true cost of such benefits or pay to both the railroad retirement account and to the old-age, survivors, and disability insurance trust funds for the same military service benefits.

A description of the legislative history of provisions relating to credit for military service, including provisions for reimbursement for the additional costs arising from payments made before September 1950, is contained in appendix II.

As already indicated earlier in this section, forecasts of the income and disbursements of the trust funds involve many uncertainties. For that reason, estimates are presented in table 19 to show the effects on the operations and status of the old-age and survivors insurance trust fund in the unlikely event of a sharp reduction in the level of economic activity during calendar years 1960–64, with a relatively high rate of unemployment during the entire period. Under this assumption, contributions would be lower and benefit payments higher than estimated above under high employment conditions.

TABLE 19.—*Illustration showing the operations and status of the old-age and survivors insurance trust fund assuming the unlikely event of a sharply reduced level of economic activity, calendar years 1960–64*

[In millions]

Calendar year	Transactions during period							Fund at end of period
	Income			Disbursements			Net increase in fund	
	Tax contributions	Interest on investments	Reimbursement for additional cost of noncontributory credit for military service	Benefit payments	Administrative expenses	Transfers to railroad retirement account		
1960	$10,200	$506	[1] $172	$10,859	$203	$285	−$469	$19,672
1961	10,091	482	95	11,813	208	290	−1,643	18,029
1962	9,683	432	98	12,531	210	295	−2,823	15,206
1963	10,973	371	95	12,992	214	330	−2,097	13,109
1964	11,352	313	90	13,330	217	345	−2,137	10,972

[1] The budget for fiscal year 1961 did not provide for this reimbursement. (See text for further details.)

NOTE.—In interpreting the above estimates, reference should be made to the accompanying text which explains the underlying assumptions.

The lower the level of employment during the next 5 years, the larger will be the volume of benefit payments to retired workers and to their eligible dependents. Under the hypothetical lower employment conditions it is estimated that larger proportions of eligible workers would be obliged to leave employment, especially at ages 65–69. Hence, despite a slightly smaller number of eligible workers, the number receiving old-age (primary) benefits under this assumption would considerably exceed that under high employment conditions. Moreover, it is expected that the average old-age (primary) benefit amount payable would be larger inasmuch as many of the more steadily employed higher paid older workers, who would not withdraw from employment under the high employment conditions, would not be employed under these assumed conditions. The foregoing analysis also applies to insured women workers aged 62–64.

On the other hand, the larger the volume of employment, the larger will be the number of workers who are insured under the program and therefore the larger will be the number of deaths which will give rise to valid claims for survivor benefits. While favorable opportunities for employment will operate to increase the number of new death claims, such a high employment situation will tend to have counterbalancing effects such as that of inducing many of the widows and older children eligible for survivor benefits to forego them by working. Therefore the amount paid out for survivor benefits over the short-range future will not be affected significantly by variations in economic conditions.

ACTUARIAL STATUS OF THE TRUST FUNDS

Old-age, survivors, and disability insurance benefit payments will increase for many years—not only in dollars but also as a percentage of taxable payroll. Long-range estimates are needed to show how much the cost is likely to increase and to indicate whether the scheduled tax rates are adequate. This section presents cost estimates that are revisions of those in the previous report. Revision was made to reflect recent operating experience, especially in regard to the relatively new disability insurance program, and to use the 1959 earnings level (instead of 1956).

The cost of benefits to aged persons, which constitute almost 90 percent of the total cost, will rise for several reasons. The United States population cannot continue to increase indefinitely; births cannot continue indefinitely to exceed deaths. When a balance is reached or a reversal in the present trend occurs, the population as a whole will have become relatively much older. A relatively older population will also result because the present aged population is made up of the survivors from past periods when death rates were much higher than they are now; thus, in the future, relatively more persons will attain age 65 and older ages.

The cost of the program is thus closely related to the ratio of the population aged 65 and over (potential beneficiaries) to the population aged 20–64 (potential contributors). At present this ratio is 16.7 percent. In a stationary population with present death rates it would be 24.9 percent, but such a situation would be very unlikely to occur for many decades. It is expected that this ratio will eventually become even greater because of further decreases in mortality.

Another reason for the increasing cost is that the proportion of the aged population receiving benefits will increase. Many of the present persons aged 65 and over were not in covered employment long enough to obtain benefits, or, in the case of widows, their husbands were not sufficiently long in covered employment. Although the system began in 1937, many jobs were not covered until 1951 or 1955. It is estimated that the proportion of the aged population eligible for some type of benefit under the system will increase from the present level of about 73 percent to between 92 and 97 percent by the end of the century.

Because the actual cost could reasonably vary over a wide range, three complete sets of estimates are made—low cost, intermediate cost, and high cost. The cost estimates are based on high employment and 1959-level earnings assumptions. Each provides estimates of such items as taxable and creditable payroll, contributions, beneficiaries, benefit payments, and administrative expenses for every future year. The data are presented here for selected future years. All figures are assumed to remain constant after 2050.

It is considered likely, although by no means certain, that actual costs as a percentage of payroll will lie between the low-cost and high-cost figures. The intermediate-cost estimates of beneficiaries, benefit payments, and payrolls are taken halfway between the low-cost and high-cost figures. The intermediate percentage-of-payroll figures are obtained by dividing total benefit payments by taxable payroll, each on the intermediate basis, and are therefore not exactly equal to the average of low-cost and high-cost percentages.

Table 20 shows benefit payment costs for selected years and the level-premium cost, all expressed as percentages of payroll, under each of the three estimates. The level-premium cost is that constant combined employer-employee tax rate that, together with a tax on the self-employed at 75 percent of such combined rate, would exactly pay for all future benefits and administrative expenses, after making allowance for the effect of the existing trust fund and for future interest earnings. All percent-of-payroll figures are adjusted so that they represent the tax rate that employees and employers combined, and the self-employed at three-quarters of the combined rate, would have to pay in any given year to meet exactly the benefit disbursements in that year. Tables 21 and 22 show, for each set of estimates, the contributions, benefit payments, administrative expenses, amount paid to or received from the railroad retirement system, and the balance in the trust funds for selected years.

TABLE 20.—*Estimated costs of old-age, survivors, and disability insurance system as percent of payroll,[1] high employment and 1959 level earnings assumptions, 1970–2050*

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate[2]
	Old-age and survivors insurance benefits		
1970	6.60	6.93	6.77
1980	7.49	8.51	7.99
1990	7.69	9.74	8.66
2000	6.90	9.85	8.25
2025	7.78	12.98	9.94
2050	9.86	14.82	11.78
Level-premium cost[3]	7.35	9.61	8.38
	Disability insurance benefits		
1970	0.25	0.41	0.33
1980	.27	.47	.37
1990	.23	.43	.32
2000	.22	.46	.33
2025	.28	.54	.39
2050	.32	.58	.42
Level-premium cost[3]	.26	.46	.35

[1] Taking into account the lower contribution rate for the self-employed, as compared with the combined employer-employee rate.
[2] Based on the average of the dollar costs under the low-cost and high-cost estimates.
[3] Level-premium contribution rate, at 3-percent interest rate, for benefits after 1959, taking into account interest on the trust fund on Dec. 31, 1959, future administrative expenses, the railroad retirement financial interchange provisions, and the lower contribution rates payable by the self-employed.

TABLE 21.—*Estimated progress of old-age and survivors insurance trust fund, high employment and 1959 level earnings assumptions, 3 percent interest basis* [1]

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses [2]	Financial interchange [3]	Interest on fund	Fund at end of year [4]
	Actual data					
1951	$3,367	$1,885	$81		$417	$15,540
1952	3,819	2,194	88		365	17,442
1953	3,945	3,006	88		414	18,707
1954	5,163	3,670	92		468	20,576
1955	5,713	4,968	119		461	21,663
1956	6,172	5,715	132		531	22,519
1957	6,825	7,347	162		557	22,393
1958	7,566	8,327	194	−$124	552	21,864
	Low-cost estimate					
1970	$20,061	$15,576	$197	−$87	$1,390	$50,016
1980	23,821	21,001	242	37	3,024	105,120
1990	28,414	25,695	289	113	4,879	168,779
2000	34,065	27,639	329	113	7,938	275,639
2025	46,142	42,218	467	113	25,096	863,424
	High-cost estimate					
1970	$19,951	$16,275	$229	−$207	$1,147	$41,002
1980	22,833	22,872	279	−55	2,099	71,893
1990	25,759	29,511	334	39	2,049	68,327
2000	28,888	33,484	375	39	1,127	36,219
2025	32,655	49,880	493	39	(5)	(5)
	Intermediate-cost estimate					
1970	$20,006	$15,925	$213	−$147	$1,272	$45,517
1980	23,327	21,937	261	−9	2,571	88,833
1990	27,087	27,602	312	76	3,477	118,995
2000	31,477	30,561	352	76	4,550	156,522
2025	39,398	46,050	480	76	9,167	311,219

[1] At 3 percent, except 2.6 percent in 1959, 2.7 percent in 1960, 2.8 percent in 1961, and 2.9 percent in 1962.
[2] Beginning with 1957, the actual figures are somewhat overstated because this trust fund currently bears the administrative expenses of the disability insurance system and is later reimbursed therefor by the disability trust fund.
[3] A positive figure indicates payment to the trust fund from the railroad retirement account; a negative figure indicates the reverse.
[4] Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to $377 for 1953, $284 for 1954, $163 for 1955, $60 for 1956, and nothing for 1957 and thereafter.
[5] Fund exhausted in 2008.

TABLE 22.—*Estimated progress of disability insurance trust fund, high employment and 1959 level earnings assumptions, 3 percent interest basis* [1]

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses [2]	Financial interchange [3]	Interest on fund	Fund at end of year
	Actual data					
1957	$702	$57	$3	------------	$7	$649
1958	966	249	12	------------	25	1,379
	Low-cost estimate					
1970	$1,213	$582	$26	------------	$283	$10,013
1980	1,419	743	30	$4	593	20,696
1990	1,672	754	33	5	1,055	36,665
2000	2,002	896	40	5	1,760	60,968
2025	2,714	1,524	59	5	4,853	167,197
	High-cost estimate					
1970	$1,206	$954	$33	−$6	$204	$7,127
1980	1,360	1,262	39	−2	319	10,979
1990	1,515	1,290	42	−1	462	15,966
2000	1,698	1,552	49	−1	684	23,520
2025	1,921	2,076	58	−1	1,235	42,283
	Intermediate-cost estimate					
1970	$1,209	$768	$30	−$3	$244	$8,590
1980	1,390	1,002	33	1	457	15,868
1990	1,593	1,022	38	2	760	26,365
2000	1,850	1,224	45	2	1,224	42,312
2025	2,317	1,800	59	2	3,048	104,882

[1] At 3 percent, except 2.6 percent in 1959, 2.7 percent in 1960, 2.8 percent in 1961, and 2.9 percent in 1962.
[2] The actual figures are somewhat understated because the old-age, survivors and insurance trust fund currently bears the administrative expenses of this program and is later reimbursed therefor by this fund.
[3] A positive figure indicates payment to the trust fund from the railroad retirement account; a negative figure indicates the reverse.

Annual benefit payments as a percentage of payroll are less than the scheduled tax rates in the early years (with a few exceptions), but—except under the low-cost disability estimate—eventually rise well above the ultimate scheduled combined employer-employee tax rate of 8½ percent for old-age and survivors insurance and one-half percent for disability insurance. To measure the extent to which the financing arrangements of the system result in a surplus or deficiency, a level rate equivalent to the actual increasing contribution rates has been computed, taking into account future interest. The level-premium equivalent of contributions minus the level-premium equivalent of benefit and administrative costs, after making allowance for the effect of the existing trust fund, gives the amount by which the contribution rate in all years would have to be changed to put the system in exact long-range balance according to the estimate. A negative figure indicates that an increase is needed. The figures shown below, in percentages of payroll, are computed on a 3 percent interest basis as of the beginning of calendar year 1960:

Item	Low cost	High cost	Intermediate cost
	Old-age and survivors insurance		
Contributions [1]	8.20	8.14	8.18
Benefit cost [2]	7.35	9.61	8.38
Net difference	.85	−1.47	−.20
	Disability insurance		
Contributions [1]	0.50	0.50	0.50
Benefit cost [2]	.26	.46	.35
Net difference	.24	.04	.15

[1] Based on adjusted payroll that reflects the lower contribution rate for the self-employed as compared with the combined employer-employee rate.
[2] Including adjustments (*a*) to reflect lower contribution rate for the self-employed as compared with the combined employer-employee rate; (*b*) for interest on existing trust fund; (*c*) for administrative expenses; and (*d*) for the railroad retirement financial interchange provisions.

In view of the very long-range nature of these projections and the many variable factors involved, the deficiency for the old-age and survivors insurance system under the intermediate-cost estimate is so small that the system may be considered in approximate actuarial balance; on a 3¼ percent interest basis (well below current market yields on long-term Government securities), instead of the above deficiency of 0.20 percent of payroll, there would be a surplus of 0.04 percent. The disability insurance system is more than in actuarial balance under all three estimates. The estimates contained in the previous report showed about the same results for the old-age and survivors insurance portion of the program. On the other hand, the disability insurance system was shown to be in almost exact balance. The more favorable current status of the disability insurance trust fund arises from a detailed analysis of actual operating experience that recently became available. Further discussion of this matter is presented in appendix I.

If the experience exactly follows the assumptions, the deficiency would gradually increase under the high-cost or intermediate-cost estimate for the old-age and survivors insurance system, while the surplus would increase under the low-cost estimate for old-age and survivors insurance and under all the estimates for disability insurance. Any deficit or surplus in the contribution schedule (as compared with the required level-premium tax rate) gradually increases through the years because of the effect of interest accumulations. In the case of a surplus, the excess contributions actually earn interest, while a deficit grows because of annual interest that would have been earned if the proper contributions had been paid. With continuing study of the emerging experience under the program, there will be ample time to make any changes in the tax rate that may be necessary to keep the system in actuarial balance.

It is important to note that these estimates are made on the assumption that earnings levels will remain at their present magnitude into the indefinite future. If earnings levels continue to rise, as they have in the past, the benefits and taxable earnings base under the program will undoubtedly be modified. If such changes would be made concurrently and proportionately with changes in general earnings levels, the future year-by-year costs of the system as a percentage of taxable payroll would be the same as those shown. However, the existing trust fund accumulated in the past, and its interest earnings, will represent a smaller proportion of the future taxable payrolls than if earnings were not to increase in future years. As a result, since interest earnings of the trust fund will play a relatively smaller role in the financing of the system, the net level-premium cost—taking into account benefit payments, administrative expenses, and interest on the existing trust fund—would be somewhat higher. If benefits would be modified to reflect changes in earnings levels although not in full but rather only in part, or with a time lag, a still different cost situation would develop. Again, the effect of such changes can be observed in ample time to make any needed changes in the contribution schedule.

This analysis includes the benefits and contributions in respect to all persons anticipated to be covered in the future under present legislative provisions. There would be a large deficiency if account were taken only of the benefits to be paid to workers who have been covered by the system in the past and to their dependents and survivors, the future taxes to be paid by such workers, and the existing trust funds. In a private insurance company it is necessary to set up reserves equal to all currently accrued liabilities, since the company cannot compel individuals to become new policyholders and must be in a position at any time to pay all benefits which will become payable with respect to its present and past policyholders using only its present assets and the premiums to be paid by present policyholders. In analyzing the actuarial condition of a compulsory social insurance system which will continue indefinitely, however, the income and benefits with respect to new entrants can properly be included, thus obviating the need to set up reserves for all currently accrued liabilities.

A discussion of the assumptions under which these estimates have been made is presented in appendix I.

CONCLUSION

Both the contribution income and the disbursements of the old-age and survivors insurance trust fund have been increased substantially during the past 5 fiscal years. The increase in the contribution income resulted partly from the rise in earnings levels and the normal growth of the labor force and partly from the increases in contribution rates in 1954 and 1959, the extension of coverage to additional types of employment by the 1954 and 1956 amendments, and the increases in the maximum limit on taxable earnings in 1955 and 1959.

Old-age and survivors insurance trust fund disbursements, however, have risen even more sharply than contribution income. Basic factors in this increase are the long-term growth in the aged population and, more significantly, the lengthening period during which workers have had an opportunity to acquire the quarters of coverage required to be insured. More immediate causes have been the amendments to the Social Security Act during 1950–58, which extended the program's coverage, lowered the requirements for eligibility to benefits for persons who retire (and for the survivors of individuals who die) in the early years of the program, reduced the minimum retirement age of women from 65 to 62, increased the benefits payable, and liberalized the retirement test.

As a result of the rapid rise in disbursements, the outgo of the old-age and survivors insurance trust fund exceeded its income by $216 million in fiscal year 1958 and by $1,271 million in fiscal year 1959. The assets of the trust fund were, of course, available to cover this excess of outgo over income in both years. Under the contribution schedule as revised by the Social Security Amendments of 1958, however, total receipts are expected to exceed total disbursements in the 5 fiscal year period 1960-64.

Long-range cost estimates show that the old-age and survivors insurance program is in close actuarial balance. In other words, the system will have sufficient income from contributions based on the tax schedule now in the law and from interest earned on investments to meet payments for benefits and administrative expenses over the long-range future.

Aggregate income of the disability insurance trust fund during the period immediately ahead will continue to be wholly sufficient to meet aggregate disbursements and in fact will build up a substantial fund. Long-range cost estimates show that the disability insurance program is more than in actuarial balance.

In its 19th annual report, the Board of Trustees presented its comments on the report of the Advisory Council on Social Security Financing. The Board expressed full or partial agreement with certain of the Council's recommendations that would necessitate changes in the law. Modified in accordance with the views of the Board, the proposed changes in the law are as follows:

(1) The so-called three times rule (requiring the Board of Trustees to report to the Congress whenever it expects that in the course of the next 5 fiscal years either of the trust funds will exceed three times the highest annual expenditures from such fund anticipated during that 5-year period) should be eliminated from the law.

(2) The law should be amended to state that the Board of Trustees shall meet not less frequently than once each 6 months.

(3) In order to permit the flexibility which occasional special circumstances might require, the law should be amended to allow the purchase of marketable securities only when such purchase would be in the public interest.

(4) The statutory formula fixing the interest rate on special Federal obligations issued for purchase by the trust funds should be changed so that the interest rate on such issues will approximate the average market yield on marketable Federal obligations that are due or callable 3 or more years from the time when the special obligation is issued.

An administration bill (H.R. 9148) incorporating these recommended changes was introduced in the Congress in September 1959.

APPENDIXES

Appendix I. Assumptions, Methodology, and Details of Long-Range Cost Estimates

The basic assumptions used in the long-range estimates for the old-age, survivors, and disability insurance system are described in this appendix.[1] Also given are more detailed data in connection with the results of these estimates.

POPULATION

A projection of the U.S. population (including overseas areas covered by the old-age, survivors, and disability insurance program) for every future quinquennial year by 5-year age groups and by sex, was made. The starting point was the population on July 1, 1955, as estimated by the Bureau of the Census from the 1950 census and from subsequent births, deaths, and migration. This population estimate was increased to allow for probable underenumeration in the 1950 census.

In both cost estimates it is assumed that mortality rates will decline until the year 2000. In the high-cost estimate, mortality rates for the year 2000 are in the neighborhood of 50 percent of the 1953 level up to age 70, with less decrease at older ages. The low-cost estimate assumes less improvement.

In the low-cost estimate, fertility rates are assumed to remain at about the level of recent years until 1975 and then decrease slowly until in 2045–50 they reach about the level required to maintain a stationary population. The high-cost fertility rates begin decreasing at once and reach about the level required to maintain a stationary population in 2005–10. Both estimates assume a small amount of immigration.

The low-cost estimate is based on high fertility and high mortality, while the high-cost estimate assumes low fertility and low mortality. This makes the high-cost population relatively much older than the low-cost population, which is reasonable in view of the fact that benefits to aged persons account for nearly 90 percent of the cost of the system. Complete details about the population projections are given in "Actuarial Study No. 46," Social Security Administration.

EMPLOYMENT

Assumptions as to the percentage of the population who have covered employment during a year were made for each age group by sex for each quinquennial year. For those under retirement age, the 1955 figures, after upward adjustment to allow for the extension of coverage under the 1956 amendments and the full potential coverage of the 1954 amendments, were continued level into the future for

[1] For more details as to the procedures followed in making the long-range cost estimates, see "Actuarial Study No. 49," Social Security Administration, which deals with the 1956 act but also indicates modified procedures used in connection with estimates for the 1958 act.

males. For females an increase was assumed, especially at the middle ages, which continues the past trend. Beyond retirement age, an increase was assumed in the low-cost estimate, which implies an increasing proportion affected by the retirement test; conversely, in the high-cost estimate a decrease was assumed, of a somewhat larger size than the increase assumed in the low-cost estimate. Assumptions were also made about the percentage of covered workers in each age group who have four quarters of coverage during the year. The employment assumptions were based on 1955 data and thus represent close to full employment. A depression could substantially increase the cost, as illustrated in table 16 of the main text. But it is believed that any periods of low employment would be of short duration and would not have a significant long-range effect.

EARNINGS

Level average earnings at about the 1959 level were assumed in each of the four groups: male four-quarter workers, male workers with less than four quarters of employment, female four-quarter workers, and female workers with less than four quarters of employment. In the past, average earnings have increased greatly, partly because of inflation, partly because of increased productivity, and partly because of the changed occupational composition of the labor force and related factors. If this trend continues and if the benefit formula is not changed, the cost relative to payroll would be less than the estimates show because the formula provides a benefit that is a decreasing percentage of average wage as the average wage increases. It is likely, however, that if average earnings increase, the benefit formula will be modified accordingly. If benefit payments were increased in exactly the same ratio as the increase in average earnings, the year-by-year cost estimates of benefit payments expressed as a percentage of payroll would be unchanged. There would, however, be some increase in the level-premium cost because of the diminished relative value of interest earnings on the trust funds.

INSURED POPULATION

The term "insured" is used as meaning either fully or currently insured. Separate estimates of fully insured, currently insured, and both fully and currently insured have not been made, because almost all aged insured persons and almost all younger male insured persons are fully insured, and also because either fully or currently insured status generally gives eligibility to all young survivor benefits. The percentages of insured persons by age and sex were estimated from the percentages of persons covered. It is evident that eventually almost all males in the country will be insured for old-age and survivor benefits; the ultimate percentage for aged males is estimated at 92 percent in the low-cost estimate and 97 percent in the high-cost estimate. For females there is much greater uncertainty; it is estimated that the corresponding proportions for aged females will eventually be 60 percent in the low-cost estimate and 70 percent in the high-cost estimate.

The estimates of the population insured for disability benefits are lower than those for the population insured for old-age and survivor benefits; the latter have been reduced to take into account the more restrictive insured status provisions for disability benefits. One reason that the disability cost estimates contained in this report are lower than those in the previous report is that actual experience indicates somewhat fewer persons with disability insured status than had previously been estimated.

AGED BENEFICIARIES

Old-age beneficiaries are estimated by subtracting from the estimated total aged insured workers those whose earnings are such that they do not meet the retirement test. The number with benefits so withheld or not payable is assumed to be a constant percentage, based on recent actual data, of the aged covered population. To estimate potential wife beneficiaries, the percentages of men having wives aged 62 and over, by age of male, are obtained from census data. These figures are assumed to increase in the future so as to be consistent with the decreasing mortality assumption. It is assumed that no wives will defer claiming benefits to age 65 in order to avoid reduced benefits.

To estimate potential widow beneficiaries, the deaths of insured married men in each quinquennial year are computed using the same percentages of married men among the total deaths of insured male workers in the year as is found in recent operating data. The numbers of widows thus created are projected with mortality and remarriage rates. The death rates assumed are consistent with the survival rates used in the population projections; the remarriage rates are based on 1956 experience of those receiving mother's benefits.

It is assumed that the actual wife and widow beneficiaries consist of the uninsured among these potential beneficiaries. A fraction of the remainder receive a residual benefit—the amount by which the potential wife's or widow's benefit exceeds the old-age benefit. Ultimately, it is assumed that the percentage of potential wife or widow beneficiaries who are uninsured and thus receive a full benefit is 43.3 percent in the low-cost estimate and 32.3 percent in the high-cost estimate. These figures are obtained by assuming that the percentage single and divorced in the aged female population would remain at the present level of about 10 percent, that 90 percent of the single and divorced would be insured, and that the chance of a wife or widow being insured would be the same regardless of whether she is a potential wife or widow beneficiary. The percentage uninsured is, in effect, graded from estimates of recent actual data to the ultimate figure; initially the figure is greater for wives than for widows since the former are less likely to have had recent employment. The number of widow beneficiaries is adjusted so as to yield a reasonable relationship between the total number of aged female beneficiaries and the total aged female population.

The minor category of parent beneficiaries is estimated as a constant proportion of aged persons not eligible for any other benefit. The insignificant effect of the retirement test for wives and widows is ignored, as are also benefits for dependent husbands and widowers.

Appendix table 1 shows the estimated aged beneficiaries. By 2050 the low-cost beneficiaries slightly exceed those under the high-cost estimate; this is because the low-cost population is much larger—not only at the working ages but also, although to a smaller degree, at the older ages.

APPENDIX TABLE 1.—*Estimated monthly aged beneficiaries,[1] males aged 65 and over and females aged 62 and over, in current-payment status, 1970–2050*

[In thousands]

Calendar year	Old-age beneficiaries		Wives of old-age beneficiaries [2]	Aged widows [3]	Dependent parents	Total
	Male	Female				
	Actual data for end of year [4]					
1950	1,469	302	508	314	15	2,608
1951	1,819	459	647	384	19	3,328
1952	2,052	592	724	434	21	3,823
1953	2,438	784	864	511	22	4,619
1954	2,803	972	981	595	24	5,375
1955	3,252	1,222	1,141	701	25	6,341
1956	3,572	1,540	1,378	913	27	7,430
1957	4,198	1,999	1,784	1,095	29	9,105
1958	4,617	2,303	1,980	1,233	30	10,163
	Low-cost estimate					
1970	5,917	3,950	2,339	2,657	53	14,916
1980	7,417	6,068	2,749	3,462	47	19,743
2000	9,351	9,192	2,934	4,236	34	25,747
2050	20,863	24,602	5,464	8,503	50	59,482
	High-cost estimate					
1970	6,671	4,834	2,599	2,428	51	16,583
1980	9,013	7,736	3,263	2,931	43	22,986
2000	13,380	12,453	3,825	3,640	24	33,322
2050	23,637	24,971	4,569	4,907	24	58,108

[1] Persons qualifying both for old-age benefits and for wife's, widow's, husband's, widower's, and parent's benefits are shown only as old-age beneficiaries.
[2] Including dependent husbands and including wives of any age with child beneficiaries in their care (both relatively small categories).
[3] Including dependent widowers.
[4] As of December, except for 1958 (November). Excluding effect of railroad coverage under financial interchange provisions.

BENEFICIARIES UNDER RETIREMENT AGE

Young wives and children of retired workers are estimated using pertinent ratios to male old-age beneficiaries, derived from recent actual data.

Child survivor beneficiaries are obtained from estimates of total paternal orphans in the country in future years. The projected child population by age groups is multiplied by the probability of the father having died, using an average age for fathers at birth of child and death rates consistent with the population projections. The numbers of paternal orphans are then adjusted to eliminate orphans of uninsured men and to include the small numbers of orphans of insured women and of eligible disabled orphans aged 18 and over. Mother survivor beneficiaries are estimated by assuming a constant ratio of mothers to children, a little below the recent actual ratio in the low-cost estimate, and a little above it in the high-cost estimate. The numbers of lump-sum death payments are estimated by multiplying the estimated insured population by death rates consistent with the survival rate used in the population projections.

DISABILITY INCIDENCE AND TERMINATION RATES

Estimates of the future cost of the disability insurance program have, until this report, been based on the same general assumptions that were used in the estimates prepared at the time of the 1956 amendments. Now there are sufficient data available from the actual operation of the program to suggest that some changes should be made in these assumptions.

The 1956 experience on incidence rates for men fell practically midway between the low-cost and high-cost assumptions. For women, however, the actual experience was about 25 percent lower than for men instead of 50 to 100 percent higher, as had been assumed. Accordingly, the incidence rates for men used previously are continued, and those for women are lowered to the same as the male rates (a small margin of safety or conservatism). It is, of course, recognized that in many disability benefit programs the experience of the early years is much lower than in later years. In adopting these assumptions for the long-range estimates, however, account is taken of the fact that it is not within the jurisdiction of the Department of Health, Education, and Welfare to liberalize the definition of disability by administrative action. Furthermore, it is assumed that there will be no court decisions that will have the general effect of liberalizing the definition of disability. Moreover, as indicated earlier, the estimates presuppose a continued high level of employment.

In the high-cost estimates, disability incidence rates for men are based on the so-called 165 percent modification of class 3 rates (which includes increasingly higher percentages for ages above 45). This 165 percent modification corresponds roughly to life insurance company experience during the early 1930's. Incidence rates assumed for women are the same as those for men (instead of 100 percent higher, as previously). Termination rates are class 3 rates (relatively high, to be consistent with the high incidence rates assumed).

For the low-cost estimates, disability incidence rates for men are based on 25 percent of those used in the high-cost estimates, or, in other words, on the average about 45 to 50 percent of the class 3 rates considering the larger adjustments above age 45. Incidence rates assumed for women are the same as those for men (instead of 50 percent higher, as previously). Termination rates are based on German social security experience for 1924–27, which is the best available experience as to relatively low disability termination rates to be anticipated in conjunction with low incidence rates.

The incidence rates actually used for both estimates are 10 percent below the above rates because, unlike the general definition in insurance company policies, disability is not presumed to be total and of expected long-continued duration after 6 months' duration, but rather permanence must be proved at that time.

It will be noted that the low-cost estimate includes low incidence rates (which, taken by themselves, produce low costs) and also low termination rates (which, taken by themselves, produce higher costs, but which are considered necessary since with low incidence rates there would tend to be few recoveries). On the other hand, the high-cost estimate contains high incidence rates that are somewhat offset by high termination rates.

It is believed that these cost estimates for the monthly disability benefits are as good an indication of these costs as it is now possible to achieve. Nevertheless, it is recognized that in a new field such as this, more valid estimates are possible only after the operating experience of several years has developed and has been adequately tabulated and analyzed. Disability incidence and termination rates can vary widely—much more so than mortality rates which underlie retirement and survivor benefit cost calculations.

Persons who will receive benefits as dependents of disabled workers have been estimated by assuming a constant ratio to the number of disability insurance beneficiaries. This ratio is based on statistics recently developed concerning dependents of workers for whom a disability determination has been made.

Appendix table 2 shows the estimates of beneficiaries under retirement age.

APPENDIX TABLE 2.—*Estimated monthly beneficiaries under retirement age*[1] *in current-payment status, 1970–2050*

[In thousands]

Calendar year	Children[2]	Widowed mothers	Disability beneficiaries			Total monthly beneficiaries	Lump-sum death payments
			Workers	Wives[3]	Children[4]		
	Actual data for end of year[5]						
1950	699	169				868	200
1951	846	204				1,050	414
1952	939	229				1,168	438
1953	1,053	254				1,307	512
1954	1,161	272				1,433	516
1955	1,276	292				1,568	567
1956	1,341	301				1,642	547
1957	1,502	328	150			1,980	689
1958	1,606	354	238	12	18	2,228	657
	Low-cost estimate						
1970	2,108	431	659	92	185	3,475	1,127
1980	2,324	468	834	116	234	3,976	1,364
2000	2,662	538	956	134	268	4,558	1,848
2050	3,247	588	2,106	295	589	6,825	4,096
	High-cost estimate						
1970	1,717	412	1,301	182	364	3,976	1,082
1980	1,632	366	1,642	230	459	4,329	1,273
2000	1,566	324	1,928	270	539	4,627	1,800
2050	1,835	317	2,815	394	788	6,149	3,247

[1] Does not include wives under age 62 of old-age beneficiaries. Includes female disability beneficiaries aged 62–64, wives aged 62 and over of male disability beneficiaries, and dependent husbands.
[2] Children of retired and deceased workers.
[3] Wives of disabled workers, including some such wives aged 62 and over; also includes dependent husbands aged 65 and over.
[4] Children of disabled workers.
[5] As of December, except for 1958 (November). Figure for lump-sum payments is number of deaths in awards of year (January–November 1958). Excluding effect of railroad coverage under financial interchange provisions.

AVERAGE BENEFITS AND TOTAL BENEFIT PAYMENTS

Average benefits in the various benefit categories were interpolated between the sizes of current benefit awards estimated from recent claims data and ultimate sizes computed on the basis of the 1959 earnings level being in effect throughout the entire working life of all workers with respect to whom benefits are being paid. Total benefit payments are shown in tables 21 and 22 of the main text (and as a percentage of payroll in table 20).

Under the high-cost estimate the cost for old-age, survivors, and disability benefits combined, as a percentage of payroll, is eventually about 3 times the 1960 figure, as shown in tables 14 and 18, while for the low-cost estimate the increase is almost 100 percent. The significant upward cost trend is temporarily reversed around the year 2000, at which time a significant part of the aged population consists of survivors of persons born in the 1930's, when birthrates were low. The disability estimates show a wider relative range between low-cost and high-cost figures because of the relative uncertainty about the disability rates to be experienced.

ADMINISTRATIVE EXPENSES

Assumed administrative expenses for old-age and survivors insurance are based on two factors—the number of persons having any covered employment in the given year and the number of monthly beneficiaries. In the case of disability insurance expenses, a third factor—the number of persons becoming disabled during the year—was taken into account, since the cost of adjudication of disabilities represents a substantial part of the expenses.

RAILROAD RETIREMENT FINANCIAL INTERCHANGE

As explained in appendix II, there is a financial interchange between the old-age, survivors, and disability insurance system and the railroad retirement system. The purpose of this is to place the old-age and survivors insurance and the disability insurance trust funds in the same position they would have been in if railroad employment were, and always had been, covered employment. The long-range estimates are first made as if railroad employment were covered directly. Then, estimates are made of the old-age, survivors, and disability insurance taxes payable by railroad workers (a level railroad payroll of $5.3 billion is assumed) and of the additional old-age, survivors, and disability insurance benefits payable if railroad employment were covered directly. The progress of the trust funds is shown in tables 18 and 19 with contributions, benefit payments, and administrative expenses exclusive of the amounts arising from the indirect coverage, and the amount transferred to or from the railroad retirement system is shown as a separate item. Because of the relatively older age distribution of railroad workers, the transfer is currently in favor of the railroad retirement system. But it is estimated that eventually the low-cost factors of railroad employment—higher average wage and lower percentage of females, together with more wives and widows of railroad workers receiving old-age, survivors, and disability insurance benefits on their own earnings records, rather than on the record of the railroad worker—will shift the transfer the other way. The long-range effect is relatively insignificant insofar as old-age, survivors, and disability insurance costs are concerned, but the current estimates—which are revised in this respect on the basis of recent experience and modified methodology—indicate a small net gain to the railroad retirement system.

INTEREST RATE

For both the low-cost and high-cost estimates, the eventual interest rate assumed is 3 percent. This rate is considerably below the average market rate on long-term Government obligations that has prevailed in the past 2 years, which is an indication of what the average coupon rate of such obligations may eventually be. The assumed rate for the first few years was estimated by grading it up from the somewhat more than 2½ percent actually experienced in recent years to the ultimate assumption of 3 percent.

Appendix II. Legislative History Affecting the Trust Funds

Board of Trustees.—From January 1, 1940, when the Federal old-age and survivors insurance trust fund was established, through July 15, 1946, the three members of the Board of Trustees, who served in an ex officio capacity, were the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board. On July 16, 1946, under the Reorganization Plan No. 2 of 1946, the Federal Security Administrator became ex officio member of the Board of Trustees in place of the Chairman of the Social Security Board, which agency was abolished. On April 11, 1953, the Reorganization Plan No. 1 of 1953, creating the Department of Health, Education, and Welfare, went into effect, and the Office of Federal Security Administrator was abolished. The functions of the Administrator as ex officio member of the Board of Trustees were taken over by the Secretary of Health, Education, and Welfare. The remaining membership of the Board has not changed since it was first established. Since the establishment of the fund, the Secretary of the Treasury has been managing trustee. The Social Security Act Amendments of 1950 designated the Commissioner for Social Security—since April 11, 1953, the Commissioner of Social Security—as Secretary of the Board of Trustees. Under the Social Security Amendments of 1956, the Board of Trustees of the Federal old-age and survivors insurance trust fund was also made the Board of Trustees of the Federal disability insurance trust fund.

Contribution rates.—The Social Security Act of 1935 fixed the contribution rates for employees and their employers at 1 percent each on taxable wages for the calendar years 1937–39, and provided for higher rates thereafter. However, subsequent acts of Congress extended the 1-percent rates through calendar year 1949. On January 1, 1950, the rates rose to 1½ percent each for employees and employers, as provided by the Social Security Act Amendments of 1947. In accordance with the Social Security Act Amendments of 1950, the 1½ percent rates remained in effect through calendar year 1953, and, on January 1, 1954, rose to 2 percent each for employees and employers. These rates remained in effect through December 31, 1956. In accordance with the Social Security Amendments of 1956 the 2-percent rates rose to 2¼ percent each on January 1, 1957, and remained in effect through calendar year 1958. On January 1, 1959, the rates rose to 2½ percent each, as provided by the Social Security Amendments of 1958. Beginning January 1, 1951—the effective date of extension of coverage to self-employed persons—the rates of tax on self-employment income have been equal to 1½ times the corresponding employee rates.

Special refunds of employee contributions.—With respect to wages paid before 1951, refunds to employees who worked for more than one employer during the course of a year and paid contributions on such wages in excess of the statutory maximum were made from general revenues. With respect to wages paid after 1950, these refunds are paid from the Treasury account for refunding internal revenue collections. The Social Security Act Amendments of 1950 directed the managing trustee to pay from time to time from the old-age and survivors insurance trust fund into the Treasury, as repayments to the account for refunding internal revenue collections, the amount estimated by him to be contributions which are subject to refund with respect to wages paid after 1950. The Social Security Amendments of 1956 provided for similar repayments from the disability insurance trust fund.

Credits for military service.—The Social Security Act Amendments of 1946 provided survivor-insurance protection to certain World War II veterans for a period of 3 years following their discharge from the Armed Forces. Federal appropriations were authorized to reimburse the Federal old-age and survivors insurance trust fund for such sums as were withdrawn to meet the additional cost (including administrative expenses) of such payments. The 1950 amendments, which provided noncontributory $160 monthly wage credits to persons who served in the Armed Forces during World War II, and the 1952, 1953, 1955, and 1956 amendments which provided similar noncontributory credits on account of active military or naval service from July 25, 1947, through December 31, 1956, charged to the old-age and survivors insurance trust fund not only the additional costs arising from these credits but also, beginning September 1950, those additional costs arising under the 1946 amendments. The 1956 amendments provided contributory coverage for military personnel beginning January 1, 1957.

Social Security Act Amendments of 1950.[1]—The 1950 amendments to the Social Security Act and related sections of the Internal Revenue Code, which represented the first major legislative changes in the old-age and survivors insurance program since enactment of the 1939 amendments, became law August 28, 1950.

The more important changes significant from an actuarial standpoint are presented below.

1. Compulsory coverage was extended to regularly employed domestic and farm employees; most Federal employees not covered under the civil service retirement program; the nonfarm self-employed other than doctors, lawyers, engineers, and members of certain other professional groups; employees and the self-employed in Puerto Rico and the Virgin Islands; and a few other small occupational classes. In addition, two categories of employees were given the opportunity to be covered on a group voluntary basis—employees of nonprofit institutions and employees of State and local governments who are not under retirement systems.

2. Benefits were made payable in certain circumstances in which no benefits would formerly have been paid.

(*a*) The requirements for fully insured status were liberalized by introducing a new starting date for determining such status. This

[1] Certain provisions in these amendments were further changed in subsequent legislation.

"new start" enabled many persons at least 65 years of age who did not meet the former requirements to become immediately eligible to receive retirement benefits. It also removed the disadvantage the newly covered groups would otherwise have faced in acquiring eligibility.

(*b*) Provisions defining dependency were modified to permit the payment of survivor benefits to all unmarried children under 18 years of age whose mothers were currently insured at time of death.

(*c*) Several new benefits for dependents and survivors of insured persons were added. Benefits equal to 50 percent of the primary insurance amount would be payable to a wife, under 65 years of age, of an old-age (primary) beneficiary as long as she had in her care a child entitled to benefits on her husband's earnings. In certain instances benefits would be payable to the dependent husband, aged 65 or over, of a retired female beneficiary, and also to the aged surviving dependent widower of a deceased woman worker. Husband's and widower's benefits are equal to 50 and 75 percent respectively, of the primary insurance amount.

(*d*) The provisions governing the withholding of benefits because of work in covered employment were liberalized. Eligible persons at least 75 years of age could receive benefits regardless of the amount of their earnings in covered employment. Those under 75 years of age might earn as much as $50 a month in covered employment and still receive benefits.

(*e*) Lump-sum death payments were made available even though monthly benefits were payable to survivors for the month in which the wage earner died.

(*f*) Monthly benefits were made payable retroactively for a period up to 6 months prior to the month in which an application was filed, provided the beneficiary was eligible therefor.

3. Larger benefits were made payable to future beneficiaries as well as to persons on the rolls.

(*a*) The maximum amount of annual earnings taxable and creditable was raised to $3,600.

(*b*) For persons having at least six quarters of coverage after 1950, the average monthly wage might be calculated over all years after 1936 or after 1950, whichever yielded the larger primary insurance amount, except that in the case of such individuals born after 1928, the 1950 starting date was required. Where the wage earner lacked six quarters of coverage after 1950, benefits to future beneficiaries would be based on an average monthly wage computed over all years after 1936.

(*c*) For persons whose average monthly wage was calculated on the basis of earnings after 1950, the monthly primary insurance amount was figured by taking 50 percent of the first $100 of average monthly wage, plus 15 percent of the next $200. The minimum primary insurance amount ranged from $25 for persons with average monthly wages between $35 and $50, down to $20 for persons with average monthly wages below $31.

(*d*) For persons already on the beneficiary rolls, benefits were increased by means of a conversion table contained in the amendments. In the cases referred to in subparagraph (*b*) above, where the average monthly wage was computed over all years after 1936, benefits would be computed by the old formula, except that no 1-percent increment would be included for years after 1950. The amount so computed would then be increased by means of the conversion table.

(*e*) Parent's benefits were increased to 75 percent of the primary insurance amount. Child-survivor benefits were increased so as to pay to each child the sum of (1) 50 percent of the primary insurance amount, and (2) 25 percent of the primary insurance amount, divided by the number of child beneficiaries in the family. The amount of the lump-sum death payment was changed from 6 times the primary insurance benefit to 3 times the primary insurance amount.

(*f*) The maximum monthly amount of family benefits payable with respect to one wage record became the smaller of $150 or 80 percent of the average monthly wage, provided that the latter limit would not reduce benefits below $40.

4. The provision which was added to the Social Security Act in 1943 authorizing appropriations to the trust fund from general revenues when needed to meet costs was eliminated.

Social Security Act Amendments of 1952.[2]—The 1952 amendments to the Social Security Act became law July 18, 1952. The important changes, significant from an actuarial standpoint, are presented below.

1. Larger benefits were made payable to beneficiary families on the rolls as well as to virtually all future beneficiary families.

(*a*) For persons with an average monthly wage calculated on the basis of earnings after 1950, the monthly primary insurance amount was raised to 55 percent of the first $100 of average monthly wage, plus 15 percent of the next $200. The minimum primary insurance amount was made $25 for persons whose average monthly wage was under $35, and $26 for persons with average monthly wages from $35 to $47.

(*b*) For persons already on the beneficiary rolls whose benefits were determined by the conversion table, benefits were increased by the use of a new conversion table in which all primary insurance amounts in the table of the 1950 law were increased by $5 or 12½ percent, whichever was larger. This new conversion table would be applicable in determining benefits for all future beneficiaries whose average monthly wage was computed over all years since 1936.

(*c*) The maximum monthly amount of family benefits payable with respect to one wage record was the smaller of $168.75 or 80 percent of the average monthly wage, provided that the latter limit would not reduce benefits below $45.

2. The provision governing the withholding of benefits because of work in covered employment was liberalized. The amount which eligible persons under age 75 might earn in covered employment and still receive benefits was increased to $75 a month.

Social Security Amendments of 1954.[3]—The 1954 amendments to the Social Security Act and related sections of the Internal Revenue Code became law September 1, 1954. The important changes significant from an actuarial standpoint are presented below:

1. Compulsory coverage was extended to self-employed farm operators; certain self-employed professional persons; additional farm, domestic, and Federal civilian employees; and some smaller groups. Coverage under the program was made possible on a group voluntary basis for State and local government employees who are members of retirement systems (except policemen and firemen) and for employees of foreign subsidiaries of American companies. Ministers and certain

[2] Certain provisions in these amendments were further changed in subsequent legislation.
[3] Certain provisions in these amendments were further changed in subsequent legislation.

members of religious orders were permitted to participate in the program on the basis of the individual's irrevocable election.

2. The conditions under which persons may become eligible for benefits were liberalized.

(*a*) Monthly benefits became payable to certain surviving dependents of individuals who died after 1939 and before September 1950, lacking fully insured status under the law then in effect, but who had at least six quarters of coverage.

(*b*) Persons who could not meet the requirements of the 1950 amendments for fully insured status would nevertheless be fully insured if all quarters elapsing after 1954 and before July 1956 as well as all quarters thereafter but before the quarter of death or attainment of age 65, whichever is earlier, were quarters of coverage. This transitional provision, intended principally for newly covered persons, would cease to be effective for persons who die or attain age 65 after the third quarter of 1958, when the normal requirements became as easy or easier to meet.

(*c*) Periods of disability (see item 4, below) would not affect insured status.

(*d*) Monthly benefits were made payable retroactively for a period up to 12 months before the month in which an application was filed, provided the beneficiary was eligible therefor.

3. Larger benefits were made payable to future beneficiaries as well as persons on the rolls.

(*a*) The maximum amount of annual earnings taxable and creditable toward benefits was raised to $4,200.

(*b*) In computing the average monthly wage of persons who became eligible for retirement benefits or die after August 1954 before becoming eligible for retirement benefits, up to 5 years of lowest earnings may be dropped for persons with at least 20 quarters of coverage and up to 4 years for other persons. This "dropout" computation may also be used for persons who were eligible for retirement benefits before September 1954 and who have at least 6 quarters or coverage after June 1953.

(*c*) Periods of disability (see item 4, below) would not reduce the average monthly wage for the purpose of benefit computation.

(*d*) For persons whose average monthly wage is calculated on the basis of earnings after 1950 and the "dropout," the primary insurance amount became 55 percent of the first $110 of average monthly wage plus 20 percent of the next $240. The minimum primary insurance amount became $30.

(*e*) For persons already on the benefit rolls, and for future beneficiaries whose benefits are computed under the 1939 or 1952 benefit formulas, benefits were increased by use of a revised conversion table which provided a guaranteed increase in primary insurance amount of at least $5 over the amount computed under the 1952 amendments.

(*f*) The minimum benefit for a family containing only one survivor beneficiary became $30.

(*g*) The maximum monthly amount of family benefits payable with respect to one wage record was raised to the smaller of $200 or 80 percent of the average monthly wage provided that the latter limit may not reduce benefits below the larger of $50 or 1½ times the primary insurance amount. The maximum lump-sum death payment was increased to $255.

4. Benefit rights of persons regularly covered by the program can be "frozen" during periods of prolonged total disability. In order to qualify for the "freeze," an individual must (1) be unable to engage in any substantial gainful activity by reason of illness, injury, or other physical or mental impairment which can be expected to be of long-continued and indefinite duration or to result in death, or (2) the individual must be blind. He must also have at least 6 quarters of coverage during the 13-quarter period, and at least 20 quarters of coverage during the 40-quarter period, that ends with the quarter in which the period of disability begins. If an individual qualifies for a disability "freeze," his period of disability will be disregarded in determining his insured status and in computing benefits due him or his family.

5. The provisions governing the withholding of benefits because of work were changed.

(*a*) The retirement test was placed on an annual basis for both wages and self-employment income. If an individual's annual earnings were $1,200 or less, no benefits are withheld. Each $80 (or fraction thereof) in earnings above $1,200 might result in deduction of 1 month's benefits for the individual. Benefits were not to be withheld for any month for which the individual had $80 or less in wages and did not engage in substantial self-employment.

(*b*) Earnings in noncovered as well as in covered employment were to be taken into account in determining whether benefits should be withheld.

(*c*) The age at which benefits were payable without regard to earnings was reduced to 72.

Social security amendments in 1956.[4]—The 1956 amendments to the Social Security Act and related sections of the Internal Revenue Code (Public Laws 880 and 881) became law on August 1, 1956.

The more important changes, significant from an actuarial standpoint, are presented below:

1. Coverage was extended on a contributory basis to members of the uniformed services, effective January 1, 1957. Coverage was also extended to additional civilian jobs—principally, additional farm owners and operators, all previously excluded self-employed professional persons except doctors of medicine, certain Federal civilian employees, and certain additional State and local government employees in specified States.

2. Monthly benefits were provided, beginning July 1957, for insured workers aged 50 to 64 with very severe long-term disabilities. Benefit payments begin after a waiting period of 6 consecutive months of disability. The amount of the monthly disability benefit is the same as the primary insurance amount, computed as though the worker became entitled to old-age benefits in the first month of his waiting period. These benefits are payable from a fund that is separate from the old-age and survivors insurance trust fund (see items 5 (*a*) and (*b*), below).

3. The conditions under which persons may become eligible for benefits were liberalized.

(*a*) Monthly benefits were provided, beginning January 1957, for a dependent, unmarried, disabled child aged 18 or over of a retired aged worker or a deceased insured worker if the child was totally

[4] Certain provisions in these amendments were further changed in subsequent legislation.

disabled before attaining age 18 and if the disability has continued uninterruptedly since age 18. Benefits are also payable to a mother having such a child in her care. Benefits to both child and mother are payable from the old-age and survivors insurance trust fund.

(*b*) The minimum retirement age at which women may qualify for benefits was reduced from 65 to 62. Full-rate benefits are payable at age 62 to widows and to dependent mothers of deceased insured workers. Women who elect to receive a retired worker's or wife's benefit when they are between age 62 and 65 will receive reduced benefits (both before and after age 65) which are, on an actuarial basis, virtually equivalent to the full-rate benefits they would have received if they were aged 65 at the time they applied for benefits. One effect of reducing the minimum retirement age for women was a change in the basis for calculating a woman worker's average monthly wage (see item 4(*b*) below). Another effect was a liberalization in the insured status requirements. For women workers with dates of birth from July 2, 1889, to January 1, 1909, the eligibility provisions were liberalized by terminating at age 62 instead of age 65 the elapsed period which fixes the number of quarters of coverage required to be eligible for old-age insurance benefits.

(*c*) Persons who cannot meet the requirements of the 1950 or 1954 amendments for fully insured status will nevertheless be fully insured if they have quarters of coverage in all but four of the quarters elapsing after 1954 and before (1) July 1957, or (2) if later, the quarter of death or attainment of retirement age. This transitional provision, intended principally for persons newly covered in 1956, will cease to be effective for persons who die or attain retirement age after the third quarter of 1960, when the normal requirements become as easy or easier to meet.

4. Larger benefits were made payable in the future to certain beneficiaries.

(*a*) In computing the average monthly wage of an insured person, 5 years of lowest earnings may be dropped, regardless of the number of quarters of coverage he has. For persons retiring in 1957 and 1958 this meant that the average could be computed on the highest 2 years of earnings since 1950.

(*b*) With the lowering of the minimum retirement age for women from 65 to 62, the average monthly wage of a female insured worker is computed on the basis of the earnings up to the year of attainment of age 62 or, if it would result in a higher benefit, up to the year of retirement if later. In effect, the lowering of the minimum retirement age from 65 to 62 makes a dropout of 3 additional years of lowest earnings possible for many women workers.

5. A disability insurance trust fund was created which is entirely separate from the old-age and survivors insurance trust fund and from which monthly benefits are payable to disabled workers. Beginning with 1957, contributions at the rate of one-fourth of 1 percent each for employees and employers, and three-eighths of 1 percent for the self-employed, are payable into this new fund to finance these benefits and related administrative expenses.

6. Before each scheduled increase in the contribution rate, an Advisory Council on Social Security Financing is to be appointed by the Secretary of Health, Education, and Welfare to review the status of the old-age and survivors insurance trust fund and the disability

insurance trust fund in relation to the long-term commitments of the program. The report of the first council was included in the 19th annual report of the Board of Trustees.

7. The old-age and survivors insurance trust fund and, where appropriate, the disability insurance trust fund will be reimbursed from general revenues for expenditures after August 1950 resulting from the provisions that granted noncontributory $160 monthly wage credits to persons who served in the Armed Forces from September 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivorship protection to certain World War II veterans for a period of 3 years after leaving service.

8. The basis for determining the interest rate on public-debt obligations to be purchased by the trust funds was changed. Formerly these obligations were required to bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of their issue, borne by all interest-bearing obligations of the United States forming a part of the public debt (where such average rate was not a multiple of one-eighth of 1 percent, the rate of interest on such obligations was required to be the multiple of one-eighth of 1 percent next lower than such average rate). Investments after July 31, 1956, bear a rate of interest equal to the average rate of interest borne by all marketable Government obligations with maturity dates exceeding 5 years from date of issue, the average rate being rounded to the nearest one-eighth of 1 percent.

Social security amendments in 1958.—The more important changes, significant from an actuarial standpoint, are presented on pages 7–11.

Coordination of old-age, survivors, and disability insurance and railroad retirement programs.—Public Law 234, approved October 30, 1951, amended the Railroad Retirement Act to provide a new basis of coordinating the railroad retirement program with old-age and survivors insurance. This legislation provides that the railroad wage credits of workers who die or retire with less than 10 years of railroad employment shall be transferred to the old-age and survivors insurance system. These amendments did not affect workers who acquire 10 years or more of railroad service. That is, the survivors of over-10-years railroad workers will, as under the 1946 amendments to the Railroad Retirement Act, receive benefits under one program or the other based on combined wage records, while retirement benefits will be payable under both systems to individuals with 10 or more years of railroad service who also qualify under old-age and survivors insurance.

With respect to the allocation of costs between the two systems, Public Law 234 required the Railroad Retirement Board and the Secretary of Health, Education, and Welfare to—

> determine, no later than January 1, 1954, the amount which would place the Federal old-age and survivors insurance trust fund in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.

The two agencies completed a series of joint actuarial studies and analyses required by this provision. The results showed that the addition of $488 million to the old-age and survivors insurance trust fund would place it in the same position as of June 30, 1952, as it would have been if railroad employment had always been covered under the Social Security Act.

There is no authority in the law that would have permitted the transfer of the $488 million from the railroad retirement account to the trust fund, but the legislation provides that beginning with fiscal year 1953, and for each fiscal year thereafter, annual interest payments on this amount (less any offsets described below) were to be transferred from the railroad retirement account to the trust fund.

The legislation further provides that at the close of the fiscal year 1953, and each fiscal year thereafter, annual reimbursements are to be effected between the railroad retirement account and the trust fund in such amounts as would, taking into consideration the amount determined for the period through June 30, 1952, place the trust fund at the end of the year in the same position in which it would have been if railroad employment were covered under the Social Security Act. If the reimbursement is from the trust fund to the railroad retirement account, the Secretary of Health, Education, and Welfare may offset the amount of such reimbursement against the amount determined for the period through June 30, 1952.

The Social Security Amendments of 1956 amended Public Law 234 to provide for similar annual determinations and financial interchanges between the railroad retirement account and the newly created disability insurance trust fund, beginning with the fiscal year ending June 30, 1958.

Change in definition of "employee."—Public Law 642, approved June 14, 1948, which amended the definition of the term "employee" as used in the Social Security Act, resulted in the exclusion from coverage of certain services previously held covered. While the amended definition was made retroactive to 1937, certain wage credits established under the former definition will remain credited to the individual's account. The law authorizes an appropriation to the trust fund from general revenues equal to the estimated total amount of benefits paid and to be paid that would not have been paid had the amended definition been in effect beginning in 1937.

Authorization for construction of office building.—With the passage of Public Law 86–30, approved May 20, 1959, Congress authorized expenditure from the trust funds of $32,290,000 for construction of an office building and related facilities for the Bureau of Old-Age and Survivors Insurance.

Appendix III. Statutory Provisions, as of June 30, 1959, Creating the Trust Funds and Defining the Duties of the Board of Trustees

(Secs. 201 and 218 (e), (h), and (j) of the Social Security Act as amended)

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND

Sec. 201. (a) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Old-Age and Survivors Insurance Trust Fund." The Federal Old-Age and Survivors Insurance Trust Fund shall consist of the securities held by the Secretary of the Treasury for the Old-Age Reserve Achave been if railroad employment had always been covered under the Social Security Act.

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The legislation further provides that at the close of the fiscal year 1953, and each fiscal year thereafter, annual reimbursements are to be effected between the railroad retirement account and the trust fund in such amounts as would, taking into consideration the amount determined for the period through June 30, 1952, place the trust fund at the end of the year in the same position in which it would have been if railroad employment were covered under the Social Security Act. If the reimbursement is from the trust fund to the railroad retirement account, the Secretary of Health, Education, and Welfare may offset the amount of such reimbursement against the amount determined for the period through June 30, 1952.

The Social Security Amendments of 1956 amended Public Law 234 to provide for similar annual determinations and financial interchanges between the railroad retirement account and the newly created disability insurance trust fund, beginning with the fiscal year ending June 30, 1958.

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Sec. 201. (a) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Old-Age and Survivors Insurance Trust Fund." The Federal Old-Age and Survivors Insurance Trust Fund shall consist of the securities held by the Secretary of the Treasury for the Old-Age Reserve Account and the amount standing to the credit of the Old-Age Reserve Account on the books of the Treasury on January 1, 1940, which securities and amount the Secretary of the Treasury is authorized and directed to transfer to the Federal Old-Age and Survivors Insurance Trust Fund, and, in addition, such amounts as may be appropriated to, or deposited in, the Federal Old-Age and Survivors Insurance Trust Fund, as hereinafter provided. There is hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund for the fiscal year ending June 30, 1941, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) the taxes (including interest, penalties, and additions to the taxes) received under subchapter A of chapter 9 of the Internal Revenue Code of 1939 (and covered into the Treasury) which are deposited into the Treasury by collectors of internal revenue before January 1, 1951; and

(2) the taxes certified each month by the Commissioner of Internal Revenue as taxes received under subchapter A of chapter 9 of such Code which are deposited into the Treasury by collectors of internal revenue after December 31, 1950, and before January 1, 1953, with respect to assessments of such taxes made before January 1, 1951; and

(3) the taxes imposed by subchapter A of chapter 9 of such Code with respect to wages (as defined in section 1426 of such Code), and by chapter 21 of the Internal Revenue Code of 1954 with respect to wages (as defined in section 3121 of such Code) re-reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 after December 31, 1950, or to the Secretary of the Treasury or his delegates pursuant to subtitle F of the Internal Revenue Code of 1954 after December 31, 1954, as determined by the Secretary of the Treasury by applying the applicable rates of tax under such subchapter or chapter 21 to such wages, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports, less the amounts specified in clause (1) of subsection (b) of this section; and

(4) the taxes imposed by subchapter E of chapter 1 of the Internal Revenue Code of 1939, with respect to self-employment income (as defined in section 481 of such Code), and by chapter 2 of the Internal Revenue Code of 1954 with respect to self-employment income (as defined in section 1402 of such Code) reported to the Commissioner of Internal Revenue on tax returns under such subchapter or to the Secretary of the Treasury or his delegate on tax returns under subtitle F of such Code, as determined by the Secretary of the Treasury by applying the applicable rate of tax under such subchapter or chapter to such self-employment income, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns, less the amounts specified in clause (2) of subsection (b) of this section.

The amounts appropriated by clauses (3) and (4) shall be transferred from time to time from the general fund in the Treasury to the

Federal Old-Age and Survivors Insurance Trust Fund, and the amounts appropriated by clauses (1) and (2) of subsection (b) shall be transferred from time to time from the general fund in the Treasury to the Federal Disability Insurance Trust Fund, such amounts to be determined on the basis of estimates by the Secretary of the Treasury of the taxes, specified in clauses (3) and (4) of this subsection, paid to or deposited into the Treasury; and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the taxes specified in such clauses (3) and (4) of this subsection.

(b) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Disability Insurance Trust Fund." The Federal Disability Insurance Trust Fund shall consist of such amounts as may be appropriated to, or deposited in, such fund as provided in this section. There is hereby appropriated to the Federal Disability Insurance Trust Fund for the fiscal year ending June 30, 1957, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1) One-half of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1956, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and

(2) Three-eighths of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.

(c) With respect to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (hereinafter in this title called the "Trust Funds") there is hereby created a body to be known as the Board of Trustees of the Trust Funds (hereinafter in this title called the "Board of Trustees") which Board of Trustees shall be composed of the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare, all ex officio. The Secretary of the Treasury shall be the Managing Trustee of the Board of Trustees (hereinafter in this title called the "Managing Trustee"). The Commissioner of Social Security shall serve as Secretary of the Board of Trustees. It shall be the duty of the Board of Trustees to—

(1) Hold the Trust Funds;

(2) Report to the Congress not later than the first day of March of each year on the operation and status of the Trust Funds during the preceding fiscal year and on their expected operation and status during the next ensuing five fiscal years;

(3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that during the ensuing five fiscal years either of the Trust Funds will exceed three times the highest annual expenditures from such Trust Fund anticipated during that five-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of either of the Trust Funds is unduly small; and

(4) Recommend improvements in administrative procedures and policies designed to effectuate the proper coordination of the old-age and survivors insurance and Federal-State unemployment compensation program.

The report provided for in paragraph (2) above shall include a statement of the assets of, and the disbursements made from, the Trust Funds during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the Trust Funds during each of the next ensuing five fiscal years, and a statement of the actuarial status of the Trust Funds. Such report shall be printed as a House document of the session of the Congress to which the report is made.

(d) It shall be the duty of the Managing Trustee to invest such portion of the Trust Funds as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purposes such obligations may be acquired (1) on original issue at par or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of public-debt obligations for purchase by the Trust Funds. Such obligations issued for purchase by the Trust Funds shall have maturities fixed with due regard for the needs of the Trust Funds, and bear interest at a rate equal to the average rate of interest, computed as to the end of the calendar month next preceding the date of such issue, borne by all marketable interest-bearing obligations of the United States then forming a part of the Public Debt that are not due or callable until after the expiration of five years from the date of original issue; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligations shall be the multiple of one-eighth of 1 per centum nearest such average rate. Such obligations shall be issued for purchase by the Trust Funds only if the Managing Trustee determines that the purchase in the market of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest.

(e) Any obligations acquired by the Trust Funds (except special obligations issued exclusively to the Trust Funds) may be sold by the Managing Trustee at the market price, and such special obligations may be redeemed at par plus accrued interest.

(f) The interest on, and the proceeds from the sale or redemption of, any obligations held in the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund shall be credited to and form a part of the Federal Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund, respectively.

(g)(1) The Managing Trustee is directed to pay from the Trust Funds into the Treasury the amounts estimated by him and the Secretary of Health, Education, and Welfare which will be expended, out of moneys appropriated from the general funds in the Treasury, during a three-month period by the Department of Health, Education, and Welfare and the Treasury Department for the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. Such payments shall be covered into the Treasury as repayments to the account for reimbursement of expenses incurred in connection with the administration of titles II and VIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. There are hereby authorized to be made available for expenditure, out of either or both of the Trust Funds, such amounts as the Congress may deem appropriate to pay the cost of administration of this title. After the close of each fiscal year, the Secretary of Health, Education, and Welfare shall analyze the costs of administration of this title incurred during such fiscal year in order to determine the portion of such costs which should have been borne by each of the Trust Funds and shall certify to the Managing Trustee the amount, if any, which should be transferred from one to the other of such Trust Funds in order to insure that each of the Trust Funds has borne its proper share of the costs of administration of this title incurred during such fiscal year. The Managing Trustee is authorized and directed to transfer any such amount from one to the other of such Trust Funds in accordance with any certification so made.

(2) The Managing Trustee is directed to pay from time to time from the Trust Funds into the Treasury the amount estimated by him as taxes which are subject to refund under section 6413(c) of the Internal Revenue Code of 1954 with respect to wages (as defined in section 1426 of the Internal Revenue Code of 1939 and section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1950. Such taxes shall be determined on the basis of the records of wages established and maintained by the Secretary of Health, Education, and Welfare in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 and to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, and the Secretary shall furnish the Managing Trustee such information as may be required by the Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections. Payments pursuant to the first sentence of this paragraph shall be made from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund in the ratio in which amounts were appropriated to such Trust Funds under clause (3) of subsection (a) of this section and clause (1) of subsection (b) of this section.

(3) Repayments made under paragraph (1) or (2) shall not be available for expenditures but shall be carried to the surplus fund of

the Treasury. If it subsequently appears that the estimates under either such paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.

(h) Benefit payments required to be made under section 223, and benefit payments required to be made under subsection (b), (c), or (d) of section 202 to individuals entitled to benefits on the basis of the wages, and self-employment income of an individual entitled to disability insurance benefits shall be made only from the Federal Disability Insurance Trust Fund. All other benefit payments required to be made under this title shall be made only from the Federal Old-Age and Survivors Insurance Trust Fund.

PAYMENTS AND REPORTS BY STATES

SEC. 218. (e) Each agreement under this section shall provide—

(1) that the State will pay to the Secretary of the Treasury, at such time or times as the Secretary of Health, Education, and Welfare may by regulations prescribe, amounts equivalent to the sum of the taxes which would be imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 if the services of employees covered by the agreement constituted employment as defined in section 3121 of such code; and

(2) that the State will comply with such regulations relating to payments and reports as the Secretary of Health, Education, and Welfare may prescribe to carry out the purposes of this section.

DEPOSITS IN TRUST FUNDS; ADJUSTMENTS

SEC. 218. (h) (1) All amounts received by the Secretary of the Treasury under an agreement made pursuant to this section shall be deposited in the Trust Funds in the ratio in which amounts are appropriated to such Funds pursuant to subsections (a)(3) and (b)(1) of section 201.

(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Secretary of Health, Education, and Welfare.

(3) If an overpayment cannot be adjusted under paragraph (2), the amount thereof and the time or times it is to be paid shall be certified by the Secretary of Health, Education, and Welfare to the Managing Trustee, and the Managing Trustee, through the Fiscal Service of the Treasury Department and prior to any action thereon by the General Accounting Office, shall make payment in accordance with such certification. The Managing Trustee shall not be held personally liable for any payment or payments made in accordance with a certification by the Secretary of Health, Education, and Welfare.

FAILURE TO MAKE PAYMENTS

SEC. 218. (j) In case any State does not make, at the time or times due, the payments provided for under an agreement pursuant to this section, there shall be added, as part of the amounts due, interest at the rate of 6 per centum per annum from the date due until paid, and the Secretary of Health, Education, and Welfare may, in his discretion, deduct such amounts plus interest from any amounts certified by him to the Secretary of the Treasury for payment to such State under any other provision of this Act. Amounts so deducted shall be deemed to have been paid to the State under such other provision of this Act. Amounts equal to the amounts deducted under this subsection are hereby appropriated to the Trust Funds in the ratio in which amounts are deposited in such Funds pursuant to subsection (h) (1).