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22d 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

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

TRANSMITTING

THE 22D 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

FEBRUARY 20, 1962.—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,
February 20, 1962, Washington, D.C.

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

SIR: We have the honor to transmit to you the 22d 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,

C. DOUGLAS DILLON,
Secretary of the Treasury, and Managing Trustee of the Trust Funds.

ARTHUR J. GOLDBERG,
Secretary of Labor.

ABRAHAM RIBICOFF,
Secretary of Health, Education, and Welfare.

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

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TWENTY-SECOND 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, 1961

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

Total receipts of the old-age and survivors insurance trust fund in fiscal year 1961 amounted to $11,814 million, or about 14 percent more than in fiscal year 1960. Total disbursements of $11,743 million were about 6 percent greater than the disbursements made in the preceding year. The excess of total income over total outgo, amounting to $72 million, increased the total assets of the old-age and survivors insurance trust fund from $20,829 million on June 30, 1960, to $20,900 million on June 30, 1961.

Disbursements consisted of $11,185 million for benefit payments, $236 million for administrative expenses, and $332 million—including $10 million in interest—in transfers to the railroad retirement account. (The disbursement total, like the income total, does not include $86 million in refunds for overpayments of employee contributions.) The total number of old-age and survivors insurance beneficiaries at the end of the fiscal year was 14,726,000, or about 7 percent more than in June 1960. Retirement beneficiaries numbered 11,029,000, and survivor beneficiaries numbered 3,698,000 in June 1961. The estimated number of persons with taxable earnings under the old-age, survivors, and disability insurance program in calendar year 1960 was about 73 million.

The income of the old-age and survivors insurance trust fund in fiscal year 1961 consisted of $11,293 million in tax contributions and $522 million in interest on investments. The 15-percent increase in contribution income was associated with increases in contribution rates which became effective on January 1, 1960, and therefore were applicable to all of the fiscal year 1961.

Changes in the schedule of tax contribution rates, provided in Public Law 87–64, approved June 30, 1961, will affect the future income of the old-age and survivors insurance trust fund. The schedule is increased by one-eighth of 1 percent each for employers and employees, and by about three-sixteenths of 1 percent for the self-employed, in all years after calendar 1961. Additionally, the date when the ultimate tax rate goes into effect is advanced by 1 year, from 1969 to 1968. All rates for the self-employed are now expressed in decimals, rounded to the nearest one-tenth of 1 percent, instead of in multiples of the fractions one-eighth or one-sixteenth.

Estimates for the 5 fiscal years 1962–66 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 5 fiscal years 1962–66. According to these estimates, at the end of fiscal year 1966 the trust fund will amount to $25.0 billion, with income of $18.3 billion and outgo of $15.7 billion in that fiscal year.

Medium-range estimates based on assumed increasing trends in earnings of covered workers also show continued increases in receipts and disbursements. According to these estimates, at the end of calendar year 1980, the old-age and survivors insurance trust fund will amount to $152.9 billion.

Long-range cost estimates for the old-age and survivors insurance program, as amended in 1961, indicate that the program is in approximate actuarial balance. The level-premium cost of the benefit payments and administrative expenses, at 3.02 percent interest, ranges from 7.71 to 10.08 percent of payroll, depending on the combination of cost assumptions selected. On the basis of intermediate-cost assumptions, such level-premium cost is 8.79 percent of payroll, as compared with the level-premium equivalent of the contributions of 8.55 percent of payroll.

The number of disability beneficiaries at the end of the fiscal year (898,000) was 72 percent higher than at the end of fiscal year 1960 (522,000). Beginning November 1960, disability benefits were provided for eligible workers under the age of 50 and for their eligible dependents, as a result of the 1960 amendments.

Total disbursements of the disability insurance trust fund in fiscal year 1961 were almost 40 percent larger than in fiscal year 1960. Disbursements totaled $745 million: $704 million for benefit payments, $36 million for administrative expenses, and $5 million—including $148,000 in interest—in transfers to the railroad retirement account. Income totaled $1,082 million: $1,022 million in net contributions (after deduction of $9.5 million in refunds), and $60 million in interest on investments. The total income of the disability insurance trust fund thus exceeded total disbursements by $337 million, and this amount brought the total assets of the fund to $2,504 million on June 30, 1961.

Estimates of the expected operations of the disability insurance trust fund during the 5 fiscal years 1962–66 show that this fund at the end of fiscal year 1966 will amount to $2.6 billion.

The medium-range estimates for the disability insurance program show that the trust fund at the end of calendar year 1980 will amount to $3.4 billion. The long-range cost estimates show that the level-premium cost of the benefit payments and administrative expenses, at 3.02 percent interest, ranges from 0.42 to 0.73 percent of payroll, depending on the combination of assumptions used. On the basis of intermediate-cost assumptions, such level-premium cost is 0.56 percent of payroll, as compared with the level-premium equivalent of the contributions of 0.50 percent.

SOCIAL SECURITY AMENDMENTS OF 1960

The 1960 amendments to the Social Security Act and related sections of the Internal Revenue Code (Public Law 86-778, approved September 13, 1960) will have effect on both the immediate and long-range future levels of income and disbursement of the system. The disability insurance part of the program was expanded considerably. The insured-status provisions were liberalized. The retirement test was made more liberal, flexible, and equitable. Benefits to children of deceased workers were increased in some cases. The basis for determining the interest rate on trust fund investments in special issues was revised. Long-range actuarial estimates of the program as amended in 1960 showed benefit costs very closely in balance with contribution income. Accordingly, the schedule of contribution rates contained in the law continued to reflect the intent that the program be self-supporting.

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

(1) Beginning with November 1960, disability insurance benefits were provided for workers under the age of 50 and for their dependents, on the same basis as benefits under previous law were provided for disabled workers aged 50 to 64 and for their dependents.

(2) The fully insured status provisions (applicable to all types of monthly benefits) were liberalized so that, beginning in October 1960, to be fully insured a person needs 1 quarter of coverage for every 3 calendar quarters elapsing after 1950 (or after the year in which he attained age 21, if that is later) and before the year in which he reached the minimum retirement age, or died, or became disabled, whichever first occurred (but requiring not less than 6 nor more than 40 quarters of coverage). Under prior law, the requirement was one quarter of coverage for every two elapsed quarters before the quarter in which the first of those events occurred.

(3) The retirement test was amended, effective for taxable years beginning after 1960, by eliminating the requirement for withholding a month's benefit for each $80 of annual earnings above $1,200 and providing instead for withholding $1 in benefits for each $2 of the first $300 of earnings above $1,200 and for withholding $1 in benefits for each $1 of earnings above $1,500. There was no change in the provision which specifies that, regardless of the amount of annual earnings, no benefits will be withheld for any month in which the beneficiary neither earns wages of more than $100 nor renders substantial services in self-employment or for any month in which the beneficiary is aged 72 or over.

(4) The benefit of each child of a deceased worker was changed, beginning December 1960, to three-fourths of the primary insurance amount of the deceased worker (retaining the effect of the family

maximum), rather than one-half of the primary insurance amount plus one-fourth of the primary insurance amount divided by the number of entitled children.

(5) The basis for determining the interest rate on future trust fund investments in public-debt obligations (special issues) was changed. Under the new law, these investments will bear a rate of interest equal to the average market yield of all marketable Government obligations not due or callable for 4 or more years from the time when the special obligations are issued, the average yield being rounded to the nearest one-eighth of 1 percent. Under prior law, this rate of interest was related to the average coupon rate on all outstanding marketable obligations of the United States not due or callable for at least 5 years from the original issue date. Current cost estimates indicate that this change from average coupon rate to average market yield will increase somewhat the interest income to the trust funds over the long-range future. Also, the law was changed to allow the purchase of marketable securities only when such purchase would be in the public interest; prior law required that marketable securities always be purchased except when this would not be in the public interest, in which case special issues were to be purchased.

SOCIAL SECURITY AMENDMENTS OF 1961

The 1961 amendments to the Social Security Act and related sections of the Internal Revenue Code (Public Law 87–64, approved June 30, 1961) make significant improvements in the old-age, survivors, and disability insurance program. Eligibility requirements for the payment of benefits were liberalized. Benefit amounts payable to certain classes of present and future beneficiaries were increased. The schedule of contribution rates was revised to continue to reflect the intent that the program be self-supporting.

From an actuarial standpoint, the most important changes made by the 1961 amendments are the following:

(1) The minimum age at which men may qualify for retirement benefits was reduced from 65 to 62. Full-rate benefits are payable at age 62 to dependent widowers and to dependent fathers of deceased insured workers. Men who elect to receive a retired worker's benefit or a dependent husband's benefit when they are between age 62 and age 65 will receive reduced benefits (both before and after age 65) which are, on an actuarial basis, virtually equivalent to the full-rate benefits that they would have received if they were aged 65 at the time they applied for benefits. In determining a male worker's fully insured status and in calculating his average monthly wage, the measuring period ends with the beginning of the year he reaches age 65 (for women workers, the measuring period ends at 62).

(2) The fully insured status provisions (applicable to all types of monthly benefits) were liberalized so that, beginning August 1961, to be fully insured a person needs one quarter of coverage for each calendar year elapsing after 1950 (or after the year in which he attains age 21 if that is later) and before the year in which he reached age 65 (62 for women), or died, or became disabled, whichever first occurred (but requiring not less than 6 nor more than 40 quarters of coverage).

(3) Effective August 1961, the minimum primary insurance amount was raised from \$33 to \$40. This provision affects all types of benefits since all retirement, disability and survivor benefits (including lump-sum death payments) are figured on the basis of the primary insurance amount. For example, the minimum amount payable to a retired worker prior to actuarial reduction for retirement before age 65, to a disabled worker, and to the sole survivor of a deceased insured worker is equal to the minimum primary insurance amount.

(4) The retirement test was amended, effective for taxable years ending after June 30, 1961. The provision for withholding benefits from beneficiaries whose earnings exceed \$1,200 a year was changed so that \$1 in benefits will be withheld for each \$2 of earnings between \$1,200 and \$1,700 (and \$1 in benefits for each \$1 in earnings above that amount), rather than between \$1,200 and \$1,500 as under the law as amended in 1960. There was no change in the provision which specifies that, regardless of the amount of annual earnings, no benefits are withheld for any month in which the beneficiary neither earns wages of more than \$100 nor renders substantial services in self-employment or for any month in which the beneficiary is aged 72 or over.

(5) Aged widow's benefits were increased, beginning August 1961, by 10 percent (from 75 percent to 82½ percent of the worker's primary insurance amount). Similar increases were granted for widower's and for parent's benefits (when only one parent is entitled).

(6) In recognition of the increase in costs resulting from the changes in the program, the contribution rates payable by employees and employers are increased, beginning with 1962, by one-eighth of 1 percent each; the contribution rate for self-employed persons is increased by three-sixteenths of 1 percent and then rounded to the nearest tenth of 1 percent. In addition, the date when the ultimate scheduled tax rate becomes effective has been moved up from 1969 to 1968.

Table 1 presents an estimate of the effect, expressed as a level-premium cost, in percent of taxable payroll, of the changes in the program in 1961.

TABLE 1.—*Changes in estimated level-premium costs as percent of taxable payroll, by type of change, intermediate-cost estimate, high employment assumptions, 3.02-percent interest*

Item	Old-age and survivors insurance	Disability insurance
Benefit cost of program in effect before 1961 amendments [1]	8.52	0.56
Effect of changes:		
Increase in widow's, widower's, and parent's benefit to 82½ percent of primary insurance amount	.17	
Increase in minimum primary insurance amount to $40	.06	(2)
Liberalization in fully insured status requirements	.02	(2)
Reduction in retirement age for men to 62	.00	(2)
Liberalization of retirement test	.02	
Benefit cost after enactment of 1961 amendments [1]	8.79	.56
Level-premium equivalent of graded tax schedule before 1961 amendments [3]	8.28	.50
Effect of changes:		
Increase of ¼ percent in tax rates	.25	
Advance in scheduled date from 1969 to 1968 when ultimate tax rate is reached	.02	
Level-premium equivalent of graded tax schedule after enactment of 1961 amendments [3]	8.55	.50

[1] Taking into account (*a*) lower contribution rate for the self-employed as compared with combined employer-employee rate, (*b*) administrative expenses, and (*c*) interest on trust funds on hand Dec. 31, 1961.
[2] The increase in the minimum benefit and the liberalization of fully insured status result in small increases in cost, but these are offset by the lower cost resulting from some men claiming reduced old-age benefits and thereby losing eligibility for disability benefits later.
[3] Based on payroll adjusted to reflect lower contribution rate for the self-employed as compared with combined employer-employee rate.

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 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 employment covered by the old-age, survivors, and disability insurance program. All employees and their employers in employment 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.

Under the Internal Revenue Code, as amended, the contribution rate for employees and their employers of 3 percent each that was in effect in calendar years 1960 and 1961 is scheduled to rise to 3⅛ percent each on January 1, 1962, to 3⅝ percent each on January 1, 1963, to 4⅛ percent each on January 1, 1966, and to 4⅝ percent each on January 1, 1968. The contribution rates on self-employment income are equal to 1½ times the corresponding employee rates, rounded to the nearest tenth of 1 percent. The Social Security Act, as amended in 1956, provides that beginning January 1, 1957, from 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-eights 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 (to effect coverage under the program for State and local government employees) 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 from the district offices of the Internal Revenue Service. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable 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 payment 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 the issue price or by purchase of outstanding 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 shall bear interest at a rate equal to the average market yield (computed by the managing trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month; where such average market yield 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-eighth of 1 percent nearest such market yield.

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 obligation held in the trust funds are available for investment 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 B and C.

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 1961

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, 1960, and ended on June 30, 1961, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 2.

The total assets of the old-age and survivors insurance trust fund amounted to $20,829 million on June 30, 1960. These assets increased to $20,900 million by the end of the fiscal year 1961, an increase of about $72 million.

Net receipts of the trust fund during the fiscal year 1961 amounted to $11,814 million. Of this total, $10,623 million represented tax collections appropriated to the fund and $755 million represented amounts received by the Secretary of the Treasury in accordance with State agreements for coverage of State and local government employees and deposited in the trust fund. However, $86 million was transferred 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 the issue price or by purchase of outstanding 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 shall bear interest at a rate equal to the average market yield (computed by the managing trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month; where such average market yield 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-eighth of 1 percent nearest such market yield.

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TABLE 2.—*Statement of operations of the old-age and survivors insurance trust fund during the fiscal year 1961*

Total assets of the trust fund, June 30, 1960			$20,828,725,082.73
Receipts, fiscal year 1961:			
Tax contributions:			
Appropriations	$10,623,470,761.84		
Deposits arising from State agreements	755,444,850.61		
Gross tax contributions	11,378,915,612.45		
Less payment into the Treasury for taxes subject to refund	86,240,000.00		
Net tax contributions		$11,292,675,612.45	
Interest and profit:			
On investments	$530,226,255.71		
On administrative expenses reimbursed by disability insurance trust fund	876,593.00		
Gross interest and profit	531,102,848.71		
Less interest on amounts transferred to railroad retirement account	9,534,000.00		
Net interest and profit		521,568,848.71	
Total receipts		11,814,244,461.16	
Disbursements, fiscal year 1961:			
Benefit payments		11,184,531,124.80	
Transfers to railroad retirement account		322,200,000.00	
Administrative expenses:			
Department of Health, Education, and Welfare	$226,048,587.74		
Treasury Department	41,359,039.02		
Preparation and construction of building for Bureau of Old-Age and Survivors Insurance	1,779,643.08		
Gross administrative expenses	269,187,269.84		
Less receipts from sale of surplus materials, supplies, etc	122,383.00		
Less reimbursement for administrative expenses by disability insurance trust fund	30,533,424.00		
Less reimbursement for construction by disability insurance trust fund	2,642,898.00		
Net administrative expenses		235,888,564.84	
Total disbursements		11,742,619,689.64	
Net addition to the trust fund			71,624,771.52
Total assets of the trust fund, June 30, 1961			20,900,349,854.25

Disbursements from the trust fund during the fiscal year 1961 totaled $11,743 million. Of this total, $11,185 million was for benefit payments, an increase of 9 percent over the corresponding amount paid in the fiscal year 1960. This increase resulted chiefly from the expected growth in the number of beneficiaries as the program gradually matures and, to a small extent, from the liberalized eligibility conditions and higher benefit amounts resulting from the provisions of the 1960 amendments.

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 the principal sum of $322,200,000 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, 1960, 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 1961 amounting to $9,534,000 was transferred to the railroad retirement account in June 1961.

Net administrative expenses charged to the fund totaled $236 million and represented 2.1 percent of contribution income and 2.1 percent of benefit payments during fiscal year 1961. Corresponding figures for each of the last 10 fiscal years are shown in table 3.

TABLE 3.—*Relationship of net administrative expenses* [1] *to contribution income and benefit payments, old-age and survivors insurance trust fund, fiscal years 1952–61*

Fiscal year	Administrative expenses as a percentage of—		Fiscal year	Administrative expenses as a percentage of—	
	Contribution income	Benefit payments		Contribution income	Benefit payments
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
1955	2.0	2.4	1960	2.1	2.0
1956	1.9	2.3	1961	2.1	2.1

[1] Include administrative expenses, less receipts from sale of surplus materials, services, etc. For fiscal years 1954–61, 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 are then made from the disability insurance trust fund in the following fiscal year.

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TABLE 4.—*Estimated distribution of benefit payments from the old-age and survivors insurance trust fund, by type of benefit, fiscal years 1960 and 1961*

[Amounts in millions]

Type of benefit	1960		1961	
	Amount	Percent of total	Amount	Percent of total
Total [1]	$10,269.7	100	$11,184.5	100
Monthly benefits [1]	10,103.9	98	11,017.5	99
Old-age (retired workers)	6,803.5	66	7,371.2	66
Wife's or husband's (aged wives or dependent husbands of old-age beneficiaries or their young wives if caring for child beneficiary)	1,020.0	10	1,087.7	10
Widow's or dependent widower's (aged widows or aged dependent widowers of workers)	990.7	10	1,120.3	10
Parent's (aged dependent parents of deceased workers)	27.1	(2)	29.1	(2)
Child's (children, under age 18 or disabled, of old-age beneficiaries)	85.3	1	97.9	1
Child's (children, under age 18 or disabled, of deceased workers)	903.1	9	1,009.8	9
Mother's (widows or dependent divorced wives of deceased workers caring for child beneficiaries)	274.2	3	301.5	3
Lump-sum death payments	165.8	2	167.0	1

[1] Totals do not necessarily equal the sum of rounded components.
[2] Less than 0.5 percent.

The distribution of benefit payments in fiscal years 1960 and 1961, by type of benefit, is shown in table 4. Approximately 86 percent of the total benefit payments from the old-age and survivors insurance trust fund in the fiscal year 1961 was accounted for by monthly benefits to persons aged 62 or over—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 13 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.

On June 30, 1961, about 15.6 million persons in some 11.5 million families were receiving monthly benefits under the old-age, survivors, and disability insurance program (table 5). Generally, average monthly family benefits on that date showed moderate increases over the corresponding averages a year earlier. The higher averages reflected (1) the greater proportion of benefits computed on the basis of earnings after 1950, (2) the growth in the proportion of beneficiaries whose benefits were computed under the provision that permits up to 5 years of lowest earnings to be excluded in calculating the average monthly wage, and (3) the 1960 legislation increasing the benefit for each child of a deceased worker to three-fourths of the primary insurance amount (subject to the family maximum).

TABLE 5.—*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 1960 and 1961*

[Numbers in thousands]

Family classification of beneficiaries receiving benefits	June 30, 1960			June 30, 1961		
	Number of families	Number of beneficiaries	Average monthly amount per family	Number of families	Number of beneficiaries	Average monthly amount per family
Total [1]	10,535.9	14,261.8		11,516.0	15,624.2	
Retired-worker families [1]	7,813.0	10,296.6		8,414.0	11,028.4	
Worker only	5,541.8	5,541.8	$69.50	6,029.7	6,029.7	$70.40
Male	2,845.7	2,845.7	79.10	3,043.0	3,043.0	80.70
Female	2,696.1	2,696.1	59.30	2,986.7	2,986.7	60.00
Worker and aged wife	2,082.4	4,164.8	123.10	2,172.5	4,345.0	124.90
Worker and young wife [2]	.9	1.8	113.50	1.1	2.2	115.00
Worker and aged dependent husband	14.4	28.8	104.80	14.0	28.0	105.80
Worker and 1 or more children	47.7	108.3	119.30	54.4	122.2	119.50
Worker, wife aged 65 or over, and 1 or more children	17.9	54.9	157.50	24.3	74.4	157.80
Worker, young wife, and 1 or more children	107.7	395.6	152.10	117.8	426.3	152.70
Worker, aged dependent husband, and 1 or more children	.2	.6	118.00	.2	.6	114.50
Survivor families [1]	2,352.1	3,443.7		2,543.9	3,698.1	
Aged widow only	1,456.0	1,456.0	57.20	1,603.7	1,603.7	58.20
Aged widow and 1 or more children	13.2	27.2	111.50	15.8	32.4	113.30
Aged widow and 1 or 2 aged dependent parents	.2	.4	130.80	.3	.6	131.20
Aged dependent widower only	2.0	2.0	53.70	2.1	2.1	54.00
Aged dependent widower and 1 or more children	(3)	.1	89.30	.1	.1	84.20
Widowed mother [2]	1.1	1.1	59.60	1.4	1.4	64.00
Widowed mother [2] and 1 or 2 aged dependent parents	0	0	0	(3)	(3)	173.70
Widowed mother and 1 child	164.8	329.6	131.30	181.0	362.0	131.80
Widowed mother and 2 children	108.9	326.7	173.20	118.6	355.8	190.70
Widowed mother and 3 or more children	112.3	540.6	181.40	118.1	568.3	182.80
Widowed mother, 1 or more children, and 1 or 2 aged dependent parents	.4	1.6	217.50	.5	1.9	215.80
Divorced wife and 1 or more children	.3	.9	164.00	.3	.9	163.00
1 child only	291.1	291.1	57.30	300.8	300.8	58.70
2 children only	108.8	217.6	102.80	105.0	210.0	124.20
3 children only	37.5	112.5	131.30	39.2	117.6	157.00
4 or more children only	22.2	100.5	150.50	22.9	104.1	159.40
1 or more children and 1 or 2 aged dependent parents	.7	1.6	137.00	.6	1.4	138.00
1 aged dependent parent only	31.0	31.0	60.30	32.0	.32.0	61.40
2 aged dependent parents only	1.6	3.2	106.50	1.5	3.0	108.90
Disabled-worker families [1]	370.8	521.6		558.1	897.7	
Worker only	300.3	300.3	87.90	423.2	423.2	87.90
Male	222.8	222.8	91.90	308.1	308.1	91.90
Female	77.5	77.5	76.40	115.1	115.1	77.20
Worker and aged wife	19.7	39.5	136.00	24.3	48.6	135.30
Worker and young wife [2]	.2	.4	136.00	.2	.4	140.00
Worker and aged dependent husband	.2	.4	120.50	.2	.5	120.80
Worker and 1 or more children	14.2	35.5	154.60	32.3	84.6	154.20
Worker, wife aged 65 or over, and 1 or more children	.1	.2	200.00	.1	.4	185.00
Worker, young wife, and 1 or more children	36.1	145.3	186.50	77.8	340.0	191.40

[1] Totals do not necessarily equal the sum of rounded components.
[2] Benefits of children were being withheld.
[3] Less than 50.

The assets of the old-age and survivors insurance trust fund at the end of fiscal year 1961 totaled $20,900 million, consisting of $19,524 million in the form of obligations of the U.S. Government, and $1,377 million in undisbursed balances. Table 6 shows a comparison of the total assets of the fund and their distribution at the end of the fiscal years 1960 and 1961.

TABLE 6.—*Assets of the old-age and survivors insurance trust fund, by type, at end of fiscal years 1960 and 1961*

	June 30, 1960		June 30, 1961	
	Par value	Book value [1]	Par value	Book value [1]
Investments:				
Public issues:				
Treasury bills, Jan. 15, 1961	$23,550,000	$22,935,960.98		
Treasury notes:				
2⅝-percent, series A, 1963	30,000,000	30,000,000.00		
3⅝-percent, series A, 1962	176,000,000	175,974,813.47		
3¾-percent, series C, 1962	20,000,000	20,000,000.00		
4-percent, series A, 1961	119,100,000	119,100,749.49		
4-percent, series B, 1963	25,000,000	25,000,000.00		
4⅝-percent, series A, 1965	47,500,000	47,500,000.00	$47,500,000	$47,500,000.00
4⅞-percent, series C, 1963	15,000,000	15,000,000.00	15,000,000	15,000,000.00
5-percent, series B, 1964	25,000,000	25,000,000.00	25,000,000	25,000,000.00
Treasury bonds:				
2¼-percent, 1959–62	4,205,000	4,205,000.00		
2½-percent, 1962–67	58,650,000	58,685,223.33		
2½-percent, 1963	4,500,000	4,239,961.72		
2½-percent, 1963–68	116,480,000	116,545,229.71		
2½-percent, 1964–69	104,004,000	103,067,631.60	46,500,000	42,307,632.59
2½-percent, 1965–70	456,747,500	456,837,862.40	463,297,500	462,749,460.44
2½-percent, 1966–71	308,077,500	307,965,666.50	315,077,500	314,213,517.27
2½-percent, 1967–72	183,378,250	179,126,859.40	239,578,250	229,227,928.70
2⅝-percent, 1965	225,400,000	224,386,771.21	225,400,000	224,607,839.29
2¾-percent, 1961	2,000,000	1,950,024.02	2,000,000	1,992,860.54
2¾-percent, investment series B, 1975–80	1,064,902,000	1,065,764,380.44	1,064,902,000	1,065,645,431.40
3-percent, 1966	25,000,000	25,000,000.00	25,000,000	25,000,000.00
3-percent, 1995	85,170,000	85,127,019.21	85,170,000	85,128,262.05
3¼-percent, 1978–83	45,100,000	44,920,665.58	60,200,000	58,902,857.12
3¼-percent, 1985			25,700,000	23,627,999.15
3⅜-percent, 1966			4,500,000	4,327,542.16
3½-percent, 1980			67,450,000	67,111,298.17
3½-percent, 1990	63,850,000	63,408,543.25	283,130,000	277,399,870.03
3½-percent, 1998			174,454,000	169,955,315.25
3⅝-percent, 1967			34,205,000	34,214,310.96
3¾-percent, 1966			27,729,000	27,757,022.55
3⅞-percent, 1968	10,450,000	10,170,196.39	15,450,000	15,380,049.06
3⅞-percent, 1974	25,000,000	25,000,000.00	25,000,000	25,000,000.00
4-percent, 1969	36,500,000	36,500,000.00	37,500,000	37,514,850.00
4-percent, 1980	18,000,000	17,841,168.38	18,000,000	17,849,278.94
4¼-percent, 1975–85	25,000,000	25,000,000.00	25,000,000	25,000,000.00
Total public issues	3,343,564,250	3,336,253,727.08	3,352,743,250	3,322,413,325.67
Accrued interest purchased				932,355.11
Total investments in public issues	3,343,564,250	3,336,253,727.08	3,352,743,250	3,323,345,680.78
Public-debt obligations (special issues): [2]				
Certificates of indebtedness:				
2⅝-percent, 1961	270,000,000	270,000,000.00		
3¾-percent, 1962			440,698,000	440,698,000.00
Notes:				
2½-percent, 1961	325,660,000	325,660,000.00		
2½-percent, 1962	965,000,000	965,000,000.00	471,319,000	471,319,000.00
2½-percent, 1963	465,000,000	465,000,000.00	412,011,000	412,011,000.00
2⅝-percent, 1961	168,000,000	168,000,000.00		
2⅝-percent, 1962	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2⅝-percent, 1963	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2⅝-percent, 1964	168,000,000	168,000,000.00	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	912,011,000	912,011,000.00
2½-percent, 1965	965,000,000	965,000,000.00	912,011,000	912,011,000.00
2½-percent, 1966	965,000,000	965,000,000.00	912,011,000	912,011,000.00
2½-percent, 1967	965,000,000	965,000,000.00	912,011,000	912,011,000.00

See footnotes at end of table, p. 15.

TABLE 6.—*Assets of the old-age and survivors insurance trust fund, by type, at end of fiscal years 1960 and 1961*—Continued

	June 30, 1960		June 30, 1961	
	Par value	Book value [1]	Par value	Book value [1]
Investments—Continued				
Public-debt obligations—Con.				
Bonds—Continued				
2½-percent, 1968	$465,000,000	$465,000,000.00	$412,011,000	$412,011,000.00
2⅝-percent, 1965	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2⅝-percent, 1966	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2⅝-percent, 1967	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2⅝-percent, 1968	668,000,000	668,000,000.00	668,000,000	668,000,000.00
2⅝-percent, 1969	1,133,000,000	1,133,000,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1970	1,133,000,000	1,133,000,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1971	1,133,000,000	1,133,000,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1972	1,133,000,000	1,133,000,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1973	1,133,000,000	1,133,000,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1974	1,133,000,000	1,133,000,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1975	919,934,000	919,934,000.00	919,934,000	919,934,000.00
3¾-percent, 1975			160,077,000	160,077,000.00
3¾-percent, 1976			1,080,011,000	1,080,011,000.00
Total public-debt obligations	16,412,594,000	16,412,594,000.00	16,200,171,000	16,200,171,000.00
Total investments	19,756,158,250	19,748,847,727.08	19,552,914,250	19,523,516,680.78
Undisbursed balances		1,079,877,355.65		1,376,833,173.47
Total assets		20,828,725,082.73		20,900,349,854.25

[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 1961 amounted to $203 million. New securities at a total par value of $13,177 million were acquired during the fiscal year through the investment of receipts, the reinvestment of funds made available from the maturity of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the fiscal year was $13,006 million, including $317 million of public issues. In addition, $374 million of public issues were sold in the open market providing additional income to the fund in the form of a profit amounting to about $2,243,000. A summary of transactions for the fiscal year, by type of security, is presented in table 7.

TABLE 7.—*Statement of transactions in public-debt securities for the old-age and survivors insurance trust fund during the fiscal year 1961*

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury bills:		
Jan. 15, 1962	0	$23,550,000
July 15, 1961	$10,000,000	10,000,000
Treasury notes:		
2⅝-percent, series A, 1963	0	30,000,000
3⅝-percent, series A, 1962	0	176,000,000
3¾-percent, series C, 1962	0	20,000,000
4-percent, series A, 1961	0	119,100,000
4-percent, series B, 1963	0	25,000,000
Treasury bonds:		
2¼-percent, 1959–62	0	4,205,000
2½-percent, 1962–67	0	58,650,000
2½-percent, 1963	0	4,500,000
2½-percent, 1963–68	0	116,480,000
2½-percent, 1964–69	46,500,000	104,004,000
2½-percent, 1965–70	6,550,000	0
2½-percent, 1966–71	7,000,000	0
2½-percent, 1967–72	56,200,000	0
3¼-percent, 1978–83	15,100,000	0
3¼-percent, 1985	25,700,000	0
3⅜-percent, 1966	4,500,000	0
3½-percent, 1980	67,450,000	0
3½-percent, 1990	219,280,000	0
3½-percent, 1998	174,454,000	0
3⅝-percent, 1967	34,205,000	0
3¾-percent, 1966	27,729,000	0
3⅞-percent, 1968	5,000,000	0
4-percent, 1969	1,000,000	0
Total public issues	700,688,000	691,489,000
Public-debt obligations (special issues): [1]		
Certificate of indebtedness:		
2⅝-percent, 1961	2,665,457,000	2,935,457,000
3⅝-percent, 1961	4,247,596,000	4,247,596,000
3¾-percent, 1961	3,097,499,000	3,097,499,000
3¾-percent, 1962	440,698,000	0
4-percent, 1961	784,843,000	784,843,000
Notes:		
2½-percent, 1961	0	325,660,000
2½-percent, 1962	0	493,681,000
2½-percent, 1963	0	52,989,000
2⅝-percent, 1961	0	168,000,000
Bonds:		
2½-percent, 1964	0	52,989,000
2½-percent, 1965	0	52,989,000
2½-percent, 1966	0	52,989,000
2½-percent, 1967	0	52,989,000
2½-percent, 1968	0	52,989,000
2⅝-percent, 1969	0	52,989,000
2⅝-percent, 1970	0	52,989,000
2⅝-percent, 1971	0	52,989,000
2⅝-percent, 1972	0	52,989,000
2⅝-percent, 1973	0	52,989,000
2⅝-percent, 1974	0	52,989,000
3¾-percent, 1975	160,077,000	0
3¾-percent, 1976	1,080,011,000	0
Total public-debt obligations	12,476,181,000	12,688,604,000
Total transactions	13,176,849,000	13,380,093,000

[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 trust fund and the disability insurance trust fund shall have maturities fixed with due regard for the needs of the funds. Under this provision, the special issues held by the old-age and survivors insurance trust fund on June 30, 1961, were distributed in virtually equal amounts of $1,080 million among maturities ranging from 1 to 15 years (table 6).

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1961

A statement of the income and disbursements of the Federal disability insurance trust fund for fiscal year 1961 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 8.

The total assets of the disability insurance trust fund amounted to $2,167 million on June 30, 1960. These assets increased by $337 million, to $2,504 million by the end of the fiscal year 1961.

Net receipts of the fund amounted to $1,082 million. Of this total, $963 million represented tax collections appropriated to the fund, and $69 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. An additional $60 million of receipts consisted of net interest and profit on the investments of the fund.

TABLE 8.—*Statement of operations of the disability insurance trust fund during th fiscal year 1961*

Total assets of the trust fund, June 30, 1960			$2,167,214,474.84
Receipts, fiscal year 1961:			
Tax contributions:			
Appropriations	$962,812,407.76		
Deposits arising from State agreements	68,689,641.10		
Gross tax contributions	1,031,502,048.86		
Less payment into the Treasury for taxes subject to refund	9,500,000.00		
Net tax contributions		$1,022,002,048.86	
Interest and profit:			
On investments	$61,486,814.11		
Less interest on amounts transferred to old-age and survivors insurance trust fund for reimbursed administrative expenses	876,593.00		
Less interest on amounts transferred to railroad retirement account	148,000.00		
Net interest and profit		60,462,221.11	
Total receipts		1,082,464,269.97	
Disbursements, fiscal year 1961:			
Benefit payments		703,995,671.89	
Transfers to railroad retirement account		5,000,000.00	
Administrative expenses:			
Reimbursement to the old-age and survivors insurance trust fund:			
For administrative expenses of the Department of Health, Education, and Welfare	$30,533,424.00		
For construction of building for the Bureau of Old-Age and Survivors Insurance	2,642,898.00		
Treasury Department	3,122,289.56		
Total administrative expenses		36,298,611.56	
Total disbursements		745,294,283.45	
Net addition to the trust fund			337,169,986.52
Total assets of the trust fund, June 30, 1961			2,504,384,461.36

Disbursements from the fund during the fiscal year 1961 totaled $745 million. Of this total, $704 million was for benefit payments, an increase of 33 percent over the corresponding amount paid in the fiscal year 1960. This increase was due chiefly to (1) the expected increase in the number of disability insurance beneficiaries as the program matures and (2) the substantial changes made in the disability insurance program by the 1960 amendments, under which benefits were made payable to workers under age 50 and to their dependents.

Public Law 880, approved August 1, 1956, provided for financial interchanges between the railroad retirement account and the disability insurance trust fund similar to those described in the preceding section relating to the old-age and survivors insurance trust fund. The determination made as of June 30, 1960, required that a transfer of the principal sum of $5 million be made from the disability insurance trust fund to the railroad retirement account. This sum, together with interest thereon for fiscal year 1961 amounting to $148,000, was transferred to the railroad retirement account in June 1961. The remaining $36 million of disbursements was for administrative expenses.

At the end of fiscal year 1961, some 898,000 persons in 558,000 families were receiving monthly benefits payable from the disability insurance trust fund (table 5). The distribution of benefit payments in fiscal years 1960 and 1961, by type of benefit, is shown in table 9.

TABLE 9.—*Estimated distribution of benefit payments from the disability insurance trust fund, by type of benefit, fiscal years 1960 and 1961*

[Amounts in millions]

Type of benefit	1960		1961	
	Amount	Percent of total	Amount	Percent of total
Total	$528.3	100	$704.0	100
Disability (disabled worker)	450.1	85	589.5	84
Wife's or husband's (aged wives or dependent husbands of disability beneficiaries or their young wives if caring for child beneficiary)	32.8	6	41.2	6
Child's (children, under age 18 or disabled, of disability beneficiaries)	45.4	9	73.3	10

NOTE.—Benefits were first payable: (1) To disabled workers aged 50 through 64, for July 1957, (2) to disabled workers under age 50, for November 1960, and (3) to dependents of disabled-worker beneficiaries, for September 1958.

The assets of this fund at the end of fiscal year 1961 totaled $2,504 million, consisting of $2,386 million in the form of obligations of the U.S. Government, and $119 million in undisbursed balances. Table 10 shows a comparison of the total assets of the fund and their distribution at the end of the fiscal years 1960 and 1961.

TABLE 10.—*Assets of the disability insurance trust fund, by type, at end of fiscal years 1960 and 1961*

	June 30, 1960		June 30, 1961	
	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		
3¾-percent, series C, 1962	7,000,000	7,000,000.00		
4-percent, series B, 1963	5,000,000	5,000,000.00		
4⅞-percent, series C, 1963	5,000,000	5,000,000.00	$5,000,000	$5,000,000.00
5-percent, series B, 1964	5,000,000	5,000,000.00	5,000,000	5,000,000.00
Treasury bonds:				
2½-percent, 1967-72			1,500,000	1,319,472.22
2⅝-percent, 1965	18,250,000	18,080,048.99	18,250,000	18,117,129.23
3-percent, 1966	10,000,000	10,000,000.00	10,000,000	10,000,000.00
3½-percent, 1990	1,500,000	1,378,180.30	7,500,000	7,061,358.78
3½-percent, 1998			3,500,000	3,280,489.98
3⅝-percent, 1967			10,000,000	10,000,000.00
3⅞-percent, 1968			3,750,000	3,750,000.00
3⅞-percent, 1974	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4-percent, 1969	10,000,000	10,000,000.00	11,000,000	11,009,900.00
4-percent, 1980	2,000,000	1,994,128.01	2,000,000	1,994,427.89
4¼-percent, 1975-80	5,000,000	5,000,000.00	5,000,000	5,000,000.00
Total public issues	83,750,000	83,452,357.30	87,500,000	86,532,778.10
Accrued interest purchased				90,422.15
Total investments in public issues	83,750,000	83,452,357.30	87,500,000	86,623,200.25
Public-debt obligations (special issues): [2]				
Certificates of indebtedness:				
2⅝-percent, 1961	56,394,000	56,394,000.00		
3¾-percent, 1962			34,096,000	34,096,000.00
Notes:				
2½-percent, 1961	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	95,394,000	95,394,000.00	95,394,000	95,394,000.00
2⅝-percent, 1963	95,394,000	95,394,000.00	95,394,000	95,394,000.00
2⅝-percent, 1964	95,394,000	95,394,000.00	95,394,000	95,394,000.00
2⅝-percent, 1965	32,394,000	32,394,000.00	32,394,000	32,394,000.00
3¾-percent, 1963			19,389,000	19,389,000.00
3¾-percent, 1964			19,389,000	19,389,000.00
3¾-percent, 1965			19,389,000	19,389,000.00
3¾-percent, 1966			19,389,000	19,389,000.00
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	63,000,000	63,000,000.00
2⅝-percent, 1966	95,394,000	95,394,000.00	95,394,000	95,394,000.00
2⅝-percent, 1967	95,394,000	95,394,000.00	95,394,000	95,394,000.00
2⅝-percent, 1968	102,894,000	102,894,000.00	102,894,000	102,894,000.00
2⅝-percent, 1969	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2⅝-percent, 1970	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2⅝-percent, 1971	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2⅝-percent, 1972	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2⅝-percent, 1973	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2⅝-percent, 1974	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2⅝-percent, 1975	132,894,000	132,894,000.00	132,894,000	132,894,000.00
3¾-percent, 1967			19,389,000	19,389,000.00
3¾-percent, 1968			19,389,000	19,389,000.00
3¾-percent, 1969			19,389,000	19,389,000.00
3¾-percent, 1970			19,389,000	19,389,000.00
3¾-percent, 1971			19,389,000	19,389,000.00
3¾-percent, 1972			19,389,000	19,389,000.00

See footnotes at end of table, p. 20.

TABLE 10.—*Assets of the disability insurance trust fund, by type, at end of fiscal years 1960 and 1961*—Continued

	June 30, 1960		June 30, 1961	
	Par value	Book value [1]	Par value	Book value [1]
Investments—Continued				
Public-debt obligations—Con.				
Bonds—Continued				
3¾-percent, 1973			$19,389,000	$19,389,000.00
3¾-percent, 1974			19,380,000	19,380,000.00
3¾-percent, 1975			19,389,000	19,380,000.00
3¾-percent, 1976			152,283,000	152,283,000.00
Total public-debt obligations	$2,017,410,000	$2,017,410,000.00	2,298,952,000	2,298,952,000.00
Total investments	2,101,160,000	2,100,862,357.30	2,386,452,000	2,385,575,200.25
Undisbursed balances		66,352,117.54		118,809,261.11
Total assets		2,167,214,474.84		2,504,384,461.36

[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 $285 million. New securities at a total par value of $1,523 million were acquired during the fiscal year through the investment of receipts of the fund, the reinvestment of funds made available from the maturity of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the year was $1,226 million, including $10 million of public issues. In addition, $12 million of public issues were sold in the open market, providing additional income to the fund in the form of a profit amounting to about $111,000. A summary of transactions for the fiscal year, by type of security, is presented in table 11.

As indicated in the preceding section of this report, the special issues held by the trust funds have maturities fixed with due regard for the needs of the funds. On June 30, 1961, these holdings of the disability insurance trust fund were distributed in equal amounts of $152 million among maturities ranging from 2 to 15 years and in the amount of $167 million maturing at the end of the first year.

TABLE 11.—*Statement of transactions in public-debt securities for the disability insurance trust fund during the fiscal year 1961*

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury notes:		
2⅝-percent, series A, 1963	0	$10,000,000
3¾-percent, series C, 1962	0	7,000,000
4-percent, series B, 1963	0	5,000,000
Treasury bonds:		
2½-percent, 1967-72	$1,500,000	0
3½-percent, 1990	6,000,000	0
3½-percent, 1998	3,500,000	0
3⅝-percent, 1967	10,000,000	0
3⅞-percent, 1968	3,750,000	0
4-percent, 1969	1,000,000	0
Total public issues	25,750,000	22,000,000
Public-debt obligations (special issues): [1]		
Certificates of indebtedness:		
2⅝-percent, 1961	245,829,000	302,223,000
3⅝-percent, 1961	381,424,000	381,424,000
3¾-percent, 1961	343,947,000	343,947,000
3¾-percent, 1962	34,096,000	0
4-percent, 1961	87,885,000	87,885,000
Notes:		
2½-percent, 1961	0	37,500,000
2⅝-percent, 1961	0	63,000,000
3¾-percent, 1963	19,389,000	0
3¾-percent, 1964	19,389,000	0
3¾-percent, 1965	19,389,000	0
3¾-percent, 1966	19,389,000	0
Bonds:		
3¾-percent, 1967	19,389,000	0
3¾-percent, 1968	19,389,000	0
3¾-percent, 1969	19,389,000	0
3¾-percent, 1970	19,389,000	0
3¾-percent, 1971	19,389,000	0
3¾-percent, 1972	19,389,000	0
3¾-percent, 1973	19,389,000	0
3¾-percent, 1974	19,389,000	0
3¾-percent, 1975	19,389,000	0
3¾-percent, 1976	152,283,000	0
Total public-debt obligations	1,497,521,000	1,215,979,000
Total transactions	1,523,271,000	1,237,979,000

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

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1961, TO DECEMBER 31, 1966

In the following statement of the expected operations and status of the trust funds during the period July 1, 1961, to December 31, 1966, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period. 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 12 to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1962–66. They are based on the assumption that economic activity will expand throughout the period, with employment and earnings increasing steadily through 1966. Figures on actual experience in

TABLE 11.—*Statement of transactions in public-debt securities for the disability insurance trust fund during the fiscal year 1961*

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury notes:		
2⅝-percent, series A, 1963	0	$10,000,000
3¾-percent, series C, 1962	0	7,000,000
4-percent, series B, 1963	0	5,000,000
Treasury bonds:		
2½-percent, 1967–72	$1,500,000	0
3½-percent, 1990	6,000,000	0
3½-percent, 1998	3,500,000	0
3⅝-percent, 1967	10,000,000	0
3⅞-percent, 1968	3,750,000	0
4-percent, 1969	1,000,000	0
Total public issues	25,750,000	22,000,000
Public-debt obligations (special issues): [1]		
Certificates of indebtedness:		
2⅝-percent, 1961	245,829,000	302,223,000
3⅝-percent, 1961	381,424,000	381,424,000
3¾-percent, 1961	343,947,000	343,947,000
3¾-percent, 1962	34,096,000	0
4-percent, 1961	87,885,000	87,885,000
Notes:		
2½-percent, 1961	0	37,500,000
2⅝-percent, 1961	0	63,000,000
3¾-percent, 1963	19,389,000	0
3¾-percent, 1964	19,389,000	0
3¾-percent, 1965	19,389,000	0
3¾-percent, 1966	19,389,000	0
Bonds:		
3¾-percent, 1967	19,389,000	0
3¾-percent, 1968	19,389,000	0
3¾-percent, 1969	19,389,000	0
3¾-percent, 1970	19,389,000	0
3¾-percent, 1971	19,389,000	0
3¾-percent, 1972	19,389,000	0
3¾-percent, 1973	19,389,000	0
3¾-percent, 1974	19,389,000	0
3¾-percent, 1975	19,389,000	0
3¾-percent, 1976	152,283,000	0
Total public-debt obligations	1,497,521,000	1,215,979,000
Total transactions	1,523,271,000	1,237,979,000

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

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1961, TO DECEMBER 31, 1966

In the following statement of the expected operations and status of the trust funds during the period July 1, 1961, to December 31, 1966, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period. 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 12 to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1962–66. They are based on the assumption that economic activity will expand throughout the period, with employment and earnings increasing steadily through 1966. Figures on actual experience in earlier fiscal years are also presented. The increase in estimated income from contributions in fiscal years 1962–66 reflects the assumed upward trend in the levels of employment and earnings as well as the effect of the several scheduled increases in contribution rates, effective on January 1 of 1962, 1963, and 1966. Benefit disbursements increase because of the recent amendments and also because of the long-range upward trend in the number of beneficiaries under the program.

TABLE 12.—*Operations of the old-age and survivors insurance trust fund, fiscal years 1937–66*

[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:								
1937–61	$84,570	$6,597	$15	$67,346	$1,910	$1,027	$20,900	$20,900
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	540		9,049	206	121	−1,271	21,541
1960	9,843	500		10,270	202	583	−712	20,829
1961	11,293	522		11,185	236	322	72	20,900
Estimated future experience:								
1962	11,620	513		12,625	254	330	−1,076	19,825
1963	13,506	526	78	13,538	257	365	−50	19,774
1964	15,290	547	156	14,157	262	355	1,219	20,993
1965	15,898	605	150	14,658	269	345	1,381	22,374
1966	17,477	691	142	15,081	279	360	2,590	24,964

[1] Beginning December 1952, includes adjustment for refunds.

[2] Includes (1) net profits on marketable investments, (2) for fiscal years 1954-58, interest transferred from the railroad retirement account and, beginning in 1959, adjustment for interest transferred to the railroad retirement account, and (3) beginning in 1958, interest on administrative expenses reimbursed by the disability insurance trust fund.

[3] Receipts from sale of surplus materials, services, etc., are deducted from gross administrative expenses. For fiscal years 1954-64, includes 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.

NOTE.—In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in December 1961.

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 1962–66. During this period, there is an estimated net increase in the trust fund of $4.1 billion.

Estimates consistent with those shown on a fiscal-year basis in table 12 are presented in table 13 to show the progress of the old-age and survivors insurance trust fund on a calendar-year basis. During calendar years 1961–62 the outgo of the trust fund is expected to exceed the income. With the tax 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.

Benefit disbursements will continue to increase over the next 5 calendar years as the number of beneficiaries under the program increases. Table 14 shows the annual amount of benefit payments distributed by classification of beneficiaries.

Benefit payments were 5.29 percent of taxable earnings for calendar year 1960. The percentage will continue to increase until 1964 when benefit expenditures will be 6.28 percent of taxable payrolls. The percentage will then decline somewhat in 1965 and 1966 as the effect of rising taxable earnings more than offsets the gradual long-term rise in the amount of benefit payments. Figures for each of the calendar years 1940–66 are shown in table 15.

TABLE 13.—*Operations of the old-age and survivors insurance trust fund, calendar years 1937–66*

[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:								
1937–60	$78,028	$6,338	$15	$61,588	$1,764	$704	$20,324	$20,324
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	549	----------	8,327	194	121	−528	21,864
1959	8,052	525	----------	9,842	184	275	−1,724	20,141
1960	10,866	506	----------	10,677	203	308	184	20,324
Estimated future experience:								
1961	11,285	539	----------	11,862	239	322	−599	19,725
1962	12,167	519	78	13,194	252	330	−1,012	18,713
1963	14,601	536	156	13,857	256	365	815	19,528
1964	15,570	576	150	14,420	262	355	1,259	20,787
1965	16,130	648	142	14,887	269	345	1,419	22,206
1966	18,940	760	138	15,294	277	360	3,907	26,113

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 12.

TABLE 14.—*Old-age and survivors insurance benefit payments, distributed by classification of beneficiaries, calendar years 1940–66*

[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 expereince: [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
1959	9,841.6	6,548.0	1,059.0	2,063.3	946.1	1,117.2	171.3
1960	10,676.6	7,052.9	1,143.3	2,316.2	1,085.3	1,230.9	164.3
Estimated future experience:							
1961	11,862.0	7,803.0	1,229.0	2,654.0	1,261.0	1,393.0	176.0
1962	13,194.0	8,683.0	1,401.0	2,918.0	1,475.0	1,443.0	192.0
1963	13,857.0	9,078.0	1,459.0	3,116.0	1,594.0	1,522.0	204.0
1964	14,420.0	9,416.0	1,506.0	3,286.0	1,712.0	1,574.0	212.0
1965	14,887.0	9,691.0	1,535.0	3,443.0	1,828.0	1,615.0	218.0
1966	15,294.0	9,922.0	1,561.0	3,588.0	1,941.0	1,647.0	223.0

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

TABLE 15.—*Old-age and survivors insurance benefit payments as a percentage [1] of taxable earnings, calendar years, 1940–66*

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	1954	2.83
1941	.21	1955	3.26
1942	.25	1956	3.48
1943	.27	1957	4.20
1944	.32	1958	[2] 4.77
1945	.44	1959	[2] 5.02
1946	.55	1960	[2] 5.29
1947	.59	Estimated future experience:	
1948	.66	1961	5.73
1949	.82	1962	6.14
1950	1.10	1963	6.26
1951	1.60	1964	6.28
1952	1.76	1965	6.27
1953	2.28	1966	6.18

[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 1958–60 and of taxable wages for 1959–60.

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 16 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 1966.

TABLE 16.—*Workers aged 65 and over eligible for and receiving old-age (primary) benefits, by attained age, calendar years 1941–66*

[Numbers 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	6,856	4,999	73	3,203	1,876	59	3,653	3,123	85
1958	7,538	5,931	79	3,448	2,257	65	4,090	3,675	90
1959 [2]	8,009	6,608	83	3,579	2,475	69	4,430	4,133	93
1960	8,462	7,191	85	3,622	2,644	73	4,840	4,547	94
1961	8,962	7,704	86	3,764	2,795	74	5,198	4,909	94
Estimated future experience:									
1962	9,378	8,256	88	3,856	2,956	77	5,522	5,300	96
1963	9,747	8,870	91	3,909	3,163	81	5,838	5,707	98
1964	10,108	9,222	91	3,984	3,229	81	6,124	5,993	98
1965	10,486	9,587	91	4,097	3,326	81	6,389	6,261	98
1966	10,856	9,933	91	4,228	3,434	81	6,628	6,499	98

[1] Figures for 1941–61 are partly estimated. No adjustments have been made to reflect changes arising from (1) provisions that coordinate the old-age, survivors, and disability insurance and the railroad retirement programs, and (2) noncontributory wage credits for military service.

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

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 during the period 1950–61 which liberalized the insured-status provisions and extended coverage to new areas of employment have an even greater effect.

As is indicated in table 16, 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 upward trend in this proportion is expected to continue, although at a slower rate than in the past.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in table 17 together with the figures on actual experience in earlier years. Income of the disability insurance trust fund is expected to exceed outgo by a relatively small amount in each of the 5 fiscal years 1962–66. During this 5-year period, it is estimated that the disability insurance trust fund will increase by about $82 million and will amount to $2,586 million on June 30, 1966.

TABLE 17.—*Operations of the disability insurance trust fund, fiscal years 1957–66*

[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:								
1957-61	$4,168	$159	----------	$1,740	$103	−$21	$2,504	$2,504
1957	337	1	----------	----------	1	----------	337	337
1958	926	16	----------	168	12	----------	762	1,099
1959	895	33	----------	339	21	----------	568	1,667
1960	987	48	----------	528	32	−26	501	2,167
1961	1,022	60	----------	704	36	5	337	2,504
Estimated future experience:								
1962	1,036	67	----------	990	64	10	40	2,544
1963	1,089	72	1	1,073	65	10	14	2,559
1964	1,137	73	4	1,129	66	10	9	2,568
1965	1,186	75	6	1,182	67	10	8	2,576
1966	1,235	76	7	1,229	69	10	10	2,586

[1] Adjusted for refunds.

[2] Includes (1) net profits on marketable investments, (2) for fiscal year 1960, interest transferred from the railroad retirement account and, beginning in 1961, adjustment for interest transferred to the railroad retirement account, and (3) beginning in 1958, adjustment for interest on administrative expenses reimbursed to the old-age and survivors insurance trust fund.

[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.

NOTE.—Reference should be made to the text which describes the underlying assumptions and limitations. Estimates were prepared in December 1961.

TABLE 18.—*Operations of the disability insurance trust fund, calendar years 1957–66*

[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:								
1957–60	$3,568	$127	------------	$1,331	$101	−$26	$2,289	$2,289
1957	702	7	------------	57	3	------------	649	649
1958	966	25	------------	249	12	------------	729	1,379
1959	891	41	------------	457	50	−21	447	1,825
1960	1,010	53	------------	568	36	−5	464	2,289
Estimated future experience:								
1961	1,038	66	------------	887	64	5	148	2,437
1962	1,064	70	$1	1,031	65	10	29	2,466
1963	1,110	72	4	1,101	66	10	9	2,475
1964	1,156	74	6	1,155	67	10	4	2,479
1965	1,204	76	7	1,204	69	10	4	2,483
1966	1,251	77	8	1,248	71	10	7	2,490

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 17.

Estimates consistent with those shown on a fiscal-year basis in table 17 are presented in table 18 to show the progress of the disability insurance trust fund on a calendar-year basis.

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 increase. Benefit payments were 0.28 percent of taxable earnings for calendar year 1960. It is estimated that, in 1961, benefit expenditures from the disability insurance trust fund will rise sharply, to 0.43 percent of payroll, as a result of removing the age 50 limitation. During 1962–66, benefit payments are expected to be about one-half percent of payroll. Figures for each of the calendar years 1957–66 are shown in table 19.

TABLE 19.—*Disability insurance benefit payments as a percentage*[1] *of taxable earnings, calendar years 1957–66*

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—Con.	
1957	0.03	1962	0.48
1958	[2].14	1963	.50
1959	[2].23	1964	.50
1960	[2].28	1965	.51
Estimated future experience:		1966	.50
1961	.43		

[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 self-employment earnings for 1958–60 and of taxable wages for 1959–60.

Reference has been made in earlier sections to the financial interchanges between the railroad retirement account and the two trust funds under the provisions of the Railroad Retirement Act. The estimates shown in tables 12, 13, 17, and 18 reflect the effect of future financial interchanges.

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 at some time during the period September 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivor protection to certain World War II veterans for a period of 3 years after leaving service. The arrangements for annual reimbursements are based on the following plan: The total additional costs arising from payments during the period September 1950 through June 1960 are to be amortized in annual installments over a 7-year period, the first installment of which will be paid on July 1, 1962. The Budget of the U.S. Government for the fiscal year 1963 (p. 189) makes provision for this reimbursement. The additional costs arising from payments made after June 1960 will be repaid annually on a current basis, the first such repayment to be made on July 1, 1963. The estimates shown in the various tables in this section of the report reflect the effect of these reimbursements. A description of the legislative history of provisions relating to credit for military service, including the 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 20 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 1962–66, 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 20.—*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 1962–66*

[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		
1962	$11,584	$504	$78	$13,387	$264	$330	−$1,815	$17,910
1963	12,795	463	156	14,330	267	375	−1,558	16,352
1964	12,550	387	150	15,024	270	390	−2,597	13,755
1965	12,410	328	142	15,416	275	400	−3,211	10,544
1966	14,124	313	138	15,675	284	435	−1,819	8,725

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 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 forgo 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, therefore, to show how much the cost is likely to increase and to indicate whether the scheduled tax rates are adequate.

The cost of benefits to aged persons, which constitute almost 90 percent of the total cost, will rise for several reasons. The U.S. population will almost certainly become relatively much older on the average. A relatively older population will 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. Also, after the turn of the century, the larger birth cohorts of the 1940's and 1950's will be attaining retirement age. Thus, in the future, relatively more persons, both in total and in each cohort, 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 resulting from present death rates the ratio would be 24.9 percent, but such a situation is not likely to occur within the next century. Ultimately it is expected that this ratio will become even greater because of decreases in mortality below present rates.

Another reason for the increasing cost is that the proportion of the aged population eligible for and 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 75 percent to between 92 and 97 percent by the end of the century.

Since the future cost of the old-age, survivors, and disability insurance program will be affected by many factors that are difficult to determine, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. The long-range cost estimates for the program as it was changed by the 1961 amendments (shown for 1970 and thereafter) are presented here on a range basis to indicate the plausible variation in future costs depending on the actual trends that develop for the various cost factors. Both the low- and high-cost estimates are based on high economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1959. Each estimate provides data on payroll and contributions and on beneficiaries and benefit payments 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. Also, a single estimate of costs is needed as a guide in considering proposed legislation and developing tax schedules intended to make the system self-supporting. For these reasons, an intermediate-cost estimate is prepared, in which numbers of beneficiaries, amount of 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 percentage-of-payroll figures.

Table A 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 percentage-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 disbursements in that year. Tables B and C 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 A.—*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	7.03	7.37	7.20
1980	7.78	8.78	8.27
1990	7.96	10.02	8.94
2000	7.15	10.12	8.51
2025	8.04	13.30	10.22
2050	10.19	15.18	12.13
Level-premium cost[3]	7.71	10.08	8.79
	Disability insurance benefits		
1970	0.40	0.65	0.52
1980	.41	.72	.56
1990	.39	.71	.54
2000	.39	.74	.55
2025	.45	.82	.60
2050	.49	.85	.63
Level-premium cost[3]	.42	.73	.56

[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 3.02 percent interest rate, for benefits after 1961, taking into account interest on the trust fund on Dec. 31, 1961, future administrative expenses, the railroad retirement financial interchange provisions, and the lower contribution rates payable by the self-employed.

TABLE B.—*Estimated progress of old-age and survivors insurance trust fund, high employment and 1959 level earnings assumption, equivalent 3.02 percent interest basis* [1]

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Financial interchange [2]	Interest on fund	Fund at end of year [3]
			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	[4] 162		557	22,393
1958	7,566	8,327	[4] 194	−$124	552	21,864
1959	8,052	9,842	184	−282	532	20,141
1960	10,866	10,677	203	−318	516	20,324
			Low-cost estimate			
1970	$20,640	$16,588	$230	−$100	$1,384	$44,311
1980	24,509	21,790	250	41	2,774	95,876
1990	29,235	26,626	292	126	4,524	155,539
2000	35,050	28,644	332	126	7,460	257,577
2025	47,478	43,665	472	126	24,285	830,158
			High-cost estimate			
1970	$20,527	$17,306	$260	−$220	$1,123	$35,812
1980	23,492	23,591	290	−39	1,847	62,779
1990	26,502	30,352	337	46	1,685	55,409
2000	29,721	34,408	379	46	604	18,080
2025	33,594	51,091	498	46	(5)	(5)
			Intermediate-cost estimate			
1970	$20,583	$16,945	$245	−$160	$1,253	$40,064
1980	24,000	22,688	270	1	2,311	79,346
1990	27,869	28,489	315	86	3,106	105,517
2000	32,386	31,525	356	86	4,030	137,779
2025	40,536	47,376	485	86	8,071	271,717

[1] An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate, when averaged over a long period of time.

[2] A positive figure indicates payment to the trust fund from the railroad retirement account; a negative figure indicates the reverse.

[3] 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, and $163 for 1955, $60 for 1956, and nothing for 1957 and thereafter.

[4] These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

[5] Fund exhausted in 2004.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service.

TABLE C.—*Estimated progress of disability insurance trust fund, high employment and 1959 level earnings assumptions, equivalent 3.02 percent interest basis* [1]

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
			Actual data		
1957	$702	$57	[2] $3	$7	$649
1958	966	249	[2] 12	25	1,379
1959	912	457	50	41	1,825
1960	1,015	568	36	53	2,289
			Low-cost estimate		
1970	$1,180	$934	$51	$180	$5,622
1980	1,401	1,160	58	285	9,805
1990	1,671	1,302	64	464	15,986
2000	2,004	1,573	78	743	25,537
2025	2,714	2,456	115	1,819	62,109
			High-cost estimate		
1970	$1,174	$1,525	$55	$42	$1,089
1980	1,343	1,943	66	(3)	(3)
1990	1,515	2,157	71	(3)	(3)
2000	1,699	2,522	82	(3)	(3)
2025	1,921	3,148	97	(3)	(3)
			Intermediate-cost estimate		
1970	$1,177	$1,229	$53	$111	$3,354
1980	1,372	1,550	62	75	2,438
1990	1,593	1,730	68	19	557
2000	1,852	2,048	80	(4)	(4)
2025	2,318	2,802	106	(4)	(4)

[1] An interest rate of 3.02 percent is used in determining the level-premium costs, but in developing the progress of the trust fund a varying rate in the early years has been used, which is equivalent to such fixed rate, when averaged over a long period of time.
[2] These figures are artifically low because of the method of reimbursements between the trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).
[3] Fund exhausted in 1973.
[4] Fund exhausted in 1993.

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service and transfers to or from the railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

Annual benefit payments as a percentage of payroll are less than the scheduled tax rates in the early future years (with a few exceptions), but—except under the low-cost disability estimate—eventually rise to well above the ultimate scheduled combined employer-employee tax rate of 8¾ 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 interest-earning 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 would indicate that an increase in the tax rate is needed to make the system self-supporting. However, considering the variability of long-range cost estimates and certain elements of conservatism believed to be present in the estimates, small negative figures are not considered significant. The long-range balance of the system is shown by the following level-premium equivalent costs and contributions, in percentages of payroll, which are computed as of the beginning of calendar year 1962, at 3.02 percent interest (the estimated average rate corresponding to the revised method of determining the interest rate on special obligations issued to the trust funds under the provisions of the 1960 amendments.)

[In percent]

Item	Low cost	High cost	Intermediate cost
	Old-age and survivors insurance		
Contributions [1]	8.56	8.53	8.55
Benefit cost [2]	7.71	10.08	8.79
Net difference	.85	−1.55	−.24
	Disability insurance		
Contributions [1]	0.50	0.50	0.50
Benefit cost [2]	.42	.73	.56
Net difference	.08	−.23	−.06

[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.

The lack of actuarial balance of the old-age and survivors insurance system under the 1961 act (0.24 percent on the intermediate-cost basis) is the same as that shown for the 1960 act in the previous report, since the cost of the liberalized benefits under the 1961 act is met by the additional financing provided. The disability insurance system has a lack of actuarial balance of 0.06 percent of payroll, which also is the same as that shown for the 1960 act, since the disability changes made by the 1961 act are relatively small and involve certain counterbalancing cost factors. The combined old-age, survivors, and disability insurance system has an actuarial deficit of 0.30 percent of payroll, which is within the margin of variation possible in actuarial cost estimates, and which is about the same as has generally prevailed in the past when the system has been considered to be in substantial actuarial balance.

If the cost estimates had been based on a higher interest rate than 3.02 percent (which is somewhat above the current average being earned by the total investments of the trust funds, although considerably below the prevailing market rate of interest on long-term Government obligations, which was about 3⅞ percent in the last part of 1961), the lack of actuarial balance would have been considerably less than 0.30 percent of payroll. In fact, if an interest rate of 3½ percent had been hypothesized, the cost estimates would show no actuarial deficit.

If the experience exactly follows the assumptions, future computations would show a gradual increase in the actuarial lack of balance under the high-cost or intermediate-cost estimate for both the old-age and survivors insurance system and the disability insurance system, while the actuarial surplus would increase under the low-cost estimate. The reason for this is that interest accumulations increase any deficit or surplus in the system. In the case of a surplus, the excess contributions actually earn interest, while a deficit grows because of the absence of the 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 or other changes 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 will remain at about the level prevailing in 1959. If earnings levels rise, as they have in the past, the benefits and the taxable earnings base under the program will undoubtedly be modified. If such changes are made concurrently and proportionately with changes in general earnings levels, and if the experience follows all the other assumptions, 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 were modified to reflect changes in earnings levels, not in full but rather only in part or with a timelag, a still different cost situation would develop. Again, the effect of such events can be observed in ample time to make any needed changes in the contribution schedule or any other changes to improve the actuarial balance of the system.

This analysis includes the benefits and contributions in respect to all persons anticipated to be covered in the future under present legislative provisions. The actuarial deficiency would be larger if account were taken only of (*a*) the benefits to be paid to workers who have been covered by the system in the past and to their dependents and survivors, (*b*) the future taxes to be paid by such workers, and (*c*) 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 that 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 that will continue indefinitely, the income and outgo with respect to new entrants should 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. The Division of the Actuary of the Social Security Administration is now preparing new long-range cost estimates, which include revision of assumed earnings to reflect levels prevailing in 1961 and revision of basic cost factors in view of experience and trends over past years (including more recent experience). Preliminary results indicate very little change in the overall actuarial balance of the system, compared to that shown in this report.

MEDIUM-RANGE COST ESTIMATES

The preceding sections have presented both short-range cost estimates (the next 5 years) and long-range cost estimates (many decades into the future) for the old-age, survivors, and disability insurance system. The 1957–58 Advisory Council on Social Security Financing, among its recommendations, suggested that a third type of actuarial cost estimate is desirable; namely, medium-range cost estimates for the next 15 to 20 years (see 19th Trustees Report). These estimates, it was suggested, should take into account possible variations in economic factors, such as earnings and employment levels, as well as in demographic developments. The long-range cost estimates encompass the latter factors but, for the reasons given previously, do not take into account changes in such economic factors as general business conditions and earnings levels.

In the 21st Trustees Report, for the first time, such medium-range estimates were presented for the system as it existed following the 1960 amendments. The estimates covered the period through 1975.[1] The medium-range estimates for the program as it is after the 1961 amendments are summarized in table D.

TABLE D.—*Estimated progress of trust funds, high employment, and increasing earnings assumptions, equivalent 3.02 percent interest rate basis* [1]

[In millions]

Calendar year	Contributions [2]	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
	Old-age and survivors insurance trust fund				
1970	$24,445	$17,804	$327	$1,656	$53,715
1975	28,335	20,801	402	2,868	99,557
1980	31,834	24,673	484	4,423	152,918
	Disability insurance trust fund				
1970	$1,404	$1,376	$83	$82	$2,587
1975	1,615	1,491	104	85	2,937
1980	1,807	1,692	130	97	3,403

[1] On the same interest rate basis as used to develop the progress of the trust funds in tables B and C.
[2] Includes (1) reimbursements for additional cost of benefits based on noncontributory credits for military service and (2) transfers to or from the railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

A detailed statement of the economic assumptions underlying the medium-range cost estimates to 1975 has been published.[2] Briefly, the assumptions through 1965 are those developed in connection with the short-range projections for the 1960 amendments. After 1965, it is assumed that there is an annual increase of 3 percent in the total

[1] For more details on these medium-range cost estimates, see "Actuarial Study No. 53," Social Security Administration, August 1961.
[2] See "Economic Assumptions Underlying the Medium-Range Projections of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, 1966–75," by Moses Lukaczer, Division of Program Research, Social Security Administration, August 1961.

earnings of each covered worker. Under a fixed maximum taxable earnings base, the average earnings on which contributions are collected and on which benefits are based will not rise at this assumed 3-percent annual rate; rather, the increase in average covered earnings is considerably smaller because of the dampening effect of the fixed base. This effect is well illustrated by the fact that in 1959, 80.7 percent of the total earnings of covered individuals was taxable, but that this proportion will probably drop to slightly less than 60 percent by 1975 if the earnings base remains unchanged.

The medium-range estimates, like the short-range and long-range estimates, assume no future changes in the law. However, over the period covered by the estimates, many changes will undoubtedly be made. In particular, if earnings levels rise, changes will almost certainly be made in benefit levels. The extent and timing of whatever changes are made in the law are, of course, unpredictable.

Both the medium-range and long-range cost estimates consider trends in the labor force participation rates (including increases in these rates among women and changes in these rates among persons aged 65 and over). The medium-range estimates take into consideration the business cycle conditions of the postwar type, in that their effect has been averaged out in the trend projected for the period after 1965.

The medium-range estimates of this report cover the period through 1980 and, for the period through 1966, are the same as the short-range estimates presented previously in this report.

The results of the medium-range cost estimates are presented in table D, which shows the estimated progress over the next 20 years of the old-age and survivors insurance trust fund and the disability insurance trust fund. The old-age and survivors insurance trust fund grows steadily through the period up to 1980—reaching about $100 billion in 1975 and $153 billion in 1980. It is interesting to note that, according to the intermediate-cost long-range estimate, which assumes level earnings, the balance in this trust fund at the end of 1980 is about $79 billion (see table B), or $74 billion lower than under the medium-range estimate, which assumes rising earnings; for 1970 the corresponding difference is $14 billion.

It is also interesting to note that under the medium-range estimate the old-age and survivors insurance benefit disbursements in 1980 are 9 percent higher than under the long-range cost estimate, whereas the corresponding increase in the contributions is 33 percent. If the conditions assumed in the medium-range estimate actually eventuate, the actuarial balance of the system would, of course, be materially improved, but it is highly improbable that under such conditions there would be no legislation liberalizing the benefits of the program. If benefits are liberalized without provision being made for a corresponding increase in income to the system, through increased contribution rates or otherwise, the estimated size of the trust fund shown in table D would of course be smaller, beginning with the year in which the benefit liberalization took effect.

The disability insurance trust fund under the medium-range cost estimates grows only slowly throughout the period up to 1970, and then rises somewhat during the 1970's, reaching $3.4 billion at the end of 1980. Of course, this estimated growth is subject to the same qualification mentioned in the discussion of the progress of the old-age and survivors insurance trust fund, namely, that if benefits are liberalized without provision being made for a corresponding increase in income to the system, either through increased contribution rates or otherwise, the estimated size of the trust fund shown in table D would be smaller, beginning with the year in which the benefit liberalization took effect. It will be observed that the growth in this trust fund is shown to be somewhat smaller than in the previous report (no substantial charges were made in the disability benefit provisions by the 1961 amendments); the reason for this is a moderate upward adjustment in the estimate of benefit disbursements in the next few years of operations. In the later years of the period under consideration, the effect of the assumed rising earnings (in increasing contribution income much more rapidly than benefit outgo) more than offsets the long-term gradual rise in the number of beneficiaries.

CONCLUSION

Total assets of the old-age and survivors insurance trust fund increased by $72 million during fiscal year 1961. Over the 5 years 1962–66 the fund is expected to increase substantially although, during the early part of this period, income of the fund will be less than outgo. Thus, the assets of the fund are expected to decline by about $1,076 million in fiscal year 1962 and to remain about level in 1963. Beginning in 1964, the size of the fund will show substantial annual increases largely as a result of the scheduled rises in contribution rates. The disability insurance trust fund will continue to increase during the period ahead as aggregate income remains wholly sufficient to meet aggregate disbursements.

Relatively large margins of possible variation are inherent in long-range cost estimates. Such estimates are therefore the subject of continuing study and appraisal. Present long-range estimates show that the old-age, survivors, and disability 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 for many years into the long-range future.

Under section 217(g) of the Social Security Act, as amended, the trust funds are to be reimbursed from general revenues for the additional costs (incurred after August 1950) of benefits based on noncontributory credits for military service performed at some time during the period from September 16, 1940, through December 31, 1956. However, no reimbursements have been made to date. The Board of Trustees therefore strongly recommends enactment of the first appropriation request of $78.6 million, contained in the 1963 Budget of the United States as submitted to Congress in January 1962.

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

Projections were made of the U.S. population (including oversea areas covered by the old-age, survivors, and disability insurance program) for future quinquennial years, by 5-year age groups and by sex. The starting point was the population on July 1, 1955, as estimated by the Bureau of the Census from the 1950 census and from births, deaths, and migration in 1950–55. This population estimate was increased to allow for probable underenumeration in the 1950 census. The projections used were developed before the results of the 1960 census became available; the long-range cost estimates were not revised because the effect is negligible.[2]

In the projections for 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 the rates at the older ages showing somewhat smaller improvements. The low-cost estimate assumes less improvement in mortality than the high-cost estimate.

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, in 2005–10, reach about the level required to maintain a stationary population. Both estimates assume a small amount of net 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

[1] For more details as to the procedures followed in making the long-range cost estimates, see "Actuarial Study No. 49," Social Security Administration, DHEW, which deals with the 1956 act but also indicates the modified procedures that were used in connection with estimates for the 1958 and 1960 acts.

[2] While the 1960 census revealed a greater number of persons aged 65 and over than earlier estimates had indicated, much of this excess arose from overreporting at ages 65–69. This was counterbalanced by underreporting at ages 60–64, so that by 1965 there is close agreement with the projections of persons aged 65 and over used in the long-range cost estimates (the short-range estimates are based on projections of the existing roll and eligibles—not on census data). The 1960 census reported 16,560,000 persons aged 65 and over, as compared with the 1960 estimates of 16,413,000 in the high-cost projection and 16,319,000 in the low-cost projection. (For comparability, the projection figures should be reduced by about 200,000 because they are as of July 1 instead of Apr. 1 and include Puerto Rico and several other geographic areas.)

the system. Complete details about the population projections are given in "Actuarial Study No. 46," Social Security Administration, Department of Health, Education, and Welfare.

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 males aged 25–64 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 females under retirement age an increase was assumed, especially at the middle and older 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, which is somewhat larger 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. These assumptions may be characterized as representing moderately full employment. A depression could substantially increase the cost, as shown in table 20 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. It was also assumed that the earnings level would not rise on account of changes in the distribution of covered workers by occupation or industry.

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 are 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 in various future years are 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 females will eventually be 60 percent in the low-cost estimate and 70 percent in the high-cost estimate. The liberalized requirements for attaining fully insured status which were provided by the 1960 and 1961 amendments will have the effect of increasing the insured population for the next several years. In the long run, however, all persons attaining retirement age will need 40 quarters of coverage—as under previous law—so that the effect is largely temporary in nature.

The estimated numbers 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.

AGED BENEFICIARIES

Old-age beneficiaries are estimated by subtracting from the estimated total aged insured workers those whose earnings are at a level that they do not meet the retirement test. The number of persons with benefits so withheld or not payable is assumed to be a constant percentage of the aged covered population, based on recent actual data adjusted for changes made in the retirement test by the 1961 amendments. 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. Based on experience to date 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 number of widows thus estimated to enter the system 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 the 1956 experience of women receiving mother's benefits.

It is assumed that the actual wife and widow beneficiaries consist of the uninsured among these potential beneficiaries. In actual practice, 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 percent in the low-cost estimate and 32 percent in the high-cost estimate. These figures are obtained by assuming that the proportion of single and divorced women 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 also are benefits for dependent husbands and widowers.

Appendix table 1 shows the estimated aged beneficiaries. By 2050, the numbers of beneficiaries in the low-cost estimate 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 retirement beneficiaries in current-payment status [1], 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					
1950	1,469	302	502	306	14	2,593
1951	1,819	459	634	370	19	3,302
1952	2,052	592	724	434	21	3,823
1953	2,438	784	865	511	22	4,621
1954	2,803	972	983	596	24	5,378
1955	3,252	1,222	1,144	701	25	6,344
1956	3,572	1,540	1,376	913	27	7,428
1957	4,198	1,999	1,779	1,095	29	9,101
1958	4,617	2,303	1,979	1,233	30	10,162
1959	4,937	2,589	2,123	1,394	35	11,077
1960	5,217	2,845	2,236	1,544	36	11,877
	Low-cost estimate					
1970	6,948	4,557	2,638	2,677	32	16,852
1980	8,580	6,298	3,090	3,686	32	21,686
2000	10,517	9,057	3,087	4,589	25	27,275
2050	23,651	23,392	5,296	8,291	44	60,674
	High-cost estimate					
1970	7,477	5,253	2,886	2,453	32	18,101
1980	9,933	7,650	3,642	3,153	32	24,410
2000	14,323	11,754	4,166	4,158	22	34,423
2050	25,011	22,883	4,900	5,173	30	57,997

[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. Minimum retirement age was 65 until November 1956, when it was lowered to 62 for women, and until August 1961, when it was also reduced to 62 for men. For actual data, as of December (except for 1958—November); for estimated future data, as of middle of year. Excluding effect of railroad financial interchange provisions.

[2] Including dependent husbands and including wives of any age with child beneficiaries in their care (both relatively small categories).

[3] Including dependent widowers.

BENEFICIARIES UNDER RETIREMENT AGE

Young wives and children of retired workers are estimated by reference to pertinent ratios to male old-age beneficiaries, as 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 using 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 rates used in the population projections.

DISABLED BENEFICIARIES AND THEIR DEPENDENTS

Future numbers of persons receiving monthly disability benefits based on their own earnings records are estimated by applying disability incidence and termination rates (annual rates, by age and sex) to the appropriate groups. New cases are estimated by applying disability incidence rates to the assumed population insured for disability benefits. Then, termination rates are applied to the disability benefit roll to complete the projection; when disability beneficiaries attain age 65, they are transferred to the old-age benefit roll.

The actuarial assumptions used in the original estimates of the cost of the disability insurance program (prepared at the time of the 1956 amendments) were revised in 1959 to reflect actual operating experience to date. It was found in particular that the assumed incidence rates for women had been too high and that the population insured for disability benefits had been overestimated. These changes in assumptions tended to reduce estimated future costs of the program. A further revision of disability cost estimates was made necessary by the 1960 amendments, which eliminated the age-50 requirement for monthly disability benefits. The changes made by the 1961 act would have relatively little cost effect in the disability insurance portion of the program. Few disability beneficiaries qualify for as little as the minimum benefit (less than 1 percent of the awards in 1959 were for under $40). Also, the liberalization of the fully insured status provision would have little effect in making more persons eligible for these benefits because the vast majority of persons who meet the requirement of 20 quarters of coverage out of the last 40 quarters will thereby have sufficient coverage so as to be fully insured under the definition in present law. On the other hand, the introduction of actuarially reduced benefits for men electing them between ages 62 and 65 will reduce the disability benefit costs slightly; in certain cases a man might take the reduced benefits and thus no longer be eligible for disability benefits, whereas under present law he might have qualified for the latter at some later date (but before age 65). As a result of these counterbalancing factors, it is estimated that the 1961 amendments will have no significant effect on the cost of the disability insurance portion of the program.

Currently, 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. Termination rates because of death or recovery 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. Termination rates are based on German social insurance 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. 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, of course, recognized that in many disability benefit programs the cost experience of the early years is much lower than in later years. For example, this has been true with respect to life insurance company experience under disability income benefit policies (which led to a rather general revision of contract provisions in the early 1930's). More valid estimates are possible only after operating experience of several years has developed and has been adequately tabulated and analyzed. Many factors make disability incidence and termination rates difficult to predict—much more so than mortality rates, which underlie retirement and survivor benefit-cost calculations. 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.

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 numbers of beneficiaries under retirement age (including disability insurance beneficiaries and their dependents).

APPENDIX TABLE 2.—*Estimated monthly beneficiaries under minimum retirement age in current-payment status* [1] *and number of deaths resulting in lump-sum death payments, 1970–2050*

[In thousands]

Calendar year	Children [2]	Widowed mothers	Disability beneficiaries			Total monthly benefi- ciaries	Lump-sum death cases
			Workers	Wives [3]	Children [4]		
	Actual data for end of year						
1950	700	169				869	200
1951	846	204				1,050	414
1952	939	229				1,168	438
1953	1,053	254				1,307	512
1954	1,161	272				1,432	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	[5] 657
1959	1,754	376	334	48	78	2,590	[6] 822
1960	1,845	401	455	77	155	2,934	779
	Low-cost estimate						
1970	2,406	527	685	145	289	4,052	1,066
1980	2,793	602	803	168	337	4,703	1,342
2000	3,505	772	1,029	233	466	6,005	1,799
2050	4,551	844	2,016	418	835	8,664	3,912
	High-cost estimate						
1970	2,078	431	1,118	237	473	4,337	1,061
1980	2,169	402	1,367	284	568	4,790	1,322
2000	2,374	401	1,703	368	737	5,583	1,833
2050	3,023	393	2,283	461	922	7,082	3,215

[1] See footnote 1 of appendix table 1 for definition of minimum retirement age. Does not include wives under age 62 of old-age beneficiaries; includes disability beneficiaries aged 62–64, and spouses aged 62 and over of disability beneficiaries. For actual data, as of December (except for 1958—November); for estimated future data, as of middle of year. Excluding effect of railroad financial interchange provisions.
[2] Children of retired and deceased workers.
[3] Spouses of disabled workers, including some such spouses aged 62 and over.
[4] Children of disabled workers.
[5] January through November 1958.
[6] December 1958 through December 1959.

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 the sizes of ultimate benefits computed. The latter were as though the 1959 earnings level would be 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 B and C of the main text (and as a percentage of payroll in table A).

The cost for old-age, survivor, and disability benefits combined, as a percentage of payroll, is eventually about three times the 1960 figure for the high-cost estimate, as shown in tables 15, 19, and A, and two times as high for the low-cost estimate. 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 birth rates 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 estimating disability insurance administrative 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

A financial interchange between the old-age, survivors, and disability insurance system and the railroad retirement system is provided, as explained in appendix II. The purpose of this interchange 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 under old-age, survivors, and disability insurance. Then, estimates are made of the old-age, survivors, and disability insurance taxes that would be 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 that would be payable, if railroad employment were covered directly. The progress of the trust funds as shown in tables B and C as to contributions, benefit payments, and administrative expenses, is exclusive of the amounts arising from the indirect coverage. The amount transferred to or from the railroad retirement system is shown as a separate item in table B, but is included in contributions in table C.

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 in respect to railroad employment—higher average wage, lower percentage of females, and 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 indicate a small "net gain" to the railroad retirement system over the entire period of these estimates.

INTEREST RATE

The 1960 amendments revised the basis for determining the interest rate on public debt obligations issued for purchase by the trust funds (special issues), which constitute a major portion of the investments of the trust funds. Under previous law, the interest rate on special obligations was related to the average coupon rate on all outstanding marketable obligations of the United States not due or callable for at least 5 years from the original issue date. Under present law, this interest rate is based on the average market yield of all such marketable obligations not due or callable for 4 or more years from the time of the issuance of the special obligations.

This change will have the immediate effect of gradually increasing the interest income of the trust funds as compared with the previous basis. The ultimate effect is expected to be only a slight increase in the interest income of the system since, over the long run, coupon rates on long-term Government obligations tend to follow their market yields (both up and down).

The gain in the immediate future and the small possible long-run advantage of the new interest basis are reflected in the cost estimates by using a level interest rate of 3.02 percent for the level-premium calculations (as against 3 percent formerly). This rate is the overall equivalent of the varying interest rates, developed on a year-by-year basis, used in the development of the progress of the trust funds. These varying interest rates have been estimated from the existing maturity schedule of special issues and from assumed average market-yield rates on long-term Government obligations, running from about their present level down to about 3 percent ultimately.

Appendix II. Legislative History Affecting the Trust Funds [1]

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. The Social Security Amendments of 1960 provide that the Board of Trustees shall meet not less frequently than once each 6 months. These amendments also eliminated 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

[1] Amendments to the Social Security Act and to related sections of the Internal Revenue Code were made during the period 1939–59. The more important changes made in 1950–58 that are significant from an actuarial standpoint are described in appendix II of the 21st Annual Report of the Board of Trustees. The more important changes contained in the 1960 and 1961 amendments are described in the main body of the present report.

trust funds will exceed three times the highest annual expenditures from such fund anticipated during that 5-year period).

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, and on January 1, 1960, to 3 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. In addition, these amendments authorized that the old-age and survivors insurance trust fund and, where appropriate, the disability insurance trust fund 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.

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 of more of railroad service. That is, the survivors of over-10-year 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 show 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.

Appendix III. Statutory Provisions, as of September 13, 1960, Creating the Trust Funds, Defining the Duties of the Board of Trustees, and Providing for Advisory Councils on Social Security Financing

(Sec. 201 and sec. 218 (e), (h), and (j) of the Social Security Act as amended and sec. 116 of the Social Security Amendments of 1956 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 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.

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. The Board of Trustees shall meet not less frequently than once each six months. 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 operations 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 the amount of either of the Trust Funds is unduly small;

(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; and

(5) Review the general policies followed in managing the Trust Funds, and recommend changes in such policies, including necessary changes in the provisions of the law which govern the way in which the Trust Funds are to be managed.

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 reports 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 the issue price, 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 shall bear interest at a rate equal to the average market yield (computed by the Managing Trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United

States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield 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 market yield. The Managing Trustee may purchase other interest-bearing obligations of the United States or obligations guaranteed as to both principal and interest by the United States, on original issue or at the market price, only where he determines that the purchase of such other obligations is in the public interest.

(e) Any obligations acquired by the Trust Funds (except public-debt obligations issued exclusively to the Trust Funds) may be sold by the Managing Trustee at the market price, and such public-debt 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 or 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).

ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

SEC. 116. (a) There is hereby established an Advisory Council on Social Security Financing for the purpose of reviewing the status of the Federal Old-Age and Survivors Insurance Trust Fund and of the Federal Disability Insurance Trust Fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program.

(b) The Council shall be appointed by the Secretary after February 1957 and before January 1958 without regard to the civil service laws and shall consist of the Commissioner of Social Security, as chairman, and of twelve other persons who shall, to the extent possible, represent employers and employees in equal numbers, and self-employed persons and the public.

(c) (1) The Council is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall in addition, make available to the Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

(2) Members of the Council, while serving on business of the Council (inclusive of travel time), shall receive compensation at rates

fixed by the Secretary, but not exceeding $50 per day; and shall be entitled to receive actual and necessary traveling expenses and per diem in lieu of subsistence while so serving away from their places of residence.

(d) The Council shall make a report of its findings and recommendations (including recommendations for changes in the tax rates in sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954) to the Secretary of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, such report to be submitted not later than January 1, 1959, after which date such Council shall cease to exist. Such findings and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than March 1, 1959.

(e) During 1963, 1966, and every fifth year thereafter, the Secretary shall appoint an Advisory Council on Social Security Financing, with the same functions, and constituted in the same manner, as prescribed in the preceding subsections of this section. Each such Council shall report its findings and recommendations, as prescribed in subsection (d), not later than January 1, of the second year after the year in which it is appointed, after which date such Council shall cease to exist, and such report and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than the March 1 following such January 1.

(f) The Advisory Council appointed under subsection (e) during 1963 shall, in addition to the other findings and recommendations it is required to make, include in its report its findings and recommendations with respect to extensions of the coverage of the old-age, survivors, and disability insurance program, the adequacy of benefits under the program, and all other aspects of the program.

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