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ANNUAL REPORT OF FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, FISCAL YEAR 1963

LETTER

FROM

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

TRANSMITTING

THE 24TH 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 THE PROVISIONS OF SECTION 201(c) OF THE SOCIAL SECURITY ACT, AS AMENDED

MARCH 2, 1964.—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 28, 1964, Washington, D.C.

The Speaker of the House of Representatives,
Washington, D.C.

Sirs: We have the honor to transmit to you the 24th 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.

W. Willard Wirtz,
Secretary of Labor.

Anthony J. Celebrezze,
Secretary of Health, Education, and Welfare.

Robert M. Ball,
Commissioner of Social Security
and Secretary, Board of Trustees.

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TWENTY-FOURTH 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, 1963

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.

ADVISORY COUNCIL ON SOCIAL SECURITY

The Secretary of Health, Education, and Welfare on June 9, 1963, announced the appointment of an Advisory Council on Social Security in compliance with the provisions of section 116 of the Social Security Amendments of 1956, as amended. The Council, which consists of the Commissioner of Social Security, as chairman, and 12 other persons representing employers, employees, self-employed persons, and the public, will make a comprehensive study of the old-age, survivors, and disability insurance program.

The Council is required to review the status of the old-age and survivors insurance trust fund and the disability insurance trust fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program. In addition to reporting on the financing of the program, including recommendations for changes in contribution rates, the Council is required to report its findings and recommendations with respect to extensions of the coverage of the program, the adequacy of benefits, and all other aspects of the program. The report must be submitted not later than January 1, 1965, after which date the Council will cease to exist. The Council's report and recommendations will be included in the next annual report of the Board of Trustees.

FISCAL YEAR HIGHLIGHTS

Both the income and the outgo of the old-age and survivors insurance trust fund and of the disability insurance trust fund reached all-time highs in the fiscal year 1963. The estimated number of workers with taxable earnings under the program in calendar year 1962 reached a record high of 75 million.

For the old-age and survivors insurance trust fund, total receipts in fiscal year 1963 amounted to $13,843 million, or about 15 percent more than in fiscal year 1962. Total disbursements, amounting to $14,530 million, were about 10 percent greater than the disbursements made in the preceding year. Since disbursements exceeded receipts by $687 million, total assets of this trust fund decreased from $19,626 million on June 30, 1962, to $18,939 million on June 30, 1963. The major portion of the disbursements was for benefit payments, totaling $13,845 million. Payments to the railroad retirement account under the financial interchange provisions were $423 million. Administrative expenses were $263 million. The total number of old-age and survivors insurance beneficiaries at the end of the fiscal year was 17,226,000, about 7 percent more than at the beginning of the year. Retirement beneficiaries numbered 13,015,000, and survivor beneficiaries numbered 4,211,000.

The income of the old-age and survivors insurance trust fund in fiscal year 1963 consisted of $13,328 million in net tax contributions and $515 million in interest on investments. The 16-percent increase in contribution income was associated with the increases in contribution rates which became effective on January 1, 1962, and January 1, 1963.

Estimates for the 5 fiscal years 1964-68 show that although both receipts and disbursements will increase steadily, the receipts will rise somewhat more rapidly, due to the scheduled rise in contribution rates in the law. Consequently, at the end of fiscal year 1968, this trust fund will amount to an estimated $25.2 billion, or an increase of $6.2 billion in the 5-year period. Receipts during fiscal year 1968 are estimated to total $21.2 billion, and disbursements, $18.3 billion.

Medium-range estimates, based on the assumption that economic activity will continue to expand throughout the period 1963-80, show continued increases in receipts, disbursements, and assets of the old-age and survivors insurance trust fund. According to these estimates, if the provisions of present law are assumed to remain unchanged, the assets of the trust fund will rise rapidly, reaching a total of $120 billion at the end of calendar year 1980. On the other hand, if the maximum taxable earnings base and the benefit provisions of present law are assumed to be amended periodically so as to keep the program in line with changes in levels of average earnings, the assets of the trust fund will rise less rapidly, reaching a total of $89 billion by 1980.

Long-range cost estimates for the old-age and survivors insurance program indicate that the program is in close actuarial balance. The level-cost of benefit payments and administrative expenses combined is estimated to range from 7.63 to 10.09 percent of taxable payroll, depending on the combination of cost assumptions chosen. On the basis of intermediate-cost assumptions, the level-cost is 8.71 percent of taxable payroll, as compared with the level-equivalent of the graded schedule of contributions of 8.61 percent of taxable payroll.

Total receipts of the disability insurance trust fund amounted to $1,144 million in fiscal year 1963, about 5 percent higher than in the preceding year. Total disbursements of $1,257 million were about 16 percent greater than disbursements in fiscal year 1962. Since disbursements exceeded receipts by $113 million, total assets of this trust fund decreased from $2,507 million at the beginning of fiscal year 1963, to $2,394 million at the end of the year.

Income to the disability insurance trust fund in fiscal year 1963 was composed of $1,077 million in net contributions and $67 million in net interest. Components of the total disbursements were $1,171 million in benefit payments, $20 million in payments to the railroad retirement account, and $67 million in administrative expenses. At the end of fiscal year 1963, the number of disabled workers and their dependents receiving monthly benefits from the disability insurance trust fund had risen to 1,382,000, or 20 percent more than at the end of fiscal year 1962.

According to estimates for the 5 fiscal years 1964-68, income of the disability insurance trust fund will rise very slowly, since the scheduled contribution rate remains level; disbursements, on the other hand, will rise more rapidly. Outgo is expected to exceed income in each year, and the trust fund is expected to decline. At the end of fiscal year 1968, assets are estimated at $1.2 billion. The long-range cost estimates show a level-cost for benefit payments and administrative expenses combined which ranges from 0.57 percent to 0.74 percent of taxable payroll, depending on the combination of cost assumptions used. On the basis of intermediate-cost assumptions, such level-cost is 0.64 percent of taxable payroll, as compared with the level contribution rate of 0.50 percent of taxable payroll. The Board of Trustees recommends that additional financing be made available to this fund through a small reallocation of future contribution income from the old-age and survivors insurance trust fund to the disability insurance trust fund.

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 work 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 1/8 percent each that was in effect in calendar year 1962 was increased to 3 5/8 percent each on January 1, 1963; the contribution rate for the self-employed rose from 4.7 to 5.4 percent. The following table shows the scheduled increases in tax rates in the present law:

Calendar years	Percent of taxable earnings	
	Employees and employers, each	Self-employed
1963-65	3 5/8	5.4
1966-67	4 1/8	6.2
1968 and after	4 5/8	6.9

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-eighths of 1 percent for the self-employed, shall be allocated to the disability insurance trust fund.

Except for amounts received by the Secretary of the Treasury under State agreements (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 therefore 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 Social Security Administration 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 use this information to perform certain services, such as the preparation of statistical tabulations for research purposes, 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

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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 Social Security Administration.

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 obligations 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 19 and 20.

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 1963

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, 1962, and ended on June 30, 1963, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 1.

The total assets of the old-age and survivors insurance trust fund amounted to $19,626 million on June 30, 1962. These assets decreased to $18,939 million by the end of the fiscal year 1963, a decline of $687 million.

Net receipts of the trust fund during the fiscal year 1963 amounted to $13,843 million. Of this total, $12,466 million represented tax collections appropriated to the fund and $990 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. As an offset, $128 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum. Net contributions amounted to $13,328 million, representing an increase of 16 percent over the amount for the preceding fiscal year. This increase resulted chiefly from the

Table 1.--Statement of operations of the old-age and survivors insurance trust fund during the fiscal year 1963

Total assets of the trust fund, June 30, 1962			$19,626,133,328.90
Receipts, fiscal year 1963:			
Tax contributions:			
Appropriations	$12,466,041,002.51		
Deposits arising from State agreements	989,571,146.99		
Gross tax contributions	13,455,612,149.50		
Less payment into the Treasury for taxes subject to refund	127,850,000.00		
Net tax contributions		$13,327,762,149.50	
Interest:			
On investments	512,407,651.76		
On administrative expenses reimbursed by disability insurance trust fund	2,414,250.00		
Total interest		514,821,901.76	
Total receipts		13,842,584,051.26	
Disbursements, fiscal year 1963:			
Benefit payments		13,844,583,650.70	
Transfers to railroad retirement account		422,523,000.00	
Administrative expenses:			
Department of Health, Education, and Welfare	278,442,732.68		
Treasury Department	45,439,121.72		
Preparation and construction of building for Social Security Administration	1,656,527.20		
Gross administrative expenses	325,538,381.60		
Less receipts from sale of surplus materials, supplies, etc	75,829.53		
Less reimbursement for administrative expenses by disability insurance trust fund	61,945,816.00		
Less reimbursement for construction by disability insurance trust fund	989,304.00		
Net administrative expenses		262,527,432.07	
Total disbursements		14,529,634,082.77	
Net addition to the trust fund			-687,050,031.51
Total assets of the trust fund, June 30, 1963			18,939,083,297.39

increases in the combined employer-employee contribution rate for old-age and survivors benefits from 5 1/2 percent to 5 3/4 percent, effective January 1, 1962, and from 5 3/4 percent to 6 3/4 percent, effective January 1, 1963. Although the first of these two increases in the contribution rate became effective in 1962, fiscal year 1963 was the first full year during which it was operative. The remaining $515 million of receipts consisted of net interest on the investments of the fund.

Disbursements from the trust fund during the fiscal year 1963 totaled $14,530 million. Of this total, $13,845 million was for benefit payments, an increase of 9 percent over the corresponding amount paid in the fiscal year 1962. This increase was due principally to the expected growth in the number of beneficiaries as the program gradually matures, and also in part to the liberalized eligibility conditions and higher benefit amounts resulting from the provisions of the 1961 amendments, which affected benefit payments in only 10 months of fiscal year 1962.

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 $409,400,000 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, 1962, as it would have been if railroad employment had always been covered under the Social Security Act. This amount, together with interest thereon for fiscal year 1963 amounting to $13,123,000, was transferred to the railroad retirement account in June 1963.

The remaining $263 million of disbursements from the old-age and survivors insurance trust fund was for administrative expenses. Net administrative expenses charged to both the old-age and survivors insurance trust fund and the disability insurance trust fund totaled $329 million and represented 2.3 percent of contribution income and 2.2 percent of benefit payments during fiscal year 1963. Similar figures for each of the last 5 years for the system as a whole, as well as for each trust fund separately, are shown in table 2.

The distribution of benefit payments in fiscal years 1962 and 1963, by type of benefit, is shown in table 3. Approximately 86 percent of the total benefit payments from the old-age and survivors insurance trust fund in the fiscal year 1963 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 12 percent of the benefit payments represented monthly benefits on behalf of children of deceased or retired workers and monthly benefits to

Table 2.--Relationship of net administrative expenses of the old-age, survivors, and disability insurance program to contribution income and benefit payments, by trust fund, fiscal years 1959-63

Fiscal year	Total		Old-age and survivors insurance trust fund		Disability insurance trust fund	
	Total administrative expenses as a percentage of--		Administrative expenses as a percentage of--		Administrative expenses as a percentage of--	
	Total contribution income	Total benefit payments	Contribution income	Benefit payments	Contribution income	Benefit payments
1959..........	2.7	2.4	2.7	2.3	2.4	6.3
1960..........	2.2	2.2	2.1	2.0	3.2	6.0
1961..........	2.2	2.3	2.1	2.1	3.6	5.2
1962..........	2.5	2.3	2.2	2.0	6.3	6.3
1963..........	2.3	2.2	2.0	1.9	6.2	5.7

Note.--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.

Table 3.--Estimated distribution of benefit payments from the old-age and survivors insurance trust fund, by type of benefit, fiscal years 1962 and 1963

[Amounts in millions]

Type of benefit	1962		1963	
	Amount	Percent of total	Amount	Percent of total
Total	$12,657.8	100	$13,844.6	100
Monthly benefits	12,483.7	99	13,649.3	99
Old-age (retired workers)	8,339.9	66	9,139.2	66
Wife's or husband's (aged wives or dependent husbands of old-age beneficiaries or their young wives if caring for child beneficiary)	1,171.1	9	1,241.6	9
Widow's or dependent widower's (aged widows or aged dependent widowers of workers)	1,370.1	11	1,544.5	11
Parent's (aged dependent parents of deceased workers)	32.7	(1/)	33.8	(1/)
Child's (children, under age 18 or disabled, of old-age beneficiaries)	119.3	1	143.1	1
Child's (children, under age 18 or disabled, of deceased workers)	1,124.5	9	1,202.4	9
Mother's (widows or dependent divorced wives of deceased workers caring for child beneficiaries)	326.3	3	344.6	2
Lump-sum death payments	174.1	1	195.3	1

1/ Less than 0.5 percent.

mothers--practically all of them under age 62--who had children of deceased workers in their care. The balance of the benefits paid consisted of lump-sum death payments.

On June 30, 1963, about 18.6 million persons in some 13.8 million families were receiving monthly benefits under the old-age, survivors, and disability insurance program (table 4). Generally, average monthly family benefits on that date showed moderate increases over the corresponding averages a year earlier. The higher averages reflected in part the greater proportion of benefits computed on the basis of earnings after 1950.

The assets of the old-age and survivors insurance trust fund at the end of fiscal year 1963 totaled $18,939 million, consisting of $17,613 million in the form of obligations of the U.S. Government, and $1,326 million in undisbursed balances. Table 5 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1962 and 1963.

The net decrease in the par value of the investments owned by the fund during the fiscal year 1963 amounted to $822 million. New securities at a total par value of $15,709 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 $16,531 million, including

Table 4.--Estimated number of families and beneficiaries receiving benefits under the old-age, survivors, and disability insurance program, and average family amount, by family group, end of fiscal years 1962 and 1963

[Numbers in thousands]

Family classification of beneficiaries receiving benefits	June 30, 1962 Number of families	June 30, 1962 Number of beneficiaries	June 30, 1962 Average monthly amount per family	June 30, 1963 Number of families	June 30, 1963 Number of beneficiaries	June 30, 1963 Average monthly amount per family
Total	12,754.8	17,280.4	---	13,756.5	18,608.3	---
Retired-worker families	9,347.6	12,188.6	---	10,037.4	13,014.8	---
Worker only	6,814.4	6,814.4	$ 72.30	7,398.1	7,398.1	$ 73.00
Male	3,523.0	3,523.0	81.50	3,792.1	3,792.1	82.30
Female	3,291.4	3,291.4	62.40	3,606.0	3,606.0	63.30
Worker and aged wife	2,268.0	4,536.0	127.40	2,351.7	4,703.4	128.70
Worker and young wife 1/	1.0	2.0	112.00	1.1	2.2	113.60
Worker and aged dependent husband	13.5	27.0	108.20	13.1	26.2	109.20
Worker and 1 or more children	69.4	157.5	119.10	76.2	173.2	118.80
Worker, aged wife, and 1 or more children	26.3	81.0	157.30	27.5	84.4	158.70
Worker, young wife, and 1 or more children	155.0	570.4	149.20	169.5	626.9	149.40
Worker, husband, and 1 or more children	.1	.4	115.00	.1	.3	115.50
Survivor families	2,727.9	3,940.0	---	2,928.7	4,211.1	---
Aged widow	1,756.1	1,756.1	65.40	1,913.7	1,913.7	66.40
Aged widow and 1 or more children	19.2	39.4	123.70	23.3	47.9	125.40
Aged widow and 1 or 2 aged dependent parents	.3	.6	159.70	.4	.7	171.40
Aged dependent widower	2.4	2.4	62.20	2.5	2.5	62.70
Widower and 1 or more children	.1	.1	99.20	.1	.2	114.00
Widowed mother 1/	1.6	1.6	61.30	2.1	2.1	61.10
Widowed mother and 1 child	184.4	368.8	136.20	192.1	384.2	138.30
Widowed mother and 2 children	122.8	368.4	190.30	129.5	388.5	191.60
Widowed mother and 3 or more children	125.0	605.0	185.30	132.2	641.2	188.10
Widowed mother, 1 or more children, and 1 or 2 aged dependent parents	.3	1.2	214.90	.3	1.0	211.80
Divorced wife and 1 or more children	.5	1.2	175.00	.4	1.2	186.00
1 child only	307.9	307.9	61.40	317.4	317.4	62.50
2 children	106.3	212.6	125.60	109.3	218.6	127.30
3 children	41.8	125.4	163.50	43.8	131.4	170.00
4 or more children	24.6	112.4	168.10	26.7	123.4	169.50
1 or more children and 1 or 2 aged dependent parents	.5	1.2	147.40	.6	1.4	151.40
1 aged dependent parent	32.6	32.6	68.60	32.9	32.9	69.50
2 aged dependent parents	1.5	3.0	110.30	1.4	2.8	108.70
Disabled-worker families	679.3	1,151.8	---	790.4	1,382.3	---
Worker only	500.6	500.6	87.80	574.2	574.2	88.20
Male	357.6	357.6	91.80	402.5	402.5	92.30
Female	143.0	143.0	78.00	171.7	171.7	78.40
Worker and aged wife	24.8	49.6	136.70	26.0	52.0	137.60
Worker and young wife 1/	(2/)	.1	149.80	(2/)	(2/)	145.50
Worker and aged dependent husband	.3	.6	120.00	.4	.8	121.20
Worker and 1 or more children	46.0	122.7	155.90	56.1	153.2	158.00
Worker, aged wife, and 1 or more children	.3	.9	178.80	.4	1.4	171.00
Worker, young wife, and 1 or more children	107.2	477.3	191.00	133.3	600.7	192.80

1/ Benefits of children were being withheld.
2/ Less than 50.

Table 5.--Assets of the old-age and survivors insurance trust fund, by type, at end of fiscal years 1962 and 1963

	June 30, 1962		June 30, 1963	
	Par value	Book value 1/	Par value	Book value 1/
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
4 5/8-percent, series A, 1965	$38,500,000	$38,500,000.00	$38,500,000	$38,500,000.00
4 7/8-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:				
2 1/2-percent, 1964-69	55,180,000	50,734,921.92	55,180,000	51,351,528.36
2 1/2-percent, 1967-72	250	250.00	250	250.00
2 3/4-percent, investment series B, 1975-80	1,064,902,000	1,065,526,482.36	1,064,902,000	1,065,407,533.32
3-percent, 1966	25,000,000	25,000,000.00	-------	-------
3-percent, 1995	85,170,000	85,129,504.89	85,170,000	85,130,747.73
3 1/4-percent, 1978-83	60,200,000	58,962,042.32	60,200,000	59,021,227.52
3 1/4-percent, 1985	25,700,000	23,714,936.27	25,700,000	23,801,873.39
3 3/8-percent, 1966	4,500,000	4,421,610.04	-------	-------
3 1/2-percent, 1980	449,450,000	457,447,033.47	449,450,000	457,010,831.67
3 1/2-percent, 1990	556,250,000	544,568,842.52	556,250,000	544,971,829.04
3 1/2-percent, 1998	552,037,000	540,343,519.75	552,037,000	540,882,427.39
3 5/8-percent, 1967	34,205,000	34,212,840.84	34,205,000	34,211,370.72
3 3/4-percent, 1966	27,729,000	27,751,224.75	27,729,000	27,745,426.95
3 3/4-percent, 1968	7,000,000	7,000,000.00	7,000,000	7,000,000.00
3 7/8-percent, 1968	17,450,000	17,450,000.00	17,450,000	17,450,000.00
3 7/8-percent, 1974	32,500,000	32,396,953.84	32,500,000	32,405,308.96
4-percent, 1969	57,500,000	57,465,756.09	77,500,000	77,470,479.41
4-percent, 1971	100,000,000	101,652,844.57	100,000,000	101,470,880.05
4-percent, 1980	123,600,000	123,419,562.00	153,100,000	153,019,346.44
4 1/4-percent, 1975-85	25,000,000	25,000,000.00	25,000,000	25,000,000.00
4 1/4-percent, 1987-92	-------	-------	10,000,000	10,096,333.34
Total public issues	3,381,873,250	3,360,698,325.63	3,411,873,250	3,391,947,394.29
Accrued interest purchased	-------	329,850.53	-------	91,270.64
Total investments in public issues	3,381,873,250	3,361,028,176.16	3,411,873,250	3,392,038,664.93
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
3 3/4-percent, 1963	1,080,011,000	1,080,011,000.00	-------	-------
Notes:				
2 5/8-percent, 1964	168,000,000	168,000,000.00	-------	-------
3 3/4-percent, 1964	88,796,000	88,796,000.00	-------	-------
Bonds:				
2 1/2-percent, 1964	776,698,000	776,698,000.00	-------	-------
2 1/2-percent, 1965	912,011,000	912,011,000.00	434,575,000	434,575,000.00
2 1/2-percent, 1966	912,011,000	912,011,000.00	912,011,000	912,011,000.00
2 1/2-percent, 1967	912,011,000	912,011,000.00	912,011,000	912,011,000.00
2 1/2-percent, 1968	412,011,000	412,011,000.00	412,011,000	412,011,000.00
2 5/8-percent, 1965	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2 5/8-percent, 1966	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2 5/8-percent, 1967	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2 5/8-percent, 1968	668,000,000	668,000,000.00	668,000,000	668,000,000.00
2 5/8-percent, 1969	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2 5/8-percent, 1970	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2 5/8-percent, 1971	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2 5/8-percent, 1972	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2 5/8-percent, 1973	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2 5/8-percent, 1974	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2 5/8-percent, 1975	919,934,000	919,934,000.00	919,934,000	919,934,000.00
3 3/4-percent, 1975	160,077,000	160,077,000.00	160,077,000	160,077,000.00
3 3/4-percent, 1976	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3 7/8-percent, 1977	-------	-------	1,080,011,000	1,080,011,000.00
3 7/8-percent, 1978	-------	-------	658,444,000	658,444,000.00
Total obligations sold only to this fund (special issues)	15,073,637,000	15,073,637,000.00	14,221,151,000	14,221,151,000.00
Total investments in public-debt obligations	18,455,510,250	18,434,665,176.16	17,633,024,250	17,613,189,664.93
Undisbursed balances	-------	1,191,468,152.74	-------	1,325,893,632.46
Total assets	-------	19,626,133,328.90	-------	18,939,083,297.39

1/ Par value, plus unamortized premium, less discount outstanding.

$30 million of public issues. A summary of transactions for the fiscal year, by type of security, is presented in table 6.

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, 1963, were distributed in equal amounts of $1,080 million among maturities ranging from 3 to 14 years and in smaller amounts maturing at the end of the 2d and 15th years (table 5).

Table 6.--Statement of transactions in public-debt securities for the old-age and survivors insurance trust fund during the fiscal year 1963

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury bonds:		
3-percent, 1966	$0	$25,000,000
3 3/8-percent, 1966	0	4,500,000
4-percent, 1969	20,000,000	0
4-percent, 1980	29,500,000	0
4 1/4-percent, 1987-92	10,000,000	0
Total public issues	59,500,000	29,500,000
Obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
3 3/4-percent, 1963	4,115,828,000	5,195,839,000
3 7/8-percent, 1963	7,888,966,000	7,888,966,000
4-percent, 1963	1,905,822,000	1,905,822,000
Notes:		
2 5/8-percent, 1964	0	168,000,000
3 3/4-percent, 1964	0	88,796,000
Bonds:		
2 1/2-percent, 1964	0	776,698,000
2 1/2-percent, 1965	0	477,436,000
3 7/8-percent, 1977	1,080,011,000	0
3 7/8-percent, 1978	658,444,000	0
Total obligations sold only to this fund (special issues)	15,649,071,000	16,501,557,000
Total transactions	15,708,571,000	16,531,057,000

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1963

A statement of the income and disbursements of the Federal disability insurance trust fund for fiscal year 1963 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 7.

The total assets of the disability insurance trust fund amounted to $2,507 million on June 30, 1962. These assets decreased by $113 million during the fiscal year, to $2,394 million at the end of the year.

Net receipts of the fund amounted to $1,144 million. Of this total, $1,006 million represented tax collections appropriated to the fund, and $82 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, $12 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 $67 million of receipts consisted of net interest on the investment of the fund.

Disbursements from the fund during the fiscal year 1963 totaled $1,257 million. Of this total, $1,171 million was for benefit payments, an increase of 16 percent over the corresponding

Table 7.--Statement of operations of the disability insurance trust fund during the fiscal year 1963

Total assets of the trust fund, June 30, 1962			$2,506,669,549.61
Receipts, fiscal year 1963:			
Tax contributions:			
Appropriations	$1,006,337,625.26		
Deposits arising from State agreements	81,858,483.77		
Gross tax contributions	1,088,196,109.03		
Less payment into the Treasury for taxes subject to refund	11,575,000.00		
Net tax contributions		$1,076,621,109.03	
Interest:			
On investments	69,635,323.75		
Less interest on amounts transferred to old-age and survivors insurance trust fund for reimbursed administrative expenses	2,414,250.00		
Net interest		67,221,073.75	
Total receipts		1,143,842,182.78	
Disbursements, fiscal year 1963:			
Benefit payments		1,170,678,397.64	
Transfers to railroad retirement account		19,609,000.00	
Administrative expenses:			
Reimbursement to the old-age and survivors insurance trust fund:			
For administrative expenses of the Department of Health, Education, and Welfare	61,945,816.00		
For construction of building for Social Security Administration	989,304.00		
Treasury Department	3,577,372.97		
Total administrative expenses		66,512,492.97	
Total disbursements		1,256,799,890.61	
Net addition to the trust fund			-112,957,707.83
Total assets of the trust fund, June 30, 1963			2,393,711,841.78

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amount paid in the fiscal year 1962. This increase was due chiefly to the expected increase in the number of disability insurance beneficiaries as the program matures.

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, 1962, required that a transfer of $19,000,000 be made from the disability insurance trust fund to the railroad retirement account. This amount, together with interest thereon for fiscal year 1963 amounting to $609,000, was transferred to the railroad retirement account in June 1963. The remaining $67 million of disbursements was for administrative expenses.

At the end of fiscal year 1963, some 1,382,000 persons in 790,000 families were receiving monthly benefits from the disability insurance trust fund (table 4). The distribution of benefit payments in fiscal years 1962 and 1963, by type of benefit, is shown in table 8.

The assets of this fund at the end of fiscal year 1963 totaled $2,394 million, consisting of $2,277 million in the form of obligations of the U.S. Government, and $116 million in undisbursed balances. Table 9 shows a comparison of the total assets of the fund and their distribution at the end of the fiscal years 1962 and 1963.

Table 8.--Estimated distribution of benefit payments from the disability insurance trust fund, by type of benefit, fiscal years 1962 and 1963

[Amounts in millions]

Type of benefit	1962		1963	
	Amount	Percent of total	Amount	Percent of total
Total	$1,011.4	100	$1,170.7	100
Disability (disabled worker)	816.3	81	936.7	80
Wife's or husband's (aged wives or dependent husbands of disability beneficiaries or their young wives if caring for child beneficiary)	62.6	6	71.0	6
Child's (children, under age 18 or disabled, of disability beneficiaries)	132.4	13	162.9	14

Table 9.--Assets of the disability insurance trust fund, by type, at end of fiscal years 1962 and 1963

	June 30, 1962		June 30, 1963	
	Par value	Book value 1/	Par value	Book value 1/
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
4 7/8-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:				
3-percent, 1966	10,000,000	10,000,000.00	-------	-------
3 1/2-percent, 1990	7,500,000	7,076,704.86	7,500,000	7,092,050.94
3 1/2-percent, 1998	5,000,000	4,621,878.80	5,000,000	4,632,285.80
3 5/8-percent, 1967	10,000,000	10,000,000.00	10,000,000	10,000,000.00
3 3/4-percent, 1968	5,000,000	5,000,000.00	5,000,000	5,000,000.00
3 7/8-percent, 1968	3,750,000	3,750,000.00	3,750,000	3,750,000.00
3 7/8-percent, 1974	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4-percent, 1969	21,000,000	20,985,058.70	26,000,000	25,987,119.58
4-percent, 1980	20,250,000	20,183,365.41	30,250,000	30,236,169.77
4 1/4-percent, 1975-85	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4 1/4-percent, 1987-92	-------	-------	5,000,000	5,048,166.66
Total public issues	102,500,000	101,617,007.77	112,500,000	111,745,792.75
Accrued interest purchased	-------	28,232.02	-------	30,939.20
Total investments in public issues	102,500,000	101,645,239.79	112,500,000	111,776,731.95
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
3 3/4-percent, 1963	1,361,000	1,361,000.00	-------	-------
3 7/8-percent, 1964	-------	-------	5,706,000	5,706,000.00
Notes:				
2 1/2-percent, 1963	30,000,000	30,000,000.00	-------	-------
2 5/8-percent, 1963	95,394,000	95,394,000.00	-------	-------
2 5/8-percent, 1964	95,394,000	95,394,000.00	-------	-------
2 5/8-percent, 1965	32,394,000	32,394,000.00	32,394,000	32,394,000.00
3 3/4-percent, 1963	19,389,000	19,389,000.00	-------	-------
3 3/4-percent, 1964	20,738,000	20,738,000.00	8,913,000	8,913,000.00
3 3/4-percent, 1965	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1966	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1967	1,349,000	1,349,000.00	1,349,000	1,349,000.00
Bonds:				
2 1/2-percent, 1963	7,500,000	7,500,000.00	-------	-------
2 1/2-percent, 1964	37,500,000	37,500,000.00	-------	-------
2 1/2-percent, 1965	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2 1/2-percent, 1966	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2 1/2-percent, 1967	37,500,000	37,500,000.00	37,500,000	37,500,000.00
2 1/2-percent, 1968	30,000,000	30,000,000.00	30,000,000	30,000,000.00
2 5/8-percent, 1965	63,000,000	63,000,000.00	63,000,000	63,000,000.00
2 5/8-percent, 1966	95,394,000	95,394,000.00	95,394,000	95,394,000.00
2 5/8-percent, 1967	95,394,000	95,394,000.00	95,394,000	95,394,000.00
2 5/8-percent, 1968	102,894,000	102,894,000.00	102,894,000	102,894,000.00
2 5/8-percent, 1969	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2 5/8-percent, 1970	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2 5/8-percent, 1971	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2 5/8-percent, 1972	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2 5/8-percent, 1973	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2 5/8-percent, 1974	132,894,000	132,894,000.00	132,894,000	132,894,000.00
2 5/8-percent, 1975	132,894,000	132,894,000.00	132,894,000	132,894,000.00
3 3/4-percent, 1967	19,389,000	19,389,000.00	19,389,000	19,389,000.00
3 3/4-percent, 1968	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1969	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1970	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1971	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1972	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1973	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1974	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1975	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3 3/4-percent, 1976	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3 3/4-percent, 1977	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3 7/8-percent, 1978	-------	-------	153,632,000	153,632,000.00
Total obligations sold only to this fund (special issues)	2,304,492,000	2,304,492,000.00	2,165,467,000	2,165,467,000.00
Total investments in public-debt obligations	2,406,992,000	2,406,137,239.79	2,277,967,000	2,277,243,731.95
Undisbursed balances	-------	100,532,309.82	-------	116,468,109.83
Total assets	-------	2,506,669,549.61	-------	2,393,711,841.78

1/ Par value, plus unamortized premium, less discount outstanding.

The net decrease in the par value of the investments owned by the fund during the fiscal year amounted to $129 million. New securities at a total par value of $1,301 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 exchange of securities. The par value of securities redeemed or exchanged during the year was $1,431 million, including $10 million of public issues. A summary of transactions for the fiscal year, by type of security, is presented in table 10.

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, 1963, these holdings of the disability insurance trust fund were distributed in equal amounts of $154 million among maturities ranging from 2 to 15 years and in a smaller amount maturing at the end of the 1st year (table 9).

Table 10.--Statement of transactions in public-debt securities for the disability insurance trust fund during the fiscal year 1963

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury bonds:		
3-percent, 1966	$0	$10,000,000
4-percent, 1969	5,000,000	0
4-percent, 1980	10,000,000	0
4 1/4-percent, 1987-92	5,000,000	0
Total public issues	20,000,000	10,000,000
Obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
3 3/4-percent, 1963	318,365,000	319,726,000
3 7/8-percent, 1963	663,903,000	663,903,000
3 7/8-percent, 1964	5,706,000	0
4-percent, 1963	139,875,000	139,875,000
Notes:		
2 1/2-percent, 1963	0	30,000,000
2 5/8-percent, 1963	0	95,394,000
2 5/8-percent, 1964	0	95,394,000
3 3/4-percent, 1963	0	19,389,000
3 3/4-percent, 1964	0	11,825,000
Bonds:		
2 1/2-percent, 1963	0	7,500,000
2 1/2-percent, 1964	0	37,500,000
3 7/8-percent, 1978	153,632,000	0
Total obligations sold only to this fund (special issues)	1,281,481,000	1,420,506,000
Total transactions	1,301,481,000	1,430,506,000

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1963, TO DECEMBER 31, 1968

In the following statement of the expected operations and status of the trust funds during the period July 1, 1963, to December 31, 1968, 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 11 to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1964-68. They are based on the assumption that economic activity will expand throughout the period, with employment and earnings increasing steadily through 1968. Under this assumption the estimated number of persons with taxable earnings under the old-age, survivors, and disability insurance program is expected to increase from 75.8 million during calendar year 1963 to 81.8 million during calendar year 1968; their taxable earnings are estimated to increase from $228 billion in 1963 to $263 billion in 1968. The increase in estimated income from contributions in fiscal years 1964-68

Table 11.--Operations of the old-age and survivors insurance trust fund, fiscal years 1937-68

[In millions]

Fiscal year	Transactions during period: Income: Tax contributions 1/	Income: Interest on investments 2/	Income: Reimbursement for additional cost of noncontributory credit for military service	Disbursements: Benefit payments	Disbursements: Administrative expenses 3/	Disbursements: Transfers to railroad retirement account	Net increase in fund	Fund at end of period
Past experience:								
1937-63......	$109,352	$7,648	$15	$93,848	$2,424	$1,805	$18,939	$18,939
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	(4/)	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	439	---	3,276	89	-12	1,676	20,043
1955.........	5,087	438	---	4,333	103	-10	1,098	21,141
1956.........	6,442	487	---	5,361	124	-7	1,452	22,593
1957.........	6,540	555	---	6,515	150	-5	436	23,029
1958.........	7,267	556	---	7,875	166	-2	-216	22,813
1959.........	7,565	543	---	9,049	206	124	-1,271	21,541
1960.........	9,843	517	---	10,270	202	600	-712	20,829
1961.........	11,293	531	---	11,185	236	332	72	20,900
1962.........	11,455	541	---	12,658	251	361	-1,274	19,626
1963.........	13,328	515	---	13,845	263	423	-687	18,939
Estimated future experience:								
1964.........	15,314	531	---	14,629	307	423	487	19,426
1965.........	15,659	556	56	15,376	296	418	181	19,607
1966.........	16,996	580	56	16,114	312	430	776	20,383
1967.........	18,833	647	56	16,845	329	430	1,932	22,315
1968.........	20,376	753	56	17,585	338	410	2,852	25,167

1/ Beginning December 1952, includes adjustment for refunds.

2/ Includes net profits on marketable investments and, 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. Beginning in 1954, includes cost of construction of office space for the Social Security Administration. Beginning in 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/ 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 1963.

reflects the assumed upward trend in the levels of employment and earnings as well as the effect of the scheduled increases in contribution rates, effective on January 1 of 1966 and 1968. 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.

Income of the old-age and survivors insurance trust fund is expected to exceed outgo in each of the 5 fiscal years 1964-68. During this period, there is an estimated net increase in the trust fund of $6.2 billion, most of which occurs in the last 2 fiscal years.

Estimates consistent with those shown on a fiscal-year basis in table 11 are presented in table 12 to show the progress of the old-age and survivors insurance trust fund on a calendar-year basis. The trust fund is expected to increase in each of the 5 calendar years 1964-68, except 1965. During that year, which immediately precedes the year in which the next tax rate increase is scheduled to take effect, the outgo of the trust fund is estimated to exceed the income by a small amount. With the tax rate increases scheduled to take place in 1966 and 1968, total income is expected to exceed total disbursements by substantial amounts, and the trust fund will increase accordingly.

Benefit disbursements from the old-age and survivors insurance trust fund will continue to increase over the next 5 calendar years as the number of beneficiaries under the program increases. Table 13

Table 12.--Operations of the old-age and survivors insurance trust fund, calendar years 1937-68

[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:								
1937-62.......	$101,372	$7,397	$15	$86,806	$2,259	$1,382	$18,337	$18,337
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	447	---	3,670	92	-21	1,869	20,576
1955..........	5,713	454	---	4,968	119	-7	1,087	21,663
1956..........	6,172	526	---	5,715	132	-5	856	22,519
1957..........	6,825	556	---	7,347	162	-2	-126	22,393
1958..........	7,566	552	---	8,327	194	124	-528	21,864
1959..........	8,052	532	---	9,842	184	282	-1,724	20,141
1960..........	10,866	516	---	10,677	203	318	184	20,324
1961..........	11,285	548	---	11,862	239	332	-599	19,725
1962..........	12,059	526	---	13,356	256	361	-1,388	18,337
Estimated future experience:								
1963..........	14,541	521	---	14,217	281	423	143	18,480
1964..........	15,258	543	56	15,005	294	423	135	18,615
1965..........	15,768	568	56	15,747	302	418	-75	18,540
1966..........	18,168	614	56	16,479	319	430	1,610	20,150
1967..........	19,041	700	56	17,217	331	430	1,819	21,969
1968..........	21,685	828	56	17,968	338	410	3,853	25,822

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

shows the annual amount of benefit payments distributed by classification of beneficiaries for each of the calendar years 1940-68. Benefit payments were 6.29 percent of taxable earnings for calendar year 1962. It is estimated that in 1968 benefit expenditures will be 7.09 percent of taxable earnings. Figures for each of the calendar years 1940-68 are shown in table 14.

The growth in the number of beneficiaries in the past and the expected growth in the future are attributable in large measure to the rising number of aged workers eligible for and receiving old-age (primary) benefits. The growth in the number of eligible workers aged 65 and over since 1940 has been uninterrupted. This growth resulted partly from the increase in the population at these attained ages, but primarily from two additional factors--(1) in each passing year a larger proportion of the persons attaining age 65 had fully insured status and (2) the amendments during the period 1950-61 liberalized the eligibility provisions and extended coverage to new areas of employment.

In addition there has been a growth in the proportion of eligible workers who get benefits. In the early years of the program, 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 therefore did not receive benefits. Since 1945, however, the proportion of eligible workers receiving retirement classification of beneficiaries, calendar years 1940-68

[In millions]

Calendar year	Total benefit disbursements	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers: Monthly benefits: Total	Monthly benefits: Aged widows, dependent widowers, and dependent parents	Monthly benefits: Widowed mothers, dependent divorced wives, and dependent children	Lump-sum payments
Past experience: 1/							
1940..........	$35	$15	$2	$6	2/	$6	$12
1941..........	88	44	8	24	$3	21	13
1942..........	131	65	11	40	6	34	15
1943..........	166	79	14	55	10	45	18
1944..........	209	97	17	73	15	59	22
1945..........	274	126	22	100	21	79	26
1946..........	378	189	33	128	29	99	28
1947..........	466	245	43	149	38	111	29
1948..........	556	300	52	172	49	122	32
1949..........	667	373	64	197	62	134	33
1950..........	961	557	95	277	92	185	33
1951..........	1,885	1,135	186	507	165	342	57
1952..........	2,194	1,328	212	592	201	390	63
1953..........	3,006	1,884	291	744	260	483	87
1954..........	3,670	2,340	358	880	317	563	92
1955..........	4,968	3,253	495	1,108	412	695	113
1956..........	5,715	3,793	568	1,244	486	758	109
1957..........	7,347	4,888	799	1,521	672	849	139
1958..........	8,327	5,567	907	1,720	777	943	133
1959..........	9,842	6,548	1,059	2,063	946	1,117	171
1960..........	10,677	7,053	1,143	2,316	1,085	1,231	164
1961..........	11,862	7,802	1,230	2,659	1,262	1,396	171
1962..........	13,356	8,813	1,349	3,011	1,504	1,507	183
Estimated future experience:							
1963..........	14,217	9,391	1,404	3,215	1,645	1,570	206
1964..........	15,005	9,912	1,434	3,436	1,792	1,644	223
1965..........	15,747	10,393	1,467	3,651	1,940	1,711	236
1966..........	16,479	10,853	1,501	3,877	2,094	1,783	248
1967..........	17,217	11,311	1,541	4,107	2,253	1,854	258
1968..........	17,968	11,781	1,583	4,338	2,414	1,924	266

1/ Partly estimated.
2/ Less than $500,000.

Table 14.--Old-age and survivors insurance benefit payments as a percentage 1/ of taxable earnings, calendar years, 1940-68

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	1956..........	3.48
1941..........	.21	1957..........	4.20
1942..........	.25	1958..........	4.77
1943..........	.27	1959..........	5.03
1944..........	.32		
1945..........	.44	1960..........	2/ 5.33
1946..........	.55	1961..........	2/ 5.86
1947..........	.59	1962..........	2/ 6.29
1948..........	.66		
1949..........	.82	Estimated future experience:	
1950..........	1.10	1963..........	6.46
1951..........	1.61	1964..........	6.61
1952..........	1.76	1965..........	6.74
1953..........	2.28	1966..........	6.87
1954..........	2.83	1967..........	6.99
1955..........	3.26	1968..........	7.09

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 self-employment earnings for 1960-62 and of taxable wages for 1961-62.

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 15, together with the figures on actual experience in earlier years. Outgo of the disability insurance trust fund is expected to exceed income in each of the 5 fiscal years 1964-68. It is estimated that this fund will amount to $1,186 million on June 30, 1968.

Estimates consistent with those shown on a fiscal-year basis in table 15 are presented in table 16 to show the progress of the disability insurance trust fund on a calendar-year basis. The total amount of benefit payments 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 0.52 percent of taxable earnings for calendar year 1962. It is estimated that in 1968 benefit payments will be 0.60 percent of taxable earnings, as shown in table 17.

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 11, 12, 15 and 16 reflect the effect of future financial interchanges.

Table 15.--Operations of the disability insurance trust fund, fiscal years 1957-68

[In millions]

Fiscal year	Transactions during period							Fund at end of period
	Income			Disbursements			Net increase in fund	
	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:								
1957-63....	$6,265	$293	---	$3,922	$233	$9	$2,394	$2,394
1957.......	337	1	---	---	1	---	337	337
1958.......	926	16	---	168	12	---	762	1,099
1959.......	895	33	---	339	21	---	568	1,667
1960.......	987	47	---	528	32	-27	501	2,167
1961.......	1,022	61	---	704	36	5	337	2,504
1962.......	1,021	68	---	1,011	64	11	2	2,507
1963.......	1,077	67	---	1,171	67	20	-113	2,394
Estimated future experience:								
1964.......	1,131	65	---	1,255	68	20	-147	2,247
1965.......	1,159	62	$4	1,324	82	19	-200	2,047
1966.......	1,185	55	4	1,392	84	20	-252	1,795
1967.......	1,212	47	4	1,448	88	20	-293	1,502
1968.......	1,247	37	4	1,491	93	20	-316	1,186

1/ Adjusted for refunds.
2/ Includes net profits on marketable investments and, 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.
Note.--Reference should be made to the text which describes the underlying assumptions and limitations. Estimates were prepared in December 1963.

Table 16.--Operations of the disability insurance trust fund, calendar years 1957-68

[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:								
1957-62.....	$5,652	$259	---	$3,323	$232	-$11	$2,368	$2,368
1957........	702	7	---	57	3	---	649	649
1958........	966	25	---	249	12	---	729	1,379
1959........	891	40	---	457	50	-22	447	1,825
1960........	1,010	53	---	568	36	-5	464	2,289
1961........	1,038	66	---	887	64	5	148	2,437
1962........	1,046	68	---	1,105	66	11	-69	2,368
Estimated future experience:								
1963........	1,099	66	---	1,210	68	20	-133	2,235
1964........	1,129	63	$4	1,291	82	20	-197	2,038
1965........	1,167	58	4	1,360	84	19	-234	1,804
1966........	1,195	51	4	1,422	88	20	-280	1,524
1967........	1,226	42	4	1,471	93	20	-312	1,212
1968........	1,262	32	4	1,509	96	20	-327	885

Note.--In interpreting the above experience, reference should be made to the footnotes in table 15.

Table 17.--Disability insurance benefit payments as a percentage 1/ of taxable earnings, calendar years 1957-68

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:	
1957..........	.03	1963..........	.55
1958..........	.14	1964..........	.57
1959..........	.23	1965..........	.58
1960..........	2/ .28	1966..........	.59
1961..........	2/ .44	1967..........	.60
1962..........	2/ .52	1968..........	.60

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 1960-62 and of taxable wages for 1961-62.

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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. 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. No funds have been appropriated as reimbursements to the trust funds for such additional costs that arose after August 1950. New legislation will be proposed authorizing annual reimbursements based on the following plan: The estimated total additional costs arising from (1) payments that have been made through fiscal year 1963 and (2) payments that will be made in future years will be amortized by level annual appropriations to the trust funds over a 50-year period beginning in fiscal year 1965. Periodically, the estimated amount of annual payment will be refigured to reflect emerging actual costs incurred. The Budget of the United States Government for the fiscal year 1965 makes provision for the first of these reimbursements. The estimates shown in the various tables in this section reflect the effect of these annual reimbursements.

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 85 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 closely related to the ratio of the population aged 65 and over (potential beneficiaries) to the population aged 20-64 (potential contributors). On June 30, 1963, this ratio was 17.9 percent. In a stationary population that would result if present death rates were applied to a constant annual number of births the ratio would be 25.2 percent, but such a situation is not likely to occur within the next century. Ultimately this ratio may become even greater than 25 percent because decreases in mortality below present rates would, in a stationary population, have the effect of increasing the proportion at the oldest ages.

Another reason for the increasing cost is that the proportion of the aged population eligible for and receiving benefits will increase.

Some 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 80 percent to between 95 and 98 percent by the end of the century.

Since the long-term 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-term 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 assumptions that represent close to full employment, with the average annual earnings remaining at about the level that prevailed in 1963. Each estimate provides data on taxable 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 taxable 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 taxable 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 18 shows benefit-payment costs for selected years and the corresponding level-costs, all expressed as percentages of taxable payroll, under each of the three estimates. The level-cost of the program is the 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 future interest earnings of the existing trust fund and for all other future interest earnings. It should be noted that these level-cost computations are based on estimated experience for the rising benefit costs into perpetuity (but assuming that the system reaches maturity in about 75 years and that the expenditures, in terms of dollars, level off after the year 2050). Obviously, if a level-cost were obtained for a period of, say, 75 years into the future, it would be somewhat lower than on a perpetuity basis. 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 19 and 20 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 18.--Estimated costs of old-age, survivors, and disability insurance system as percent of payroll[a], 1963 level-earnings assumptions, 1970-2050

(In percent)

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate[b]
	Old-Age and survivors insurance benefits		
1970	7.24	7.74	7.49
1980	7.84	8.98	8.39
1990	8.05	10.27	9.08
2000	7.28	10.16	8.58
2025	8.16	13.14	10.21
2050	10.17	14.86	11.98
Level-cost[c]	7.63	10.09	8.71
	Disability insurance benefits		
1970	.60	.73	.67
1980	.59	.73	.66
1990	.54	.73	.63
2000	.54	.75	.63
2025	.61	.82	.70
2050	.66	.86	.74
Level-cost[c]	.57	.74	.64

a/ Taking into account the lower contribution rate for the self-employed, as compared with the combined employer-employee rate.

b/ Based on the averages of the dollar contributions and dollar costs under the low-cost and high-cost estimates.

c/ Level contribution rate, at an interest rate of 3.25 percent for high-cost, 3.50 percent for intermediate-cost, and 3.75 percent for low-cost, for benefits after 1963, taking into account interest on the trust fund on December 31, 1963, future administrative expenses, the railroad retirement financial interchange provisions, reimbursement for additional cost of noncontributory credit for military service, and the lower contribution rates payable by the self-employed.

Table 19.--Estimated progress of old-age and survivors insurance trust fund, 1963 level earnings assumption[a]

(In millions)

Calendar year	Contributions	Benefit payments	Administrative expenses	Financial interchange[c]	Interest on fund	Fund at end of year[d]
			Actual data			
1955	$ 5,713	$ 4,968	$119	$7	$ 454	$ 21,663
1956	6,172	5,715	132[b]	5	526	22,519
1957	6,825	7,347	162[b]	2	556	22,393
1958	7,566	8,327	194[b]	-124	552	21,864
1959	8,052	9,842	184	-282	532	20,141
1960	10,866	10,677	203	-318	516	20,324
1961	11,285	11,862	239	-332	549	19,725
1962	12,059	13,356	256	-361	526	18,337
			Low-cost estimate			
1970	$22,764	$18,125	$323	-$385	$ 1,248	$ 40,269
1980	27,340	23,998	398	- 115	3,378	97,409
1990	32,354	29,330	469	30	6,023	170,867
2000	38,575	31,666	515	80	10,549	298,251
2025	51,374	47,268	731	110	38,272	1,065,318
			High-cost estimate			
1970	$22,241	$18,875	$374	-$445	$ 929	$ 31,823
1980	25,677	25,689	464	- 185	1,711	55,097
1990	28,324	32,621	550	- 50	1,249	40,491
2000	31,805	36,301	603	0	e/	e/
2025	35,953	53,222	807	30	e/	e/
			Intermediate-cost estimate			
1970	$22,502	$18,499	$348	-$415	$ 1,061	$ 35,984
1980	26,508	24,843	431	- 150	2,448	75,507
1990	30,339	30,974	510	- 10	3,410	103,363
2000	35,190	33,983	559	40	4,562	138,633
2025	43,664	50,246	769	70	10,236	304,076

a/ Interest rates of 3.25 percent for high-cost, 3.50 percent for intermediate-cost, and 3.75 percent for low-cost, were used in determining the level-cost, but in developing the progress of the trust fund, varying rates in the early years were used, which--when averaged over a long period of time--are equivalent to such fixed rates.

b/ These figures are artifically 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).

c/ A positive figure indicates payment to the trust fund from the railroad retirement account; a negative figure indicates the reverse.

d/ 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.

e/ Fund exhausted in 1999.

Note.--Contributions include reimbursement for additional cost of noncontributory credit for military service.

Table 20.--Estimated progress of disability insurance trust fund, 1963 level earnings assumption[a]

(In millions)

Calendar year	Contributions	Benefit payments	Administrative expenses	Financial interchange[c]	Interest on fund	Fund at end of year
			Actual data			
1957	$ 702	$ 57	$ 3[b]	--	$ 7	$ 649
1958	966	249	12[b]	--	25	1,379
1959	891	457	50	$ 22	40	1,825
1960	1,010	568	36	5	53	2,289
1961	1,038	887	64	- 5	66	2,437
1962	1,046	1,105	66	- 11	68	2,368
			Low-cost estimate			
1970	$1,304	$1,467	$ 90	-$17	$ 30	$ 969
1980	1,565	1,739	94	2	d/	d/
1990	1,852	1,903	92	5	d/	d/
2000	2,207	2,269	102	5	d/	d/
2025	2,936	3,454	145	5	d/	d/
			High-cost estimate			
1970	$1,271	$1,733	$110	-$23	e/	e/
1980	1,467	2,024	116	- 8	e/	e/
1990	1,619	2,233	119	- 5	e/	e/
2000	1,818	2,591	136	- 5	e/	e/
2025	2,054	3,206	165	- 5	e/	e/
			Intermediate-cost estimate			
1970	$1,288	$1,601	$100	-$20	$ 6	$ 127
1980	1,516	1,881	105	- 3	f/	f/
1990	1,735	2,068	106	0	f/	f/
2000	2,013	2,429	119	0	f/	f/
2025	2,495	3,329	155	0	f/	f/

a/ Interest rates of 3.25 percent for high-cost, 3.50 percent for intermediate cost, and 3.75 percent for low-cost were used in determining the level-cost, but in developing the progress of the trust fund, varying rates in the early years were used, which--when averaged over a long period of time--are equivalent to such fixed rates.

b/ These figures are artificially 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).

c/ A positive figure indicates payment to the trust fund from the railroad retirement account; a negative figure indicates the reverse.

d/ Fund exhausted in 1974.

e/ Fund exhausted in 1969.

f/ Fund exhausted in 1971.

Note.--Contributions include reimbursement for additional cost of noncontributory credit for military service.

It should be emphasized that dollar figures projected for so many years into the future have only limited significance because of changes that are likely to occur in the general economy, as well as in the system itself. What is really the most significant are relative figures such as those in table 18, showing the benefit costs as a percentage of taxable payroll.

For old-age and survivors insurance, annual benefit payments as a percentage of payroll are less than or close to the scheduled tax rates in the early future years, but they eventually rise well above the ultimate combined employer-employee rate of $8\frac{3}{4}$ percent. For disability insurance the benefit payments are higher than the present level combined employer-employee tax rate of $\frac{1}{2}$ percent for every future year.

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-equivalent rate of contributions minus the level-cost of benefit payments and administrative costs expressed as a percentage of taxable payroll (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-equivalent costs and contributions, expressed in percentages of taxable payroll, which are computed as of the beginning of calendar year 1964, at interest rates of 3.25 percent for high-cost, 3.50 percent for intermediate-cost, and 3.75 percent for low-cost:

(In percent)

Item	Low-cost	High-cost	Intermediate-cost
Old-age and survivors insurance			
Contributions 1/	8.61	8.61	8.61
Benefit Cost 2/	7.63	10.09	8.71
Net difference	.98	- 1.48	- .10
Disability insurance			
Contributions 1/	.50	.50	.50
Benefit cost 2/	.57	.74	.64
Net difference	- .07	- .24	- .14

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, (d) for the railroad retirement financial interchange provisions, and (e) for reimbursement of military-wage-credits cost.

The lack of actuarial balance of the old-age and survivors insurance program (0.10 percent of taxable payroll on the intermediate-cost basis) is within the acceptable limit of variation of 0.25 percent of taxable payroll that has been used frequently in the past by the congressional committees which deal with this program. The disability insurance program has a lack of actuarial balance of 0.14 percent of taxable payroll, which is well above the corresponding acceptable limit of variation of 0.06 percent of taxable payroll.

If the intermediate-cost estimate had been based on a higher interest rate than 3.50 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 is currently about 4.0 percent), the lack of actuarial balance of the combined program would have been considerably less than 0.24 percent of taxable payroll. In fact, if an interest rate of 4 percent had been assumed, the combined actuarial deficit of both programs would have been virtually eliminated.

If the experience exactly follows the assumptions, future computations would show a gradual increase in the actuarial lack of balance under the intermediate-cost estimate for both the old-age and survivors insurance system and the disability insurance system. The reason for this is that interest accumulations increase any surplus in the system, but the failure to accumulate all interest income that would have been earned in an exactly-balanced system increases any deficit. 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 contributions required for balance had been paid. It is estimated that because of this effect the present deficiency of 0.24 percent of taxable payroll would increase to 0.28 percent by the year 1970 if all elements of the assumptions hold true.

Continuing study of the emerging experience under the program provides a basis for prompt changes in the tax rate or other changes that may be necessary to keep the system from growing excessively out of actuarial balance in either direction.

It is important to note that these estimates are made on the assumption that earnings will remain at about the level prevailing in 1963. 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-cost--taking into account benefit payments, administrative expenses, and interest on the existing trust fund--would be somewhat higher. However, the level-cost might not rise this much, or might even decline, if benefit adjustments do not fully reflect rising earnings. Again, the effect of such events can be observed in ample time to make any needed changes in the contribution schedule or any other appropriate changes in the system.

This analysis includes the benefits and contributions in respect to all persons anticipated to be covered in the future under present statutory provisions and not merely (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. An insurance company must set up reserves equal to all currently accrued liabilities, since it cannot compel individuals to become new policyholders and must be in a position at any time so that in the future it can pay all benefits that will become due with respect to its present and past policyholders, using only its present assets and the future 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.

MEDIUM-RANGE COST ESTIMATES

The preceding sections have presented both short-range cost estimates (for the next 5 years) and long-range cost estimates (for many decades into the future) for the old-age, survivors, and disability insurance system. The 1957-58 Advisory Council on Social Security Financing indicated, among its recommendations, the desirability of a medium-range cost estimate covering a period of 15 to 20 years (the 19th Trustees Report contains the full text of the Advisory Council's Report). These estimates, it was suggested, should take into account possible variations in economic factors, such as level of earnings and level of employment, as well as variations in demographic factors.

Tables 21 and 22 present two medium-range projections based on different assumptions. For both projections, it is assumed that economic activity will have normal expansion throughout the period, with employment increasing steadily and with the average total earnings of each covered worker increasing at an annual rate of 3 percent. In the first one (Table 21), the maximum taxable earnings base is assumed to remain at its present level of $4,800 per year, while for the second one (Table 22), the base is assumed to be kept up-to-date, i.e., it is assumed that the base is changed periodically so as to cover about the same proportion of total earnings that was covered in 1963 by the $4,800 base. These assumptions imply that for the first projection, of the estimated 65-percent increase in average earnings that will occur in the 1963-80 period, only

19 percent, or close to 30 percent relatively, will be taxable under the program, due to the dampening effect of the fixed maximum taxable earnings base. For the second projection, the entire 65-percent increase will be taxable because of the constant up-dating of the earnings base.

It is assumed for the first projection that all provisions of the law would remain as they were at the end of 1963. This projection is based on dynamic earnings-level assumptions and static benefit-provision assumptions. **However,** over the 17-year period covered by the estimates, changes will undoubtedly be made. The purpose of this estimate is to indicate the size of the financial commitments of present law even though it is recognized that the law itself would undoubtedly be changed during the period. The extent and timing of these changes are, of course, unpredictable.

It is assumed for the second projection that the maximum taxable earnings base and the benefit provisions of present law are amended periodically so that the relationships among total earnings, taxable earnings, and benefit expenditures during each of the years 1963-80 under the amended law are the same as those shown in the long-range intermediate-cost estimates prepared on level-earnings assumptions. The cost estimate shown in Table 22 is, therefore, very similar to the long-range cost estimate if costs are considered in terms of percentages of taxable payroll, but it has the advantage of presenting dollar figures of a more realistic magnitude. This projection, accordingly, is based on dynamic earnings-level assumptions, combined with an assumption that the law is frequently amended to keep the system fully up-to-date.

As shown in Tables 21 and 22, according to the medium-range estimates, the old-age and survivors insurance trust fund grows more or less steadily through the period up to 1980--reaching in 1975 about $79 billion in the first projection and about $64 billion in the second one. For 1980, the corresponding figures for the balance in the trust fund are $120 billion and $89 billion. In 1980, estimated contribution income exceeds benefit outgo by about 20% under the assumptions of dynamic earnings-level conditions and static benefit provisions, but by only 7% under the "double dynamic" assumptions basis.

The disability insurance trust fund, according to the medium-range estimates, decreases continuously until it is finally exhausted in about 1970 to 1972. In 1980, estimated contribution income is about 10% lower than benefit outgo under the assumptions of dynamic earnings-level conditions and static benefit provisions, and by about 20% under the "double dynamic" assumptions basis. It is evident that the proportion of the total contribution income of the program that is now allocated to the disability insurance trust fund will support it for a decade at most.

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Table 21. Estimated progress of trust funds, increasing earnings assumption, fixed earnings base and equivalent 3.50 percent interest rate basis 1/
(in millions)

Calendar Year	Contributions 2/	Benefit payments	Administrative expenses	Financial interchange 3/	Interest on fund	Fund at year end
Old-age and survivors insurance trust fund						
1975	$28,048	$22,206	$445	-$315	$2,514	$ 79,177
1980	31,465	26,073	512	- 150	3,895	120,265
Disability insurance trust fund						
1975	1,605	1,811	116	- 10	4/	4/
1980	1,799	1,987	125	- 3	4/	4/

1/ On the same basis as used to develop the trust funds for the long-range intermediate cost estimates in Tables 19 and 20.
2/ Includes reimbursement for additional cost of noncontributory credits for military service.
3/ A positive figure indicates payment to the trust funds from the railroad retirement account; a negative figure indicates the reverse.
4/ Fund exhausted in year 1972.

Table 22. Estimated progress of trust funds, increasing earnings and benefits assumptions, variable earnings base and equivalent 3.50 percent interest rate basis1/
(in millions)

Calendar Year	Contributions2/	Benefit payments	Administrative expenses	Financial interchange3/	Interest on Fund	Fund at year end
			Old-age and survivors insurance trust fund			
1975	$35,017	$30,798	$556	-$449	$2,012	$64,272
1980	43,814	41,062	712	- 248	2,831	88,821
			Disability insurance trust fund			
1975	2,003	2,483	145	- 14	4/	4/
1980	2,506	3,109	174	- 5	4/	4/

1/ On the same basis as used to develop the trust funds for the long-range intermediate cost estimates in Tables 19 and 20.
2/ Includes reimbursement for additional cost of noncontributory credits for military service.
3/ A positive figure indicates payment to the trust funds from the railroad retirement account; a negative figure indicates the reverse.
4/ Fund exhausted in year 1970.

CONCLUSION

Considering the old-age and survivors insurance and the disability insurance portions of the program together, the new cost estimates made recently show that the actuarial balance is substantially improved over what it was before the new estimates were prepared (i.e., as compared with what was shown in the previous report) so that the system as a whole continues in close actuarial balance. The balances of each of the two portions of the program, however, are differently affected. The balance of the old-age and survivors insurance program is shown to have improved--by 0.07 percent of taxable payroll on a level-cost basis--but the balance of the disability insurance program is shown to have remained the same. According to the new intermediate-cost estimates, there is now a lack of actuarial balance of 0.10 percent of taxable payroll in the old-age and survivors insurance system (1 percent relatively, as compared with contribution income) and of 0.14 percent of taxable payroll in the disability insurance system (28 percent relatively, as compared with contribution income).

The Board of Trustees recommends that there be a small reallocation of future contribution income between the old-age and survivors insurance trust fund and the disability insurance trust fund. It is recommended that 0.1 percent of taxable wages and 0.075 percent of taxable self-employment income that now goes into the old-age and survivors insurance trust fund should be allocated to the disability insurance trust fund. Such a reallocation of the total contribution rate between the two portions of the progra would, of course, not affect the overall actuarial balance, but it would make for a more reasonable subdivision between them.

After such a reallocation, the combined employer-employee contribution rate of $7\frac{1}{4}$ percent for calendar year 1965 would be subdivided 6.65 percent for the old-age and survivors insurance trust fund and .60 percent for the disability insurance trust fund. The subdivision for all future years and for the employer-employee rate and the self-employed rate would then be as follows:

Item	Calendar Year 1965	Calendar Years 1966-67	Calendar Years After 1967
Employer-employee, total	7.25	8.25	9.25
OASI	6.65	7.65	8.65
DI	.60	.60	.60
Self-employed, total	5.40	6.20	6.90
OASI	4.95	5.75	6.45
DI	.45	.45	.45

After such a reallocation is made, the lack of actuarial balance of the old-age and survivors insurance portion of the system would, according to the intermediate-cost estimate, be 0.20 percent of taxable payroll (2 percent relatively, as compared with contribution income), while that for the disability insurance portion would be 0.04 percent of taxable payroll (7 percent relatively, as compared with contribution income)--each being within the acceptable limit of variation mentioned previously. Thus, on the basis of the present long-range cost estimates, not only the program as a whole, but also each of the two subdivisions, would be in close actuarial balance. It may be noted that under conditions of actuarial balance, 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 benefit payments and administrative expenses indefinitely 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 that were incurred after August 1950 with respect to benefits based on credits for military service performed at some time during the period from September 16, 1940, through December 31, 1956 (for which no contributions were paid). No reimbursements, however have been made to date for these costs. The Board of Trustees, therefore, strongly recommends enactment of proposed legislation that would result in a supplemental appropriation request of $60 million, as described in the 1965 Budget of the United States, submitted to Congress in January 1964.

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 United States population (including overseas 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]

1/ For more details as to the procedures followed in making the long-range cost estimates, see Actuarial Study No. 49, Social Security Administration, May 1959, 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. A detailed discussion of the cost estimates for the 1961 Act can be found in Actuarial Study No. 58.

2/ The 1960 census revealed a greater number of persons aged 65 and over than earlier estimates had indicated, with most of this excess at ages 65-74. However, since people in these age groups are subject to high mortality and will thus not survive for many years, this discrepancy will have little effect on the long-range population projections. 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 April 1, and they include Puerto Rico and several other geographic areas).

In the projections for both cost estimates it is assumed that mortality rates will decline until the year 2000. In the high-cost estimates, mortality rates for the year 2000 are about 50 to 55 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 roughly half of the improvement in mortality used in 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 85 percent of the cost of the system. Complete details about the population projections are given in Actuarial Study No. 46, Social Security Administration.

Employment

Assumptions as to the percentage of the population who have covered employment during a year were made for each age group by sex for each quinquennial year. The estimated percentages for 1960 were projected to decrease in the younger ages for males to allow for a greater utilization of schools. For males aged 25 and over, the proportions were assumed to increase slightly, except for the older ages where they were assumed to decrease for both the low-cost and high-cost assumptions (thus recognizing the possibility of higher retirement rates). An increase was assumed for females, except for the very young and very old ages; these increases are higher in the middle ages and are a continuation of trends in the past. Assumptions were also made about the percentage of covered workers in each age group who have 4 quarters of coverage during the year.

All the foregoing assumptions may be characterized as representing moderately full employment. A depression could substantially increase the cost, as shown in appendix IV. 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 1963 level were assumed for each sex. This assumption implies that within each sex group 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 and the earnings base used for contributions will be modified.

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 95 percent in the low-cost estimate and 98 percent in the high-cost estimate. For females there is much greater uncertainty; it is estimated that the corresponding proportions for aged females will eventually be 67 percent in the low-cost estimate and 73 percent in the high-cost estimate (the differential reflecting the range possible because of women moving in and out of the labor market and whether thereby they do or do not obtain insured status).

The estimated numbers of persons insured for disability benefits are lower than those insured for old-age and survivor benefits because of the more restrictive insured status provisions for disability benefits.

Aged Beneficiaries

Old-age beneficiaries are estimated from the aged insured population. The proportions, by age and sex, of the insured population that were receiving benefits at the beginning of 1963 were projected to increase slightly, following the trends in the past--thus, reflecting the assumed gradual increase in retirement rates.

Wives aged 62 and over of male old-age beneficiaries were estimated by using census data and mortality projections. These potential wife beneficiaries, after adjustment for eligibility to benefits on their own account, were assumed to claim benefits as soon as they are eligible, even if this occurred at ages 62-64, when they would have to take reduced benefits. The experience to date indicates that in the vast majority of the cases such immediate claiming of wife's benefits does occur.

To estimate widow beneficiaries the proportions of widows in the female aged population were projected according to mortality assumptions and adjusted for both eligibility to benefits on their own account and for the insured status of their deceased husbands. These uninsured eligible widows were assumed to claim benefits as soon as available.

It can be observed that the assumed wife and widow beneficiaries consist of the uninsured potential beneficiaries. In actual practice, some of the insured potential beneficiaries also receive a residual benefit consisting of the excess of the potential wife's or widow's benefit over their own old-age benefit. These residual benefits, although not giving rise to additional aged beneficiaries, were considered in the cost of the particular type of dependent or survivor benefit concerned.

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 as it applies to wife's, widow's, and parent's benefits was ignored. No estimates were made for benefits to dependent husbands and widowers since their cost is relatively negligible.

Appendix table 1 shows the estimated numbers of aged beneficiaries. By the year 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.

Beneficiaries Under Retirement Age

Young wives and children of retired workers were estimated by reference to their ratios to male old-age beneficiaries, as derived from recent actual data and projected according to the population fertility assumptions.

Child survivor beneficiaries were obtained from estimates of total paternal orphans in the country in future years. The projected child population by age groups was multiplied by the probability of being a paternal orphan. These probabilities were derived by using distributions of age of fathers at birth of child and death rates consistent with the population projections. The numbers of paternal orphans were then adjusted to eliminate orphans of uninsured men, to add the small numbers of orphans of insured women and to include the eligible disabled orphans aged 18 and over. Mother survivor beneficiaries are estimated by assuming a constant ratio of mothers to children. The numbers of lump-sum death payments were estimated by multiplying the 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 prevalence rates (by age and sex) to the population insured for disability benefits. Prevalence rates may be defined as the proportion of the relevant

Appendix Table 1.--Estimated monthly retirement beneficiaries in current-payment status 1/, 1970-2050

(In thousands)

Calendar year	Old-age beneficiaries: Male	Old-age beneficiaries: Female	Wives of old-age beneficiaries 2/	Aged widows 3/	Dependent parents	Total
			Actual data			
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
1961	5,765	3,160	2,368	1,697	37	13,027
1962	6,244	3,494	2,510	1,859	37	14,145
			Low-cost estimate			
1970	7,331	5,043	2,705	2,627	34	17,740
1980	8,985	7,294	2,980	3,205	34	22,498
1990	10,457	9,410	3,102	3,560	32	26,561
2000	10,915	10,514	2,845	3,576	28	27,878
2025	16,983	17,402	3,519	4,649	33	42,586
2050	24,415	25,157	4,877	6,812	45	61,306
			High-cost estimate			
1970	8,044	5,880	2,852	2,439	35	19,250
1980	10,564	9,191	3,175	2,769	34	25,733
1990	13,265	12,207	3,576	3,040	32	32,120
2000	14,779	13,790	3,489	3,080	28	35,166
2025	22,470	21,182	3,919	3,956	29	51,556
2050	25,789	24,475	4,461	4,405	30	59,160

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. Actual data as of the end of the year (except for 1958--November); estimated data as of the middle of the 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.

population (population insured for disability in this case) that has a specific chararacteristic (receiving disability benefits in this case).

The prevalence rates were developed from assumed disability incidence and termination rates. The incidence rates were 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. These rates were reduced by 10 percent to account for the fact that 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, the likelihood of the disability being of a long-continued and indefinite-nature condition must be proved at the time.

The original estimates of the cost of the disability insurance system (prepared at the time of the 1956 amendments) assumed, for high cost, incidence rates based on the 165 percent modification of class 3 rates. For low cost, the rates were assumed to be 25% of those used in the high cost estimate. These incidence rates are basically those in current use except for a narrowing of the range between low and high to reflect the operating experience analyzed up to now. This experience has shown the actual incidence rates to fall roughly mid-range between the high incidence and low incidence originally assumed.

Benefit termination rates because of death and recovery in current use are those used in the original disability insurance cost estimate--i.e., class 3 rates for high cost and 1924-27 German social insurance experience for low cost estimate.

The prevalence rates resulting from the above incidence and termination rates were adjusted to reflect current operating experience and then used to calculate the numbers of beneficiaries in the future. These future prevalence rates are thus based on the incidence and termination rates originally assumed, but they are adjusted to reflect the latest available experience. The modified methodology that has been followed allows for a prompt reflection, in the estimated cost, of any changes in the experience of the program.

In accordance with current experience the prevalence rates for females were assumed to be about 75 percent of those for male workers.

Appendix table 2 shows the estimates of number of beneficiaries under the minimum retirement age (including disability insurance beneficiaries and their dependents).

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 the ultimate benefits computed. The latter were determined as though the 1963 earnings level were in effect throughout the entire working life of all workers with respect to whom benefits are being paid. Total benefit payments are shown, in dollar amounts, in tables 19 and 20, and as a percentage of payroll, in table 18.

The combined cost of old-age, survivors, and disability benefits (expressed as a percentage of taxable payroll) in 1962, as shown in tables 14 and 17 is projected to increase by about 60 percent in the low-cost estimate and by about 130 percent in the high-cost estimate, according to table 18. 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.

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: Workers	Wives 3/	Children 4/	Total monthly benefi-ciaries	Lump-sum death cases
			Actual data				
1955	1,276	292	--	--	--	1,568	567
1956	1,341	301	--	--	--	1,642	547
1957	1,502	328	150	--	--	1,980	689
1958	1,606	354	238	12	18	2,228	657 5/
1959	1,754	376	334	48	78	2,590	822 6/
1960	1,845	401	455	77	155	2,934	779
1961	1,989	428	618	118	291	3,444	813
1962	2,160	452	741	147	387	3,887	865
			Low-cost estimate				
1970	2,858	603	983	185	528	5,157	1,132
1980	3,312	701	1,167	214	610	6,004	1,425
1990	3,784	821	1,270	228	634	6,737	1,676
2000	4,030	899	1,520	267	703	7,419	1,930
2025	4,552	980	2,390	378	859	9,159	2,863
2050	4,743	984	2,975	425	885	10,012	4,089
			High-cost estimate				
1970	2,355	471	1,178	222	601	4,827	1,098
1980	2,279	441	1,430	234	558	4,942	1,389
1990	2,328	448	1,584	249	554	5,163	1,679
2000	2,226	427	1,852	274	595	5,374	1,985
2025	2,462	425	2,334	321	656	6,198	2,769
2050	2,536	418	2,480	326	665	6,425	3,360

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.

Administrative Expenses

Assumed administrative expenses for old-age, survivors, and disability insurance are based on two factors--the number of persons having any covered employment in the given year and the number of monthly beneficiaries.

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.

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 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 new long-term Government obligations tend to follow (both up and down) the average market yield on all outstanding long-term issues.

For the intermediate-cost estimate a level interest rate of 3.50 percent was assumed. This is somewhat above the average yield of present investments (about 3.0 percent), but is below the rate currently being obtained for new investments (an average of about 4.0 percent). The interest rate for the low-cost and high-cost estimates was assumed at 3.75 percent and 3.25 percent, respectively.

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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

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1/ Amendments to the Social Security Act and to related sections of the Internal Revenue Code were made during the period 1939-61. 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 23d Annual Report of the Board of Trustees.

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 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 1 1/2 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 1 1/2-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 2 1/4 percent each on January 1, 1957, and remained in effect through calendar year 1958. On January 1, 1959, the rates rose to 2 1/2 percent each, and on January 1, 1960, to 3 percent each, as provided by the Social Security Amendments of 1958. These rates remained in effect through December 31, 1961. In accordance with the Social Security Amendments of 1961, the 3-percent rates rose, on January 1, 1962, to 3 1/8 percent each for employees and employers, and on January 1, 1963, to 3 5/8 percent each. 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 1 1/2 times the corresponding employee rates, except that beginning in 1962 the resulting rates for the self-employed are rounded to the nearest tenth of 1 percent. The tax rates that have been in effect since 1937 and the maximum amount of annual earnings to which the rates applied are shown in the following table:

Calendar years	Maximum taxable amount of annual earnings	Percent of taxable earnings	
		Employees and employers, each	Self-employed
1937-49.....	$3,000	1	---
1950........	3,000	1 1/2	---
1951-53.....	3,600	1 1/2	2 1/4
1954........	3,600	2	3
1955-56.....	4,200	2	3
1957-58.....	4,200	2 1/4	3 3/8
1959........	4,800	2 1/2	3 3/4
1960-61.....	4,800	3	4 1/2
1962........	4,800	3 1/8	4.7
1963........	4,800	3 5/8	5.4

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. The existing statutory provisions that authorize the granting of noncontributory credits for military service and the financing of these credits are set forth in appendix III.

Coordination of old-age, survivors, and disability insurance and railroad retirement program.--Public Law 234, approved October 30, 1951, amended the Railroad Retirement Act to provide a new basis of coordinating the railroad retirement program with old-age and survivors insurance. This legislation provides that the railroad wage credits of workers who die or retire with less than 10 years of railroad employment shall be transferred to the old-age and survivors insurance system. These amendments did not affect workers who acquire 10 years or more of railroad service. That is, the survivors of over-10-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 JUNE 30, 1963, CREATING THE TRUST FUNDS, DEFINING THE DUTIES OF THE BOARD OF TRUSTEES, GRANTING NONCONTRIBUTORY CREDITS FOR MILITARY SERVICE, AND PROVIDING FOR ADVISORY COUNCILS ON SOCIAL SECURITY FINANCING

(Sec. 201, sec. 217, and sec. 218 (e) (1), (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

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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.

Benefits in Case of Veterans.--Sec. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any World War II veteran, and for purposes of section 216(i) (3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if--

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality. The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216(i) (3).

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II

veterans, the Secretary of Health, Education, and Welfare shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Secretary of Health, Education, and Welfare shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Secretary of Health, Education, and Welfare, and the Secretary shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service during World War II shall, at the request of the Secretary of Health, Education, and Welfare, certify to him, with respect to any veteran, such information as the Secretary deems necessary to carry out his functions under paragraph (2) of this subsection.

(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active military or naval service of the United States shall be deemed to have died a fully insured individual whose primary insurance amount is the amount determined under section 215(c). Notwithstanding section 215(d), the primary insurance benefit (for purposes of section 215(c)) of such veteran shall be determined as provided in this title as in effect prior to the enactment of this section, except that the 1 per centum addition provided for in section 209(e) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if--

(A) a larger such benefit or payment, as the case may be, would be payable without its application;

(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II

veteran, the Secretary of Health, Education, and Welfare shall make a decision without regard to paragraph (1) (B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Administration by reason of the death of such veteran. The Secretary of Health, Education, and Welfare shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Secretary of Health, Education, and Welfare and the Secretary shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payment theretofore certified by the Secretary of Health, Education, and Welfare on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3101 of title 38, United States Code) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Secretary of Health, Education, and Welfare, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration shall be deemed by reason of this subsection to have been an erroneous payment.

(c) In the case of any World War II veterans to whom subsection (a) is applicable, proof of support required under section 202(h) may be filed by a parent at any time prior to July 1951 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

(d) For the purposes of this section--

(1) The term "World War II" means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.

(2) The term "World War II veteran" means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of wages and self-employment income of any veteran (as defined in paragraph (4)), and for purposes of section 216(i) (3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to January 1, 1957. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if--

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1957, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based. The provisions of clause (B) shall also not apply for purposes of section 216(i) (3). In the case of monthly benefits under this title for months after December 1956 (and any lump-sum death payment under this title with respect to a death occurring after December 1956) based on the wages and self-employment income of a veteran who performed service (as a member of a uniformed service) to which the provisions of section 210 (l) (l) are applicable, wages which would, but for the provisions of clause (B), be deemed under this subsection to have been paid to such veteran with respect to his active military or naval service performed after December 1950 shall be deemed to have been paid to him with respect to such service notwithstanding the provisions of such clause, but only if the benefits referred to in such clause which are based (in whole or in part) on such service are payable solely by the Army, Navy, Air Force, Marine Corps, Coast Guard, Coast and Geodetic Survey or Public Health Service.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Secretary of Health, Education, and Welfare shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1957, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Secretary of Health, Education, and Welfare shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that

such a benefit is payable by it, it shall so notify the Secretary of Health, Education, and Welfare, and the Secretary shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to January 1, 1957, shall, at the request of the Secretary of Health, Education, and Welfare, certify to him, with respect to any veteran, such information as the Secretary deems necessary to carry out his functions under paragraph (2) of this subsection.

(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to January 1, 1957, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

(f) (1) In any case where a World War II veteran (as defined in subsection (d) (2)) or a veteran (as defined in subsection (e) (4)) has died or shall hereafter die, and his widow or child is entitled under the Civil Service Retirement Act of May 29, 1930, as amended, to an annuity in the computation of which his active military or naval service was included, clause (B) of subsection (a) (1) or clause (B) of subsection (e) (1) shall not operate (solely by reason of such annuity) to make such subsection inapplicable in the case of any monthly benefit under section 202 which is based on his wages and self-employment income; except that no such widow or child shall be entitled under section 202 to any monthly benefit in the computation of which such service is included by reason of this subsection (A) unless such widow or child after December 1956 waives his or her right to receive such annuity, or (B) for any month prior to the first month with respect to which the Civil Service Commission certifies to the Secretary of Health, Education, and Welfare that (by reason of such waiver) no further annuity will be paid to such widow or child under such Act of May 29, 1930, as amended, on the basis of such veteran's military or civilian service. Any such waiver shall be irrevocable.

(2) Whenever a widow waives her right to receive such annuity such waiver shall constitute a waiver on her own behalf; a waiver by a legal guardian or guardians, or, in the absence of a legal guardian, the person (or persons) who has the child in his care, of the child's right to receive such annuity shall constitute a waiver on behalf of

such child. Such a waiver with respect to an annuity based on a veteran's service shall be valid only if the widow and all children, or, if there is no widow, all the children, waive their rights to receive annuities under the Civil Service Retirement Act of May 29, 1930, as amended, based on such veteran's military or civilian service.

(g) (1) There are hereby authorized to be appropriated to the Trust Funds annually, as benefits under this title are paid after June 1956, such sums as the Secretary of Health, Education, and Welfare determines to be necessary to meet the additional costs, resulting from subsections (a), (b), and (e), of such benefits (including lump-sum death payments).

(2) The Secretary shall, before October 1, 1958, determine 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 June 30, 1956, if section 210 of this Act, as in effect prior to the Social Security Act Amendments of 1950, and section 217 of this Act (including amendments thereof), had not been enacted. There are hereby authorized to be appropriated to such Trust Fund annually, during the first ten fiscal years beginning after such determination is made, sums aggregating the amount so determined, plus interest accruing on such amount (as reduced by appropriations made pursuant to this paragraph) for each fiscal year beginning after June 30, 1956, at a rate for such fiscal year equal to the average rate of interest (as determined by the Managing Trustee) earned on the invested assets of such Trust Fund during the preceding fiscal year.

Gratuitous Wage Credits for American Citizens Who Served in the Armed Forces of Allied Countries.--(h) (1) For the purposes of this section, any individual who the Secretary finds--

(A) served during World War II (as defined in subsection (d) (1)) in the active military or naval service of a country which was on September 16, 1940, at war with a country with which the United States was at war during World War II;

(B) entered into such active service on or before December 8, 1941;

(C) was a citizen of the United States throughout such period of service or lost his United States citizenship solely because of his entrance into such service;

(D) had resided in the United States for a period or periods aggregating four years during the five-year period ending on the day of and was domiciled in the United States on the day of, such entrance into such active service; and

(E) (i) was discharged or released from such service under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty, or

(ii) died while in such service,

shall be considered a World War II veteran (as defined in subsection (d) (2)) and such service shall be considered to have been performed in the active military or naval service of the United States.

(2) In the case of any individual to whom paragraph (1) applies, proof of support required under section 202 (f) or (h) may be filed at any time prior to the expiration of two years after the date of such individual's death or the date of the enactment of this subsection, whichever is the later.

Payments and Reports by States.--Sec. 218.(e) (1) Each agreement under this section shall provide--

(A) 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

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

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

(2) If more or less than the correct amount due under an agreement made pursuant to this section is paid with respect to any payment of

remuneration, proper adjustments with respect to the amounts due under such agreement shall be made, without interest, in such manner and at such times as may be prescribed by regulations of the Secretary of Health, Education, and Welfare.

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

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

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

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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.

APPENDIX IV. ILLUSTRATION OF OPERATIONS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND IN UNLIKELY EVENT OF SHARP REDUCTION IN LEVEL OF ECONOMIC ACTIVITY, 1964-68

As indicated in the main body of this report, the forecasts appearing in tables 11-17 are based on the assumption that economic activity will expand normally throughout the period 1963-68. Estimates are presented in appendix table 3 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 1964-68, with a relatively high rate of unemployment during the entire period. Under this assumption, contributions would be lower and benefit payments higher than estimated under high employment conditions. For the purpose of this illustrative estimate, a severe decline in business activity is assumed to begin in the first half of calendar year 1964. The decline is assumed to be halted in early 1967, and a modest recovery takes place during that year and during 1968. These conditions result in a decline in the number of persons with taxable earnings under the old-age, survivors, and disability insurance program from 74.0 million in 1964 to 68.9 million in 1967, and then a rise to 69.2 million in 1968; taxable earnings, estimated at $222 billion in calendar year 1964, decline to $201 billion in calendar year 1966, and then increase to $206 billion in calendar year 1968.

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

Appendix Table 3.--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 1964-68

[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		
1964...........	$14,524	$518	$56	$15,496	$317	$423	-$1,138	$17,342
1965...........	13,897	452	56	17,0[illegible]	322	435	-3,377	13,965
1966...........	14,869	392	56	18,190	330	470	-3,673	10,292
1967...........	15,158	314	56	19,062	339	500	-4,373	5,919
1968...........	17,014	211	56	19,802	346	515	-3,382	2,537

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

conditions, it is estimated that larger proportions of eligible workers would be obliged to leave employment, especially at ages 62-69. 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 somewhat 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 in employment under these assumed conditions.

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 somewhat 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.

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