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THE 1967 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS

LETTER

FROM

THE ACTING SECRETARY OF THE TREASURY, THE SECRETARY OF LABOR, THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE, THE COMMISSIONER OF SOCIAL SECURITY,

AND

SECRETARY, BOARD OF TRUSTEES

TRANSMITTING

THE 1967 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS

FEBRUARY 28, 1967.—Referred to the Committee on Ways and Means and ordered to be printed

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LETTER OF TRANSMITTAL

BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST FUNDS,
Washington, D.C., February 28, 1967.

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

SIR: We have the honor to transmit to you the 1967 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (the 27th such report), in compliance with the provisions of section 201(c) of the Social Security Act, as amended.

Respectfully,

JOSEPH W. BARR,
Acting Secretary of the Treasury and
Acting Managing Trustee of the Trust Fund.

W. WILLARD WIRTZ,
Secretary of Labor.

JOHN W. GARDNER,
Secretary of Health, Education, and Welfare.

ROBERT M. BALL,
Commissioner of Social Security
and Secretary, Board of Trustees.

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1967 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

The Board of Trustees

The Federal old-age and survivors insurance trust fund, established on January 1, 1940, and the Federal disability insurance trust fund, established on August 1, 1956, are held by the Board of Trustees under the authority of section 201(c) of the Social Security Act, as amended. The Board is comprised of three members who serve in an ex officio capacity. The members of the Board are the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare. The Secretary of the Treasury is designated by law as the managing trustee. The Commissioner of Social Security is secretary of the Board.

Fiscal Year Highlights

Two amendments to the Social Security Act and related sections of the Internal Revenue Code, enacted July 30, 1965, went into effect on January 1, 1966. The maximum amount of annual earnings taxable and creditable toward benefits was increased from $4,800 to $6,600. In addition, contribution rates were increased as follows: Employees and employers, from 3.625 percent of taxable earnings to 3.85 percent each; the self-employed, from 5.4 to 5.8 percent. Because these increases were effective for only half the fiscal year 1966, their full impact on annual contribution receipts was not felt in that year.

During fiscal year 1966, both the receipts and the expenditures of the old-age and survivors insurance trust fund and the disability insurance trust fund surpassed those of any previous year. A record high number of workers—an estimated 81 million—had earnings in calendar year 1965 that were taxable and creditable toward benefits under the program. The number of persons receiving monthly benef ts under the old-age, survivors, and disability insurance program increased by 1.6 million during the fiscal year, due in part to the 1965 amendments, and totaled 21.7 million on June 30, 1966.

The total assets of the old-age and survivors insurance trust fund at the end of June 1966 amounted to $19,872 million, representing a decrease of $308 million in assets from the $20,180 million in the fund at the end of June 1965. Total receipts of the old-age and survivors insurance trust fund in fiscal year 1966 amounted to $18,461 million, or about 12 percent more than in fiscal year 1965, whereas total disbursements during the same period amounted to $18,769 million, an increase of about 18 percent over fiscal year 1965.

Receipts of the old-age and survivors insurance trust fund consisted of $17,866 million in contributions and $595 million in interest. The

13-percent increase in contribution income resulted from the high levels of employment and taxable earnings, from new regulations and changes in reporting procedures of the Department of the Treasury that had the effect of accelerating the collection and reporting of tax contributions, and from the increases, noted above, in the contribution rates and in the maximum amount of taxable earnings.

Total disbursements consisted of $18,071 million for benefit payments, $254 million for administrative expenses, and $444 million transferred to the railroad retirement account under the financial interchange provisions. The 19-percent increase in benefit payments in fiscal year 1966 over the previous year was due primarily to (1) the growth in the number of persons receiving benefits; and (2) the general benefit increase provided by the 1965 amendments that was effective retroactively beginning with January 1965 and that was paid beginning in September 1965.

At the end of the fiscal year there were 19,851,000 persons receiving monthly benefits from the old-age and survivors insurance trust fund, about 7 percent more than a year earlier. Retirement beneficiaries numbered 14,607,000 and survivor beneficiaries numbered 5,243,000. Among the persons who were receiving benefits because of the 1965 amendments were 347,000 student children aged 18–21 of retired or deceased workers, 116,000 persons aged 72 and over who qualified under the transitional insured status provision, and 102,000 women aged 60–61 receiving actuarially reduced widow's benefits.

For the disability insurance trust fund, total disbursements exceeded total receipts in fiscal year 1966 by $321 million, thus decreasing the total assets of this fund from $2,007 million at the beginning of the fiscal year to $1,686 million at the end of the year.

Total receipts of the disability insurance trust fund in fiscal year 1966 amounted to $1,611 million, or about 30 percent higher than in fiscal year 1965 and were composed of $1,557 million in contributions and $54 million in interest. This increase was due to a larger allocation of contributions to the disability insurance trust fund effective January 1, 1966, as well as to the reasons, noted above, that resulted in an increase in contribution income to the old-age and survivors insurance trust fund.

Total disbursements of the disability insurance trust fund in fiscal year 1966 amounted to $1,931 million. Benefit payments of $1,721 million were 24 percent higher than in the previous year. The remaining disbursements consisted of $183 million in administrative expenses, $25 million transferred to the railroad retirement account, and $1 million in payments for the cost of vocational rehabilitation services furnished to disabled beneficiaries.

For the old-age and survivors insurance trust fund, estimates for the 5 fiscal years 1967–71 show that although both receipts and disbursements will increase steadily, the receipts will rise more rapidly, due to the increase in the maximum taxable earnings base in calendar year 1966, the scheduled rises in contribution rates in the law and the assumed upward trends in levels of employment and earnings. Consequently, at the end of fiscal year 1971, this trust fund will amount to an estimated $48.1 billion, or an increase of $28.2 billion in the 5-year period. Receipts during fiscal year 1971 are estimated to total $31.4 billion, and disbursements, $23.2 billion.

Medium-range estimates, based on the assumption that economic activity will continue to expand throughout the period 1967–85, 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 $299 billion at the end of calendar year 1985. 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 $211 billion by 1985.

Long-range cost estimates for the old-age and survivors insurance program indicate that the program has a positive actuarial balance. The level-cost of the program, estimated over a period of 75 years, ranges from 7.42 to 8.52 percent of taxable payroll. The intermediate-cost estimate is 7.91 percent of taxable payroll, as compared with the level-equivalent of the graded schedule of contributions of 8.80 percent of taxable payroll. There is thus a substantial favorable actuarial balance of 0.89 percent of taxable payroll.

According to estimates for the 5 fiscal years 1967–71, income of the disability insurance trust fund will rise more rapidly than disbursements due to the increases, effective in calendar year 1966, in the maximum taxable earnings base and in the contribution rate allocated to the fund and to the assumed upward trends in levels of employment and earnings. Consequently, this trust fund will amount to an estimated $3.0 billion by the end of fiscal year 1971, an increase of $1.3 billion in the 5-year period.

According to the medium-range estimates, the assets of the disability insurance trust fund will increase slowly, reaching $5.9 billion by the end of calendar year 1985, if provisions of present law are assumed to remain unchanged. If, on the other hand, the maximum taxable earnings base and the benefit provisions of present law are amended periodically to keep pace with average earnings, the medium-range estimates indicate that the assets of the fund will be exhausted in 1976.

According to long-range estimates for the disability insurance program, the level-cost, calculated over a 75-year period, ranges from 0.76 percent to 0.96 percent of taxable payroll. The intermediate-cost estimate is 0.85 percent of taxable payroll, as compared with the level contribution rate of 0.70 percent of taxable payroll. The board of trustees recommends that additional financing be made available to this fund through a small increase in the allocation of future contribution income to the disability insurance trust fund; namely, 0.15 percent of taxable payroll as to the combined employer-employee tax rate and 0.1125 percent of taxable self-employment income.

Social Security Amendments of 1965

The 1965 amendments to the Social Security Act and related sections of the Internal Revenue Code (Public Law 89–97, approved July 30, 1965) affect significantly both the immediate and long-range future levels of income and disbursements under the old-age, survivors, and disability insurance program. Benefit amounts were increased. Eligibility requirements for the payment of benefits were liberalized. Coverage was extended. The schedule of contribution rates was revised to continue to reflect the intent that the program be self-supporting.

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

1. Coverage was extended to self-employed doctors of medicine (previously the only group of significant size whose self-employment income was excluded from coverage) for taxable years ending on or after December 31, 1965. Coverage was also extended, beginning on January 1, 1966, to medical and dental interns on the same basis as other employees working for the same employers. For self-employed farm operators, revisions were made in the computation methods for reporting net earnings, effective with taxable years beginning after December 31, 1965. Beginning on January 1, 1966, coverage was extended to include, as wages, cash tips of $20 or more per month received by an employee, with only the employee's share of the tax contributions payable (the employer is exempted from paying his usual share of the tax contributions on cash tips). The major groups of workers that continue to be excluded from coverage are (a) practically all Federal civilian employees who are under staff retirement systems; (b) those self-employed persons, farm workers, and domestic workers whose earnings are less than the amounts required for the coverage of these particular groups; and (c) except in certain States, policemen and firemen covered by a State or local government retirement system.

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

   (*a*) The maximum amount of earnings taxable and creditable toward benefits was raised to $6,600 a year, beginning with 1966.

   (*b*) Effective retroactively beginning with January 1965, benefit amounts were increased by 7 percent, with a minimum increase of $4 in the primary insurance amount. As a result, the minimum primary insurance amount was increased from $40 to $44 per month, and, for beneficiaries already on the rolls, the maximum primary insurance amount was increased from $127 to $135.90 per month. For workers coming on the rolls in the future, benefits will range as high as $168 per month, because of the higher earnings base. However, the maximum benefit of $168, based on the maximum possible average monthly earnings of $550, will not become generally payable for some years to come.

   (*c*) The minimum benefit for a family containing only one survivor beneficiary is $44 per month (except in the case of a widow who claims benefits at age 60 or 61).

   (*d*) The maximum amount of benefits payable to a family on the basis of a single earnings record is now related to the worker's average monthly earnings at all earnings levels. Previously, there was a limit of $254 per month on family benefits which operated over a wide range of average monthly earnings. The maximum family benefit that will be payable on the basis of average monthly earnings of $550 is $368 per month.

3. The conditions under which persons may become eligible for benefits were liberalized (additional changes in eligibility require-

ments for benefits payable under the disability insurance program are described in item 4).

(*a*) Effective retroactively beginning with January 1965, child's benefits were made payable beyond age 18 and up to age 22 provided the child is regularly attending school (but mother's benefits are not payable solely because she has such a child in her care). Also, the definition of child was broadened.

(*b*) Effective September 1965, the minimum age at which women may qualify for widow's benefits was reduced from 62 to 60. Women who elect to receive a widow's benefit before age 62 will receive reduced benefits (both before and after age 62) which are, on actuarial basis, virtually equivalent to the full-rate benefits that they would have received if they waited until age 62 to claim benefits.

(*c*) Effective September 1965, special benefits were made payable under a transitional insured status provision to certain persons aged 72 and over (workers who have been in covered employment for only limited periods and therefore cannot meet the fully insured status requirements, and the wives and widows of such workers). Under this provision, monthly benefits of $35 are payable to workers and widows; wives receive $17.50.

(*d*) Effective September 1965, benefits were made payable to widows (and widowers) even though they have remarried if the remarriage occurred after they reached age 60 (age 62 for widowers). The amount of the benefit equals 50 percent of the primary insurance amount of the deceased spouse rather than 82½ percent of that amount, which was payable to such widows and widowers before they remarried.

(*e*) Wife's benefits were made payable to the divorced wife, aged 62 or over, of a retired or disabled worker, if she had been married to the worker for at least 20 years before the date of the divorce and if her divorced husband was making (or was obligated by a court order to make) a substantial contribution to her support when he became entitled to old-age insurance benefits or became disabled. Similarly, widow's benefits were made payable to the surviving divorced wife, aged 60 or over, of a deceased worker. Provision was also made for the reestablishment of benefit rights for a divorced wife, a widow, a surviving divorced mother, or a surviving divorced wife who has remarried if the subsequent marriage has ended. These changes became effective with benefits for September 1965.

4. The amendments made several changes in benefits payable under the disability insurance program.

(*a*) Effective with benefits for September 1965, the definition of disability was changed. Under the definition, as modified, a disability must be expected to result in death, or to have lasted or be expected to last for a continuous period of not less than 12 months. Under the former definition, it was required that the disability be expected to result in death or to be of long-continued and indefinite duration.

(*b*) Effective September 1965, a person who becomes entitled before age 65 to a benefit payable on account of old age may later become entitled to disability insurance benefits. Where the prior benefit was actuarially reduced, the disability insurance benefit must also be reduced according to the number of months for which the prior benefit was paid.

(*c*) Effective September 1965, the disability provisions with respect to the blind were modified in two respects. First, the definition of disability was changed to provide that an individual is disabled for purposes of entitlement to disability benefits if he is between the ages of 55 and 65, meets the definition of "blindness" (as provided for purposes of the provision for maintaining the insured status and benefit amount of disabled workers) and is unable, because of such blindness, to engage in substantial gainful activity requiring skills or abilities comparable to those required in his past occupation or occupations. He will receive no payment, however, for any month in which he engages in substantial gainful activity. Second, an alternative insured-status requirement for disability benefits was provided for persons who become disabled before age 31 because of "blindness". Under this provision, if the disability occurs after age 23, then at least half the quarters in the period beginning with the calendar quarter following attainment of age 21 and ending with the calendar quarter in which the disability occurs must be quarters of coverage. (If the number of quarters in this period is an odd number, then it is reduced by one.) If the disability occurs before age 24, then at least six of the quarters in the 12-quarter period ending with the quarter in which the disability occurred must be quarters of coverage.

(*d*) Effective January 1966, benefits payable to a disabled worker under age 62 and his dependents are reduced for any month for which the worker also receives a periodic workmen's compensation benefit, in the event that the combined benefits exceed a specified limitation. Under this provision, the monthly benefits payable to the family from the disability insurance trust fund are reduced so that the total amount payable under both programs does not exceed the higher of (1) 80 percent of the worker's "average current earnings", or (2) the total benefits payable to the family from the disability insurance trust fund before reduction because of workmen's compensation. The worker's "average current earnings" is defined as the higher of (1) the average monthly wage on which his disability insurance benefit is based, or (2) his average monthly earnings in covered employment during the 5 consecutive years after 1950 in which his covered earnings were highest. Provision is made for periodic adjustments in the amount of the worker's "average current earnings" to take account of changes in the national level of average earnings. These changes apply to benefits payable with respect to workers who become disabled after June 1, 1965.

(*e*) Provision was made for reimbursement from the trust funds for the cost of vocational rehabilitation services furnished to disability beneficiaries and disabled child beneficiaries aged 18 and over. The total amount of funds that may be made available for purposes of reimbursement for these services may not, in any fiscal year, exceed 1 percent of the disability insurance benefits and the disabled child's benefits certified for payment in the preceding year.

5. The earnings (retirement) test was amended, effective for taxable years ending after December 31, 1965. The provision for withholding benefits from beneficiaries whose earnings exceed $1,200 a year was changed so that benefits are withheld only when earnings exceed $1,500 a year. Also, $1 in benefits will be withheld for each $2 of earnings between $1,500 and $2,700, rather than between $1,200 and $1,700 as under the law in effect before the 1965 amendments ($1 in benefits will be withheld for each $1 of earnings above $2,700 instead of above $1,700). The maximum amount of wages that a beneficiary may earn in a month and still receive all of his benefit for that month regardless of his annual earnings was raised from $100 to $125.

6. A change was made in the basis of reimbursement to the old-age and survivors insurance trust fund and, where appropriate, to the disability insurance trust fund from general revenues for expenditures after August 1950 resulting from the amendments made in previous years that provided noncontributory $160 monthly wage credits for active military service from 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. Under the new basis, annual appropriations to the trust funds from general revenues are authorized, beginning in fiscal year 1966, that will amortize, over a 50-year period, both the accumulated backlog of expenditures resulting from such military service and the additional amounts that will accrue through fiscal year 2015. After 2015, annual appropriations are authorized to meet the currently accruing additional costs of subsequent benefit payments.

7. Changes relating to the financing of the old-age, survivors, and disability insurance program were made with the intent of assuring that it will continue to be self-supporting. Under the new contribution rate schedule, the employee and employer rates each increased from the 3.625 percent of taxable earnings applicable in 1965 to 3.85 percent as of January 1, 1966. Future increases are scheduled to occur in 1967, 1969, and 1973, when the ultimate rate of 4.85 percent is reached. There are corresponding increases in the self-employed contribution rate. Under the schedule as in effect before the 1965 amendments, the employee and employer rates would have increased to 4.125 percent on January 1, 1966, with a final increase to 4.625 percent on January 1, 1968.

The amendments increased the portion of the contribution rate allocated to finance benefits from the disability insurance trust fund. Effective January 1, 1966, the allocated rate was increased from 0.25 percent to 0.35 percent each for employees and employers. For the self-employed, the allocated rate was increased from 0.375 percent to 0.525 percent.

Social Security Amendments in 1966

The Tax Adjustment Act of 1966 (Public Law 89–368, approved March 15, 1966) amended both the Internal Revenue Code and the Social Security Act. The amendments made two changes in the old-age, survivors, and disability insurance program that are significant from a short-range cost standpoint.

The Internal Revenue Code was amended to require certain nonfarm self-employed persons to make estimated payments of their social security tax contributions on a quarterly basis effective for taxable years beginning after December 31, 1966. Under prior law, a nonfarm self-employed person was required to estimate and make quarterly installment payments only on his income tax and only if the estimated tax was at least $40. Under the change, the nonfarm self-employed person is required to make quarterly installment payments if the amount of his combined estimated income tax and social security tax is at least $40. The change results in a one-time addition to tax collections—namely, in the year of transition.

The second change, effective for months beginning October 1966, provides monthly payments of $35 to certain noninsured persons aged 72 or over (an eligible woman who is married to a man who qualifies receives a monthly payment of $17.50). Benefits to noninsured persons are reduced by the amount of any government pension, other than workmen's compensation or veteran's compensation, that the individual or his spouse is receiving or is eligible to receive. Also, benefits are not payable to persons receiving public assistance cash payments, or to persons residing outside of the 50 States and the District of Columbia. Expenditures for these benefits are made originally from the old-age and survivors insurance trust fund. However, the trust fund will bear only the cost represented by the relatively small amount of these benefits to be paid to persons with three or more quarters of coverage. The trust fund will be reimbursed, on an annual basis, for the remaining costs from general revenues. The first such reimbursement is authorized beginning in fiscal year 1969.

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 which relate to the system of old-age and survivors insurance are 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 major sources of receipts of these two funds are (1) amounts 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 and (2) amounts deposited in each of them representing contributions paid by workers employed by State and local governments and by such employers with respect to work covered by the 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 (cash tips, covered as wages beginning in 1966 under the 1965 amendments, are an exception to this; employees pay tax contributions with respect to cash tips, but employers do not). All covered self-employed persons are required to pay contributions with respect to their self-employment income. In general, beginning with calendar year 1966, 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 $6,600, with the contributions being determined first on the wages and then on any self-employment income necessary to make up the $6,600.

Under the Internal Revenue Code, as amended, the contribution rate for old-age, survivors, and disability insurance for employees and their employers of 3.625 percent each that was in effect in calendar years 1963–65 increased to 3.85 percent each on January 1, 1966; the contribution rate for the self-employed rose from 5.4 to 5.8 percent. The following table shows the scheduled increases in tax rates in the present law:

Calendar years	Percent of taxable earnings	
	Employees and empolyer, each [1]	Self-employed
1966	3.85	5.8
1967–68	3.90	5.9
1969–72	4.40	6.6
1973 and after	4.85	7.0

[1] Only the employee tax is paid on tips that are taxable as wages (coverage of tips became effective beginning in 1966).

The Social Security Act, as amended in 1956, provided that beginning January 1, 1957, from the total contribution income based on these rates, contributions at the rate of 0.25 percent each for employees and employers, and 0.375 percent for the self-employed, shall be allocated to the disability insurance trust fund. Under the act, as amended in 1965, this allocation increased to 0.35 percent each for employees and employers on January 1, 1966; for the self-employed, the allocation rate increased to 0.525 percent.

Except for amounts received by the Secretary of the Treasury under State agreements (to effectuate 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 taxes 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.

Another 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.

Public Law 719, approved August 10, 1946, provided noncontributory survivor protection to certain veterans of World War II. The legislation provided, and until August 31, 1950, 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, provided that the old-age and survivors insurance trust fund would be reimbursed for all additional costs arising after August 31, 1950, from the 1946 provisions.

Public Law 881 also provided that (1) the old-age and survivors insurance trust fund would 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 would be reimbursed for all additional expenditures after July 31, 1956, resulting from these provisions.

Public Law 85–840, approved August 28, 1958, broadened the provisions of prior law dealing with noncontributory wage credits of $160 for each month of active military service for the United States to provide such credits for certain American citizens who served in the Armed Forces of our allies during World War II. As in the case of the other noncontributory credit for military service, the trust funds will be reimbursed for the additional costs arising from these provisions.

A summary of the legislative history of the financing of credit for military service appears in appendix II.

Public Law 89–368, approved March 15, 1966, provided monthly cash benefits to certain persons aged 72 and over, almost all of whom were not eligible for benefits under the provisions of the old-age, survivors, and disability insurance program then in effect. Under the legislation, all payments are made initially from the old-age and survivors insurance trust fund, with later reimbursement from the general fund of the Treasury for the costs of payments to persons who have less than three quarters of coverage. A description of the legislative provisions governing the allocation of costs between the trust fund and the general fund of the Treasury 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 surplus supplies and materials are credited to and form a part of the trust funds, where the initial outlays therefor were paid from the trust funds. Formerly, these moneys were credited to the general fund of the Treasury as miscellaneous receipts.

Under section 1106(b) of the Social Security Act, the Secretary of Health, Education, and Welfare is authorized to charge outside persons, agencies, and organizations for providing certain services not directly related to the old-age, survivors, and disability insurance program. 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 for outside parties, 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 not credited to the trust funds, but rather are used as an offset to administrative expenses under the appropriations from Congress. Accordingly, such administrative expenses, and the offsetting receipts, do not appear in the financial statements of the trust funds.

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 provisions of title II of the Social Security Act, as amended, and of the Internal Revenue Code relating to the collection of 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.

Public Law 89–97 (the 1965 amendments) provides for reimbursement from the trust funds for the cost of vocational rehabilitation services furnished to disability insurance beneficiaries and to disabled adults receiving benefits on the basis of disabilities that have continued since childhood. The total amount of funds that may be made available for purposes of reimbursement for such services may not, in any fiscal year, exceed 1 percent of the benefits certified for payment to these types of beneficiaries in the preceding year.

Congress has authorized expenditures from the trust funds for construction of office buildings 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 special public-debt obligations for purchase exclusively by the trust funds. The law requires that such special public-debt obligations shall have maturities fixed with due regard for the needs of the trust funds and shall bear interest at a rate based on 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 a multiple of one-eighth of 1 percent, this is taken as the rate of interest on such special obligations; otherwise such rate is 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 special 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. Special 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 20 and 21.

In addition to serving as a source of income, 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 1966

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, 1965, and ended on June 30, 1966, 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 $20,180 million on June 30, 1965. These assets decreased to $19,872 million by the end of the fiscal year 1966, a decrease of $308 million.

TABLE 1.—*Statement of operations of the old-age and survivors insurance trust fund during the fiscal year 1966*

Total assets of the trust fund, June 30, 1965		$20,180,484,932.53
Receipts, fiscal year 1966:		
Tax contributions:		
Appropriations	$16,685,595,031.03	
Deposits arising from State agreements	1,392,431,084.00	
Gross tax contributions	18,078,026,115.03	
Less payment into the Treasury for taxes subject to refund	212,079,375.00	
Net tax contributions	17,865,946,740.03	
Interest:		
On investments	588,159,101.29	
On administrative expenses reimbursed from disability insurance trust fund	5,670,570.00	
On administrative expenses reimbursed from hospital insurance trust fund	927,855.00	
Total interest	594,757,526.29	
Total receipts	18,460,704,266.32	
Disbursements, fiscal year 1966:		
Benefit payments	18,071,453,201.74	
Transfers to railroad retirement account	443,820,000.00	
Administrative expenses:		
Department of Health, Education, and Welfare	448,802,773.05	
Treasury Department	44,087,257.70	
Construction of facilities for Social Security Administration	1,526,215.29	
Gross administrative expenses	494,416,246.04	
Less receipts from sale of surplus supplies, materials, etc	91,306.28	
Less reimbursement for administrative expenses:		
From disability insurance trust fund	178,429,911.00	
From hospital insurance trust fund	61,768,325.00	
Less reimbursement for construction:		
From disability insurance trust fund	357,682.00	
From hospital insurance trust fund	88,675.00	
Net administrative expenses	253,680,346.76	
Total disbursements	18,768,953,548.50	
Net addition to the trust fund		−308,249,282.18
Total assets of the trust fund, June 3, 19660		19,872,235,650.35

Net receipts of the trust fund during the fiscal year 1966 amounted to $18,461 million. Of this total, $16,686 million represented tax collections appropriated to the fund and $1,392 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, $212 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 earnings base. Net contributions amounted to $17,866 million, representing an increase of 13 percent over the amount for the preceding fiscal year. This increase resulted from (1) the high level of employment and taxable earnings; (2) the increase, from 6¾ percent to 7 percent, in the combined employer-employee contribution rate allocated to finance benefits from the old-age and survivors insurance trust fund that became effective on January 1, 1966; (3) the increase in the maximum annual amount of earnings taxable from $4,800 to $6,600 that also went into effect on January 1, 1966; and (4) new regulations and changes in reporting procedures of the Department of the Treasury that had the effect of accelerating the collection and reporting of tax contributions. The remaining $595 million of receipts consisted of interest on the investments of the fund and on amounts transferred from the disability insurance and hospital insurance trust funds for reimbursement of administrative expenses.

Disbursements from the trust fund during the fiscal year 1966 totaled $18,769 million. Of this total, $18,071 million was for benefit payments, an increase of 19 percent over the corresponding amount paid in the fiscal year 1965. This increase was due principally to the 1965 amendments that liberalized the conditions under which persons can qualify for benefits and provided for a general increase in benefits effective for January 1965, with a resulting retroactive payment in September 1965 for the months January–August 1965. To a lesser extent, the expected growth in the number of beneficiaries as the program gradually matures also accounted for a part of the increase in benefit payments.

Public Law 234, approved October 30, 1951, amended the Railroad Retirement Act to provide a 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 $428,500,000 to the railroad retirement account from the old-age and survivors insurance trust fund would place this fund in the same position as of June 30, 1965, 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 1966 amounting to $15,320,000, was transferred to the railroad retirement account in June 1966.

The remaining $254 million of disbursements from the old-age and survivors insurance trust fund represents net administrative expenses. The net amount of administrative expenses for the old-age and survivors insurance trust fund was considerably lower in fiscal year 1966 than it had been in recent previous years. This was due to two reimbursements that were made during the year from the disability insurance trust fund for expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program, which were initially charged to the old-age and survivors insurance trust fund. The first reimbursement, made in December 1965, was for expenses incurred in fiscal year 1965. The second reimbursement, made in June 1966, represented a preliminary estimate of expenses incurred in fiscal year 1966. The purpose of the second reimbursement was to place expenses chargeable to the disability insurance trust fund on a current basis. This represents a change from the procedure in effect in prior years, under which reimbursement for expenses incurred in one fiscal year was made in the following fiscal year. On the other hand, the net amount of administrative expenses for the old-age and survivors insurance trust fund was larger than it would have been had it not included expenses incurred under the supplementary medical insurance program, reimbursement for which was not made until December 1966.

Expenses incurred under the hospital insurance program in fiscal year 1966 were initially charged to the old-age and survivors insurance trust fund. Reimbursement, with interest, was made from the hospital insurance trust fund prior to the close of the fiscal year, with the result that the net amount of administrative expenses of the old-age and survivors insurance trust fund was not affected.

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 1962–66*

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
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
1964	2.2	2.3	2.0	2.1	5.9	5.4
1965	2.2	2.2	1.9	1.9	6.7	5.5
1966	2.1	2.1	1.8	1.8	5.8	5.4

NOTE.—In interpreting the figures in the above table, reference should be made to the accompanying text.

Net administrative expenses expressed as a percentage of contribution income and of benefit payments for each of the last 5 years is shown in table 2 for the old-age and survivors insurance and disability insurance trust funds combined, as well as for each trust fund separately. In order to make the method of calculating the percentages for fiscal year 1966 the same as the method used in prior years, the following adjustments were made in determining the net amount of administrative expenses on which the 1966 percentages are based. Only one (the first) reimbursement, rather than two, was assumed to have been made from the disability insurance trust fund to the old-age and survivors insurance trust fund. The net amount of administrative expenses for the old-age and survivors insurance trust fund was further adjusted to exclude the amount of expenses incurred under the supplementary medical insurance program. Moreover, the benefit payment figures on which the percentages for 1966 are based were adjusted to exclude the retroactive portion of the general benefit increase—provided by the 1965 amendments—that was paid in September 1965 but was attributable to months in fiscal year 1965. The benefit payment figures on which the percentages for fiscal year 1965 are based were adjusted to include this retroactive portion of the general benefit increase.

In table 3, the experience with respect to actual amounts of tax contributions and benefit payments in fiscal year 1966 and trust fund assets at the end of the year is compared with the estimates for fiscal year 1966 which appeared in the 1966 Annual Report of the Board of Trustees. Estimated benefit payments for each trust fund were quite close to the actual experience. The estimated tax contributions, as well as estimated assets, were about 6 percent less than the actual experience. This was due in part to the changes in the collection and reporting procedures of the Department of the Treasury, which had the one-time effect of adding, in fiscal year 1966, tax contributions that would otherwise not have been appropriated to the trust funds until fiscal year 1967. Another reason that estimated tax contributions were lower than the actual amount is that the levels of employment and taxable earnings were higher than had been anticipated.

The distribution of benefit payments in fiscal years 1965 and 1966, by type of beneficiary, is shown in table 4. Approximately 74 percent of the total benefit payments from the old-age and survivors insurance trust fund in the fiscal year 1966 was accounted for by monthly benefits to retired workers and their dependents and about 13 percent to aged survivors of deceased workers. Approximately 12 peicent of the benefit payments represented monthly benefits on behalf of children of deceased workers and monthly benefits to mothers who had children of deceased workers in their care. The balance of the benefits paid consisted of lump-sum death payments.

TABLE 3.—*Comparison of actual and estimated operations of the old-age and survivors insurance and disability insurance trust funds, fiscal year 1966*

[Dollar amounts in millions]

	Actual amount	Estimated amount published in 1966 report	Estimate as percentage of actual
Old-age and survivors insurance trust fund:			
Net tax contributions	$17,866	$16,856	94
Benefit payments	18,071	18,126	100
Assets, end of year	19,872	18,748	94
Disability insurance trust fund:			
Net tax contributions	1,557	1,467	94
Benefit payments	1,721	1,715	100
Assets, end of year	1,686	1,591	94

NOTE.—In interpreting the figures in the above table, reference should be made to the accompanying text.

TABLE 4.—*Estimated distribution of benefit payments from the old-age and survivors insurance trust fund, by type of beneficiary and payment, fiscal years 1965 and 1966*

[Amounts in millions]

	1965		1966	
	Amount	Percent of total	Amount	Percent of total
Total	$15,225.9	100	$18,071.5	100
Monthly benefits	15,007.8	99	17,847.0	99
Retired workers and their dependents	11,496.3	76	13,332.3	74
Retired workers	10,061.9	66	11,675.0	65
Wives and husbands	1,283.5	8	1,447.3	8
Children	150.9	1	210.0	1
Survivors of deceased workers	3,511.5	23	4,514.7	25
Aged widows and widowers	1,825.3	12	2,269.7	13
Parents	33.0	(1)	35.7	(1)
Children	1,296.8	9	1,794.6	10
Widowed mothers caring for child beneficiaries	356.4	2	414.6	2
Lump-sum death payments	218.1	1	224.5	1

1 Less than 0.5 percent.

On June 30, 1966, about 21.7 million persons were receiving monthly benefits under the old-age, survivors, and disability insurance program. About 19.9 million of these persons were receiving monthly benefits from the old-age and survivors insurance trust fund. Average monthly family benefits on that date showed significant increases over the corresponding averages a year earlier, primarily because of the higher benefit rates provided by the 1965 amendments. This is illustrated, for selected beneficiary family groups, in table 5.

The assets of the old-age and survivors insurance trust fund at the end of fiscal year 1966 totaled $19,872 million, consisting of $17,909 million in the form of obligations of the U.S. Government, and $1,964 million in undisbursed balances. Table 6 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1965 and 1966.

The net decrease in the par value of the investments owned by the fund during the fiscal year 1966 amounted to $858 million. New securities at a total par value of $21, 414 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 $22,272 million. A summary of transactions for the fiscal year, by type of security, is presented in table 7.

TABLE 5.—*Estimated average monthly benefits for selected family groups receiving benefits under the old-age, survivors, and disability insurance program, end of fiscal years 1965 and 1966*

Beneficiary family group	Average monthly amount per family		Percentage increase in average monthly amount per family, 1966 from 1965
	June 30, 1965	June 30, 1966	
Retired worker only	$74	$80	8
Retired worker and wife (aged 62 and over) [1]	131	142	8
Aged widow only	68	74	9
Widowed mother and two children	194	219	13
Disabled worker only	89	96	8
Disabled worker,wife (under age 65),[2] and 1 or more children	194	211	9

[1] Excludes wife aged 62–64 with entitled children in her care.
[2] With entitled children in her care.

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 general practice has been to spread the maturity dates for the holdings of special issues as nearly as practicable in equal amounts over a 15-year period. Thus, on June 30, 1966, special issues held by the old-age and survivors insurance trust fund were distributed in equal amounts of $1,080 million maturing in each of the years 1969–80 and in a smaller amount maturing in 1968 (table 6). In addition, $1,080 million was invested in 5-year notes bearing 4⅞ percent interest and maturing on June 30, 1971. These notes were acquired on June 30, 1966, under the following circumstances. If, on June 30, 1966, trust fund holdings of special issues were spread equally over a 15-year period, it would have been necessary for the Treasury to issue, for purchase by the trust fund, 15-year bonds maturing in 1981. Such issue—with more than 5 years to maturity—would have been required, under present law (31 U.S.C. 752), to bear an interest rate no higher than 4¼ percent. On the other hand, the application of section 201(d) of the Social Security Act, relating to the determination of the interest rate on special issues, resulted in a rate of 4⅞ percent. Accordingly, a sum of $1,080 million that would have been invested in bonds maturing in 1981 was, instead, invested in notes for the longest possible duration to maturity—that is, in 4⅞ percent notes maturing June 30, 1971. (Assets of the disability insurance trust fund amounting to some $158 million were similarly invested on June 30, 1966, in 4⅞ percent 5-year notes.)

TABLE 6.—*Assets of the old-age and survivors insurance trust fund, by type, at end of fiscal years 1965 and 1966*

	June 30, 1965		June 30, 1966	
	Par value	Book value [1]	Par value	Book value [1]
Investments in public-debt obligations:				
Public issues:				
Treasury bonds:				
2½-percent, 1964-69	$55,180,000	$52,584,741.24	$55,180,000	$53,201,347.68
2½-percent, 1967-72	250	250.00	250	250.00
2¾-percent, investment series B, 1975-80	1,064,902,000	1,065,169,635.24	1,064,902,000	1,065,050,686.20
3-percent, 1995	70,170,000	70,139,708.68	70,170,000	70,140,732.64
3¼-percent, 1978-83	60,200,000	59,139,597.92	60,200,000	59,198,783.12
3¼-percent, 1985	25,700,000	23,975,747.63	25,700,000	24,062,684.75
3½-percent, 1980	449,450,000	456,138,428.07	449,450,000	455,702,226.27
3½-percent, 1990	556,250,000	545,818,699.26	556,250,000	546,243,023.46
3½-percent, 1998	552,037,000	541,746,831.40	552,037,000	542,055,536.56
3¾-percent, 1968	7,000,000	7,000,000.00	7,000,000	7,000,000.00
3⅞-percent, 1968	17,450,000	17,450,000.00	17,450,000	17,450,000.00
3⅞-percent, 1974	24,500,000	24,474,006.41	24,500,000	24,476,791.49
4-percent, 1969	62,500,000	62,479,926.05	62,500,000	62,484,649.37
4-percent, 1970	15,000,000	14,937,695.30	15,000,000	14,951,289.02
4-percent, 1971	100,000,000	101,106,951.01	100,000,000	100,924,986.49
4-percent, 1973	38,000,000	37,707,792.70	38,000,000	37,743,942.10
4-percent, 1980	153,100,000	153,029,073.64	153,100,000	153,033,937.24
4⅛-percent, 1974	61,934,000	61,881,931.91	61,934,000	61,887,998.15
4⅛-percent, 1989-94	91,300,000	90,428,477.82	91,300,000	90,458,704.02
4¼-percent, 1974	6,352,000	6,367,585.92	6,352,000	6,365,821.44
4¼-percent, 1975-85	78,023,000	77,606,831.87	78,023,000	77,627,815.19
4¼-percent, 1987-92	33,000,000	35,350,616.73	33,000,000	35,244,173.69
Total public issues	3,522,048,250	3,504,534,528.80	3,522,048,250	3,505,305,378.88
Accrued interest purchased		15,756.96		
Total investments in public issues	3,522,048,250	3,504,550,285.76	3,522,048,250	3,505,305,378.88
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
4⅛-percent, 1966	141,020,000	141,020,000.00		
Notes:				
4⅛-percent, 1967	1,032,019,000	1,032,019,000.00		
4⅞-percent, 1968			363,207,000	363,207,000.00
4⅞-percent, 1969			1,080,011,000	1,080,011,000.00
4⅞-percent, 1970			296,526,000	296,526,000.00
4⅞-percent, 1971			1,080,011,000	1,080,011,000.00
Bonds:				
2½-percent, 1968	412,011,000	412,011,000.00		
2⅝-percent, 1967	47,992,000	47,992,000.00		
2⅝-percent, 1968	668,000,000	668,000,000.00		
2⅝-percent, 1969	1,080,011,000	1,080,011,000.00		
2⅝-percent, 1970	1,080,011,000	1,080,011,000.00	783,485,000	783,485,000.00
2⅝-percent, 1971	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1972	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1973	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1974	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1975	919,934,000	919,934,000.00	919,934,000	919,934,000.00
3¾-percent, 1975	160,077,000	160,077,000.00	160,077,000	160,077,000.00
3¾-percent, 1976	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3⅞-percent, 1977	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3⅞-percent, 1978	658,444,000	658,444,000.00	658,444,000	658,444,000.00
4⅛-percent, 1978	421,567,000	421,567,000.00	421,567,000	421,567,000.00
4⅛-percent, 1979	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
4⅛-percent, 1980	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
Total obligations sold only to this fund (special issue)	15,261,174,000	15,261,174,000.00	14,403,350,000	14,403,350,000.00
Total investments in public-debt obligations	18,783,222,250	18,765,724,285.76	17,925,398,250	17,908,655,378.88
Undisbursed balances		1,414,760,646.77		1,963,580,271.47
Total assets		20,180,484,932.53		19,872,235,650.35

[1] Par value, plus unamortized premium, less discount outstanding.

TABLE 7.—*Statement of transactions in public-debt securities for the old-age and survivors insurance trust fund during the fiscal year 1966*

[All amounts represent par values]

	Acquisitions	Dispositions
Obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
4⅛-percent, 1966	$3,084,282,000	$3,225,302,000
4¼-percent, 1966	1,178,967,000	1,178,967,000
4⅜-percent, 1966	3,287,265,000	3,287,265,000
4⅝-percent, 1966	286,205,000	286,205,000
4¾-percent, 1966	7,122,363,000	7,122,363,000
4⅞-percent, 1966	2,104,074,000	2,104,074,000
5-percent, 1966	1,530,785,000	1,530,785,000
Notes:		
4⅛-percent, 1967	0	1,032,019,000
4⅞-percent, 1968	363,207,000	0
4⅞-percent, 1969	1,080,011,000	0
4⅞-percent, 1970	296,526,000	0
4⅞-percent, 1971	1,080,011,000	0
Bonds:		
2½-percent, 1968	0	412,011,000
2⅝-percent, 1967	0	47,992,000
2⅝-percent, 1968	0	668,000,000
2⅝-percent, 1969	0	1,080,011,000
2⅝-percent, 1970	0	296,526,000
Total transactions	21,413,696,000	22,271,520,000

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABITITY INSURANCE TRUST FUND, FISCAL YEAR 1966

A statement of the income and disbursements of the Federal disability insurance trust fund during fiscal year 1966 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 8.

The total assets of the disability insurance trust fund amounted to $2,007 million on June 30, 1965. These assets decreased by $321 million during the fiscal year, to $1,686 million at the end of the year.

Net receipts of the fund amounted to $1,611 million. Of this total, $1,458 million represented tax collections appropriated to the fund, and $114 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, $16 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 earnings base. Net contributions amounted to $1,557 million, representing an increase of 32 percent over the amount for the preceding fiscal year.