

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1970

A statement of the income and disbursements of the Federal disability insurance trust fund during fiscal year 1970 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 9.

The total assets of the disability insurance trust fund amounted to \$3,678 million on June 30, 1969. By the end of fiscal year 1970 the assets amounted to \$5,104 million, an increase of \$1,426 million.

TABLE 9.—STATEMENT OF OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING THE FISCAL YEAR 1970

Total assets of the trust fund, June 30, 1969.....	\$3,677,539,220.93
Receipts, fiscal year 1970:	
Contributions:	
Appropriations.....	3,808,430,010.31
Deposits arising from State agreements.....	371,415,571.03
Gross contributions.....	4,179,845,581.34
Less payment into the Treasury for contributions subject to refund.....	38,487,500.00
Net contributions.....	4,141,358,081.34
Reimbursement from general fund of the Treasury for costs of noncontributory credits for military service.....	16,000,000.00
Interest:	
Interest on investments.....	222,952,650.93
Interest on amounts of reimbursement for cost of vocational rehabilitation services transferred from old-age and survivors insurance trust fund.....	30,223.00
Gross interest.....	222,982,873.93
Less interest on amounts of interfund transfers for reimbursement of administrative expenses and construction.....	220,650.00
Net interest.....	222,762,223.93
Total receipts.....	4,380,120,305.27
Disbursements, fiscal year 1970:	
Benefit payments.....	2,778,117,936.59
Transfers to railroad retirement account.....	10,439,000.00
Payment for cost of vocational rehabilitation services for disabled beneficiaries:	
Gross payment.....	16,502,601.36
Less reimbursement from old-age and survivors insurance trust fund due to adjustment in cost for fiscal year 1969.....	16,000.00
Net payment.....	16,486,601.36
Administrative expenses:	
Department of Health, Education, and Welfare.....	135,339,715.00
Treasury Department.....	7,539,058.01
Expenses of the Department of Health, Education, and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	335,160.00
Construction of facilities for Social Security Administration.....	1,861,977.96
Reimbursement to supplementary medical insurance trust fund due to adjustment in allocation of administrative expenses for fiscal year 1969.....	3,504,929.00
Reimbursement to old-age and survivors insurance trust fund for costs of construction for fiscal year 1969.....	449,040.00
Gross administrative expenses.....	149,029,879.97
Less receipts from sale of surplus supplies, materials, etc.....	10,064.06
Net administrative expenses.....	149,019,815.91
Total disbursements.....	2,954,063,353.86
Net addition to the trust fund.....	1,426,056,951.41
Total assets of the trust fund, June 30, 1970.....	5,103,596,172.34

Net receipts of the fund amounted to \$4,380 million. Of this total, \$3,808 million represented contributions appropriated to the fund, and \$371 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$38 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 \$4,141 million, representing an increase of 17 percent over the amount for the preceding fiscal year.

This increase is accounted for, in part, by the same factors, insofar as they apply to contributions of the disability insurance trust fund, that accounted for the increase in contributions to the old-age and survivors insurance trust fund, and in part by the provision in the 1969 amendments that increased the portion of the contribution rate allocated to finance benefits from the disability insurance trust fund. Effective January 1, 1970, the allocated rate for employees and employers was increased from 0.475 percent of taxable earnings each to 0.55 percent each. For the self-employed, the allocated rate was increased from 0.7125 percent to 0.825 percent.

In addition, the trust fund received \$16 million in December 1969 from the general fund of the Treasury, as reimbursement for the costs of noncontributory credits for military service.

The remaining \$223 million of receipts consisted of interest on the investments of the fund and net interest on amounts of interfund transfers.

Disbursements from the fund during the fiscal year 1970 totaled \$2,954 million. Of this total, \$2,778 million was for benefit payments, an increase of 14 percent over the corresponding amount paid in the fiscal year 1969. This increase is accounted for by the same factors that resulted in the increase in benefit payments from the old-age and survivors insurance trust fund (described in the preceding section).

Provisions governing the financial interchanges between the railroad retirement account and the disability insurance trust fund are similar to those referred to in the preceding section relating to the old-age and survivors insurance trust fund. The determination made as of June 30, 1969, required that a transfer of \$10 million be made from the disability insurance trust fund to the railroad retirement account. This amount was transferred to the railroad retirement account in June 1970, together with interest to the date of transfer amounting to \$439,000.

The remaining disbursements amounted to \$149 million for net administrative expenses and \$16 million for the net cost of vocational rehabilitation services furnished to disabled-worker beneficiaries and to those dependents of disabled workers who are receiving benefits on the basis of disabilities that have continued since childhood.

Section 222(d) of the Social Security Act provides that the total amount of funds that may be made available for payment for the cost of vocational rehabilitation services, including applicable administrative expenses of State agencies, in a fiscal year may not exceed 1 percent of the benefits certified for payment in the preceding year from the old-age and survivors insurance trust fund and the

disability insurance trust fund to disabled persons receiving benefits because of their disability. The following table shows the relationship between the total amount of payment for the costs of such rehabilitation services for each fiscal year, 1966-70, and the corresponding amount of benefits paid in the prior fiscal year from the trust funds to disabled beneficiaries:

[Dollar amounts in thousands]

Fiscal year	Estimated amount of benefit payments in preceding fiscal year to disabled beneficiaries	Payment for costs of rehabilitation services <sup>1</sup>	
		Total	As percent of preceding year's benefit payments
1966.....	\$1,220,300	\$473	0.04
1967.....	1,483,700	9,596	.65
1968.....	1,600,700	15,981	1.00
1969.....	1,803,700	17,053	.95
1970.....	2,158,000	18,015	.83

<sup>1</sup> Expenditures from the trust funds for payment for costs of rehabilitation services for disabled beneficiaries were first authorized under the 1965 amendments and began in fiscal year 1966. The amounts shown represent the expenditures for a fiscal year and differ from amounts expended in a fiscal year as shown in accounting statements of the trust funds on a cash basis. The amount for each fiscal year 1967-70 is subject to further increase, but not to an amount that exceeds 1 percent of estimated benefit payments in preceding fiscal year to disabled beneficiaries.

At the end of fiscal year 1970, some 2,568,000 persons were receiving monthly benefits from the disability insurance trust fund. The distribution of benefit payments in fiscal years 1969 and 1970, by type of benefit, is shown in table 10.

TABLE 10.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE DISABILITY INSURANCE TRUST FUND, BY TYPE OF BENEFICIARY, FISCAL YEARS 1969 AND 1970

[Amounts in millions]

	1969		1970	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$2,443.4	100	\$2,778.1	100
Disabled workers.....	1,929.3	79	2,206.3	79
Wives and husbands.....	135.5	6	152.0	5
Children.....	378.7	15	419.8	15

The assets of this fund at the end of fiscal year 1970 totaled \$5,104 million, consisting of \$4,833 million in the form of obligations of the U.S. Government or of federally-sponsored agency obligations and \$270 million in undisbursed balances. Table 11 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1969 and 1970.

TABLE 11.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT END OF FISCAL YEARS 1969 AND 1970

	June 30, 1969		June 30, 1970	
	Par value	Book value <sup>1</sup>	Par value	Book value <sup>1</sup>
<b>INVESTMENTS IN PUBLIC-DEBT OBLIGATIONS:</b>				
<b>Public issues:</b>				
<b>Treasury notes:</b>				
5½ percent, 1975	\$10,000,000	\$10,079,762.01	\$10,000,000	\$10,065,476.37
6 percent, 1975	3,750,000	3,750,000.00	3,750,000	3,750,000.00
7½ percent, 1976			26,000,000	25,884,268.33
8 percent, 1977			10,000,000	10,000,000.00
<b>Treasury bonds:</b>				
3½ percent, 1990	10,500,000	9,930,510.62	10,500,000	9,958,178.18
3½ percent, 1998	5,000,000	4,694,727.80	5,000,000	4,705,134.80
3½ percent, 1974	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4 percent, 1969	26,000,000	25,999,121.83		
4 percent, 1970	24,000,000	23,976,098.45	14,000,000	13,998,624.06
4 percent, 1972	4,000,000	3,985,830.12	4,000,000	3,990,886.44
4 percent, 1973	16,500,000	16,402,436.40	16,500,000	16,426,329.48
4 percent, 1980	30,250,000	30,241,173.05	30,250,000	30,242,006.93
4½ percent, 1974	10,000,000	10,012,614.56	10,000,000	10,009,862.24
4½ percent, 1989-94	68,400,000	67,572,878.64	68,400,000	67,606,185.48
4½ percent, 1975-85	20,795,000	20,775,929.02	20,795,000	20,776,672.30
4½ percent, 1987-92	80,800,000	80,963,247.99	80,800,000	80,954,220.51
<b>Total investments in public issues</b>	<b>314,995,000</b>	<b>313,384,330.49</b>	<b>314,995,000</b>	<b>313,367,845.12</b>
<b>Obligations sold only to this fund (special issues):</b>				
<b>Notes:</b>				
4½ percent, 1974	309,178,000	309,178,000.00	309,178,000	309,178,000.00
4½ percent, 1971	6,486,000	6,486,000.00	4,486,000	4,486,000.00
5½ percent, 1975	583,612,000	583,612,000.00	583,612,000	583,612,000.00
6½ percent, 1976	1,151,608,000	1,151,608,000.00	1,151,608,000	1,151,608,000.00
7½ percent, 1977			1,394,466,000	1,394,466,000.00
<b>Bonds:</b>				
2½ percent, 1974	77,006,000	77,006,000.00	77,006,000	77,006,000.00
2½ percent, 1975	132,894,000	132,894,000.00	132,894,000	132,894,000.00
3½ percent, 1974	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½ percent, 1975	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½ percent, 1976	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3½ percent, 1977	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3½ percent, 1978	153,632,000	153,632,000.00	153,632,000	153,632,000.00
4½ percent, 1979	153,632,000	153,632,000.00	153,632,000	153,632,000.00
4½ percent, 1980	125,606,000	125,606,000.00	125,606,000	125,606,000.00
<b>Total obligations sold only to this fund (special issues)</b>	<b>3,042,394,000</b>	<b>3,042,394,000.00</b>	<b>4,434,860,000</b>	<b>4,434,860,000.00</b>
<b>Total investments in public-debt obligations</b>	<b>3,357,389,000</b>	<b>3,355,778,330.49</b>	<b>4,749,855,000</b>	<b>4,748,227,845.12</b>
<b>INVESTMENTS IN FEDERALLY-SPONSORED AGENCY OBLIGATIONS:</b>				
<b>Agency securities:</b>				
Federal National Mortgage Association debentures: 5½ percent, 1970	20,000,000	19,983,333.31	20,000,000	19,996,666.63
<b>Participation certificates:</b>				
Federal Assets Liquidation Trust—Government National Mortgage Association: 5½ percent, 1972	50,000,000	50,000,000.00	50,000,000	50,000,000.00
Federal Assets Financing Trust—Government National Mortgage Association: 6.30 percent, 1971	15,000,000	15,000,000.00	15,000,000	15,000,000.00
6.35 percent, 1970	50,000,000	50,000,000.00		
<b>Total investments in federally-sponsored agency obligations</b>	<b>135,000,000</b>	<b>134,983,333.31</b>	<b>85,000,000</b>	<b>84,996,666.63</b>
<b>Total investments</b>	<b>3,492,389,000</b>	<b>3,490,761,663.80</b>	<b>4,834,855,000</b>	<b>4,833,224,511.75</b>
<b>Undisbursed balances</b>		<b>186,777,557.13</b>		<b>270,371,660.59</b>
<b>Total assets</b>		<b>3,677,539,220.93</b>		<b>5,103,596,172.34</b>

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

The net increase in the par value of the investments owned by the fund during the fiscal year amounted to \$1,342 million. New securities at a total par value of \$5,783 million were acquired during the fiscal year through the investment of receipts of the fund, the reinvestment of funds made available from the maturity of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the year was \$4,441 million. A summary of transactions for the fiscal year, by type of security, is presented in table 12.

TABLE 12.—STATEMENT OF TRANSACTIONS IN PUBLIC-DEBT AND IN FEDERALLY-SPONSORED AGENCY SECURITIES FOR THE DISABILITY INSURANCE TRUST FUND DURING THE FISCAL YEAR 1970

[All amounts represent par values]

	Acquisitions	Dispositions
<b>Public-debt obligations:</b>		
<b>Public issues:</b>		
<b>Treasury notes:</b>		
7½ percent, 1976 .....	\$26,000,000	
8 percent, 1977 .....	10,000,000	
<b>Treasury bonds:</b>		
4 percent, 1969 .....		\$26,000,000
4 percent, 1970 .....		10,000,000
<b>Total public issues</b> .....	<b>36,000,000</b>	<b>36,000,000</b>
<b>Obligations sold only to this fund (special issues):</b>		
<b>Certificates of indebtedness:</b>		
6½ percent, 1970 .....	628,457,000	628,457,000
6¾ percent, 1970 .....	335,219,000	335,219,000
7 percent, 1970 .....	1,138,856,000	1,138,856,000
7¼ percent, 1970 .....	390,907,000	390,907,000
7½ percent, 1970 .....	1,181,184,000	1,181,184,000
7¾ percent, 1970 .....	237,800,000	237,800,000
7½ percent, 1970 .....	440,078,000	440,078,000
<b>Notes:</b>		
4½ percent, 1971 .....		2,000,000
7½ percent, 1977 .....	1,394,466,000	
<b>Total obligations sold only to this fund (special issues)</b> .....	<b>5,746,967,000</b>	<b>4,354,501,000</b>
<b>Total public-debt obligations</b> .....	<b>5,782,967,000</b>	<b>4,390,501,000</b>
<b>Federally-sponsored agency obligations:</b>		
Federal Assets Financing Trust-Government National Mortgage Association: 6.35 percent, 1970 .....		50,000,000
<b>Total federally-sponsored agency obligations</b> .....		<b>50,000,000</b>
<b>Total transactions</b> .....	<b>5,782,967,000</b>	<b>4,440,501,000</b>

### EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1970, TO DECEMBER 31, 1975

In the following statement of the expected operations and status of the trust funds during the period July 1, 1970, to December 31, 1975, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period. The estimates shown in the various tables in this section reflect the effect of the 1971 legislation, as described in a previous section. 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.

Table 13 presents data on the actual operations of the old-age and survivors insurance trust fund for selected fiscal years during the period 1937-70<sup>1</sup> and also estimates of the expected operations of the trust fund in fiscal years 1971-75. The estimates are based on the assumption that employment and earnings will increase each year through 1975. 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 94.6 million during calendar year 1971 to 103.2 million during calendar year 1975; their taxable earnings are estimated to increase from \$442 billion in 1971 to \$507 billion in 1972 and to \$589 billion in 1975. The increase in estimated total taxable earnings and income from contributions in fiscal years 1971-75 reflects the assumed upward trend in the levels of employment and earnings, as well as the effects of the increase in the maximum amount of earnings taxable and creditable under the program, effective January 1, 1972, and the scheduled increases in contribution rates effective on January 1, 1971, and January 1, 1973. Benefit disbursements increase because of the recent amendments and because of the long-range upward trend in the numbers of beneficiaries and in the average monthly amounts of benefits payable under the program. Aggregate income of the old-age and survivors insurance trust fund is expected to exceed aggregate outgo in the 5-year period covering fiscal years 1971-75. During this period, there is an estimated net increase in the old-age and survivors insurance trust fund of \$41.0 billion.

<sup>1</sup> Data relating to the operations of the old-age and survivors insurance trust fund for years not shown in tables 13-16 are contained in the 1967 Annual Report of the Board of Trustees.

TABLE 13.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, SELECTED FISCAL YEARS 1937-75

[In millions]

Fiscal year	Transactions during period								Net increase in fund	Fund at end of period
	Income				Disbursements					
	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments <sup>2</sup>	Benefit payments <sup>3</sup>	Administrative expenses <sup>2</sup>	Transfers to railroad retirement account			
		Noncontributory credits for military service	Payments to noninsured persons aged 72 and over <sup>1</sup>							
Past experience:										
1937-70.....										
1940.....	\$259,715	\$405	\$590	\$13,360	\$231,348	\$5,001	\$5,103	\$32,616	\$32,616	
1945.....	550			42	16	12		564	1,745	
1950.....	1,310			124	240	27		1,167	6,613	
1955.....	2,106	4		257	727	57		1,583	12,893	
1960.....	5,087			438	4,333	103	-10	1,098	21,141	
1961.....	9,843			517	10,270	202	600	-713	20,829	
1962.....	11,293			531	11,185	236	332	72	20,900	
1963.....	11,455			541	12,658	251	361	-1,274	19,626	
1964.....	13,328			515	13,845	263	423	-687	18,939	
1965.....	15,503			542	14,579	303	403	760	19,699	
1966.....	15,857			586	15,226	300	436	482	20,180	
1967.....	17,866			595	18,071	254	444	-308	19,872	
1968.....	22,567	78		726	18,886	334	508	3,643	23,515	
1969.....	22,662	78		899	20,737	447	438	2,018	25,533	
1970.....	25,953	156	226	1,014	23,734	465	491	2,658	28,191	
1970.....	29,955	78	364	1,350	26,268	474	579	4,425	32,616	
Estimated future experience:										
1971.....										
1972.....	32,245	78	371	1,610	31,087	552	605	2,060	34,676	
1973.....	36,825	137	351	1,729	34,238	562	719	3,523	38,199	
1974.....	43,642	138	335	2,060	35,812	631	750	8,982	47,181	
1975.....	47,965	139	293	2,696	37,266	663	690	12,474	59,655	
1975.....	50,243	140	243	3,431	38,790	648	654	13,965	73,620	

<sup>1</sup> Under section 228 of the Social Security Act, the trust fund is reimbursed from the general fund of the Treasury for the cost of payments to beneficiaries with less than 3 quarters of coverage.

<sup>2</sup> Interest on investments includes net profits on marketable investments. Total administrative expenses exclude expenses for the period ending Dec. 31, 1939; for that period, appropriations to the old-age and survivors insurance trust fund (designated as the old-age reserve account prior to Jan. 1, 1940) were approximately equivalent to tax contributions collected by the Treasury Department less administrative expenses. Beginning in 1954, administrative expenses include costs of construction of office space for the Social Security Administration. Beginning in 1967, administrative expenses incurred under each of the 4 programs, old-age and survivors insurance, disability insurance, hospital insurance, and supplementary medical insurance, are charged currently to the appropriate trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on investments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report of the Board of Trustees.

<sup>3</sup> Beginning in 1967, includes relatively small amounts of payments for vocational rehabilitation services furnished to disabled persons receiving benefits from the trust fund because of their disability.

Note: In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in March 1971 and reflect the effect of Public Law 92-5, approved Mar. 17, 1971.

Estimates consistent with those shown on a fiscal-year basis in table 13 are presented in table 14 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 calendar years 1971-75, reaching \$78.2 billion on December 31, 1975.

TABLE 14.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, SELECTED CALENDAR YEARS 1937-75

[In millions]

Calendar year	Transactions during period								Net increase in fund	Fund at end of period
	Income				Disbursements					
	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments	Benefit payments	Administrative expenses	Transfers to railroad retirement account			
		Noncontributory credits for military service	Payments to noninsured persons aged 72 and over							
Past experience:										
1937-70.....	\$273,259	\$483	\$961	\$14,161	\$246,060	\$5,247	\$5,103	\$32,454	\$32,454	
1940.....	325			43	35	26		306	2,031	
1945.....	1,285			134	274	30		1,116	7,121	
1950.....	2,667	4		257	961	61		1,905	13,721	
1955.....	5,713			454	4,968	119	-7	1,087	21,663	
1960.....	10,866			516	10,677	203		318	20,324	
1961.....	11,285			548	11,862	239		332	19,725	
1962.....	12,059			526	13,356	256		361	18,337	
1963.....	14,541			521	14,217	281		423	18,480	
1964.....	15,689			569	14,914	296		403	19,125	
1965.....	16,017			593	16,737	328		436	18,235	
1966.....	20,580	78		644	18,267	256		444	20,570	
1967.....	23,138	78		818	19,468	406		508	24,222	
1968.....	23,719	156	226	939	22,643	476		438	25,704	
1969.....	27,947	78	364	1,165	24,210	474		491	30,082	
1970.....	30,256	78	371	1,515	28,798	471		579	32,454	
Estimated future experience:										
1971.....	34,493	137	351	1,684	33,356	576	605	2,128	34,582	
1972.....	39,502	138	335	1,910	35,082	588	719	5,496	40,078	
1973.....	46,141	139	293	2,414	36,540	646	750	11,051	51,129	
1974.....	48,648	140	243	3,108	38,028	655	690	12,766	63,895	
1975.....	50,951	141	204	3,868	39,575	660	654	14,275	78,170	

Note: In interpreting the above experience, reference should be made to the footnotes in table 13.

Table 15 shows the annual amount of benefit payments distributed by classification of beneficiaries for selected calendar years during the period 1940-75.

TABLE 15.—BENEFIT PAYMENTS FROM THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, DISTRIBUTED BY CLASSIFICATION OF BENEFICIARIES, SELECTED CALENDAR YEARS 1940-75  
[In millions]

Calendar year	Total benefit disbursements	Monthly benefits disbursed to old-age beneficiaries and their dependents			Disbursed to survivors of deceased insured workers					
		Total	Old-age beneficiaries	Dependents of old-age beneficiaries	Monthly benefits				Lump-sum payments	Disbursed to noninsured persons aged 72 and over <sup>1</sup>
					Total	Aged or disabled widows and widowers, and aged parents	Widowed mothers, dependent wives, and dependent children			
Past experience: <sup>2</sup>										
1940	\$35	\$17	\$15	\$2	\$6	(9)	\$6	\$12		
1945	274	148	126	22	100	21	79	26		
1950	961	651	557	95	277	92	185	33		
1955	4,968	3,748	3,253	495	1,108	412	695	113		
1960	10,677	8,196	7,053	1,143	2,316	1,085	1,231	164		
1961	11,862	9,032	7,802	1,230	2,659	1,262	1,396	171		
1962	13,356	10,162	8,813	1,349	3,011	1,504	1,507	183		
1963	14,217	10,795	9,391	1,403	3,216	1,645	1,571	206		
1964	14,914	11,281	9,854	1,427	3,416	1,787	1,629	216		
1965	16,737	12,542	10,984	1,558	3,979	2,076	1,903	217		
1966	18,267	13,373	11,727	1,645	4,613	2,386	2,227	237		\$44
1967	19,468	14,048	12,371	1,677	4,854	2,579	2,275	252		314
1968	22,642	16,203	14,277	1,926	5,840	3,154	2,686	269		330
1969	24,209	17,393	15,383	2,010	6,219	3,407	2,812	291		305
1970	28,796	20,768	18,435	2,332	7,428	4,094	3,334	294		308
Estimated future experience:										
1971	33,354	24,262	21,589	2,673	8,499	4,738	3,761	307		286
1972	35,080	25,597	22,837	2,760	8,927	5,010	3,917	314		242
1973	36,537	26,746	23,919	2,827	9,269	5,243	4,026	320		202
1974	38,025	27,921	25,024	2,897	9,610	5,477	4,133	326		168
1975	39,572	29,147	26,177	2,970	9,956	5,710	4,246	332		137

<sup>1</sup> Total benefit expenditures under sec. 228 of the Social Security Act; the trust fund is reimbursed from the general fund of the Treasury for the cost of payments to beneficiaries with less than 3 quarters of coverage.

<sup>2</sup> Partly estimated.

<sup>3</sup> Less than \$500,000.

Benefit payments were 6.98 percent of taxable earnings for calendar year 1970 and are estimated to increase to 7.70 percent in 1971. The percentage is expected to decrease to 7.05 in 1972 primarily because of the effect of the increase in the maximum annual amount of earnings taxable in that year. Thereafter, the percentage will continue to decline as rising taxable earnings more than offset the gradual long-term rise in the amount of benefit payments. Figures for selected calendar years during the period 1940-75 are shown in table 16.

TABLE 16.—OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS AS A PERCENTAGE OF TAXABLE EARNINGS,<sup>1</sup> SELECTED CALENDAR YEARS 1940-75

Calendar year	Benefit payments as a percentage of taxable earnings <sup>2</sup>	Calendar year	Benefit payments as a percentage of taxable earnings <sup>2</sup>
Past experience:		Past experience—Continued:	
1940.....	0.11	1967.....	5.98
1945.....	.44	1968.....	6.10
1950.....	1.10	1969.....	6.09
1955.....	3.27	1970.....	6.98
1960.....	5.33	Estimated future experience:	
1961.....	5.85	1971.....	7.70
1962.....	6.31	1972.....	7.05
1963.....	6.52	1973.....	6.98
1964.....	6.53	1974.....	6.93
1965.....	6.92	1975.....	6.89
1966.....	6.01		

<sup>1</sup> Percentage takes into account, for 1951 and later, (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, (2) employee contributions subject to refund, and (3) for 1966 and later, that only the employee contribution is payable on tips taxable as wages.

<sup>2</sup> For 1967-70, percentages are preliminary and subject to revision when complete tabulation of taxable earnings is available. For 1966-75, percentages are based on sum of payments for benefits (excluding payments under sec. 228 of the Social Security Act to certain noninsured persons aged 72 and over with less than 3 quarters of coverage, costs of which are financed from the general fund of the Treasury) and for vocational rehabilitation services.

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 workers who are eligible for and receiving old-age (primary) benefits. The growth in the number of eligible workers since 1940 has been uninterrupted. This growth results partly from the increase in the population at these ages and partly from two other factors—(1) in each passing year a larger proportion of the persons attaining age 65 has had fully insured status and (2) the amendments during the period 1950-67 liberalized the eligibility provisions and extended coverage to new categories of employment.

In addition, there has been a growth in the proportion of eligible workers who receive benefits. In the early years of the program, a considerable proportion of the workers who were eligible for old-age (primary) benefits remained in, or returned to, covered employment and therefore did not receive benefits. Since 1945, however, the proportion of eligible workers receiving retirement benefits has been increasing, except for temporary halts due to special circumstances resulting from the amendments of 1950 and 1954. In general, due to the increasing percentage of eligibles aged 72 or over, who receive benefits regardless of earnings, the upward trend in this proportion is expected to continue, although at a slower rate than in the past.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in table 17, together with the figures on actual experience in earlier years. Aggregate income of the disability insurance trust fund is expected to exceed aggregate outgo in the 5-year period covering fiscal years 1971-75. During this period there is an estimated net increase in the trust fund of \$9.1 billion.

TABLE 17.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND, FISCAL YEARS 1957-75

[In millions]

Fiscal year	Transactions during period							Net increase in fund	Fund at end of period
	Income			Disbursements					
	Contributions, less refunds	Reimbursements from general fund of Treasury for cost of noncontributory credits for military service	Interest on investments <sup>1</sup>	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses <sup>1</sup>	Transfers to railroad retirement account		
<b>Past experience:</b>									
1957-70.....	\$22,763	\$80	\$990	\$17,457	\$55	\$1,057	\$159	\$5,104	\$5,104
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
1964.....	1,143		65	1,251		68	19	-130	2,264
1965.....	1,175		62	1,392		79	24	-257	2,007
1966.....	1,557		54	1,721	1	183	25	-321	1,686
1967.....	2,249	16	67	1,861	7	99	31	335	2,022
1968.....	2,699	16	85	2,088	15	112	20	564	2,585
1969.....	3,532	32	141	2,443	15	133	21	1,092	3,678
1970.....	4,141	16	223	2,778	16	149	10	1,426	5,104
<b>Estimated future experience:</b>									
1971.....	4,619	16	326	3,358	22	192	12	1,377	6,481
1972.....	5,001	50	393	3,762	28	201	16	1,437	7,918
1973.....	5,664	51	479	4,022	32	216	20	1,904	9,822
1974.....	5,948	52	590	4,222	33	230	16	2,089	11,911
1975.....	6,230	52	711	4,414	35	244	16	2,284	14,195

<sup>1</sup> Interest on investments includes net profits on marketable investments. Beginning in 1967, administrative expenses incurred under the disability insurance program are charged directly to the trust fund on a current (preliminary) basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on investments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report of the Board of Trustees.

Note: Reference should be made to the text which describes the underlying assumptions and limitations. Estimates were prepared in March 1971 and reflect the effect of Public Law 92-5, approved Mar. 17, 1971.

Estimates consistent with those shown on a fiscal-year basis in table 17 are presented in table 18 to show the progress of the disability insurance trust fund on a calendar-year basis. The trust fund is expected to increase in each of the calendar years 1971-75, reaching about \$14.9 billion on December 31, 1975.

TABLE 18.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND, CALENDAR YEARS 1957-75  
[In millions]

Calendar year	Transactions during period								Net increase in funds	Fund at end of period
	Income			Disbursements						
	Contributions, less refunds	Reimbursements from general fund of Treasury for cost of noncontributory credits for military service	Interest on investments	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account			
<b>Past experience:</b>										
1957-70 .....	\$24,780	\$96	\$1,143	\$19,039	\$64	\$1,142	\$159	\$5,614	\$5,614	
1957 .....	702		7	57		3		649	649	
1958 .....	966		25	249		12		729	1,379	
1958 .....	891		40	457		50	-22	447	1,825	
1959 .....	1,010		53	568		36	-5	464	2,289	
1960 .....	1,038		66	887		64	5	148	2,437	
1961 .....	1,046		68	1,105		66	11	-69	2,368	
1962 .....	1,099		66	1,210		68	20	-133	2,235	
1963 .....	1,154		64	1,309		79	19	-183	2,047	
1964 .....	1,188		59	1,573		90	24	-440	1,606	
1965 .....	2,006	16	58	1,781	3	137	25	133	1,739	
1966 .....	2,286	16	78	1,939	11	109	31	290	2,029	
1967 .....	3,316	32	106	2,294	16	127	20	996	3,025	
1968 .....	3,599	16	177	2,542	15	138	21	1,075	4,100	
1969 .....	4,481	16	277	3,067	18	164	10	1,514	5,614	
1970 .....										
<b>Estimated future experience:</b>										
1971 .....	4,726	50	361	3,666	25	204	12	1,230	6,844	
1972 .....	5,364	51	438	3,917	30	206	16	1,684	8,528	
1973 .....	5,752	52	539	4,122	32	223	20	1,946	10,474	
1974 .....	6,032	52	656	4,319	34	237	16	2,134	12,608	
1975 .....	6,318	53	778	4,512	36	248	16	2,337	14,945	

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

The total amount of disability benefit payments will continue to increase as the numbers of beneficiaries and the average monthly benefit amounts payable increase. Disability benefit expenditures as a percentage of taxable payroll will increase from 0.76 percent of taxable earnings for calendar year 1970 to an estimated 0.86 percent of taxable earnings in 1971. The percentage is expected to decline to 0.80 in 1972, primarily because of the increase in the maximum amount of earnings taxable, as previously noted, and remain nearly level thereafter through 1975, as shown in table 19.

TABLE 19.—DISABILITY INSURANCE BENEFIT PAYMENTS AS A PERCENTAGE OF TAXABLE EARNINGS,<sup>1</sup> CALENDAR YEARS 1957-75

Calendar year	Benefit payments as a percentage of taxable earnings <sup>2</sup>	Calendar year	Benefit payments as a percentage of taxable earnings <sup>2</sup>
Past experience:		Past experience—Continued	
1957.....	0.03	1967.....	0.61
1958.....	.14	1968.....	.63
1959.....	.23	1969.....	.65
1960.....	.28	1970.....	.76
1961.....	.44	Estimated future experience:	
1962.....	.52	1971.....	.86
1963.....	.55	1972.....	.80
1964.....	.57	1973.....	.80
1965.....	.65	1974.....	.79
1966.....	.59	1975.....	.79

<sup>1</sup> Percentage takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, (2) employee contributions subject to refund, and (3) for 1966 and later, that only the employee contribution is payable on tips taxable as wages.

<sup>2</sup> For 1967-70, percentages are preliminary and subject to revision when complete tabulation of taxable earnings is available. For 1966-75, percentages are based on sum of payments for benefits and for vocational rehabilitation services.

The expected operations and status of the old-age and survivors insurance and disability insurance trust funds combined, during each year 1971-75, are shown in tables 20 and 21 on a fiscal-year basis and a calendar-year basis, respectively, together with figures on actual experience in 1960-70. Figures on benefit expenditures from both trust funds combined, as a percent of taxable payroll, are shown in table 22, for calendar years 1960-75.

TABLE 20.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND THE DISABILITY INSURANCE TRUST FUNDS, COMBINED, FISCAL YEARS 1960-75

[In millions]

Fiscal year	Transactions during period									Funds at end of period
	Income				Disbursements					
	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account	Net increase in funds	
		Noncontributory credits for military service	Payments to non-insured persons aged 72 and over							
Past experience:										
1960	\$10,830			\$564	\$10,798		\$234	\$574	-\$212	\$22,996
1961	12,315			592	11,889		272	337	409	23,465
1962	12,476			609	13,669		315	372	-1,272	22,133
1963	14,404			582	15,015		329	442	-800	21,333
1964	16,646			607	15,830		370	422	630	21,963
1965	17,032			648	16,618		379	459	224	22,187
1966	19,423			649	19,793	\$1	437	469	-629	21,558
1967	24,816	\$94		793	20,747	7	433	539	3,979	25,537
1968	25,362	94		984	22,825	16	560	458	2,581	28,118
1969	29,485	188	\$226	1,155	26,175	17	599	513	3,750	31,868
1970	34,096	94	364	1,572	29,045	18	623	589	5,852	37,720
Estimated future experience:										
1971	36,864	94	371	1,936	34,443	24	744	617	3,437	41,157
1972	41,826	187	351	2,122	37,998	30	763	735	4,960	46,117
1973	49,306	189	335	2,539	39,832	34	847	776	10,886	57,003
1974	53,913	191	293	3,286	41,485	36	893	706	14,563	71,566
1975	56,473	192	243	4,142	43,201	38	892	670	16,249	87,815

Note: In interpreting the above experience, reference should be made to the footnotes in tables 13 and 17.

TABLE 21.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND THE DISABILITY INSURANCE TRUST FUNDS, COMBINED, CALENDAR YEARS 1960-75

[In millions]

Calendar year	Transactions during period									Funds at end of period
	Income					Disbursements				
	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments	Benefit payments	Payments for vocational rehabilitation services	Administra- tive expenses	Transfers to railroad retirement account	Net increase in funds	
		Noncontributory credits for military service	Payments to noninsured persons aged 72 and over							
Past experience:										
1960	\$11, 876			\$569	\$11, 245		\$240	\$314	\$647	\$22, 613
1961	12, 323			614	12, 749		303	337	-451	22, 162
1962	13, 105			594	14, 461		322	372	-1, 457	20, 705
1963	15, 640			587	15, 427		348	442	10	20, 715
1964	16, 843			633	16, 223		375	422	456	21, 172
1965	17, 205			651	18, 311		418	459	-1, 331	19, 841
1966	22, 585	\$94		702	20, 048	\$3	393	469	2, 467	22, 308
1967	25, 424	94		896	21, 406	11	515	539	3, 942	26, 250
1968	27, 034	188	\$226	1, 045	24, 936	17	603	458	2, 479	28, 729
1969	31, 546	94	364	1, 342	26, 751	16	612	513	5, 453	34, 182
1970	34, 737	94	371	1, 791	31, 863	20	635	589	3, 886	38, 068
Estimated future experience:										
1971	39, 219	187	351	2, 045	37, 020	27	780	617	3, 358	41, 426
1972	44, 866	189	335	2, 348	38, 997	32	794	735	7, 180	48, 606
1973	51, 893	191	293	2, 953	40, 659	35	869	770	12, 997	61, 603
1974	54, 680	192	243	3, 764	42, 344	37	892	706	14, 900	76, 503
1975	57, 269	194	204	4, 646	44, 084	39	908	670	16, 612	93, 115

Note: In interpreting the above experience, reference should be made to the footnotes in tables 13 and 17.

TABLE 22.—OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE BENEFIT PAYMENTS, COMBINED,  
AS A PERCENTAGE OF TAXABLE EARNINGS, CALENDAR YEARS 1960-75

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:	
1960 .....	5.61	1969 .....	6.74
1961 .....	6.29	1970 .....	7.73
1962 .....	6.83	Estimated future experience:	
1963 .....	7.07	1971 .....	8.56
1964 .....	7.10	1972 .....	7.85
1965 .....	7.57	1973 .....	7.78
1966 .....	6.60	1974 .....	7.72
1967 .....	6.59	1975 .....	7.69
1968 .....	6.74		

Note: In interpreting the above experience, reference should be made to the footnotes in tables 16 and 19.

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 the various tables in this section reflect the effect of future financial interchanges.

Reference has also been made previously to the provisions of section 228 of the Social Security Act under which benefits are paid initially from the old-age and survivors insurance trust fund to certain non-insured persons aged 72 and over, with later reimbursement from the general fund of the Treasury for the costs of payments to those in this group who have less than three-quarters of coverage. The estimates in tables 13-16 and 20-22 reflect the effect of these provisions.

The estimates in tables 13-22 reflect the effect of the provisions in section 222(d) of the Social Security Act authorizing expenditures from the old-age and survivors insurance and disability insurance trust funds for the cost of vocational rehabilitation services furnished to disabled beneficiaries.

Reference has also been made previously to sections 217(g) and 229(b) of the Social Security Act authorizing annual reimbursements from the general fund of the Treasury to the old-age and survivors insurance and disability insurance trust funds for costs of granting noncontributory credits for military service. In accordance with section 217(g), the Secretary of Health, Education, and Welfare made a determination in 1970 of the level-annual appropriations to the trust funds necessary to amortize over a 44-year period, beginning in fiscal year 1972, the estimated total additional costs arising from payments that have been made after August 1950 and that will be made in future years, taking into account the amounts of annual appropriations in fiscal years 1966-71 that have been deposited into the trust funds. (The annual amount of this determination for the old-age and survivors insurance trust fund was \$136 million, and for the disability insurance trust fund, \$49 million.) The estimates shown in the various tables in this section reflect the effect of past and expected future reimbursements under both sections, 217(g) and 229(b).

#### ACTUARIAL STATUS OF THE TRUST FUNDS

Old-age, survivors, and disability insurance benefit costs will increase for many years. 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 constitutes about 80 percent of the total cost, will rise for several reasons. The U.S. population is, in the long run, expected to become relatively much older on the average. A relatively older population will tend to result from the fact that the present aged population is made up of the survivors from past periods when death rates were much higher than they are now. Another such factor is that, after the turn of the century, the larger birth cohorts of the 1940's, 1950's and 1960'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, when measured as a percentage of taxable payroll, is closely related to the ratio of the population aged 65 and over (potential beneficiaries) to the population aged 20-64 (potential contributors). On January 1, 1971, this ratio was 18.2 percent. In a stationary population that would result if the death rates of the U.S. life tables for 1959-61 were applied to a constant annual number of births the ratio would be 25.4 percent, but such a situation is not likely to occur within the next century. Ultimately, this ratio may become even greater 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 did not work long enough in covered employment to be insured. Although the system began in 1937, many jobs were first covered in 1951 and 1955. It is estimated that the proportion of the aged population eligible for some type of cash benefit under the system will increase from a level of about 91 percent on January 1, 1971 to between 94 and 95 percent in 1980 and between 96 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 (shown for 1980 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-cost and high-cost estimates are based on the assumption of a 4.0-percent unemployment rate, with average annual earnings remaining at about the level that prevailed in 1970. Thus, changes slightly above and slightly below this level of unemployment would tend to offset each other over the long-range future period considered. This assumption as to the unemployment rate is made only for purposes of these actuarial cost estimates and is not intended to be an official Government forecast of this factor. If the unemployment rate were assumed to be somewhat higher there would be relatively little effect on the resulting cost estimates. For example, a change to 4.5 percent unemployment would increase the level-cost of the program by 0.03-percent of taxable payroll.

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.

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 23 shows benefit-payment costs for selected years and the corresponding level-costs over the next 75 years, expressed as percentages of taxable payroll, under each of the three estimates. All percentage-of-payroll figures are adjusted so that they represent the tax rate that employees and employers combined, and the self-employed at applicable lower rate, would have to pay in any given year to meet exactly the benefit payments in that year. The level-cost of the program on the basis is the constant combined employer-employee tax rate that, together with a tax on the self-employed of about 75 percent of such combined rate (subject to a maximum self-employed tax rate of 7.0 percent), would exactly pay for future benefits (including one extra year of benefit on hand at the end of the 75-year period) and administrative expenses, after making allowance for the effect of the railroad financial interchange, reimbursement for credit for military service, and the existing trust fund balance at the starting of the period.

TABLE 23.—ESTIMATED COSTS OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFIT PAYMENTS AS PERCENT OF PAYROLL <sup>1</sup>, 1970 LEVEL-EARNINGS ASSUMPTION, 1980-2040

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate <sup>2</sup>
<b>Old-age and survivors insurance benefits <sup>3</sup>:</b>			
1980 .....	8.35	8.59	8.47
1985 .....	9.00	9.30	9.15
1990 .....	9.53	9.91	9.72
2000 .....	9.32	9.86	9.59
2025 .....	11.59	12.33	11.96
2040 .....	11.87	12.31	12.09
Level-cost <sup>4</sup> .....	8.64	9.72	9.13
<b>Disability insurance benefits <sup>3</sup>:</b>			
1980 .....	.92	1.18	1.05
1985 .....	.97	1.27	1.12
1990 .....	.99	1.31	1.15
2000 .....	1.07	1.43	1.25
2025 .....	1.23	1.58	1.40
2040 .....	1.32	1.53	1.43
Level-cost <sup>4</sup> .....	.95	1.36	1.14

<sup>1</sup> Taking into account the lower contribution rate on self-employment income, on tips, and on multiple-employer "excess wages", as compared with the combined employer-employee rate.

<sup>2</sup> Based on the averages of the dollar contributions and dollar costs under the low-cost and high-cost estimates.

<sup>3</sup> Includes payments for vocational rehabilitation services.

<sup>4</sup> Level contribution rate, at an interest rate of 4.75 percent for high-cost, 5.25 percent for intermediate-cost, and 5.75 percent for low-cost, for benefits after 1970, (including 1 year benefit on hand at the end of the valuation period), taking into account the trust fund balance on Dec. 31, 1970, future administrative expenses, the railroad retirement financial interchange provisions, and reimbursement for additional cost of noncontributory credit for military service.

Tables 24 and 25 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 24.—ESTIMATED PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND 1970 LEVEL-EARNINGS ASSUMPTIONS <sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses <sup>2</sup>	Financial interchange <sup>3</sup>	Interest on fund	Fund at end of year
<b>Actual data:</b>						
1960.....	\$10,866	\$10,677	\$203	\$318	\$516	\$20,324
1961.....	11,285	11,862	239	332	548	19,725
1962.....	12,059	13,356	256	361	526	18,337
1963.....	14,541	14,217	281	423	521	18,480
1964.....	15,689	14,914	296	403	569	19,125
1965.....	16,017	16,737	328	436	593	18,235
1966.....	20,658	18,267	256	444	644	20,570
1967.....	23,216	19,468	406	508	818	24,222
1968.....	24,101	22,643	476	438	939	25,704
1969.....	28,389	24,210	474	491	1,165	30,082
1970.....	30,705	28,798	471	579	1,515	32,454
<b>Low-cost estimate:</b>						
1980.....	48,081	43,014	663	652	5,685	104,962
1985.....	51,049	49,221	715	605	7,957	148,979
1990.....	54,420	55,411	768	543	10,226	189,741
1995.....	58,836	60,321	814	452	12,694	235,192
2000.....	63,948	62,896	847	343	16,304	302,881
<b>High-cost estimate:</b>						
1980.....	47,260	44,253	744	696	4,371	88,377
1985.....	50,103	50,896	804	657	4,857	108,041
1990.....	53,041	57,606	865	582	5,006	110,513
1995.....	56,672	63,038	916	487	4,504	98,915
2000.....	60,732	66,516	956	391	3,723	82,175
<b>Intermediate-cost estimate:</b>						
1980.....	47,671	43,633	704	675	4,926	95,876
1985.....	50,577	50,058	760	632	6,229	126,935
1990.....	53,731	56,508	816	562	7,304	147,320
1995.....	57,754	61,680	865	469	8,049	162,020
2000.....	62,339	64,705	902	367	9,085	183,675
2025.....	80,959	105,122	1,320	33	13,915	272,675

<sup>1</sup> Interest rates of 4.75 percent for high-cost, 5.25 percent for intermediate-cost, and 5.75 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.

<sup>2</sup> These figures fluctuate in a non-significant manner from year to year, because of the method of reimbursement between this trust fund and the other three social security trust funds.

<sup>3</sup> A positive figure indicates payment from the trust fund to the railroad retirement account; a negative figure indicates the reverse.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service and for special payments to persons aged 72 or over and benefits include payments for vocational rehabilitation services and special payments to persons aged 72 or over.

TABLE 25.—ESTIMATED PROGRESS OF DISABILITY INSURANCE TRUST FUND, 1970 LEVEL-EARNINGS ASSUMPTION <sup>1</sup>

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses <sup>2</sup>	Financial interchange <sup>3</sup>	Interest on fund	Fund at end of year
<b>Actual data:</b>						
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
1963.....	1,099	1,210	68	20	66	2,235
1964.....	1,154	1,309	79	19	64	2,047
1965.....	1,188	1,573	90	24	59	1,606
1966.....	2,022	1,784	137	25	58	1,739
1967.....	2,302	1,950	109	31	78	2,029
1968.....	3,348	2,311	127	20	106	3,025
1969.....	3,615	2,557	138	21	177	4,100
1970.....	4,497	3,085	164	10	277	5,614
<b>Low-cost estimate:</b>						
1980.....	5,812	4,767	201	21	1,312	23,933
1985.....	6,180	5,351	204	18	1,908	35,620
1990.....	6,587	5,807	213	13	2,709	50,355
1995.....	7,121	6,340	226	5	3,759	69,692
2000.....	7,738	7,257	254	0	5,095	94,164
<b>High-cost estimate:</b>						
1980.....	5,718	6,089	266	27	500	9,721
1985.....	6,069	6,973	287	24	315	6,711
1990.....	6,430	7,656	304	17	34	427
1995.....	6,870	8,456	329	10	( <sup>4</sup> )	( <sup>4</sup> )
2000.....	7,365	9,703	372	5	( <sup>4</sup> )	( <sup>4</sup> )
<b>Intermediate-cost estimate:</b>						
1980.....	5,766	5,427	234	24	877	16,750
1985.....	6,124	6,161	246	22	1,029	20,785
1990.....	6,508	6,733	258	15	1,211	24,371
1995.....	6,996	7,399	278	8	1,389	27,898
2000.....	7,551	8,481	313	2	1,511	30,139
2025.....	9,747	12,384	453	—3	( <sup>5</sup> )	( <sup>5</sup> )

<sup>1</sup> Interest rates of 4.75 percent for high-cost, 5.25 percent for intermediate-cost, and 5.75 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.

<sup>2</sup> These figures fluctuate in a nonsignificant manner from year to year, because of the method of reimbursement between this trust fund and the old-age and survivors insurance trust fund.

<sup>3</sup> A positive figure indicates payment from the trust fund to the railroad retirement account; a negative figure indicates the reverse.

<sup>4</sup> Fund is exhausted in 1991.

<sup>5</sup> Fund is exhausted in 2019.

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service. Benefits include payments for vocational rehabilitation services.

It should be emphasized that the dollar figures exhibited in tables 24 and 25 are derived by projections based on a level earnings assumption and are intended as a basis for development of percent of payroll cost values. They are not intended to represent a realistic projection of the absolute dollar income and outgo of the system. Used as such they would underestimate both income and outgo and would have only limited significance because of changes that are likely to occur in the general economy, as well as in the system itself. What are really most significant are relative figures such as those in table 23, 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 the scheduled tax rates in the early future years, but they eventually rise above the ultimate combined employer-employee rate of 9.20 percent. The excess in the early years in addition to the interest earned by the fund, will be enough to finance the excess outgo in later years. For disability insurance, annual benefit payments as a percentage of taxable payroll are lower than the level allocation of 1.10 percent until 1984—and higher thereafter—according to the intermediate-cost estimate; under the low-cost estimate, the benefit cost is below the allocation during the remainder of this century, while under the high-cost estimate the benefit cost is above the allocation for all years after 1975.

To measure the extent to which the financing arrangements of the system result in a surplus or deficiency, a level contribution rate equivalent to the actual increasing contribution rates has been computed, taking into account the effect of interest rates. The level-equivalent rate of contributions minus the level-cost gives the actuarial balance. A negative figure would indicate that an increase in the tax rate is needed to make the system self-supporting, while a positive figure would indicate that the system is over-financed.

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 1971 at interest rates of 4.75 percent for high-cost, 5.25 percent for intermediate-cost, and 5.75 percent for low-cost:

[In percent of taxable payroll ]

Item	OASI	DI	Total
<b>Low-cost estimate:</b>			
Contributions.....	9.07	1.10	10.17
Benefits <sup>2</sup> .....	8.64	.95	9.59
Actuarial balance.....	.43	.15	.58
<b>High-cost estimate:</b>			
Contributions.....	9.09	1.10	10.19
Benefits <sup>2</sup> .....	9.72	1.36	11.08
Actuarial balance.....	-.63	-.26	-.89
<b>Intermediate-cost estimate:</b>			
Contributions.....	9.07	1.10	10.17
Benefits <sup>2</sup> .....	9.13	1.14	10.27
Actuarial balance.....	-.06	-.04	-.10

<sup>1</sup> Based on adjusted payroll that reflects the lower contribution rate on self-employment income, tips, and multiple employer "excess wages," as compared with the combined employer-employee rate.

<sup>2</sup> Including adjustments (1) for the existing trust fund balance, (2) for administrative expenses, (3) for the railroad retirement financial interchange provisions, and (4) for reimbursement of military-wage-credits cost. Includes payments for vocational rehabilitation services.

The old-age, survivors, and disability insurance system as a whole is in substantial actuarial balance (there is a negative balance of 0.10 percent of taxable payroll on the intermediate-cost basis, which is within the acceptable limit of variation). Both portions of the system are in substantial actuarial balance. The old-age and survivors insurance portion has a negative balance of 0.06 percent of taxable payroll while the disability insurance portion has a negative balance of 0.04 percent of taxable payroll.

If the intermediate-cost estimate had been based on a higher interest rate than 5.25 percent (which is close to the current average being earned by the total investments of the trust funds, but considerably below the prevailing market rate of interest on long-term Government obligations, which was about 5½ percent in March 1971), the actuarial balance of the total program would have been higher. Thus, for example, the use of a 5½ percent interest rate would increase the actuarial balance of the program by about 0.05 percent of taxable payroll. Similarly, using a 5.25 percent interest rate, a change in the assumed earnings level from that prevailing in 1970 to that prevailing in 1971 would increase the actuarial balance by 0.21 percent of taxable payroll.

If the experience exactly follows the assumptions, future computations would show a gradual increase in the actuarial balance (or 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.

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 1970. If earnings levels rise, as they have in the past, the benefits and the taxable earnings base under the program will undoubtedly be modified. In fact, if all other assumed cost factors are closely followed by the experience, then increasing wage levels will automatically generate positive actuarial balances that can be used to increase benefit levels without changing the financing provisions. If such benefit increase changes were made so as to result in the same year-by-year cost of benefits as a percent of taxable payroll as in the level-earnings cost estimates, the cost of the system would be slightly higher than is shown, since 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 contribution rates needed to finance the benefit payments, and administrative expenses, would be somewhat higher. However, the cost might not rise or might even decline, if benefit adjustments followed a slower pace. 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, and with respect to, 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) based on dynamic economic factors and a static benefit structure, and long-range cost estimates (for many decades into the future) based on stable earnings and a static benefit structure for the old-age, survivors, and disability insurance system. This section presents medium-range cost estimates covering a period of 15 to 20 years that 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 26 and 27 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 at an average annual rate of 1.6 percent and with the average total earnings of covered workers increasing at an annual rate of 4.5 percent (somewhat higher increases are assumed in the first few years).

TABLE 26.—ESTIMATED PROGRESS OF TRUST FUNDS, INCREASING EARNINGS ASSUMPTION, FIXED EARNINGS BASE, AND EQUIVALENT 5.25 PERCENT INTEREST RATE BASIS<sup>1</sup>

[In millions]						
Calendar year	Contributions <sup>2</sup>	Benefit payments <sup>3</sup>	Administrative expenses	Financial interchange <sup>4</sup>	Interest on fund	Fund at year end
Old-age and survivors insurance trust fund						
1980.....	\$63,222	\$45,561	\$847	\$594	\$9,353	\$185,548
1985.....	72,439	52,011	1,040	496	16,453	340,861
1990.....	82,192	59,240	1,254	393	27,063	555,009
Disability insurance trust fund						
1980.....	\$7,614	\$5,529	\$295	\$8	\$1,511	\$29,455
1985.....	8,724	6,579	346	3	2,352	48,270
1990.....	9,893	7,783	397	-3	3,545	72,210

<sup>1</sup> On the same basis as used to develop the trust funds for the long-range intermediate-cost estimates in tables 24 and 25.

<sup>2</sup> Includes reimbursement for additional cost of noncontributory credits for military service and for old-age and survivors insurance trust fund includes reimbursement from the general Treasury for the cost of special benefits to certain persons aged 72 and over.

<sup>3</sup> For the old-age and survivors insurance trust fund, includes the special payments to certain persons aged 72 and over that are reimbursable from the general Treasury. Includes payments for vocational rehabilitation services.

<sup>4</sup> A positive figure indicated payment from the trust funds to the railroad retirement account; a negative figure indicates the reverse.

TABLE 27.—ESTIMATED PROGRESS OF TRUST FUNDS, INCREASING EARNINGS AND BENEFITS ASSUMPTIONS, VARIABLE EARNINGS BASE, AND EQUIVALENT 5.25 PERCENT INTEREST RATE BASIS <sup>1</sup>

[In millions]

Calendar year	Contributions <sup>2</sup>	Benefit payments <sup>3</sup>	Administrative expenses	Financial interchange <sup>4</sup>	Interest on fund	Fund at year end
<b>Old-age and survivors insurance trust fund:</b>						
1980.....	\$74,833	\$67,159	\$1,054	\$948	\$6,553	\$129,079
1985.....	99,351	97,577	1,461	1,140	8,691	178,612
1990.....	131,877	139,285	2,011	1,295	9,575	193,932
<b>Disability insurance trust fund:</b>						
1980.....	9,002	8,307	356	31	1,074	20,692
1985.....	11,942	11,966	476	37	1,271	25,815
1990.....	15,835	16,573	635	34	1,358	27,373

<sup>1</sup> On the same basis as used to develop the trust funds for the long-range intermediate-cost estimates in tables 24 and 25.

<sup>2</sup> Includes reimbursement for additional cost of noncontributory credits for military service and for old-age and survivors insurance trust fund includes reimbursement from the general treasury for the cost of special benefits to certain persons aged 72 and over.

<sup>3</sup> For the old-age and survivors insurance trust fund, includes the special payments to certain persons aged 72 and over that are reimbursable from the general treasury. Includes payments for vocational rehabilitation services.

<sup>4</sup> A positive figure indicates payment from the trust funds to the railroad retirement account; a negative figure indicates the reverse.

In the first projection (table 26), the maximum taxable earnings base is assumed to remain at \$9,000 per year (starting in 1972), while for the second one (table 27), the base is assumed to be kept up to date—that is, changed periodically so as to cover about the same proportion of total earnings that was covered in 1972 by the \$9,000 base. These assumptions imply that, during the period 1972–90, for the first projection, the average taxable earnings will increase 42 percent, which, because of the dampening effect of the fixed maximum taxable earnings base, represents only about one-third of the 123 percent increase in average total earnings. For the second projection, the entire 123-percent increase will be taxable because of the assumed constant updating of the taxable earnings base.

It is assumed for the first projection that all provisions of the law would remain as they were after the amendments in Public Law 92–5 approved in March 1971. This projection is based on dynamic earnings-level assumptions and static benefit-provision assumptions. However, over the 20-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 will 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 the law are amended periodically so that the relationships among total earnings, taxable earnings, and benefit expenditures during each of the years 1971–90 are the same as those shown in the long-range intermediate-cost estimates prepared on level-earnings assumptions. The cost estimate shown in table 27 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 26 and 27, according to the medium-range estimates, the old-age and survivors insurance trust fund grows steadily through the 20-year period—reaching \$186 billion in 1980 in the first projection and \$129 billion in the second one. For 1990, the corresponding figures for the balance in the trust fund are \$555 billion and \$194 billion, respectively. In 1990, estimated contribution income exceeds benefit outgo by about 38.7 percent under the assumptions of dynamic earnings-level conditions and static benefit provisions, whereas benefit outgo exceeded contribution income by 5.6 percent under the “double dynamic” assumptions basis.

The disability insurance trust fund, according to the first projection, increases rapidly—reaching about \$29 billion in 1980 and about \$72 billion in 1990. According to the second projection, with the “double dynamic” assumptions, the fund increases less rapidly, reaching \$21 billion in 1980 and \$27 billion in 1990.

#### ACTUARIAL ANALYSIS OF BENEFIT DISBURSEMENTS FROM THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES

Effective January 1957, monthly benefits have been payable from the old-age and survivors insurance trust fund to disabled adult children aged 18 and over—sons and daughters of retired and deceased workers—with respect to disabilities that have continued since childhood. Effective February 1968, reduced monthly benefits have been payable from this trust fund to disabled widows and widowers beginning at age 50.

On December 31, 1970, about 333,000 persons were receiving monthly benefits from the old-age and survivors insurance trust fund with respect to disability. In addition to disabled beneficiaries, this total includes 27,000 mothers. These mothers—wives under age 65 of retired-worker beneficiaries and widows of deceased insured workers—met all other qualifying requirements and were receiving benefits solely because they had at least one disabled-child beneficiary in their care. Benefits paid from this trust fund to this class of beneficiaries totaled \$314 million in calendar year 1970, or 0.077 percent of taxable earnings for that year. Similar figures are presented in table 28 to show the past experience in each of the calendar years 1957-70.

TABLE 28.—BENEFITS PAYABLE FROM THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES, CALENDAR YEARS 1957-75

[Beneficiaries in thousands; benefit payments in millions]

Calendar year	Disabled beneficiaries, end of year			Amount of benefit payments <sup>2</sup>			Benefit payments <sup>2</sup> as a percentage of taxable earnings <sup>3</sup>		
	Total	Children <sup>1</sup>	Widows and widowers	Total	Children <sup>1</sup>	Widows and widowers	Total	Children <sup>1</sup>	Widows and widowers
<b>Past experience:</b>									
1957	34	34		\$7	\$7		0.004	0.004	
1958	59	59		23	23		.013	.013	
1959	94	94		41	41		.021	.021	
1960	117	117		59	59		.030	.030	
1961	138	138		74	74		.036	.036	
1962	163	163		89	89		.042	.042	
1963	183	183		101	101		.046	.046	
1964	200	200		113	113		.050	.050	
1965	214	214		134	134		.055	.055	
1966	228	228		147	147		.049	.049	
1967	243	243		163	163		.051	.051	
1968	278	256	22	213	198	\$15	.058	.054	.004
1969	309	270	39	254	214	40	.065	.055	.010
1970	333	284	49	314	260	54	.077	.064	.013
<b>Estimated future experience:</b>									
1971	354	298	56	370	303	67	.086	.071	.016
1972	373	311	62	400	325	75	.081	.066	.015
1973	392	325	67	425	344	81	.082	.066	.016
1974	410	339	71	449	363	86	.082	.066	.016
1975	426	352	74	471	382	89	.082	.067	.016

<sup>1</sup> Reflects effect of including a relatively small number (about 27,000 at the end of 1970) of mothers—wives under age 65 of retired-worker beneficiaries and widows of deceased insured workers—who met all other qualifying requirements and were receiving benefits solely because they had at least 1 disabled-child beneficiary in their care.

<sup>2</sup> Beginning in 1966, includes payments for vocational rehabilitation services.

<sup>3</sup> Percentage takes into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, (2) employee contributions subject to refund, and (3) for 1966 and later, that only the employee contribution is payable on tips taxable as wages.

Table 28 also shows the expected future experience in calendar years 1971-75. Total benefit payments from the old-age and survivors insurance trust fund with respect to disabled beneficiaries will increase from \$370 million (or 0.086 percent of taxable payroll) in calendar year 1971, to \$471 million (or 0.082 percent) in 1975. (The decrease in benefit payments as a percent of taxable payroll is due to the increase from \$7,800 to \$9,000 in the maximum annual amount of an individual's earnings that are taxable. This increase becomes effective in 1972.)

In calendar year 1970, benefit payments (including expenditures for vocational rehabilitation services) with respect to disabled persons from the old-age and survivors insurance trust fund and from the disability insurance trust fund (including payments from the latter fund to all dependents of disabled-worker beneficiaries) totaled \$3,400 million, of which \$314 million, or 9.2 percent, represented payments from the old-age and survivors insurance trust fund. Similar figures for all of the calendar years 1957-75 are presented in table 29.

TABLE 29.—BENEFIT PAYMENTS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM WITH RESPECT TO DISABLED BENEFICIARIES, BY TRUST FUND, CALENDAR YEARS 1957-75

[In millions]

Calendar year	Total <sup>1</sup>	Benefit payments <sup>1</sup> from—		
		Disability insurance trust fund <sup>2</sup>	Old-age and survivors insurance trust fund	As a percentage of total benefit payments with respect to disabled beneficiaries
		Amount <sup>3</sup>		
<b>Past experience:</b>				
1957.....	\$64	\$57	\$7	11.1
1958.....	272	249	23	8.5
1959.....	498	457	41	8.2
1961.....	627	568	59	9.4
1962.....	961	887	74	7.7
1963.....	1,194	1,105	89	7.4
1964.....	1,311	1,210	101	7.7
1965.....	1,422	1,309	113	8.0
1966.....	1,707	1,573	134	7.9
1967.....	1,932	1,784	147	7.6
1968.....	2,113	1,950	163	7.7
1969.....	2,524	2,311	213	8.5
1970.....	2,811	2,557	254	9.0
1970.....	3,400	3,085	314	9.2
<b>Estimated future experience:</b>				
1971.....	4,061	3,691	370	9.1
1972.....	4,347	3,947	400	9.2
1973.....	4,579	4,154	425	9.3
1974.....	4,802	4,353	449	9.4
1975.....	5,019	4,548	471	9.4

<sup>1</sup> Beginning in 1966, includes payments for vocational rehabilitation services.

<sup>2</sup> Benefit payments to disabled workers and their dependents.

<sup>3</sup> Benefit payments to disabled children aged 18 and over, to certain mothers (see footnote 3, table 26), and, beginning in 1968, to disabled widows and widowers.

The long-range level-cost of benefits to disabled workers and their dependents under the disability insurance program is estimated at 1.14 percent of taxable payroll, according to the intermediate-cost estimate. Similarly, the estimated long-range level-cost of benefits with respect to disabled beneficiaries under the old-age and survivors insurance program is estimated at 0.11 percent of taxable payroll (table

30), or about 9 percent of the combined level-cost of 1.25 percent of taxable payroll for benefits with respect to disabled beneficiaries under the old-age and survivors insurance and disability insurance programs. These estimates include expenditures for vocational rehabilitation services, which, over the long-range period of the cost estimates, are expected to be offset by lower benefit payments due to shorter durations of disabilities.

TABLE 30.—ESTIMATED LEVEL-COSTS OF DISABILITY BENEFIT PAYMENTS UNDER OLD-AGE AND SURVIVORS INSURANCE PROGRAM AS PERCENT OF TAXABLE EARNINGS,<sup>1</sup> 1970 LEVEL-EARNINGS ASSUMPTION, INTERMEDIATE COST ESTIMATE

[In percent]	
	Level-cost estimate
Disabled children aged 18 or over <sup>2</sup> .....	0.09
Disabled widows and widowers aged 50 or over.....	.02
Total.....	.11

<sup>1</sup> Taking into account the lower contribution rate on self-employment income, on tips, and on multiple-employer "excess wages", as compared with combined employer-employee rate.

<sup>2</sup> Including the related mother's and wife's benefits.

The cost of benefits to disabled children aged 18 and over of deceased or retired workers (including the related mother's and wife's benefits) is projected to increase in the future from the 1970 level of 0.06 percent of taxable payroll to an ultimate level of 0.10 percent.

The cost of benefits to disabled widows and widowers aged 50 and over is projected to increase in the future from the 1970 level of 0.013 percent of taxable payroll to an ultimate level of about 0.02 percent of taxable payroll. Initially, the cost will increase because of additional disabled widows and widowers coming on to the rolls each year. However, since the reduction in benefits is permanent, there will be, later, the offsetting effect of lower benefits that will be paid to disabled widows who continue to receive benefits past age 60 (and to disabled widowers past age 62) as compared to the higher nondisabled widow's (and widower's) benefit that would have been otherwise paid.

#### CONCLUSION

The current long-range actuarial cost estimates for the old-age, survivors, and disability insurance program as a whole indicate that the program is in close actuarial balance.

According to the intermediate-cost estimate, the program has a small negative actuarial balance (namely, -0.10 percent of taxable payroll on a level-cost basis computed over the next 75 years), which is within an acceptable margin of variation for the intermediate-cost estimate considering the long-range nature of the estimates.

These long-range cost estimates show that the system, as modified by the 1971 amendments, continues to be financed on an actuarially sound basis. Both the old-age and survivors insurance programs and the disability insurance program will have sufficient income from contributions (based on the tax schedule and taxable earnings base now in the law) and from investments to meet the cost of benefit payments and administrative expenses both for the next 15 to 20

years and for the distant future. For the short term the excess of income over outgo is considerably greater than necessary.

The Board of Trustees believes that the contribution rates for the old-age, survivors, and disability insurance program that went into effect on January 1, 1971 (i.e., a combined employer-employee rate of 9.2 percent), need not be so large. The total contribution rate for old-age, survivors, and disability insurance and hospital insurance could well be left unchanged (i.e., a combined employer-employee rate of 10.4 percent), but a larger portion could be allocated to the hospital insurance program. If this were done, it would be necessary to have a somewhat higher ultimate contribution rate for the cash benefits program than would otherwise be the case.