

1974 ANNUAL REPORT OF THE BOARD OF
TRUSTEES OF THE FEDERAL OLD-AGE
AND SURVIVORS INSURANCE AND
DISABILITY INSURANCE
TRUST FUNDS

LETTER

FROM

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

TRANSMITTING

THE 1974 ANNUAL REPORT OF THE BOARD (34TH REPORT),
PURSUANT TO THE PROVISIONS OF SECTION 201(c) OF
THE SOCIAL SECURITY ACT, AS AMENDED



JUNE 3, 1974.—Referred to the Committee on Ways and Means and
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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., May 31, 1974.

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

SIR: We have the honor to transmit to you the 1974 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 34th such report), in compliance with the provisions of section 201(c) of the Social Security Act.

Respectfully,

WILLIAM E. SIMON,
*Secretary of the Treasury,
and Managing Trustee of the Trust Funds.*

PETER J. BRENNAN,
Secretary of Labor,

CASPAR W. WEINBERGER,
Secretary of Health, Education, and Welfare.

JAMES B. CARDWELL,
Commissioner of Social Security.

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1974 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. 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. The Board of Trustees reports to the Congress once each year, in compliance with section 201(c)(2) of the Social Security Act. This report is the annual report for 1974, the 34th such report.

ADVISORY COUNCIL ON SOCIAL SECURITY

The Secretary of Health, Education, and Welfare on April 23, 1974, announced the appointment of an Advisory Council on Social Security under the provisions of section 706 of the Social Security Act. The Council, which consists of a Chairman and 12 members representing organizations of employers and of employees, self-employed persons, and the public, is making a comprehensive study of the old-age and survivors insurance, disability insurance, hospital insurance, and supplementary medical insurance programs.

The Council is required to review the status of the old-age and survivors insurance trust fund, the disability insurance trust fund, the hospital insurance trust fund, and the supplementary medical insurance trust fund in relation to the long-term commitments of the programs. The Council will review the scope of coverage, the adequacy of benefits, and other aspects of these four programs, including their impact on public assistance. The Council is required to submit its final reports to the Secretary of Health, Education, and Welfare no later than January 1, 1975. After the Council's reports are transmitted by the Secretary to the Congress and to the Board of Trustees of each of the trust funds, the Council will cease to exist. The Council's report and recommendations with respect to the old-age, survivors, and disability insurance program will be included in the next annual report of the Board of Trustees.

HIGHLIGHTS

The more important financial developments during fiscal 1973, discussed in more detail in later sections, are indicated below:

(a) The growth of the old-age, survivors, and disability insurance system during fiscal year 1973 was close to that predicted

in the 1973 annual report. Income for fiscal 1973 amounted to \$49.6 billion, up by 15 percent over fiscal 1972. Outgo totalled \$49.1 billion, 22 percent more than in fiscal 1972. The funds increased by \$0.5 billion in fiscal 1973, to a level of \$44.3 billion on June 30, 1973. Comparison between the 2 fiscal years is affected by a 20-percent general benefit effective with benefits for September 1972; by provisions of Public Law 92-603, most of which became effective January 1, 1973; by increases in the taxable earnings base, effective January 1, 1972, and January 1, 1973; and by an increase in the contribution rates, effective January 1, 1973.

(b) The number of persons receiving monthly benefits under the old-age, survivors, and disability insurance program totalled 29.1 million by the end of June 1973. An estimated 96 million workers had earnings in calendar year 1972 that were taxable and creditable toward benefits under the program.

(c) The trust funds earned interest of \$2.3 billion during the fiscal year, equivalent to an annual rate of 5.6 percent.

SOCIAL SECURITY AMENDMENTS SINCE 1973 REPORT

Since the close of fiscal year 1973, there have been two important sets of amendments to the Social Security Act (and the Internal Revenue Code) substantially affecting the old-age, survivors, and disability insurance system. Public Law 93-66 was approved July 9, 1973, and was followed by Public Law 93-233, approved December 31, 1973. Details of the legislation enacted in 1973 can be found in documents prepared by or for the Congress, and will not be a part of this report.

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 United States 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 Amend-

ments, are an exception to this; employees pay 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, an individual's contributions are computed on annual wages or self-employment income, or both wages and self-employment income combined, up to a specified maximum annual amount, with the contributions being determined first on the wages and then on any self-employment income necessary to make up the annual maximum amount.

The contribution rates applicable to taxable earnings in each of the calendar years 1937 and later, and the allocation of the rates to finance expenditures from each of the two trust funds, are shown in table 1. The maximum amount of annual earnings taxable in each year, 1937-74, is also shown. For years after 1974, this amount is subject to automatic increases.

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 deposited in the general fund of the Treasury as internal revenue collections; then, on an estimated basis, the contributions received are immediately and automatically appropriated to the trust funds. The exact amount of contributions received is not known initially since old-age, survivors, disability, and hospital insurance contributions and individual income taxes are not separately identified in collection reports received by the Treasury Department. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable on the basis of reported earnings.

TABLE 1.—CONTRIBUTION RATES AND MAXIMUM TAXABLE AMOUNT OF ANNUAL EARNINGS

Calendar years	Maximum taxable amount of annual earnings	Contribution rates (percent of taxable earnings)					
		Employees and employers, each			Self-employed		
		OASDI	OASI	DI	OASDI	OASI	DI
Past experience:							
1937-49	\$3,000	1.000	1.000				
1950	3,000	1.500	1.500				
1951-53	3,600	1.500	1.500		2.2500	2.2500	
1954	3,600	2.000	2.000		3.0000	3.0000	
1955-56	4,200	2.000	2.000		3.0000	3.0000	
1957-58	4,200	2.250	2.000	0.250	3.3750	3.0000	0.3750
1959	4,800	2.500	2.250	.250	3.7500	3.3750	.3750
1960-61	4,800	3.000	2.750	.250	4.5000	4.1250	.3750
1962	4,800	3.125	2.875	.250	4.7000	4.3250	.3750
1963-65	4,800	3.625	3.375	.250	5.4000	5.0250	.3750
1966	6,600	3.850	3.500	.350	5.8000	5.2750	.5250
1967	6,600	3.900	3.550	.350	5.9000	5.3750	.5250
1968	7,800	3.800	3.325	.475	5.8000	5.0875	.7125
1969	7,800	4.200	3.725	.475	6.3000	5.5875	.7125
1970	7,800	4.200	3.650	.550	6.3000	5.4750	.8250
1971	7,800	4.600	4.050	.550	6.9000	6.0750	.8250
1972	9,000	4.600	4.050	.550	6.9000	6.0750	.8250
1973	10,800	4.850	4.300	.550	7.0000	6.2050	.7950
1974	13,200	4.950	4.375	.575	7.0000	6.1850	.8150
Changes scheduled in present law:							
1975-77	(1)	4.950	4.375	.575	7.0000	6.1850	.8150
1978-80	(1)	4.950	4.350	.600	7.0000	6.1500	.8500
1981-85	(1)	4.950	4.300	.650	7.0000	6.0800	.9200
1986-2010	(1)	4.950	4.250	.700	7.0000	6.0100	.9900
2011 +	(1)	5.950	5.100	.850	7.0000	6.0000	1.0000

¹ Subject to automatic increase after 1974.

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 contributions he paid on such excess wages. The amount of contributions 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 the provisions of the Railroad Retirement Act which provide for a system of coordination and financial interchange between the railroad retirement program and the old-age, survivors, and disability insurance program.

Sections 217(g) and 229(b) of the Social Security Act authorize annual reimbursements from the general fund of the Treasury to the old-age and survivors insurance and disability insurance trust funds for any costs arising from the granting of noncontributory wage credits for military service, according to periodic determinations made by the Secretary of Health, Education, and Welfare.

Section 228 of the Social Security Act provides monthly cash benefits to certain persons aged 72 and over, almost all of whom are not eligible for cash benefits under other provisions of the old-age, survivors, and disability insurance program. Under section 228, all payments are made initially from the old-age and survivors insurance trust fund, with later reimbursement, with interest, from the general fund of the Treasury for the costs, including administrative expenses, of payments to persons who have less than 3 quarters of coverage. The reimbursements so made are on a provisional basis and are subject to adjustment, with appropriate interest allowances, as the actual experience develops and is analyzed.

Section 231 of the Social Security Act authorizes reimbursement from the general fund of the Treasury to the old-age and survivors insurance and disability insurance trust funds for any costs arising from the granting of noncontributory wage credits to individuals who were interned during World War II at a place within the United States operated by the Federal government for the internment of persons of Japanese ancestry.

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 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.

Section 222(d) of the Social Security Act provides for payments from the trust funds for the cost of vocational rehabilitation services furnished to disabled persons receiving benefits because of their disability. The total amount of funds that may be made available in a fiscal year for payments for the costs of such services, including applicable administrative expenses of State agencies, may not exceed

a specified percentage of the benefits certified for payment to these types of beneficiaries in the preceding year. This limitation on the amount to be made available was 1 percent in each of the fiscal years 1966 (when such amounts were first made available) through 1972 and 1¼ percent in fiscal year 1973. Under present law, the limitation is 1½ percent in fiscal years after 1973.

Congress has authorized expenditures from the trust funds for construction of office buildings and related facilities for the Social Security Administration. The costs of such construction are included as part of administrative expenses in the financial statements of operations of the trust funds as set forth in subsequent sections of this report. The net worth of the resulting facilities—like the net worth of all other fixed capital assets—is not carried as an asset in such statements.

That portion of each trust fund which, in the judgment of the Managing Trustee, is not required to meet current expenditures for benefits and administration is invested, on a daily basis, in interest-bearing obligations of the U.S. Government (including special public-debt obligations described below), in obligations guaranteed as to both principal and interest by the United States, or in certain federally-sponsored agency obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States. These obligations may be acquired on original issue at the issue price or by purchase of outstanding obligations at their market price.

The Social Security Act authorizes the issuance of special public-debt obligations for purchase exclusively by the trust funds that 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 then forming a part of the public-debt which are not due or callable until after the expiration of four years from the end of such calendar month.

SUMMARY OF THE OPERATIONS OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, FISCAL YEAR 1973

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, 1972, and ended on June 30, 1973, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 2. Comparable amounts for fiscal year 1972 are also shown in the table.

The total assets of the old-age and survivors insurance trust fund amounted to \$36,399 million on June 30, 1972. During fiscal year 1973, total receipts amounted to \$43,639 million and total disbursements were \$43,623 million. The assets of the trust fund amounted to \$36,416 million at the end of fiscal year 1973, or \$17 million more than at the beginning of the year.

Included in total receipts during fiscal year 1973 were \$37,560 million representing contributions appropriated to the fund, and \$4,131 million representing 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, \$373 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.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING FISCAL YEARS 1972 AND 1973

(In thousands of dollars)

	Fiscal year—	
	1972	1973
Total assets of the trust fund, beginning of year.....	34, 330, 848	36, 399, 058
Receipts:		
Contributions:		
Appropriations.....	32, 462, 924	37, 560, 472
Deposits arising from State agreements.....	3, 596, 457	4, 130, 891
Gross contributions.....	36, 059, 381	41, 691, 363
Less payment into the Treasury for contributions subject to refund.....	348, 656	373, 186
Net contributions.....	35, 710, 725	41, 318, 177
Reimbursement from general fund of the Treasury for costs of:		
Noncontributory credits for military service.....	137, 000	138, 000
Payments to noninsured persons aged 72 and over:		
Benefit payments.....	298, 315	292, 965
Administrative expenses.....	3, 791	3, 624
Interest.....	48, 440	40, 057
Total reimbursement for payments to noninsured persons aged 72 and over.....	350, 546	336, 645
Interest:		
Interest on investments.....	1, 718, 672	1, 848, 393
Interest on amounts transferred from the disability insurance trust fund due to adjustment in allocation of cost of vocational rehabilitation services.....	11	16
Gross interest.....	1, 718, 683	1, 848, 409
Less interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs.....	111	1, 891
Net interest.....	1, 718, 572	1, 846, 518
Total receipts.....	37, 916, 842	43, 639, 340
Disbursements:		
Benefit payments.....	34, 540, 813	42, 169, 744
Transfer to railroad retirement account.....	724, 341	782, 954
Payment for cost of vocational rehabilitation services for disabled beneficiaries:		
For the current fiscal year.....	1, 797	2, 510
Less transfer from the disability insurance trust fund due to adjustment in allocation of cost for prior fiscal year.....	242	40
Net payment for cost of vocational rehabilitation services.....	1, 555	2, 470
Administrative expenses:		
Department of Health, Education, and Welfare.....	506, 216	570, 374
Treasury Department.....	75, 631	78, 020
Construction of facilities for Social Security Administration.....	6, 922	7, 446
Expenses of the Department of Health, Education, and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	25	36
Interfund transfers due to adjustment in allocation of—		
Administrative expenses ¹	-6, 317	10, 874
Costs of construction ¹	-518	609
Gross administrative expenses.....	581, 959	667, 359
Less receipts from sale of surplus supplies, materials, etc.....	36	24
Net administrative expenses.....	581, 923	667, 335
Total disbursements.....	35, 848, 632	43, 622, 503
Net addition to the trust fund.....	2, 068, 210	16, 837
Total assets of the trust fund, end of year.....	36, 399, 058	36, 415, 896

¹ A positive figure represents a transfer from the old-age and survivors insurance trust fund to the other social security trust funds. A negative figure represents a transfer to the old-age and survivors insurance trust fund from the other social security trust funds.

Net contributions amounted to \$41,318 million, an increase of 15.7 percent over the amount for the preceding fiscal year. Growth in contribution income resulted primarily from (1) the higher level of employment and taxable earnings, (2) the two increases in the maximum annual amount of earnings taxable—from \$7,800 to \$9,000 and from \$9,000 to \$10,800—that became effective on January 1, 1972, and January 1, 1973, respectively, and (3) the increase in the combined employer-employee contribution rate, allocated to finance the old-age and survivors insurance program, from 8.1 percent to 8.6 percent that became effective on January 1, 1973. Although the first increase in the maximum annual amount of earnings taxable, from \$7,800 to \$9,000, became effective in 1972, the first full fiscal year during which earnings between \$7,800 and \$9,000 were taxable was 1973.

Reference has been made in an earlier section to provisions of the Social Security Act under which the old-age and survivors insurance and disability insurance trust funds are to be reimbursed annually from the general fund of the Treasury 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, for military service performed before 1957, 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 amounts resulting from this determination were \$136 million for the old-age and survivors insurance trust fund and \$49 million for the disability insurance trust fund. In accordance with Section 229(b), the Secretary determined that each of the two trust funds should receive reimbursement of \$2 million for additional costs attributable to noncontributory credit for military service performed after 1967. Thus, reimbursements amounting to \$138 million for the old-age and survivors insurance trust fund, and to \$51 million for the disability insurance trust fund, were received in December 1972.

Reference has also been made in an earlier section to provisions under which the old-age and survivors insurance trust fund is to be reimbursed annually from the general fund of the Treasury for costs of monthly payments to certain noninsured persons aged 72 and over who have less than three quarters of coverage. The reimbursement in fiscal year 1973 amounted to \$337 million.

The remaining \$1,847 million of receipts consisted of interest on the investments of the trust fund and net interest on amounts of inter-fund transfers among the old-age and survivors insurance, disability insurance, hospital insurance, and supplementary medical insurance trust funds.

Of the \$43,623 million in total disbursements, \$42,170 million was for benefit payments, an increase of 22.1 percent over the corresponding amount paid in fiscal year 1972. This increase was due primarily to the amendments enacted on July 1, 1972, which provided for a general increase in benefits of 20 percent effective for September 1972. Additional amendments, enacted on October 30, 1972, also contributed to the year-to-year increase in benefit payments by providing higher

benefit amounts for certain categories of beneficiaries and by liberalizing some of the conditions under which persons can qualify for benefits. Other factors that contributed to the increase in benefit payments were the expected growth in the total number of beneficiaries and in average benefit amounts resulting from the rising level of earnings.

Reference has been made in an earlier section to provisions of the Railroad Retirement Act which coordinate the railroad retirement and the old-age and survivors insurance programs and which govern the financial interchanges arising from the allocation of costs between the two systems. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determined that a transfer of \$750,700,000 to the railroad retirement account from the old-age and survivors insurance trust fund would place this trust fund in the same position as of June 30, 1972, as it would have been if railroad employment had always been covered under the Social Security Act. This amount was transferred to the railroad retirement account in May 1973, together with interest to the date of transfer amounting to \$32,254,000.

Expenditures of the old-age and survivors insurance program for the cost of vocational rehabilitation services amounted to nearly \$2½ million. These services were furnished to disabled adults—dependents of old-age beneficiaries and survivors of deceased insured workers—who were receiving monthly benefits from the old-age and survivors insurance trust fund because of their disability.

The remaining \$667 million of disbursements from the old-age and survivors insurance trust fund represents net administrative expenses. Administrative expenses are allocated and charged directly to each of the four trust funds on the basis of provisional estimates. Periodically, as actual experience develops and is analyzed, adjustments to the allocations of administrative expenses and costs of construction for prior periods are effected by interfund transfers, with appropriate interest allowances.

Net administrative expenses charged to the old-age and survivors insurance trust fund and to the disability insurance trust fund in fiscal year 1973 totaled \$914 million. This amount represented 2.0 percent of contribution income and 1.9 percent of expenditures for benefit payments and payments for the cost of vocational rehabilitation services during the fiscal year. Corresponding percentages for each of the last 5 years for the system as a whole and for each trust fund separately are shown in table 3.

In table 4, the experience with respect to actual amounts of contributions and benefit payments in fiscal year 1973 is compared with the estimates for fiscal year 1973 which appeared in the 1973 Annual Report of the Board of Trustees. Reference was made in an earlier section to the appropriation of contributions to the trust funds on an estimated basis, with subsequent periodic adjustments to account for differences from the amounts of contributions actually payable on the basis of reported earnings. In interpreting the figures in table 4, it should be noted that the "actual" amount of contributions in fiscal year 1973 reflects the aforementioned type of adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions in fiscal year 1973 does not reflect adjustments to contributions for fiscal year 1973 that were to be made after June 30, 1973. The actual experience for each trust fund was quite close, relatively, to the estimates.

TABLE 3.—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 1969-73

Fiscal year	Total administrative expenses as a percentage of—		Old-age and survivors insurance trust fund, administrative expenses as a percentage of—		Disability insurance trust fund, administrative expenses as a percentage of—	
	Total contribution income	Total benefit payments ¹	Contribution income	Benefit payments ¹	Contribution income	Benefit payments ¹
1969.....	2.0	2.3	1.8	2.0	3.8	5.4
1970.....	1.8	2.1	1.6	1.8	3.6	5.3
1971.....	2.0	2.1	1.7	1.8	4.2	5.6
1972.....	2.0	2.1	1.6	1.7	4.4	5.2
1973.....	2.0	1.9	1.6	1.6	4.5	4.7

¹ In determining the percentage shown, payments for the cost of vocational rehabilitation services are included with benefit payments.

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

TABLE 4.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, FISCAL YEAR 1973

[Dollar amounts in millions]

	Actual amount	Estimated amount published in 1973 report	Actual as percentage of estimate
Old-age and survivors insurance trust fund:			
Net contributions.....	\$41,318	\$41,403	100
Benefit payments.....	42,170	42,223	100
Disability insurance trust fund:			
Net contributions.....	5,461	5,464	100
Benefit payments.....	5,162	5,202	99

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

At the end of fiscal year 1973, about 29.1 million persons were receiving monthly benefits under the old-age, survivors, and disability insurance program. About 25.7 million of these persons were receiving monthly benefits from the old-age and survivors insurance trust fund. The distribution of benefit payments in fiscal years 1972 and 1973, by type of beneficiary, is shown in table 5. Approximately 72 percent of the total benefit payments from the old-age and survivors insurance trust fund in fiscal year 1973 was accounted for by monthly benefits to retired workers and their dependents and about 15 percent by monthly benefits to aged survivors and disabled widows or widowers of deceased workers. Approximately 11 percent 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.

Benefit payments to noninsured persons aged 72 and over amounted to \$273 million, or about 1 percent of total benefit payments from the trust fund. Reference has been made in an earlier section to the legislative provisions governing reimbursement from the general fund of the Treasury for the costs of such payments to persons who have fewer than three quarters of coverage. About 98 percent of the total amount of the payments made in fiscal year 1973 to noninsured persons aged 72 and over went to persons with fewer than three quarters of coverage.

The balance of the benefits paid during fiscal year 1973 consisted of lump-sum death payments.

TABLE 5.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE OF BENEFICIARY AND PAYMENT, FISCAL YEARS 1972 AND 1973

	1972		1973	
	Amount	Percent of total	Amount	Percent of total
Total	\$34,540.8	100	\$42,169.7	100
Monthly benefits	34,218.5	99	41,848.6	99
Retired workers and their dependents	25,065.9	73	30,509.5	72
Retired workers	22,320.9	65	27,259.7	65
Wives and husbands	2,384.9	7	2,821.8	7
Children	360.1	1	428.0	1
Survivors of deceased workers	8,880.9	26	11,066.5	26
Aged widows and widowers	4,879.4	14	6,359.0	15
Disabled widows and widowers	80.2	(1)	105.9	(1)
Parents	41.6	(1)	46.4	(1)
Children	3,238.4	9	3,807.6	9
Widowed mothers caring for child beneficiaries	641.2	2	747.6	2
Noninsured persons aged 72 and over ²	271.7	1	272.7	1
Lump-sum death payments	322.3	1	321.1	1

¹ Less than 0.5 percent.

² The trust fund is reimbursed from the general fund of the Treasury for the costs of payments to beneficiaries with less than 3 quarters of coverage.

TABLE 6.—ASSETS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1972 AND 1973

	June 30, 1972		June 30, 1973	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
5 $\frac{3}{4}$ percent, 1975	\$7,000,000	\$7,021,958.51		
6 percent, 1975	17,450,000	17,450,000.00	\$17,450,000	\$17,450,000.00
6 $\frac{1}{4}$ percent, 1976	5,000,000	4,993,601.25	5,000,000	4,995,386.97
6 $\frac{1}{2}$ percent, 1976	22,180,000	22,180,000.00	22,180,000	22,180,000.00
7 percent, 1975	50,000,000	49,919,607.80	50,000,000	49,943,137.16
7 $\frac{1}{2}$ percent, 1976	90,500,000	90,182,671.30	90,500,000	90,260,384.50
8 percent, 1977	15,000,000	15,000,000.00	15,000,000	15,000,000.00
Treasury bonds:				
2 $\frac{1}{2}$ percent, 1967-72	250	250.00		
2 $\frac{3}{4}$ percent, investment series B, 1975-80	1,064,902,000	1,064,902,000.00	1,064,902,000	1,064,902,000.00
3 percent, 1995	70,170,000	70,146,876.40	70,170,000	70,147,900.36
3 $\frac{1}{4}$ percent, 1978-83	60,200,000	59,553,894.32	60,200,000	59,613,079.52
3 $\frac{1}{4}$ percent, 1985	25,700,000	24,584,307.47	25,700,000	24,671,244.59
3 $\frac{1}{2}$ percent, 1980	449,450,000	453,085,015.47	449,450,000	452,648,813.67
3 $\frac{1}{2}$ percent, 1990	556,250,000	548,788,968.66	556,250,000	549,213,292.86
3 $\frac{1}{2}$ percent, 1998	552,037,000	543,907,767.52	552,037,000	544,216,472.68
3 $\frac{7}{8}$ percent, 1974	24,500,000	24,493,501.97		
4 percent, 1973	38,000,000	37,960,838.50	38,000,000	37,996,987.90
4 percent, 1980	153,100,000	153,063,118.84	153,100,000	153,067,982.44
4 $\frac{1}{8}$ percent, 1974	61,934,000	61,924,395.59	61,934,000	61,930,461.83
4 $\frac{1}{8}$ percent, 1989-94	91,300,000	90,640,061.22	91,300,000	90,670,287.42
4 $\frac{1}{4}$ percent, 1974	6,352,000	6,355,234.56	6,352,000	6,353,470.08
4 $\frac{1}{4}$ percent, 1975-85	78,023,000	77,753,715.11	78,023,000	77,774,698.43
4 $\frac{1}{4}$ percent, 1987-92	33,000,000	34,605,515.45	33,000,000	34,499,072.43
6 $\frac{3}{8}$ percent, 1984			31,500,000	32,007,081.30
7 percent, 1981	50,000,000	49,633,333.30	50,000,000	49,673,333.26
Total investments in public issues	3,522,048,250	3,508,146,633.24	3,522,048,000	3,509,215,087.40

See footnotes at end of table, p. 11.

TABLE 6.—ASSETS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1972 AND 1973—Continued

	June 30, 1972		June 30, 1973	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations—Continued				
Obligations sold only to this fund (special issues):				
Notes:				
4¾ percent, 1974	2,720,279,000	2,720,279,000.00	2,720,279,000	2,720,279,000.00
5½ percent, 1975	2,460,795,000	2,460,795,000.00	2,460,795,000	2,460,795,000.00
5¾ percent, 1979	3,102,896,000	3,102,896,000.00	3,102,896,000	3,102,896,000.00
6¼ percent, 1978	3,468,850,000	3,468,850,000.00	3,468,850,000	3,468,850,000.00
6½ percent, 1976	3,844,864,000	3,844,864,000.00	3,844,864,000	3,844,864,000.00
6¾ percent, 1980	4,547,285,000	4,547,285,000.00	4,547,285,000	4,547,285,000.00
7¾ percent, 1977	5,033,296,000	5,033,296,000.00	5,033,296,000	5,033,296,000.00
Bonds:				
2½ percent, 1973	934,472,000	934,472,000.00		
2¾ percent, 1974	1,080,011,000	1,080,011,000.00		
2¾ percent, 1975	919,934,000	919,934,000.00	685,178,000	685,178,000.00
3¼ percent, 1975	160,077,000	160,077,000.00	160,077,000	160,077,000.00
3¼ percent, 1976	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3¾ percent, 1977	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3¾ percent, 1978	658,444,000	658,444,000.00	658,444,000	658,444,000.00
4¼ percent, 1978	421,567,000	421,567,000.00	421,567,000	421,567,000.00
4¼ percent, 1979	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
4¾ 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 issues)	29,125,529,000	29,125,529,000.00	31,423,575,000	31,423,575,000.00
Total investments in public-debt obligations	32,647,577,250	32,633,675,633.24	34,945,623,000	34,932,790,087.40
Investments in federally-sponsored agency obligations:				
Participation certificates:				
Federal Assets Liquidation Trust-Government National Mortgage Association:				
5.10 percent, 1987	50,000,000	50,000,000.00	50,000,000	50,000,000.00
5.20 percent, 1982	100,000,000	100,000,000.00	100,000,000	100,000,000.00
Federal Assets Financing Trust-Government National Mortgage Association:				
6.05 percent, 1988	65,000,000	64,810,078.39	65,000,000	64,822,265.95
6.20 percent, 1988	230,000,000	230,000,000.00	230,000,000	230,000,000.00
6.40 percent, 1987	75,000,000	75,000,000.00	75,000,000	75,000,000.00
6.45 percent, 1988	35,000,000	35,000,000.00	35,000,000	35,000,000.00
Total investments in federally-sponsored agency obligations	555,000,000	554,810,078.39	555,000,000	554,822,265.95
Total investments	33,202,577,250	33,188,485,711.63	35,500,623,000	35,487,612,353.35
Undisbursed balance		3,210,572,322.64		928,283,163.88
Total assets		36,399,058,034.27		36,415,895,517.23

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

The assets of the old-age and survivors insurance trust fund at the end of fiscal year 1973 totaled \$36,416 million, consisting of \$35,488 million in the form of obligations of the U.S. Government or of federally-sponsored agency obligations, and an undisbursed balance of \$928 million. Table 6 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1972 and 1973. The undisbursed balance at the end of fiscal year 1973 was \$2,282 million lower than at the end of the previous fiscal year because of a change in timing of the redemption of investments to meet recurring benefit payments from the old-age and survivors insurance and dis-

ability insurance trust funds. As described in an earlier section, income received by the trust funds each month is invested on a daily basis. Once each month, part of the funds' investments is redeemed in order to meet those recurring benefit payments that are paid at the beginning of the month—normally the third of the month. Prior to November 1972, this required redemption of investments occurred on the last day of the preceding month. In November 1972, the Managing Trustee modified the redemption procedure by making the required monthly redemption of investments on the same date that the benefit payments are made. Thus, interest is earned for an additional 3 days each month on investments that are to be redeemed to meet benefit payments, and the undisbursed balance at the end of the month, under the procedure now in effect, is considerably lower than it was under the former procedure.

The net increase in the par value of the investments owned by the fund during fiscal year 1973 amounted to \$2,298 million. (This increase represents the sum of the \$17 million net increase in assets and the decrease of \$2,282 million in the undisbursed balance described in the preceding paragraph.) New securities at a total par value of \$48,610 million were acquired during the fiscal year through the investment of receipts, and the reinvestment of funds made available from the redemption of securities. The par value of securities redeemed during the fiscal year was \$46,312 million. Included in these amounts is \$44,063 million in certificates of indebtedness that were acquired and redeemed within the fiscal year. In addition, \$24.5 million in 3 $\frac{7}{8}$ -percent bonds maturing in November 1974 and \$7.0 million in 5 $\frac{3}{4}$ -percent notes maturing in February 1975 were exchanged for \$31.5 million in 6 $\frac{3}{8}$ -percent bonds maturing in August 1984. Although the interest rate on bonds is generally limited to 4 $\frac{1}{4}$ percent by the provisions of 31 U.S.C. 752, P.L. 92-5, enacted March 17, 1971, amended these provisions to authorize the issuance to the public and to Government accounts of up to a total of \$10 billion in bonds at rates of interests exceeding 4 $\frac{1}{4}$ percent.¹

The effective annual rate of interest earned by the assets of the old-age and survivors insurance trust fund during fiscal year 1973 was 5.5 percent. The interest rate on special issues purchased by the trust fund in June 1973 was 6 $\frac{5}{8}$ -percent, payable semiannually.

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 these amendments, the general practice in the past was to spread the maturity dates for the holdings of special issues as nearly as practicable in equal amounts over a 15-year period. As a result of this practice, the old-age and survivors insurance trust fund held special issues, totalling \$6,245 million, that were distributed in equal amounts of \$1,080 million maturing in each of the years 1976-80 and in a smaller amount maturing in 1975 (table 6).

¹ On July 1, 1973, after the close of fiscal year 1973, the enactment of P.L. 93-53 further amended the provisions of 31 U.S.C. 752 by (1) removing the \$10 billion limitation on the aggregate face amount of such bonds that may be issued and (2) limiting the amount of such bonds that may be held by the public at any one time to \$10 billion.

However, the interest rate on special issues acquired in June of each year 1966-71, as determined under section 201(d) of the Social Security Act, was higher than the maximum rate of $4\frac{1}{4}$ percent to which the interest rate on long-term issues (bonds) was limited. Thus, it was not possible to follow the former practice, and the entire available amounts were invested in short-term issues (notes). Since the practice of investing in relatively long-term bonds when interest rates are low, and in shorter-term notes when rates are high, would be disadvantageous to the trust funds in the long run, the 1971 Advisory Council recommended that the maturity dates on all special issues be equal to the maximum maturity date for Treasury notes. The Board of Trustees concurred with this recommendation.

Thus, on June 30, 1973, the old-age and survivors insurance trust fund acquired \$4,547 million in special issues consisting of 7-year notes, making a total of \$25,178 million invested in such 7-year notes that were distributed in varying amounts maturing on June 30 of each year 1974-80 (table 6). The investment operations of the fund in fiscal years 1972 and earlier are described in the 1973, and earlier, annual reports.

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1973

A statement of the income and disbursements of the Federal disability insurance trust fund during fiscal year 1973, and of the assets of the fund at the beginning and end of the fiscal year is presented in table 7. Comparable amounts for fiscal year 1972 are also shown in the table.

The total assets of the disability insurance trust fund amounted to \$7,390 million on June 30, 1972. During fiscal year 1973, total receipts amounted to \$5,947 million and total disbursements were \$5,467 million. The assets of the trust fund thus increased \$479 million during the year to a total of \$7,869 million on June 30, 1973.

Included in total receipts were \$4,961 million representing contributions appropriated to the fund, and \$550 million representing amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$51 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 \$5,461 million, an increase of 12.5 percent over the amount for the preceding fiscal year. This increase is accounted for 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 (described in the preceding section).

TABLE 7.—STATEMENT OF OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING FISCAL YEARS 1972 AND 1973

[In thousands of dollars]

	Fiscal years—	
	1972	1973
Total assets of the trust fund, beginning of year.....	6, 408, 329	7, 390, 277
Receipts:		
Contributions:		
Appropriations.....	4, 410, 780	4, 961, 148
Deposits arising from State agreements.....	489, 577	550, 447
Gross contributions.....	4, 900, 357	5, 511, 595
Less payment into the Treasury for contributions subject to refund.....	47, 361	50, 626
Net contributions.....	4, 852, 996	5, 460, 969
Reimbursement from general fund of the Treasury for costs of noncontributory credits for military service.....	50, 000	51, 000
Interest:		
Interest on investments.....	388, 532	434, 840
Less interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs.....	288	244
Less interest on amounts transferred to old-age and survivors insurance trust fund due to adjustment in allocation of cost of vocational rehabilitation services.....	11	16
Net interest.....	388, 233	434, 580
Total receipts.....	5, 291, 228	5, 946, 549
Disbursements:		
Benefit payments.....	4, 045, 895	5, 161, 840
Transfer to railroad retirement account.....	24, 190	19, 503
Payment for cost of vocational rehabilitation services for disabled beneficiaries:		
For the current fiscal year.....	27, 282	39, 321
Transfer to the old-age and survivors insurance trust fund due to adjustment in allocation of cost for prior fiscal year.....	242	40
Total cost of vocational rehabilitation services.....	27, 523	39, 361
Administrative expenses:		
Department of Health, Education, and Welfare.....	194, 607	223, 049
Treasury Department.....	10, 106	9, 849
Construction of facilities for Social Security Administration.....	2, 960	2, 104
Expenses of the Department of Health, Education, and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	375	564
Interfund transfers due to adjustment in allocation of—		
Administrative expenses ¹	3, 375	11, 302
Costs of construction ¹	252	-214
Gross administrative expenses.....	211, 677	246, 653
Less receipts from sale of surplus supplies, materials, etc.....	6	4
Net administrative expenses.....	211, 671	246, 649
Total disbursements.....	4, 309, 280	5, 467, 354
Net addition to the trust fund.....	981, 949	479, 195
Total assets of the trust fund, end of year.....	7, 390, 277	7, 869, 472

¹ A positive figure represents a transfer from the disability insurance trust fund to the other social security trust funds, A negative figure represents a transfer to the disability insurance trust fund from the other social security trust funds.

In addition, the trust fund received \$51 million in December from the general fund of the Treasury, as reimbursement for the costs of noncontributory credits for military service.

The remaining \$435 million of receipts consisted of interest on the investments of the fund, less interest on amounts of interfund transfers.

Of the \$5,467 million in total disbursements, \$5,162 million was for benefit payments, an increase of 27.6 percent over the corresponding amount paid in the fiscal year 1972. This increase is accounted for by the same factors insofar as they apply to disabled-worker bene-

ficiaries and their dependents, 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, 1972, required that a transfer of \$18,700,000 be made from the disability insurance trust fund to the railroad retirement account. This amount was transferred to the railroad retirement account in May 1973 together with interest to the date of transfer amounting to \$803,000.

The remaining disbursements amounted to \$247 million for net administrative expenses and \$39 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.

As stated in an earlier section, the total amount of funds that may be made available in a fiscal year for payment for the costs of vocational rehabilitation services may not exceed a specified percentage of the benefits certified for payment in the preceding year from the old-age and survivors insurance and disability insurance trust funds to disabled persons receiving benefits because of their disability. This limitation on the amounts to be made available was 1 percent in each fiscal year through 1972 and 1¼-percent in fiscal year 1973. The following data show the relationship between the total amount of payments for the costs of such rehabilitation services for each fiscal year, 1969-73, and the corresponding amount of benefits paid in the prior fiscal year from the trust funds to disabled beneficiaries:

Fiscal year to which costs of rehabilitation services are charged	Amount of payments for costs of rehabilitation services ¹ (in thousands)	Estimated amount of benefit payments in preceding fiscal year to disabled beneficiaries (in thousands)	Payments for costs of rehabilitation services as percent of preceding year's benefit payments
1969.....	\$17,517	\$1,803,657	0.97
1970.....	20,622	2,155,579	.96
1971.....	23,102	2,464,004	.94
1972.....	29,914	3,028,695	.99
1973.....	39,756	3,629,590	1.10

¹ 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 shown for each fiscal year is subject to further change.

At the end of fiscal year 1973, some 3,416,000 persons were receiving monthly benefits from the disability insurance trust fund. The distribution of benefit payments in fiscal years 1972 and 1973, by type of beneficiary, is shown in table 8.

The assets of this fund at the end of fiscal year totaled \$7,869 million, consisting of \$7,802 million in the form of obligations of the U.S. Government and an undisbursed balance of \$68 million. Table 9 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1972 and 1973.

The net increase in the par value of the investments owned by the fund during the fiscal year amounted to \$792 million. (This increase represents the sum of (1) the \$479 million net increase in assets and (2) a decrease of \$313 million in the undisbursed balance resulting from the change, described in the preceding section, in timing of the monthly redemption of investments required to meet benefit payments made early in the month.) New securities at a total par value of \$6,823 million were acquired during the fiscal year through the investment of receipts, the reinvestment of funds made available from the redemption of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the year was \$6,031 million. Included in these amounts is \$5,864 million in certificates of indebtedness that were acquired and redeemed within the first year.

The effective annual rate of interest earned by the assets of the disability insurance trust fund during fiscal year 1973 was 6.1 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1973 was 6½-percent, payable semiannually.

TABLE 8.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE DISABILITY INSURANCE TRUST FUND, BY TYPE OF BENEFICIARY, FISCAL YEARS 1972 AND 1973

	[Dollar amounts in millions]			
	1972		1973	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$4,045.9	100	\$5,161.8	100
Disabled workers.....	3,269.3	81	4,201.9	81
Wives and husbands.....	204.2	5	255.4	5
Children.....	572.4	14	704.6	14

TABLE 9.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1972 AND 1973

	June 30, 1972		June 30, 1973	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
5¾ percent, 1975.....	\$10,000,000	\$10,036,905.09		
6 percent, 1975.....	3,750,000	3,750,000.00	\$3,750,000	\$3,750,000.00
6 percent, 1978.....	2,000,000	2,004,867.96	2,000,000	2,004,109.32
6½ percent, 1978.....	2,000,000	2,005,709.17	2,000,000	2,004,686.65
7½ percent, 1976.....	26,000,000	25,922,317.21	26,000,000	25,941,341.65
7¾ percent, 1977.....	14,000,000	13,974,277.11	14,000,000	13,979,337.38
8 percent, 1977.....	10,000,000	10,000,000.00	10,600,000	10,000,000.00
Treasury bonds:				
3½ percent, 1990.....	10,500,000	10,013,513.30	10,500,000	10,041,180.86
3½ percent, 1998.....	5,000,000	4,725,948.80	5,000,000	4,736,355.80
3¾ percent, 1974.....	5,000,000	5,000,000.00		
4 percent, 1973.....	16,500,000	16,474,115.64	16,500,000	16,498,008.72
4 percent, 1980.....	30,250,000	30,243,674.69	30,250,000	30,244,508.57
4½ percent, 1974.....	10,000,000	10,004,357.60	10,000,000	10,001,605.28
4½ percent, 1989-94.....	68,400,000	67,672,799.16	68,400,000	67,706,106.00
4½ percent, 1975-85.....	20,795,000	20,778,158.86	20,795,000	20,778,902.14
4½ percent, 1987-92.....	80,800,000	80,936,165.55	80,800,000	80,927,138.07
6¾ percent, 1984.....			15,000,000	15,060,582.25
Total investments in public issues.....	314,995,000	313,542,810.14	314,995,000	313,673,862.69

See footnotes at end of table, p. 17.

TABLE 9.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1972 AND 1973—Continued

	June 30, 1972		June 30, 1973	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations—Continued				
Obligations sold only to this fund (special issues):				
Notes:				
4¾ percent, 1974	309,178,000	309,178,000.00	309,178,000	309,178,000.00
5½ percent, 1975	583,612,000	583,612,000.00	583,612,000	583,612,000.00
5½ percent, 1979	1,058,617,000	1,058,617,000.00	1,058,617,000	1,058,617,000.00
6½ percent, 1978	1,284,249,000	1,284,249,000.00	1,284,249,000	1,284,249,000.00
6½ percent, 1976	1,151,608,000	1,151,608,000.00	1,151,608,000	1,151,608,000.00
6½ percent, 1980			943,266,000	943,266,000.00
7½ percent, 1977	1,394,466,000	1,394,466,000.00	1,394,466,000	1,394,466,000.00
Bonds:				
2½ percent, 1974	425,000	425,000.00		
2½ percent, 1975	132,894,000	132,894,000.00	2,366,000	2,366,000.00
3¾ percent, 1974	20,738,000	20,738,000.00		
3¾ percent, 1975	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3¾ percent, 1976	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3¾ percent, 1977	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3¾ 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
Total obligations sold only to this fund (special issues).....	6,696,659,000	6,696,659,000.00	7,488,234,000	7,488,234,000.00
Total investments in public-debt obligations.....	7,011,654,000	7,010,201,810.14	7,803,229,000	7,801,907,862.69
Undisbursed balance.....		380,075,536.03		67,564,541.18
Total assets.....		7,390,277,346.17		7,869,472,403.87

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

The investment policy and practices described in the preceding section apply equally to investments of the assets of the disability insurance trust fund. A distribution of these investments by type of government security and date of maturity is shown in table 9.

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1973, TO DECEMBER 31, 1978

In the following statement of the expected operations and status of the trust funds during the period July 1, 1973, to December 31, 1978, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program will remain unchanged in the period 1974–78. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Economic conditions, of course, affect the levels of employment and taxable earnings; but beginning in 1975, under the automatic increase provisions in present law, economic conditions will also directly affect benefits, the contribution and benefit base (i.e., the maximum annual amount of earnings taxable and creditable toward benefits), and the retirement test.

Under the automatic increase provisions, benefits will increase in accordance with increases in the Consumer Price Index (CPI). In 1975, and in each year thereafter which immediately follows a year in which an automatic benefit increase becomes effective, the contri-