

1977 ANNUAL REPORT OF THE BOARD OF TRUSTEES  
OF THE FEDERAL OLD-AGE AND SURVIVORS  
INSURANCE AND DISABILITY INSURANCE  
TRUST FUNDS

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COMMUNICATION

FROM

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

TRANSMITTING

THE 1977 ANNUAL REPORT OF THE BOARD, PURSUANT TO  
SECTION 201(c) OF THE SOCIAL SECURITY ACT,  
AS AMENDED



MAY 10, 1977.—Referred to the Committee on Ways and Means and  
ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE



## LETTER OF TRANSMITTAL

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BOARD OF TRUSTEES OF THE  
FEDERAL OLD-AGE AND SURVIVORS INSURANCE  
AND DISABILITY INSURANCE TRUST FUNDS,  
*Washington, D.C., May 9, 1977.*

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

SIR: We have the honor to transmit to you the 1977 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 37th such report), in compliance with the provisions of section 201(c) of the Social Security Act.

Respectfully,

W. MICHAEL BLUMENTHAL,  
*Secretary of the Treasury,*  
*and Managing Trustee of the Trust Funds.*

RAY MARSHALL,  
*Secretary of Labor.*

JOSEPH A. CALIFANO, JR.,  
*Secretary of Health, Education, and Welfare.*

JAMES B. CARDWELL,  
*Commissioner of Social Security*  
*and Secretary, Board of Trustees.*



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# 1977 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

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## 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 1977, the 37th such report.

## HIGHLIGHTS

The more important features of the 1977 annual report, discussed in greater detail in later sections, are given below:

(a) As in the 1976 annual report, the need for additional financing for the old-age and survivors insurance and disability insurance trust funds in both the short range and the long range is reflected in the 1977 annual report. Outgo from the combined trust funds exceeded income in calendar year 1975 by \$1.5 billion and in calendar year 1976 by \$3.2 billion. Estimates of the future operations and status of the trust funds are shown in later sections under three alternative sets of assumptions, in order to indicate the general range of such estimates under differing sets of assumptions. It is expected that outgo will continue to exceed income in every year after 1976 under all three sets of assumptions. In calendar year 1977, it is estimated that outgo will exceed income by \$5.6 billion under each set of assumptions. This estimate is higher than the \$3.9 billion estimate of the excess of outgo over income shown for calendar year 1977 in the 1976 annual report, because of a somewhat lower level of employment, and a higher level of benefit payments, now estimated for 1977. Unless legislation is enacted to provide additional financing, the assets of the disability insurance trust fund are expected to decline until the fund is exhausted in 1979 under each set of assumptions. The assets of the old-age and survivors insurance trust fund are also expected to decline, in the absence of additional financing, until that fund

is exhausted in the early 1980's. Under the intermediate set of assumptions, which is designated as alternative II, it is estimated that the old-age and survivors insurance trust fund will be exhausted in 1983. Under the more optimistic set of assumptions (alternative I), the estimates indicate that the fund would be exhausted in 1984, while under the more pessimistic set (alternative III), the fund would be exhausted in 1982.

(b) Medium-range cost estimates are presented separately in this report, for the first time in several years, in order to call attention to the status of the old-age and survivors insurance and disability insurance trust funds during the next 25 years, 1977-2001. Under the intermediate set of the three alternative sets of assumptions for which estimates are shown, annual outlays during the next 25 years are estimated to be, on the average, 12.24 percent of taxable earnings. Thus, average annual expenditures are estimated to exceed the scheduled tax rate of 9.9 percent by 2.34 percent of taxable earnings during the next 25 years.

(c) With regard to the long-range actuarial status of the old-age and survivors insurance and disability insurance trust funds, the projected outlays are estimated to exceed tax income, according to the scheduled tax rates and assumed future increases in the contribution and benefit base, in every calendar year in the 75-year period, 1977-2051. Under the intermediate set of assumptions, annual outlays are estimated to be, on the average, 19.19 percent of taxable earnings over the entire 75-year period, while annual tax income is estimated to be, on the average, 10.99 percent of taxable earnings over the 75-year period. Thus, the average annual deficit (i.e., the excess of outlays over tax income) over the 75-year period is estimated to be 8.20 percent of taxable earnings under the intermediate set of assumptions, as compared to the projected deficit of 7.96 percent shown under the intermediate assumptions in the 1976 annual report. The average annual deficit of 2.34 percent of taxable earnings during the next 25 years is expected to increase to 7.67 percent for the period 2002-2026, and 14.57 percent for the period 2027-2051 under the intermediate set of assumptions. Thus, most of the increase in the annual deficit over the 75-year period is expected to occur after the turn of the century.

These deficits, particularly for the period after the year 2001, should be interpreted with caution not only because the accuracy of any demographic and economic assumptions becomes less reliable the further into the future they are projected but also because they are based upon future benefit levels which are much higher, relative to preretirement earnings, than are the currently prevailing benefit levels. These higher benefit levels will not materialize if legislation is enacted to redress that part of the imbalance which is caused by the particular method in which future benefits are related to changes in wages and the Consumer Price Index under the automatic increase provisions in present law.

(d) Because of the high benefit levels projected under present law, it is believed that useful information about the possible future financial status of the program can be obtained by considering cost estimates based on a more stable system. Accordingly, estimates of income and outgo have been prepared and are presented in the report for a "modified theoretical" system which would maintain through time the

relationship between average awarded benefits and average earnings at the beginning of 1979. After retirement, disability, or death, benefits would continue to be increased, as under present law, to adjust for changes in the Consumer Price Index. Even under the modified theoretical system the projected outlays of the combined old-age and survivors insurance and disability insurance trust funds are estimated to exceed the tax income, according to the scheduled tax rates and estimated future increases in the contribution and benefit base, in every calendar year in the period 1977-2051. During the medium-range period covered by the next 25 years, 1977-2001, the average annual deficit would be reduced to 2.06 percent of taxable earnings under the intermediate set of assumptions. After 2001, the reduction in the average annual deficit would be greater. The average deficit would be 4.31 percent over the second 25 years, 2002-2026, and 6.99 percent over the third 25-year period, 2027-2051. Over the entire 75-year period, 1977-2051, the average annual deficit is estimated to be 4.46 percent of taxable payroll, under the intermediate set of assumptions.

(e) The decline in the assets of the old-age and survivors insurance and disability insurance trust funds during fiscal year 1976 was close to that predicted in the 1976 annual report. Income in fiscal year 1976 amounted to \$70.7 billion, up by 6 percent over fiscal year 1975. Outgo totaled \$73.9 billion, up by 14 percent over fiscal year 1975. The funds decreased by \$3.2 billion in fiscal year 1976, to a level of \$44.9 billion on June 30, 1976, an amount that was about equal to total outgo during the following 7 months. During fiscal year 1976, several changes affecting the operations of the trust funds occurred under the automatic increase provisions in the law. The second automatic cost-of-living benefit increase, determined to be 6.4 percent, became effective for June 1976. The published statement announcing the determination of the increase is shown in appendix B. (This increase did not affect trust fund operations in fiscal year 1976, since June was the last month of the fiscal year and benefits for a given month are not paid until the following month.)

The contribution and benefit base increased under the automatic provisions, from \$14,100 to \$15,300, effective January 1, 1976. The amount that a beneficiary may earn in a year and still receive all of his benefits under the retirement test (i.e., the annual exempt amount) also increased under the automatic provisions, from \$2,520 to \$2,760, effective January 1, 1976. The comparison of trust fund operations in fiscal year 1976 with operations in fiscal year 1975 is also affected by the first automatic cost-of-living benefit increase, an increase of 8.0 percent, that became effective for June 1975.

(f) Increases in the contribution and benefit base and in the annual exempt amount under the retirement test were determined in October 1976 under the automatic increase provisions in the law. The new amounts, effective for January 1, 1977, are \$16,500 and \$3,000, respectively. The published statement announcing the determination of these amounts is shown in appendix C.

(g) An automatic cost-of-living benefit increase effective for June 1977 was determined to be 5.9 percent.

(h) The trust funds earned interest of \$2.8 billion during the fiscal year, equivalent to an effective annual rate of 6.8 percent on the total assets of the trust funds.

(i) The number of persons receiving monthly benefits under the old-age, survivors, and disability insurance program totaled 32.5 million by the end of June 1976. An estimated 104 million workers had earnings in calendar year 1976 that were taxable and creditable toward benefits under the program.

(j) Recent decisions made by the Supreme Court have held unconstitutional the provisions in the law which (1) require that a man must have been receiving at least one-half of his support from his wife in order to become entitled to husband's or widower's benefits, but (2) do not require that a similar test of support be met by women in order to become entitled to wife's or widow's benefits. The estimates presented in this report reflect the effects of eliminating the dependency test for men as a requirement for entitlement to husband's or widower's benefits.

#### 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 disabled insured workers under age 65 and to their dependents.

The major sources of receipts of these two funds are (1) amounts appropriated to each of them under permanent appropriation on the basis of contributions paid by workers and their employers, and by individuals with self-employment income, in work covered by the old-age, survivors, and disability insurance program and (2) amounts deposited in each of them representing contributions paid by workers employed by State and local governments and by such employers with respect to work covered by the program. All employees, and their employers, in employment covered by the program are required to pay contributions with respect to the wages of individual workers. (Cash tips, covered as wages beginning in 1966 under the 1965 amendments, are an exception; 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 amount of any benefits that an individual (or his dependents or survivors) may become entitled to under the old-age, survivors, and disability insurance program is based on the individual's taxable earnings in each year. Therefore, the maximum

amount of earnings taxable in a year is also the maximum amount of earnings creditable toward benefits in that year and is referred to as the contribution and benefit base, in the Social Security Act.

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. For 1978 and later, the contribution rates shown are the rates scheduled in the provisions of present law. The contribution and benefit base for each year, 1937-77, is also shown in table 1. Beginning with 1975, the contribution and benefit base for each year is determined in the preceding year under the automatic increase provisions in section 230 of the Social Security Act, unless modified by intervening legislation.

TABLE 1.—CONTRIBUTION AND BENEFIT BASE AND CONTRIBUTION RATES

Calendar years	Contribution and benefit base	Contribution rates (percent of taxable earnings)					
		Employees and employers, each			Self-employed		
		OASDI	OASI	DI	OASDI	OASI	DI
<b>Past experience:</b>							
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
1975.....	14,100	4.950	4.375	.575	7.0000	6.1850	.8150
1976.....	15,300	4.950	4.375	.575	7.0000	6.1850	.8150
1977.....	16,500	4.950	4.375	.575	7.0000	6.1850	.8150
<b>Changes scheduled in present law:</b>							
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 and later.....	(1)	5.950	5.100	.850	7.0000	6.0000	1.0000

<sup>1</sup> Subject to automatic increase.

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.

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 three 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 U.S. citizens of Japanese ancestry.

Section 201(i) of the Social Security Act authorizes the Managing Trustee to accept and deposit in the trust funds unconditional money gifts or bequests made for the benefit of the trust funds or any activity financed through such funds.

Expenditures for benefit payments and administrative expenses under the old-age, survivors, and disability insurance program are paid out of the trust funds. All expenses incurred by the Department of Health, Education, and Welfare and by the Treasury Department in carrying out the provisions of title II of the Social Security Act 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 costs 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, rental, and lease or purchase contract of office buildings and related facilities for the Social Security Administration. Both the capital costs of construction financed directly from the trust funds and the rental, lease, or purchase contract costs of acquiring facilities are included in trust fund expenditures. In 1972-75, construction of several large facilities was authorized under purchase contract authority, wherein initial capital costs are borne by the private sector. Under this method of facilities acquisition, trust fund expenditures for use and ultimate Government ownership of a facility are made over periods of from 10 to 30 years. Whatever the manner of acquisition, the net worth of facilities and other fixed capital assets is not carried in the statements of the operations of the trust funds presented in this report. This is because the value of fixed capital assets does not represent funds available for benefit or administrative expenditures, and therefore is not viewed as being a consideration in assessing the actuarial status of the funds.

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 4 years from the end of such calendar month.

**SUMMARY OF THE OPERATIONS OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, FISCAL YEAR 1976**

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, 1975, and ended on June 30, 1976, 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 1975 are also shown in the table.

The total assets of the old-age and survivors insurance trust fund amounted to \$39,948 million on June 30, 1975. During fiscal year 1976, total receipts amounted to \$62,327 million and total disbursements were \$64,295 million. The assets of the trust fund thus decreased \$1,968 million during the year to a total of \$37,980 million on June 30, 1976.

Included in total receipts during fiscal year 1976 were \$53,205 million representing contributions appropriated to the fund and \$6,654 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, \$305 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 1975 AND 1976

[In thousands]

	Fiscal year 1975	Fiscal year 1976
Total assets of the trust fund, beginning of year.....	\$37,867,008	\$39,947,814
<b>Receipts:</b>		
<b>Contributions:</b>		
Appropriations.....	50,389,101	53,205,037
Deposits arising from State agreements.....	5,897,892	6,654,445
Gross contributions.....	56,286,993	59,859,482
Less payment into the Treasury for contributions subject to refund.....	269,650	304,792
Net contributions.....	56,017,343	59,554,690
<b>Reimbursement from general fund of the Treasury for costs of:</b>		
Noncontributory credits for military service.....	140,000	157,000
<b>Payments to noninsured persons aged 72 and over:</b>		
Benefit payments.....	266,349	237,856
Administrative expenses.....	3,477	2,391
Interest.....	37,497	28,070
Total reimbursement for payments to noninsured persons aged 72 and over.....	307,323	268,317
<b>Interest:</b>		
Interest on investments.....	2,296,908	2,346,024
Interest on amounts transferred between the old-age and survivors insurance trust fund and the supplemental security income general fund account due to adjustment in allocation of administrative expenses <sup>1</sup> .....	-2,840	3,056
Gross interest.....	2,294,068	2,349,080
Less interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs.....	1,818	2,058
Less interest on amounts transferred to disability insurance trust fund due to adjustment in allocation of costs of vocational rehabilitation services.....	68	22
Net interest.....	2,292,182	2,347,000
<b>Gifts.....</b>	14	34
<b>Total receipts.....</b>	<b>58,756,862</b>	<b>62,327,041</b>

See footnotes at end of table.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING FISCAL YEARS 1975 AND 1976—Continued  
[In thousands]

	Fiscal year 1975	Fiscal year 1976
<b>Disbursements:</b>		
Benefit payments.....	\$54,838,818	\$62,140,449
Transfer to railroad retirement account.....	981,785	1,212,303
<b>Payment for costs of vocational rehabilitation services for disabled beneficiaries:</b>		
For the current fiscal year.....	6,766	7,921
Transfers between the old-age and survivors insurance trust fund and the disability insurance trust fund due to adjustment in allocation of costs for prior fiscal year <sup>2</sup> .....	965	—441
Total payment for costs of vocational rehabilitation services.....	7,731	7,480
<b>Administrative expenses:</b>		
Department of Health, Education, and Welfare.....	723,246	829,529
Treasury Department.....	79,239	122,820
Construction of facilities for Social Security Administration.....	2,409	1,568
Expenses of the Department of Health, Education, and Welfare, for administration of vocational rehabilitation program for disabled beneficiaries.....	52	48
Interfund transfers due to adjustment in allocation of administrative expenses.....	18,536	3,974
Transfers between the old-age and survivors insurance trust fund and the supplemental security income general fund account due to adjustment in allocation of administrative expenses <sup>3</sup> .....	25,506	—22,553
Gross administrative expenses.....	848,987	935,384
Less interfund transfers due to adjustment in allocation of costs of construction.....	1,149	619
Less receipts from sale of supplies, materials, etc.....	114	19
Net administrative expenses.....	847,723	934,746
Total disbursements.....	56,676,057	64,294,978
Net addition to the trust fund.....	2,080,805	—1,967,937
Total assets of the trust fund, end of year.....	39,947,814	37,979,876

<sup>1</sup> A positive figure represents a transfer of interest to the old-age and survivors insurance trust fund from the supplemental security income general fund account. A negative figure represents a transfer of interest from the old-age and survivors insurance trust fund to the supplemental security income general fund account.

<sup>2</sup> A positive figure represents a transfer from the old-age and survivors insurance trust fund to the disability insurance trust fund. A negative figure represents a transfer to the old-age and survivors insurance trust fund from the disability insurance trust fund.

<sup>3</sup> A positive figure represents a transfer from the old-age and survivors insurance trust fund to the supplemental security income general fund account. A negative figure represents a transfer to the old-age and survivors insurance trust fund from the supplemental security income general fund account.

Net contributions amounted to \$59,555 million, an increase of 6.3 percent over the amount for the preceding fiscal year. Growth in contribution income resulted primarily from (1) the higher level of earnings in covered employment and (2) the two increases in the maximum annual amount of earnings taxable—from \$13,200 to \$14,100 and from \$14,100 to \$15,300—that became effective on January 1, 1975, and January 1, 1976, respectively. Although the first increase in the maximum annual amount of earnings taxable, from \$13,200 to \$14,100, became effective in 1975, the first full fiscal year during which earnings between \$13,200 and \$14,100 were taxable was 1976.

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 the old-age and survivors insurance trust fund should receive reimbursement of \$21 million, and the disability insurance trust fund should receive reimbursement of \$41 million, for additional costs attributable to noncontributory credits for military service performed after 1956. Thus, reimbursements amounting to \$157 million for the old-age and survivors insurance trust fund, and to \$90 million for the disability insurance trust fund, were received in December 1975.

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 1976 amounted to \$268 million.

Again, reference has been made in an earlier section to provisions under which money gifts or bequests may be deposited in the old-age and survivors insurance and disability insurance trust funds. In fiscal year 1976, the old-age and survivors insurance trust fund received gifts amounting to about \$33,700.

The remaining \$2,347 million of receipts consisted of interest on the investments of the trust fund and net interest on amounts of interfund transfers arising out of adjustments in the allocation of administrative expenses, construction costs, and the costs of vocational rehabilitation services for the prior fiscal year, 1975.

Of the \$64,295 million in total disbursements, \$62,140 million was for benefit payments, an increase of 13.3 percent over the corresponding amount paid in fiscal year 1975. This increase was due to (1) the automatic cost-of-living benefit increase of 8.0 percent, which became effective for June 1975 under the automatic provisions in section 215(i), and (2) the continuing growth in both the total number of beneficiaries and the 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 \$1,144,900,000 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, 1975, 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 June 1976, together with interest to the date of transfer amounting to \$67,403,000.

Expenditures of the old-age and survivors insurance program for the costs of vocational rehabilitation services amounted to about \$7.5 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 \$935 million of disbursements from the old-age and survivors insurance trust fund represents net administrative expenses. The expenses of administering the programs financed through the four trust funds—the old-age and survivors insurance, disability insurance, hospital insurance, and supplementary medical insurance trust funds—are allocated and charged directly to each trust fund on the basis of provisional estimates. Similarly, the expenses of administering the supplemental security income program are also allocated and charged directly to the general fund of the Treasury on a provisional basis. 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, including transfers between the old-age and survivors insurance trust fund and the supplemental security income general fund account, 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 1976 totaled \$1,200 million. This amount represented 1.8 percent of contribution income and 1.7 percent of expenditures for benefit payments and payments for the costs 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 1976 is compared with the estimates for fiscal year 1976 which appeared in the 1975 and 1976 annual reports. The actual experience for each trust fund was quite close, relatively, to the estimates. 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 1976 reflects the aforementioned type of adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions in fiscal year 1976 does not reflect adjustments to contributions for fiscal year 1976 that were to be made after June 30, 1976.

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 1972-76

Fiscal year	Total <sup>1</sup> —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 <sup>2</sup>	Contribution income	Benefit payments <sup>2</sup>	Contribution income	Benefit payments <sup>2</sup>
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
1974.....	1.6	1.6	1.5	1.5	2.5	2.5
1975.....	1.7	1.8	1.5	1.5	3.4	3.3
1976.....	1.8	1.7	1.6	1.5	3.4	2.9

<sup>1</sup> The percentages shown for fiscal years 1974 and later reflect the effect of a change in the method of allocating administrative expenses among the four trust funds, which resulted in lower proportions allocated to the disability insurance trust fund. The percentages for fiscal year 1974 also reflect the effect of applying the modified method of allocating expenses retroactively to fiscal year 1973, with a resulting larger interfund transfer to the disability insurance trust fund in fiscal year 1974, than would have otherwise occurred.

<sup>2</sup> In determining the percentage shown, payments for the costs 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 1976

[Amounts in millions]

	Old-age and survivors insurance trust fund		Disability insurance trust fund	
	Net contributions	Benefit payments	Net contributions	Benefit payments
Actual amount.....	\$59,555	\$62,140	\$7,797	\$9,222
Estimated amount published in 1976 report.....	\$59,593	\$62,245	\$7,835	\$9,199
Actual as percentage of estimate.....	100	100	100	100
Estimated amount published in 1975 report.....	\$58,125	\$62,535	\$7,641	\$9,020
Actual as percentage of estimate.....	102	99	102	102

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

TABLE 5.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE OF BENEFICIARY AND PAYMENT, FISCAL YEARS 1975 AND 1976

[Amounts in millions]

	1975		1976	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$54,838.8	100	\$62,140.4	100
Monthly benefits.....	54,495.7	99	61,803.1	99
Retired workers and their dependents.....	39,659.2	72	45,139.3	73
Retired workers.....	35,588.0	65	40,522.9	65
Wives and husbands.....	3,500.3	6	3,919.2	6
Children.....	570.8	1	697.2	1
Survivors of deceased workers.....	14,620.1	27	16,478.9	27
Aged widows and widowers.....	8,847.9	16	9,995.3	16
Disabled widows and widowers.....	157.8	( <sup>1</sup> )	201.1	( <sup>1</sup> )
Parents.....	49.2	( <sup>1</sup> )	50.8	( <sup>1</sup> )
Children.....	4,619.9	8	5,156.9	8
Widowed mothers and fathers caring for child beneficiaries.....	945.3	2	1,074.8	2
Noninsured persons aged 72 and over <sup>2</sup> .....	216.5	( <sup>1</sup> )	184.9	( <sup>1</sup> )
Lump-sum death payments.....	343.1	1	337.3	1

<sup>1</sup> Less than 0.5 percent.

<sup>2</sup> The trust fund is reimbursed from the general fund of the Treasury for the costs of payments to beneficiaries with less than three quarters of coverage.

At the end of fiscal year 1976, about 32.5 million persons were receiving monthly benefits under the old-age, survivors, and disability insurance program. About 27.9 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 1975 and 1976, by type of beneficiary, is shown in table 5. Approximately 73 percent of the total benefit payments from the old-age and survivors insurance trust fund in fiscal year 1976 was accounted for by monthly benefits to retired workers and their dependents and about 16 percent by monthly benefits to aged survivors and disabled widows or widowers of deceased workers. Approximately 10 percent of the benefit payments represented monthly benefits on behalf of children of deceased workers and monthly benefits to widowed mothers and fathers who had children of deceased workers in their care.

Benefit payments to noninsured persons aged 72 and over amounted to \$185 million, or less than ½ 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 1976 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 1976 consisted of lump-sum death payments.

The assets of the old-age and survivors insurance trust fund at the end of fiscal year 1976 totaled \$37,980 million, consisting of \$37,955 million in the form of obligations of the U.S. Government or of federally sponsored agency obligations, and an undisbursed balance of \$25 million. Table 6 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1975 and 1976.

TABLE 6.—ASSETS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1975 AND 1976

	June 30, 1975		June 30, 1976	
	Par value	Book value <sup>1</sup>	Par value	Book value <sup>1</sup>
<b>Investments in public-debt obligations:</b>				
Public issues:				
Treasury notes:				
6½ percent, 1976	\$5,000,000	\$4,998,958.41		
6½ percent, 1976	22,180,000	22,180,000.00		
7 percent, 1975	50,000,000	49,990,195.88		
7½ percent, 1976	90,500,000	90,415,810.90	\$90,500,000	\$90,493,524.10
8 percent, 1977	15,000,000	15,000,000.00	15,000,000	15,000,000.00
Treasury bonds:				
2¾ 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	70,149,948.28	70,170,000	70,150,972.24
3½ percent, 1978-83	60,200,000	59,731,448.92	60,200,000	59,790,635.12
3½ percent, 1985	25,700,000	24,845,118.83	25,700,000	24,932,055.95
3½ percent, 1980	449,450,000	451,776,410.07	449,450,000	451,340,208.27
3½ percent, 1990	556,250,000	550,061,941.26	556,250,000	550,486,265.46
3½ percent, 1998	552,037,000	544,833,883.00	552,037,000	545,142,588.16
4 percent, 1980	153,100,000	153,077,709.64	153,100,000	153,082,573.24
4½ percent, 1989-94	91,300,000	90,730,739.82	91,300,000	90,760,966.02
4½ percent, 1975-85	78,023,000	77,816,665.07	78,023,000	77,837,648.39
4½ percent, 1987-92	33,000,000	34,286,186.43	33,000,000	34,179,743.43
6¾ percent, 1984	31,500,000	31,916,260.74	31,500,000	31,870,850.46
7 percent, 1981	50,000,000	49,753,333.18	50,000,000	49,793,333.14
7½ percent, 1988-93	99,934,000	98,491,056.05	99,934,000	98,570,484.17
7½ percent, 1995-00			22,180,000	21,459,821.64
8¼ percent, 2000-05	17,450,000	17,354,556.72	22,450,000	22,444,000.59
8½ percent, 1995-00			50,000,000	50,729,798.00
8½ percent, 1994-99	6,352,000	6,524,611.84	6,352,000	6,517,394.56
Total public issues	3,522,048,000	3,508,836,836.04	3,522,048,000	3,509,484,862.94
Accrued interest purchased				441,467.39
Total investments in public issues	3,522,048,000	3,508,836,836.04	3,522,048,000	3,509,926,330.33
<b>Obligations sold only to this fund (special issues):</b>				
Notes:				
5½ percent, 1979	3,102,896,000	3,102,896,000.00	3,102,896,000	3,102,896,000.00
6½ 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		
6½ percent, 1980	4,547,285,000	4,547,285,000.00	4,547,285,000	4,547,285,000.00
7½ percent, 1977	5,033,296,000	5,033,296,000.00	1,993,693,000	1,993,693,000.00
Bonds:				
4½ percent, 1979	1,069,517,000	1,069,517,000.00		
4½ percent, 1980	1,080,011,000	1,080,011,000.00		
7½ percent, 1981	688,956,000	688,956,000.00	688,956,000	688,956,000.00
7½ percent, 1982	688,956,000	688,956,000.00	688,956,000	688,956,000.00
7½ percent, 1983	688,956,000	688,956,000.00	688,956,000	688,956,000.00
7½ percent, 1984	688,956,000	688,956,000.00	688,956,000	688,956,000.00
7½ percent, 1985	688,956,000	688,956,000.00	688,956,000	688,956,000.00
7½ percent, 1986	688,956,000	688,956,000.00	688,956,000	688,956,000.00
7½ percent, 1987	688,955,000	688,955,000.00	688,955,000	688,955,000.00
7½ percent, 1988	688,956,000	688,956,000.00	688,956,000	688,956,000.00
7½ percent, 1989	688,956,000	688,956,000.00	688,956,000	688,956,000.00
7½ percent, 1990	1,366,865,000	1,366,865,000.00	1,366,865,000	1,366,865,000.00
7½ percent, 1981			522,029,000	522,029,000.00
7½ percent, 1982			522,029,000	522,029,000.00
7½ percent, 1983			522,029,000	522,029,000.00
7½ percent, 1984			522,029,000	522,029,000.00
7½ percent, 1985			522,029,000	522,029,000.00
7½ percent, 1986			522,028,000	522,028,000.00
7½ percent, 1987			522,029,000	522,029,000.00
7½ percent, 1988			522,029,000	522,029,000.00
7½ percent, 1989			522,029,000	522,029,000.00
7½ percent, 1990			522,029,000	522,029,000.00
7½ percent, 1991			1,888,893,000	1,888,893,000.00
7½ percent, 1981	677,910,000	677,910,000.00	677,910,000	677,910,000.00
7½ percent, 1982	677,910,000	677,910,000.00	677,910,000	677,910,000.00
7½ percent, 1983	677,910,000	677,910,000.00	677,910,000	677,910,000.00
7½ percent, 1984	677,910,000	677,910,000.00	677,910,000	677,910,000.00
7½ percent, 1985	677,910,000	677,910,000.00	677,910,000	677,910,000.00
7½ percent, 1986	677,910,000	677,910,000.00	677,910,000	677,910,000.00
7½ percent, 1987	677,910,000	677,910,000.00	677,910,000	677,910,000.00

See footnote at end of table.

TABLE 6.—ASSETS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1975 AND 1976—Continued

	June 30, 1975		June 30, 1976	
	Par value	Book value <sup>1</sup>	Par value	Book value <sup>1</sup>
Investments in public-debt obligations—Continued				
Obligations sold only to this fund (special issues)—Continued				
Bonds—Continued				
7½ percent, 1988.....	\$677,909,000	\$677,909,000.00	\$677,909,000	\$677,909,000.00
7½ percent, 1989.....	677,909,000	677,909,000.00	677,909,000	677,909,000.00
Total obligations sold only to this fund (special issues).....	35,815,375,000	35,815,375,000.00	33,890,562,000	33,890,562,000.00
Total investments in public-debt obligations.....	39,337,423,000	39,324,211,836.04	37,412,610,000	37,400,488,330.33
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	64,846,641.07	65,000,000	64,858,828.63
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	554,846,641.07	555,000,000	554,858,828.63
Total investments.....	39,892,423,000	39,879,058,477.11	37,967,610,000	37,955,347,158.96
Undisbursed balances.....		68,755,382.70		24,529,247.24
Total assets.....		39,947,813,859.81		37,979,876,406.20

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

The net decrease in the par value of the investments owned by the fund during fiscal year 1976 amounted to \$1,925 million. New securities at a total par value of \$74,868 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 \$76,792 million. Included in these amounts is \$67,758 million in certificates of indebtedness that were acquired and redeemed within the fiscal year. In addition, \$50 million in 7-percent notes maturing in November 1975, \$5 million in 6¼-percent notes maturing in February 1976, and \$22 million in 6½-percent notes maturing in May 1976 were exchanged for equal amounts of 8¾-percent bonds maturing in August 2000, 8¼-percent bonds maturing in May 2005, and 7⅞-percent bonds maturing in February 2000, respectively. Although the interest rate on bonds is generally limited to 4¼ percent by the provisions of 31 U.S.C. 752, amendments to these provisions authorize the issuance of bonds at rates of interest exceeding 4¼ percent, subject to certain restrictions. Public Law 92-5, enacted March 17, 1971, amended the 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 interest

exceeding  $4\frac{1}{4}$  percent. Public Law 93-53, enacted July 1, 1973, 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.

The effective annual rate of interest earned by the assets of the old-age and survivors insurance trust fund during fiscal year 1976 was 6.8 percent. The interest rate on special issues purchased by the trust fund in June 1976 was  $7\frac{1}{2}$  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.

However, the interest rate on special issues acquired in June of each year 1966-76, 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) is generally limited. Thus, the former practice of spreading maturity dates over a 15-year period could not be followed, beginning with special issues acquired in June 1966, until the enactment of Public Law 93-53 on July 1, 1973. Accordingly, the entire amounts available for investment in June of each year 1966-73 were invested in short-term issues (notes). As a result, the old-age and survivors insurance trust fund held \$13,113 million in special issues consisting of 7-year notes that were distributed in varying amounts maturing on June 30 of each year 1977-80 (table 6).

On June 30, 1974, the investment practice in effect before 1966 was reinstated. As a result, the old-age and survivors insurance trust fund held \$20,778 million in special issues at the end of June 1976 that were acquired in 1974-76 and were distributed in virtually equal amounts of about \$1,889 million maturing in each of the years 1981-1991 (table 6). The investment operations of the fund in fiscal years 1975 and earlier are described in the 1976, and earlier, annual reports.

Under the Congressional Budget Act of 1974 (Public Law 93-344), the period of time covered during the fiscal year used by the Government was changed from the 12 months beginning on July 1 of each year and ending on June 30 of the following year to the 12 months beginning on October 1 of each year and ending on September 30 of the following year. This change became effective after the close of the fiscal year that ended on June 30, 1976. A detailed summary of the operations of the old-age and survivors insurance and disability insurance trust funds during the transition quarter, July-September 1976, will be included in the 1978 annual report, along with the summary of operations in the fiscal year ending September 30, 1977.

#### SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1976

A statement of the income and disbursements of the Federal Disability Insurance Trust Fund during fiscal year 1976, 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 1975 are also shown in the table.

The total assets of the disability insurance trust fund amounted to \$8,191 million on June 30, 1975. During fiscal year 1976, total receipts amounted to \$8,355 million and total disbursements were \$9,606 million. The assets of the trust fund thus decreased \$1,251 million during the year to a total of \$6,939 million on June 30, 1976.

Included in total receipts were \$6,998 million representing contributions appropriated to the fund, and \$839 million representing amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$40 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 \$7,797 million, an increase of 6.0 percent over the amount for the preceding fiscal year. This increase is accounted for by the same factors 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  
1975 AND 1976  
[In thousands]

	Fiscal year 1975	Fiscal year 1976
Total assets of the trust fund, beginning of year .....	\$8,252,865	\$8,190,507
Receipts:		
Contributions:		
Appropriations.....	6,615,691	6,998,202
Deposits arising from State agreements.....	775,875	838,943
Gross contributions.....	7,391,567	7,837,144
Less payment into the Treasury for contributions subject to refund.....	35,350	40,052
Net contributions.....	7,356,217	7,797,092
Reimbursement from general fund of the Treasury for costs of noncontributory credits for military service.....	52,000	90,000
Interest:		
Interest on investments.....	511,960	467,472
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs <sup>1</sup> .....	-372	703
Interest on amounts transferred from the old-age and survivors insurance trust fund due to adjustment in allocation of costs of vocational rehabilitation services.....	68	22
Total interest.....	511,656	468,197
Total receipts.....	7,919,873	8,355,290
Disbursements:		
Benefit payments.....	7,629,796	9,222,211
Transfer to railroad retirement account.....	28,514	26,366
Payment for costs of vocational rehabilitation services for disabled beneficiaries: For the current fiscal year.....	71,900	91,835
Transfers between the disability insurance trust fund and the old-age and survivors insurance trust fund due to adjustment in allocation of costs for prior fiscal year <sup>2</sup> .....	-965	441
Total payment for costs of vocational rehabilitation services.....	70,936	92,276
Administrative expenses:		
Department of Health, Education, and Welfare.....	227,270	258,666
Treasury Department.....	11,290	14,273
Construction of facilities for Social Security Administration.....	420	210
Expenses of the Department of Health, Education, and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	548	552
Interfund transfers due to adjustment in allocation of—		
Administrative expenses <sup>3</sup> .....	13,045	-8,431
Costs of construction <sup>3</sup> .....	412	360
Gross administrative expenses.....	252,985	265,629
Less receipts from sale of surplus supplies, materials, etc.....		16
Net administrative expenses.....	252,985	265,613
Total disbursements.....	7,982,231	9,606,467
Net addition to the trust fund.....	-62,358	-1,251,177
Total assets of the trust fund, end of year.....	8,190,507	6,939,330

<sup>1</sup> A positive figure represents a transfer of interest to the disability insurance trust fund from the other social security trust funds. A negative figure represents a transfer of interest from the disability insurance trust fund to the other social security trust funds.

<sup>2</sup> A positive figure represents a transfer from the disability insurance trust fund to the old-age and survivors insurance trust fund. A negative figure represents a transfer to the disability insurance trust fund from the old-age and survivors insurance trust fund.

<sup>3</sup> 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 \$90 million in December from the general fund of the Treasury, as reimbursement for the costs of noncontributory credits for military service.

The remaining \$468 million of receipts consisted of interest on the investments of the fund, plus interest on amounts of interfund transfers.

Of the \$9,606 million in total disbursements, \$9,222 million was for benefit payments, an increase of 20.9 percent over the corresponding amount paid in fiscal year 1975. This increase is accounted for by the same factors insofar as they apply to disabled-worker beneficiaries 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, 1975, required that a transfer of \$24,900,000 be made from the disability insurance trust fund to the railroad retirement account. This amount was transferred to the railroad retirement account in June 1976, together with interest to the date of transfer amounting to \$1,466,000.

The remaining disbursements amounted to \$266 million for net administrative expenses and \$92 million for the costs 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 fiscal 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, 1¼ percent in fiscal year 1973, and 1½ percent in fiscal years 1974 and later. The data presented below show the relationship between the total amount of payments for the costs of such rehabilitation services for each fiscal year, 1972-75, and the corresponding amount of benefits paid in the prior fiscal year from the trust funds to disabled beneficiaries. The table also shows the amount of payments for costs of rehabilitation services for the 15-month period July 1975 through September 1976 related to the amount of benefits paid to disabled beneficiaries in the corresponding earlier 15-month period July 1974 through September 1975.

Fiscal year to which costs of rehabilitation services are charged	Amount of payments for costs of rehabilitation services <sup>1</sup> (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
1972 .....	\$30,029	\$3,028,695	0.99
1973 .....	30,141	3,629,590	.83
1974 .....	49,620	4,643,016	1.07
1975 .....	77,502	5,533,493	1.40
July 1975-September 1976 <sup>2</sup> .....	127,371	8,824,547	1.44

<sup>1</sup> 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.

<sup>2</sup> The amount of payments for costs of rehabilitation services represents the total amount for the 15-month period July 1975 through September 1976. The estimated amount of benefit payments to disabled beneficiaries represents total payments during the corresponding earlier 15-month period July 1974 through September 1975.

At the end of fiscal year 1976, some 4,533,000 persons were receiving monthly benefits from the disability insurance trust fund. The distribution of benefit payments in fiscal years 1975 and 1976, by type of beneficiary, is shown in table 8.

TABLE 8.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE DISABILITY INSURANCE TRUST FUND, BY TYPE OF BENEFICIARY, FISCAL YEARS 1975 AND 1976

[Amounts in millions]

	1975		1976	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$7,629.8	100	\$9,222.2	100
Disabled workers.....	6,266.8	82	7,570.3	82
Wives and husbands.....	349.6	5	419.0	5
Children.....	1,013.4	13	1,232.9	13

The assets of this fund at the end of fiscal year 1976 totaled \$6,939 million, consisting of \$6,929 million in the form of obligations of the U.S. Government and an undisbursed balance of \$10 million. Table 9 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1975 and 1976.

The net decrease in the par value of the investments owned by the fund during the fiscal year amounted to \$1,227 million. New securities at a total par value of \$9,630 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 year was \$10,857 million. Included in these amounts is \$8,657 million in certificates of indebtedness that were acquired and redeemed within the fiscal year.

The effective annual rate of interest earned by the assets of the disability insurance trust fund during fiscal year 1976 was 6.8 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1976 was 7½ percent, payable semiannually.

The investment policy and practices described in the preceding section concerning the old-age and survivors insurance trust fund 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.

TABLE 9.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS  
1975 AND 1976

	June 30, 1975		June 30, 1976	
	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>				
6 percent, 1978 .....	\$2,000,000	\$2,002,592.04	\$2,000,000	\$2,001,833.40
6½ percent, 1978 .....	2,000,000	2,002,641.61	2,000,000	2,001,619.09
7½ percent, 1976 .....	26,000,000	25,979,390.53	26,000,000	25,998,414.97
7¾ percent, 1977 .....	14,000,000	13,989,457.94	14,000,000	13,994,518.22
8 percent, 1977 .....	10,000,000	10,000,000.00	10,000,000	10,000,000.00
<b>Treasury bonds:</b>				
3½ percent, 1990 .....	10,500,000	10,096,515.98	10,500,000	10,124,183.54
3½ percent, 1998 .....	5,000,000	4,757,169.80	5,000,000	4,767,576.80
4 percent, 1980 .....	30,250,000	30,246,176.33	30,250,000	30,247,010.21
4½ percent, 1989-94 .....	68,400,000	67,772,719.68	68,400,000	67,806,026.52
4½ percent, 1975-85 .....	20,795,000	20,780,509.73	20,795,000	20,781,983.21
4½ percent, 1987-92 .....	80,800,000	80,909,083.11	80,800,000	80,900,055.63
6¾ percent, 1984 .....	15,000,000	15,049,731.61	15,000,000	15,044,306.29
7½ percent, 1988-93 .....	26,500,000	25,802,941.67	26,500,000	25,841,311.79
8¼ percent, 2000-05 .....	3,750,000	3,729,489.26	3,750,000	3,730,174.82
<b>Total investments in public issues .....</b>	<b>314,995,000</b>	<b>313,118,419.29</b>	<b>314,995,000</b>	<b>313,239,014.49</b>
<b>Obligations sold only to this fund (special issues):</b>				
<b>Notes:</b>				
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 .....	1,102,166,000	1,102,166,000.00	1,102,166,000	1,102,166,000.00
6¾ percent, 1980 .....	943,266,000	943,266,000.00	943,266,000	943,266,000.00
7¾ percent, 1977 .....	1,394,466,000	1,394,466,000.00	370,385,000	370,385,000.00
<b>Bonds:</b>				
7½ percent, 1981 .....	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½ percent, 1982 .....	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½ percent, 1983 .....	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½ percent, 1984 .....	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½ percent, 1985 .....	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½ percent, 1986 .....	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½ percent, 1987 .....	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½ percent, 1988 .....	84,337,000	84,337,000.00	84,337,000	84,337,000.00
7½ percent, 1989 .....	84,337,000	84,337,000.00	84,337,000	84,337,000.00
7½ percent, 1990 .....	206,000,000	206,000,000.00	206,000,000	206,000,000.00
7½ percent, 1981 .....	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½ percent, 1982 .....	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½ percent, 1983 .....	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½ percent, 1984 .....	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½ percent, 1985 .....	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½ percent, 1986 .....	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½ percent, 1987 .....	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½ percent, 1988 .....	63,019,000	63,019,000.00	63,019,000	63,019,000.00
7½ percent, 1989 .....	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½ percent, 1990 .....	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½ percent, 1991 .....	269,020,000	269,020,000.00	269,020,000	269,020,000.00
7½ percent, 1981 .....	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1982 .....	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1983 .....	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1984 .....	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1985 .....	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1986 .....	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1987 .....	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1988 .....	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1989 .....	121,663,000	121,663,000.00	121,663,000	121,663,000.00
<b>Total obligations sold only to this fund (special issues) .....</b>	<b>7,842,771,000</b>	<b>7,842,771,000.00</b>	<b>6,615,743,000</b>	<b>6,615,743,000.00</b>
<b>Total investments in public-debt obligations</b>				
Undisbursed balances .....	8,157,766,000	8,155,889,419.29	6,930,738,000	6,928,982,014.49
		34,617,377.99		10,347,877.81
<b>Total assets .....</b>	<b>8,190,506,792.28</b>	<b>8,190,506,792.28</b>	<b>6,939,329,892.30</b>	<b>6,939,329,892.30</b>

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