

trust fund still held \$326 million in a special issue consisting of a 7-year note that will mature on June 30, 1980 (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 \$24,177 million in special issues at the end of September 1977 that were acquired in 1974-77 and were distributed in virtually equal amounts of about \$2,015 million maturing in each of the years 1981-1992 (table 6). The investment operations of the fund in fiscal years 1976 and earlier are described in the 1977, and earlier, annual reports.

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1977

A statement of the income and disbursements of the Federal Disability Insurance Trust Fund during fiscal year 1977 (which began on October 1, 1976 and ended on September 30, 1977), and of the assets of the fund at the beginning and end of the fiscal year is presented in table 7. Corresponding amounts for the transition quarter July-September 1976 (which were not presented in last year's annual report) are also shown in the table.

The total assets of the disability insurance trust fund amounted to \$6,459 million on September 30, 1976. During fiscal year 1977, total receipts amounted to \$9,375 million and total disbursements were \$11,590 million. The assets of the trust fund thus decreased \$2,215 million during the year to a total of \$4,243 million on September 30, 1977.

Included in total receipts were \$8,134 million representing contributions appropriated to the fund, and \$805 million representing amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$39 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 \$8,900 million, an increase of 10.2 percent over the amount of \$8,076 million for the preceding 12-month period. 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).

In addition, the trust fund received \$103 million in December from the general fund of the Treasury, as reimbursement for the costs of noncontributory credits for military service. Of this amount, \$92 million was reimbursed in accordance with section 217(g) and \$11 million was in accordance with section 229(b), as 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, 1976, required that a transfer of \$300,000 be made from the railroad retirement account to the disability insurance trust fund. This amount was transferred to the trust fund in June 1977, together with interest to the date of transfer amounting to \$18,000.

TABLE 7.—STATEMENT OF OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING THE TRANSITION QUARTER, JULY-SEPTEMBER 1976, AND DURING FISCAL YEAR 1977

[In thousands]

	July- September 1976	Fiscal year 1977
Total assets of the trust fund, beginning of period.....	\$6,939,330	\$6,458,609
Receipts:		
Contributions:		
Appropriations.....	1,873,228	8,133,602
Deposits arising from State agreements.....	285,823	805,160
Gross contributions.....	2,159,051	8,938,762
Less payment into the Treasury for contributions subject to refund.....		39,260
Net contributions.....	2,159,051	8,899,502
Reimbursement from general fund of the Treasury for costs of noncontributory credits for military service.....		103,000
Interest:		
Interest on investments.....	13,294	374,008
Interest on amounts transferred from the old-age and survivors insurance trust fund due to adjustment in allocation of costs of vocational rehabilitation services.....		95
Gross interest.....	13,294	374,103
Less interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs.....		2,362
Net interest.....	13,294	371,741
Transfer from railroad retirement account.....		318
Total receipts ¹	2,172,345	9,374,562
Disbursements:		
Benefit payments.....	2,555,020	11,135,237
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For the current period.....	27,293	77,849
Less transfer from the old-age and survivors insurance trust fund due to adjustment in allocation of costs for fiscal year 1976 and the transition quarter.....		705
Total payment for costs of vocational rehabilitation services.....	27,293	77,144
Administrative expenses:		
Department of Health, Education, and Welfare.....	65,589	329,044
Treasury Department.....	3,404	17,912
Construction of facilities for Social Security Administration.....	1,623	116
Expenses of the Department of Health, Education, and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	138	552
Interfund transfers due to adjustment in allocation of administrative expenses.....		31,692
Gross administrative expenses.....	70,753	379,361
Less interfund transfers due to adjustment in allocation of costs of construction.....		1,687
Less receipts from sales of supplies, materials, etc.....		14
Net administrative expenses.....	70,753	377,659
Total disbursements.....	2,653,066	11,590,040
Net addition to the trust fund.....	-480,721	-2,215,478
Total assets of the trust fund, end of period.....	6,458,609	4,243,131

¹ Includes gifts amounting to \$100 during the transition quarter.

Note: Totals do not necessarily equal the sum of rounded components.

The remaining \$372 million of receipts consisted of interest on the investments of the fund, plus net interest on amounts of interfund transfers.

Of the \$11,590 million in total disbursements, \$11,135 million was for benefit payments, an increase of 16.5 percent over the corresponding amount of \$9,561 million paid in the preceding 12-month period.

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).

The remaining disbursements amounted to \$378 million for net administrative expenses and \$77 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 statutory limitation on the amounts to be made available was 1¼ percent in fiscal year 1973 and 1½ percent in fiscal years 1974 and later. Beginning with payments for fiscal year 1977, the funds made available for vocational rehabilitation costs are further curtailed by limitations in the Budget of the United States for each year. The data presented below show the relationship between the total amount of payments for the costs of such rehabilitation services for each fiscal year, 1973-75, 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. The table also shows the relationship between the costs of rehabilitation services for fiscal year 1977 and benefits paid in the preceding 12-month period October 1975 through September 1976.

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
1973.....	\$30,308	\$3,629,590	0.84
1974.....	51,443	4,643,016	1.11
1975.....	78,561	5,533,493	1.42
July 1975--September 1976.....	116,895	8,824,547	1.32
1977 ²	52,041	8,545,798	.61

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.

² 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 15-month period July 1974 through September 1975.

³ The estimated amount of benefit payments to disabled beneficiaries represents total payments during the preceding 12-month period October 1975 through September 1976.

At the end of fiscal year 1977, some 4.8 million persons were receiving monthly benefits from the disability insurance trust fund. The distribution of benefit payments in the transition quarter and in fiscal year 1977, 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, IN THE TRANSITION QUARTER, JULY-SEPTEMBER 1976, AND IN FISCAL YEAR 1977

[Dollar amounts in millions]

	July-September 1976		Fiscal year 1977	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$2,555.0	100	\$11,135.2	100
Disabled workers.....	2,102.1	82	9,180.4	82
Wives and husbands.....	114.8	4	490.6	4
Children.....	338.1	13	1,464.3	13

Note: Totals do not necessarily equal the sum of rounded components.

The assets of this fund at the end of the transition quarter July-September 1976 totaled \$6,459 million, consisting of \$6,451 million in the form of obligations of the U.S. Government and an undisbursed balance of \$7 million. The assets of the fund at the end of fiscal year 1977 totaled \$4,243 million, consisting of \$4,240 million in the form of obligations of the U.S. Government and an undisbursed balance of \$3 million. Table 9 shows a comparison of the total assets of the fund and their distribution at the end of the transition quarter and at the end of fiscal year 1977.

TABLE 9.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT THE END OF THE TRANSITION QUARTER, JULY-SEPTEMBER 1976, AND AT THE END OF FISCAL YEAR 1977

	September 30, 1976		September 30, 1977	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
6-percent, 1978.....	\$2,000,000	\$2,001,643.74	\$2,000,000	\$2,000,885.10
6½-percent, 1978.....	2,000,000	2,001,363.46	2,000,000	2,000,340.94
7½-percent, 1977.....	14,000,000	13,995,783.29		
8-percent, 1977.....	10,000,000	10,000,000.00		
Treasury bonds:				
3½-percent, 1990.....	10,500,000	10,131,100.43	10,500,000	10,158,767.99
3½-percent, 1998.....	5,000,000	4,770,178.55	5,000,000	4,780,585.55
4-percent, 1980.....	30,250,000	30,247,218.68	30,250,000	30,248,052.56
4½-percent, 1989-94.....	68,400,000	67,814,353.23	68,400,000	67,847,660.07
4½-percent, 1975-85.....	20,795,000	20,782,351.58	20,795,000	20,783,825.06
4½-percent, 1987-92.....	80,800,000	80,897,798.76	80,800,000	80,888,771.28
6½-percent, 1984.....	15,000,000	15,042,949.96	15,000,000	15,037,524.64
7½-percent, 1988-93.....	26,500,000	25,850,904.32	26,500,000	25,889,274.44
7½-percent, 2002-07.....			10,000,000	9,994,165.52
8-percent, 1996-2001.....	26,000,000	25,972,365.46	26,000,000	25,973,478.22
8½-percent, 2000-05.....	3,750,000	3,730,346.21	3,750,000	3,731,031.77
Total investments in public issues.....	314,995,000	313,238,357.67	300,995,000	299,334,363.14

See footnote at end of table.

TABLE 9.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT THE END OF THE TRANSITION QUARTER, JULY–SEPTEMBER 1976, AND AT THE END OF FISCAL YEAR 1977—Continued

	September 30, 1976		September 30, 1977	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations—Continued				
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
7½-percent, 1978			\$710,032,000	\$710,032,000.00
7½-percent, 1977	\$724,491,000	\$724,491,000.00		
Notes:				
5¾-percent, 1979	1,058,617,000	1,058,617,000.00		
6¼-percent, 1978	452,652,000	452,652,000.00		
6¾-percent, 1980	943,266,000	943,266,000.00		
Bonds:				
7½-percent, 1982			5,830,000	5,830,000.00
7½-percent, 1983			5,830,000	5,830,000.00
7½-percent, 1984			5,830,000	5,830,000.00
7½-percent, 1985			5,830,000	5,830,000.00
7½-percent, 1986			5,831,000	5,831,000.00
7½-percent, 1987			5,831,000	5,831,000.00
7½-percent, 1988			5,831,000	5,831,000.00
7½-percent, 1989			5,831,000	5,831,000.00
7½-percent, 1990			5,831,000	5,831,000.00
7½-percent, 1991			5,831,000	5,831,000.00
7½-percent, 1992			274,851,000	274,851,000.00
7½-percent, 1991	84,338,000	84,338,000.00	22,839,000	22,839,000.00
7½-percent, 1992	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½-percent, 1993	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½-percent, 1994	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½-percent, 1995	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½-percent, 1996	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½-percent, 1997	84,338,000	84,338,000.00	84,338,000	84,338,000.00
7½-percent, 1998	84,337,000	84,337,000.00	84,337,000	84,337,000.00
7½-percent, 1999	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, 1991	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½-percent, 1992	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½-percent, 1993	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½-percent, 1994	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½-percent, 1995	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½-percent, 1996	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½-percent, 1997	63,019,000	63,019,000.00	63,019,000	63,019,000.00
7½-percent, 1998	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½-percent, 1999	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, 1991	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½-percent, 1992	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½-percent, 1993	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½-percent, 1994	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½-percent, 1995	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½-percent, 1996	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½-percent, 1997	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½-percent, 1998	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½-percent, 1999	121,663,000	121,663,000.00	121,663,000	121,663,000.00
Total obligations sold only to this fund (special issues)	6,138,252,000	6,138,252,000.00	3,940,915,000	3,940,915,000.00
Total investments in public-debt obligations	6,453,247,000	6,451,490,357.67	4,241,910,000	4,240,249,363.14
Undisbursed balances		7,118,361.32		2,881,258.19
Total assets		6,458,608,718.99		4,243,130,621.33

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

The net decrease in the par value of the investments owned by the fund during the transition quarter amounted to \$477 million. New securities at a total par value of \$2,200 million were acquired during the transition quarter through the investment of receipts. All of these new securities were certificates of indebtedness. The par value of securities redeemed during the transition quarter was \$2,678 million, including \$1,476 million in certificates of indebtedness. In addition, \$26 million in 7½-percent notes maturing in August 1976 were exchanged for equal amounts of 8-percent bonds maturing in August 2001. The net decrease in the par value of the investments owned by the fund during fiscal year 1977 amounted to \$2,211 million. New securities at a total par value of \$9,965 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 \$12,176 million. Included in these amounts is \$9,076 million in certificates of indebtedness that were acquired, and \$9,091 million in certificates of indebtedness that were redeemed, within the fiscal year.

The effective annual rate of interest earned by the assets of the disability insurance trust fund during the 12 months ending on June 30, 1977, was 7.0 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1977 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.

ACTUARIAL COST PROJECTIONS

Section 201(c) of the Social Security Act requires that the Board of Trustees report annually to the Congress on the operations and status of the OASI and DI trust funds during the preceding fiscal year and on the expected operations and status of those trust funds during the ensuing 5 fiscal years. Such information for the fiscal year that ended September 30, 1977, is presented in the two preceding sections of this report.

Section 201(c) of the Social Security Act also requires that the annual report of the Board of Trustees include "a statement of the actuarial status of the trust funds". Such estimates have customarily been made about the actuarial status of the system over three selected periods, namely, short-range (5 years), medium-range (25 years), and long-range (75 years), with each period commencing with the year of the issuance of the report. The medium-range and long-range actuarial statuses have been measured by the differences between the average of the tax rates scheduled in the law and the estimated average future expenditures, expressed as percentages of taxable payroll, for the 25-year and 75-year periods, respectively. These differences are referred to as the medium-range and long-range actuarial balances. Information of the current actuarial statuses is shown in later sections. Information on the methods used to project future expenditures is presented in appendix A.

When considering the year-by-year operations of either trust fund, significant attention is devoted to whether the system is operating under annual surpluses (when the income exceeds the expenditures) or under annual deficits (when the expenditures exceed the income). Attention is also given to the level of the trust fund ratio—that is, to the ratio of the trust fund assets at the beginning of a year to the trust fund expenditures during that year—although there is no general agreement as to the appropriate level of that ratio.

There is general agreement that the OASDI system should be financed on the basis of a “current-cost” method, under which the taxes collected each year are intended to be approximately equal to the expenditures during the year plus a small additional amount needed to maintain the trust funds at appropriate contingency reserve levels. Under this financing method the assets of the trust funds are intended to play the relatively minor role of absorbing temporary excesses of expenditures over income that may occur during periods of adverse economic conditions and to allow time for executive and legislative action if substantive changes in program and financing are needed.

Basic to the discussion of the medium-range or long-range actuarial status of either trust fund is the concept of expenditures as a percent of taxable payroll. The expenditures include benefit payments, administrative expenses, net transfers under the financial interchange between the OASDI trust funds and the railroad retirement account, and payments for vocational rehabilitation services for disability beneficiaries. The taxable payroll consists of the total earnings which are subject to social security taxes, adjusted to reflect the lower contribution rates on self-employment income, tips, and multiple-employer “excess wages.” This adjustment is made so that the expenditures expressed as percent of taxable payroll—that is, the expenditures divided by the taxable payroll and expressed as a percentage—will be comparable to the combined employer-employee tax rate in the law.

When considering the medium-range or long-range actuarial status of either trust fund, interest generally centers around whether the system has an “actuarial surplus” (when the average of the scheduled tax rates exceeds the estimated average expenditures) or an “actuarial deficit” (when the estimated average expenditures exceeds the average of the scheduled tax rates). In recent years the system has been considered to be in “close actuarial balance” over the long-range period if the average of the scheduled tax rates over the 75-year period is within 5 percent of the estimated average expenditures (either higher or lower).

The actuarial cost projections throughout this report are based on the assumption that the present statutory provisions and regulations affecting the OASDI system will remain unchanged.

ECONOMIC AND DEMOGRAPHIC FACTORS AND ASSUMPTIONS

Actual future income and expenditures will depend upon many economic and demographic factors. Future income will depend upon the size and composition of the working population and the level of earnings, which depend in turn upon fertility rates, mortality rates, migration rates, labor force participation rates, unemployment rates, wage patterns, etc. Future expenditures will depend upon the size and composition of the beneficiary population and the level of benefits,

which depend in turn upon retirement rates, mortality rates, disability rates, fertility rates, marriage rates, changes in the Consumer Price Index, etc.

In addition, because of the automatic adjustment provisions in the Social Security Act, economic conditions have a direct effect on the operations and status of the trust funds. Under those provisions, economic conditions directly affect benefit levels, the contribution and benefit base (i.e., the maximum amount of a worker's annual earnings that is taxable and creditable toward benefits), the annual exempt amounts in the retirement test (i.e., the maximum amounts, depending on age, that a beneficiary may earn in a year and still receive all of his benefits for the year), the amount of earnings needed to obtain a quarter of coverage, and the indexing of individual earnings records and of the benefit formula. Indirectly, economic conditions affect the program through levels of employment and the resulting amount of taxable earnings.

It is obviously impossible to know what the future holds with respect to these economic and demographic factors. The best that can be done is to make assumptions about the future behavior of these factors in an objective manner based on current understanding of such behavior. Cost projections based on such assumptions are a useful indicator of the trend and range of future income and expenditures. However, due to the inherent uncertainty about future economic and demographic conditions, any such projection is subject to appreciable error, depending on the length of the projection period. Consequently, the projection shown in this report cannot be considered exact predictions of emerging experience. Nonetheless, such projections, if revised periodically to reflect changes in experience and the interpretation thereof, provide information which is essential for making informed policy decisions.

Although the assumptions may appear to be reasonable, based on current understanding, they may in some instances imply conditions so different from the current situation that it is important to recognize their overall socioeconomic implications and not just their effect on the OASDI program. For example, since the selection of demographic assumptions implies a certain future composition of the U.S. population, many of the nation's social and economic arrangements may change substantially. Although beyond the scope of this report, it is desirable to view medium-range and long-range financing issues from a perspective that is broad enough to encompass an understanding of how the OASDI program is likely to change as society itself changes in the next 25 to 75 years.

Because of the uncertainties about future economic and demographic developments, estimates are presented in this report based on three different alternative sets of assumptions—designated as alternatives I, II, and III. Alternative II is also referred to in this report as the intermediate set of assumptions (or, more briefly, the intermediate assumptions). Alternatives I and III may be respectively characterized as more “optimistic” and more “pessimistic” than alternative II. For ease of reference, alternatives I and III are sometimes referred to as the optimistic and pessimistic sets of assumptions (or, more briefly, the optimistic and pessimistic assumptions), respectively. Table 10 provides details of the economic and demographic factors that are assumed to differ among the three alternatives. The assumed rate of

growth in real gross national product (GNP) is also shown in table 10. The rate of growth in real GNP is a measure of growth in the real level of economic activity, reflecting changes in employment levels, average earnings, etc., all of which affect total earnings taxable under the OASDI program.

The values assumed for the economic and demographic factors after the early years are intended to represent the average experience for those years and are not intended to be predictions of year-by-year values, which are expected to vary because of possible future economic cycles.

TABLE 10.—VALUES OF SELECTED ECONOMIC AND DEMOGRAPHIC FACTORS ASSUMED IN ALTERNATIVES I, II, AND III, BY CALENDAR YEAR

Calendar year	Percentage increase in average annual—				Real wage differential ²	Average annual unemployment rate	Total fertility rate ³
	Real GNP ¹	Wages in covered employment	Consumer Price Index (CPI)				
Alternative I:							
1977.....	4.9	7.7	6.5		1.2	7.0	1,789.5
1978.....	4.7	7.2	6.1		1.1	6.3	1,764.6
1979.....	5.1	8.4	6.0		2.4	5.9	1,793.8
1980.....	5.5	8.1	5.5		2.6	5.3	1,822.9
1981.....	5.5	7.6	5.0		2.6	4.9	1,852.1
1982.....	5.1	7.4	4.5		2.9	4.3	1,881.2
1983.....	4.0	7.1	4.0		3.1	4.0	1,910.4
1984.....	2.7	6.0	3.5		2.5	4.2	1,940.0
1985.....	3.0	5.5	3.0		2.5	4.5	1,970.5
1986.....	3.3	5.5	3.0		2.5	4.5	2,002.5
1987.....	3.3	5.5	3.0		2.5	4.5	2,036.0
1988.....	3.3	5.5	3.0		2.5	4.5	2,070.2
1989.....	(1)	5.5	3.0		2.5	4.5	2,104.3
1990.....	(1)	5.5	3.0		2.5	4.5	2,137.3
1991.....	(1)	5.5	3.0		2.5	4.5	2,168.3
1992.....	(1)	5.4	3.0		2.4	4.5	2,196.3
1993.....	(1)	5.4	3.0		2.4	4.5	2,220.7
1994.....	(1)	5.4	3.0		2.4	4.5	2,241.1
1995.....	(1)	5.4	3.0		2.4	4.5	2,257.6
1996.....	(1)	5.3	3.0		2.3	4.5	2,270.6
1997.....	(1)	5.3	3.0		2.3	4.5	2,280.5
1998.....	(1)	5.3	3.0		2.3	4.5	2,287.8
1999.....	(1)	5.3	3.0		2.3	4.5	2,292.8
2000.....	(1)	5.25	3.0		2.25	4.5	2,296.1
2001.....	(1)	5.25	3.0		2.25	4.5	2,298.0
2002.....	(1)	5.25	3.0		2.25	4.5	2,299.1
2003.....	(1)	5.25	3.0		2.25	4.5	2,299.6
2004.....	(1)	5.25	3.0		2.25	4.5	2,299.9
2005 and later.....	(1)	5.25	3.0		2.25	4.5	2,300.0
Alternative II:⁴							
1977.....	4.9	7.7	6.5		1.2	7.0	1,789.5
1978.....	4.7	7.2	6.1		1.1	6.3	1,758.4
1979.....	4.8	7.9	6.1		1.8	5.9	1,775.1
1980.....	4.8	7.9	5.7		2.2	5.4	1,791.7
1981.....	5.1	7.4	5.2		2.2	5.0	1,808.4
1982.....	4.1	7.4	5.0		2.4	4.8	1,825.1
1983.....	3.5	7.1	4.7		2.4	4.6	1,841.8
1984.....	2.5	6.1	4.1		2.0	4.8	1,858.8
1985.....	3.0	6.0	4.0		2.0	5.0	1,876.9
1986.....	3.0	6.0	4.0		2.0	5.0	1,896.7
1987.....	3.1	6.0	4.0		2.0	5.0	1,918.2
1988.....	3.0	6.0	4.0		2.0	5.0	1,941.1
1989.....	(1)	6.0	4.0		2.0	5.0	1,964.5
1990.....	(1)	6.0	4.0		2.0	5.0	1,987.8
1991.....	(1)	6.0	4.0		2.0	5.0	2,039.9
1992.....	(1)	5.9	4.0		1.9	5.0	2,030.0
1993.....	(1)	5.9	4.0		1.9	5.0	2,047.5
1994.....	(1)	5.9	4.0		1.9	5.0	2,062.0
1995.....	(1)	5.9	4.0		1.9	5.0	2,073.7
1996.....	(1)	5.8	4.0		1.8	5.0	2,082.7
1997.....	(1)	5.8	4.0		1.8	5.0	2,089.5
1998.....	(1)	5.8	4.0		1.8	5.0	2,094.3
1999.....	(1)	5.8	4.0		1.8	5.0	2,097.4
2000.....	(1)	5.75	4.0		1.75	5.0	2,099.2
2001.....	(1)	5.75	4.0		1.75	5.0	2,100.1
2002.....	(1)	5.75	4.0		1.75	5.0	2,100.3
2003.....	(1)	5.75	4.0		1.75	5.0	2,100.3
2004.....	(1)	5.75	4.0		1.75	5.0	2,100.1
2005 and later.....	(1)	5.75	4.0		1.75	5.0	2,100.0

See footnotes at end of table.

Calendar year	Percentage increase in average annual—				Average annual unemployment rate	Total fertility rate ³
	Real GNP ¹	Wages in covered employment	Consumer Price Index (CPI)	Real wage differential ²		
Alternative III:						
1977	4.9	7.7	6.5	1.2	7.0	1,789.5
1978	4.7	7.2	6.1	1.1	6.3	1,745.9
1979	4.1	8.2	6.8	1.4	6.0	1,737.6
1980	0.8	7.4	7.1	.3	7.0	1,729.2
1981	4.0	8.0	7.0	1.0	7.0	1,720.9
1982	4.0	8.3	6.5	1.8	6.6	1,712.6
1983	4.0	8.0	6.0	2.0	6.2	1,704.3
1984	4.0	7.0	5.5	1.5	5.8	1,696.4
1985	3.5	6.5	5.0	1.5	5.5	1,689.6
1986	2.8	6.5	5.0	1.5	5.5	1,684.9
1987	2.8	6.5	5.0	1.5	5.5	1,682.6
1988	2.7	6.5	5.0	1.5	5.5	1,682.7
1989	(⁴)	6.5	5.0	1.5	5.5	1,684.9
1990	(⁴)	6.5	5.0	1.5	5.5	1,688.6
1991	(⁴)	6.5	5.0	1.5	5.5	1,693.0
1992	(⁴)	6.5	5.0	1.5	5.5	1,697.3
1993	(⁴)	6.4	5.0	1.4	5.5	1,701.0
1994	(⁴)	6.4	5.0	1.4	5.5	1,703.9
1995	(⁴)	6.4	5.0	1.4	5.5	1,705.8
1996	(⁴)	6.3	5.0	1.3	5.5	1,706.9
1997	(⁴)	6.3	5.0	1.3	5.5	1,707.3
1998	(⁴)	6.3	5.0	1.3	5.5	1,707.1
1999	(⁴)	6.3	5.0	1.3	5.5	1,706.5
2000	(⁴)	6.25	5.0	1.25	5.5	1,705.4
2001	(⁴)	6.25	5.0	1.25	5.5	1,704.1
2002	(⁴)	6.25	5.0	1.25	5.5	1,702.8
2003	(⁴)	6.25	5.0	1.25	5.5	1,701.6
2004	(⁴)	6.25	5.0	1.25	5.5	1,700.5
2005 and later	(⁴)	6.25	5.0	1.25	5.5	1,700.0

¹ Based on GNP expressed in 1972 dollars (i.e., total output of goods and services adjusted for inflation since 1972). Not projected beyond 1988.

² Defined to be the difference between percentage increases in average annual wages and average annual CPI.

³ Average number of children born per 1,000 women in their lifetime.

⁴ As explained in the accompanying text, the economic assumptions for the years 1978-81 are similar to the assumptions underlying the President's 1979 budget.

The real level of economic activity is assumed to grow at differing rates under the three sets of assumptions. The economic recovery from the recession that began in 1974 is assumed to continue at a moderate rate under the intermediate assumptions (alternative II) and at a somewhat faster rate under the optimistic assumptions (alternative I). Under the pessimistic assumptions (alternative III), a pronounced slow-down in economic growth is assumed to begin in 1979 and to continue through 1980, accompanied by increased rates of inflation, with higher rates of economic growth resuming in 1981.

After 1979, under the intermediate assumptions, the assumed annual rate of growth in the real GNP rises to 5.1 percent in 1981 and then declines to about 3 percent by 1985. At the same time, the unemployment rate is assumed to decline to less than 5 percent in 1982 before rising by 1985 to the ultimate assumed rate of 5 percent. It is further assumed that the annual rate of increase in average wages in covered employment will fall to about 6 percent by 1984, remaining at 6 percent through 1991, and declining gradually thereafter until it reaches an ultimate level of 5 3/4 percent in the year 2000. The rate of increase in the average annual CPI is assumed to decline to 4 percent by 1985, under the intermediate assumptions.

Also under alternative II, the total fertility rate is projected to rise slowly from its assumed 1978 level to its assumed ultimate level of 2.1 children per woman around the year 2005. The effect of future fertility experience on short-range and medium-range projections is

relatively minor because few of the projected births produce covered workers or beneficiaries during the short-range or medium-range periods. However, the effect on the long-range projections is significant because the number of covered workers and beneficiaries during the last 50 years of the long-range projection period is highly dependent on the projected fertility rates. (See appendix A for further information on the projection of fertility rates.)

Under alternative I, the assumed annual percentage increase in real GNP is generally higher than under alternative II. The assumed rate of unemployment after 1979 and the annual percentage increase in CPI after 1978 are lower. During 1979-82 the assumed annual percentage change in average wages in covered employment is higher declining to 5 1/2 percent by 1985 and to an ultimate level of 5 1/4 percent by 2000. Although the assumed rate of increase in average wages after 1982 is lower under the optimistic assumptions than under the intermediate assumptions, the real wage gains are higher because of lower assumed rates of inflation. The total fertility rate is projected to rise to a higher level under alternative I than under alternative II, that is, to 2.3 rather than 2.1 children per woman.

The assumptions of alternative III are presented in this report in order to show estimates under a set of less favorable economic conditions. As a result of the assumed slow-down in economic growth in 1979 and 1980, the rate of unemployment remains above 6 percent through 1983. Because of an assumed higher rate of inflation and lower rate of economic growth, gains in average real wages are lower under alternative III, than under the intermediate assumptions. Also, the ultimate total fertility rate of 1.7 projected under alternative III is lower than the ultimate rate of 2.1 projected under alternative II.

According to the automatic increase provisions of the law, benefits are adjusted to reflect increases in the CPI. After 1979, as a result of the revised benefit structure provided under the 1977 amendments, these automatic cost-of-living benefit increases will only apply beginning with the year a worker reaches age 62, becomes disabled, or dies.

In the year immediately following each year in which an automatic cost-of-living benefit increase becomes effective, the contribution and benefit base, and the amounts of earnings exempted from the withholding of benefits under the retirement test, automatically increase in proportion to the increase in average wages.¹ An automatic cost-of-living benefit increase of 5.9 percent, effective for June 1977, was established in May 1977, as described in appendix B. Following this benefit increase, automatic increases in the contribution and benefit base, from \$16,500 in 1977 to \$17,700 in 1978, and in the annual exempt amount under the retirement test, from \$3,000 in 1977 to \$3,240 in 1978, were established in October 1977, as described in appendix C.

Under the automatic provisions of the law, the foregoing assumptions result in the following general benefit increases in each year 1979 through 1986 (when the assumed benefit increases, under all three sets of assumptions, reach their ultimate levels) and the following contribution and benefit bases for each year 1982 through 1986 (amounts for 1978, and the contribution and benefit base scheduled

¹ The amount of the contribution and benefit base for each year 1979-81, and the amount of the retirement test exempt amount for beneficiaries aged 65 and over for each year 1978-82, are specified in the law. (The age at which the retirement test ceases to apply is reduced from age 72 to age 70 beginning in 1982.)

for each year 1979–81 under present law, are also shown as a basis for comparison):

Year	General benefit increase ¹ under alternative (percent)—			Contribution and benefit base ² under alternative—		
	I	II	III	I	II	III
1978.....	6.5	6.5	6.5	\$17,700	\$17,700	\$17,700
1979.....	6.1	6.1	6.4	22,900	22,900	22,900
1980.....	5.8	5.9	7.3	25,900	25,900	25,900
1981.....	5.2	5.4	6.8	29,700	29,700	29,700
1982.....	4.6	5.0	6.8	32,100	32,100	31,800
1983.....	4.2	4.9	6.2	34,500	34,500	34,200
1984.....	3.7	4.3	5.7	37,200	36,900	37,200
1985.....	3.1	4.0	5.1	39,900	39,600	40,200
1986.....	3.0	4.0	5.0	42,300	42,000	42,900

¹ Effective with benefits for June of the stated year.

² The amounts, effective on Jan. 1 of the stated year, are specified in the law for the years 1979–81. After 1981, the amount increases under the automatic provisions.

In preparing the intermediate set of assumptions (alternative II), the economic assumptions for 1978 and 1979 that appear on page 31 of the President's 1979 Budget were adopted with one exception—a somewhat larger increase in the average annual CPI in the first quarter of 1978 is assumed in this report because of recent actual experience. As a result of these recent higher increases in the CPI, the automatic benefit increase for June 1978, which was determined to be 6.5 percent after the Budget was completed, is higher than the 6.2 percent increase assumed for the 1979 Budget. In addition, the assumptions adopted for 1980 and 1981 are similar to the Budget assumptions.

Based on the automatic provisions of the law, the estimated changes through 1986 in the annual exempt amount under the retirement test, both for beneficiaries under age 65 and for beneficiaries aged 65 and over (after 1982), are as follows:

ANNUAL EXEMPT AMOUNTS UNDER THE RETIREMENT TEST¹

Year	Annual exempt amount for beneficiaries under age 65 under alternative—			Annual exempt amount for beneficiaries aged 65 and over ² under alternative—		
	I	II	III	I	II	III
1978.....	\$3,240	\$3,240	\$3,240	\$4,000	\$4,000	\$4,000
1979.....	3,480	3,480	3,480	4,500	4,500	4,500
1980.....	3,720	3,720	3,720	5,000	5,000	5,000
1981.....	4,080	3,960	4,080	5,500	5,500	5,500
1982.....	4,440	4,320	4,440	6,000	6,000	6,000
1983.....	4,800	4,680	4,800	6,480	6,480	6,480
1984.....	5,160	5,040	5,160	6,960	6,960	7,080
1985.....	5,520	5,400	5,520	7,440	7,440	7,680
1986.....	5,880	5,760	5,880	7,920	7,920	8,160

¹ Effective on Jan. 1 of the stated year.

² The amounts are specified in the law for the years 1978–82. After 1982, the amount increases automatically. Through the year 1981, the retirement test does not apply to beneficiaries aged 72 and over. After 1981, the retirement test will not apply to beneficiaries aged 70 and over.

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD OCTOBER 1, 1977, TO DECEMBER 31, 1982

The following statement of the expected operations and status of the trust funds during the period October 1, 1977, to December 31,

1982, is based on the assumptions described in the preceding section. As previously stated, it is assumed that present statutory provisions and regulations affecting the old-age, survivors, and disability insurance program will remain unchanged in the period 1978-82. Thus, the estimates do not reflect the effects of proposed changes in the regulations governing the frequency and timing of contributions from State and local governments.

Estimates of the operations and status of the old-age and survivors insurance trust fund during calendar years 1978-82 are shown in table 11 for each of the three alternative sets of assumptions that were described in the preceding section. Actual data for calendar year 1977 are also shown in the table. Under each alternative, it is assumed that employment and earnings will increase in every year through 1982. The number of persons with taxable earnings under the old-age, survivors, and disability insurance program is expected to increase from 106 million with such earnings during calendar year 1977 to about 122 million during calendar year 1982 under the intermediate assumptions. Under alternatives I and III, the number of persons with taxable earnings is estimated to reach 122 million and 118 million, respectively, by 1982. The total annual amount of taxable earnings is expected to increase from \$820 billion in 1977 to \$1,437 billion in 1982 under the intermediate assumptions. Under alternatives I and III, taxable earnings in 1982 are estimated to be \$1,457 billion and \$1,406 billion, respectively. These increases are due in part to the increases in the contribution and benefit base scheduled for 1979-81 under present law, and the increase in the base assumed to occur in 1982 under the automatic provisions. The increases in taxable earnings are also due to projected increases in (1) employment levels, and (2) average earnings in covered employment.

TABLE 11.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING CALENDAR YEARS 1977-82 UNDER THREE ALTERNATIVE SETS OF ASSUMPTIONS

(Amounts in billions)

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
Alternative I:					
1977 ¹	\$72.4	\$75.3	-\$2.9	\$32.5	47
1978.....	78.1	83.7	-5.7	26.8	39
1979.....	90.4	92.6	-2.2	24.7	29
1980.....	101.8	102.1	-.4	24.3	24
1981.....	118.2	111.9	6.3	30.6	22
1982.....	132.7	122.0	10.7	41.3	25
Alternative II:					
1977 ¹	72.4	75.3	-2.9	32.5	47
1978.....	78.1	83.7	-5.7	26.8	39
1979.....	90.1	92.6	-2.5	24.3	29
1980.....	101.0	102.2	-1.2	23.1	24
1981.....	117.1	112.1	5.0	28.1	21
1982.....	130.7	122.6	8.1	36.2	23
Alternative III:					
1977 ¹	72.4	75.3	-2.9	32.5	47
1978.....	78.1	83.7	-5.7	26.8	39
1979.....	90.2	92.7	-2.6	24.3	29
1980.....	99.0	103.4	-4.4	19.9	23
1981.....	113.7	114.8	-1.1	18.8	17
1982.....	127.0	127.3	-.3	18.5	15

¹ Figures for 1977 represent actual experience.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the preceding section and are shown in table 10.

The rise in estimated income shown in table 11 under each set of assumptions reflects the increases in estimated taxable earnings under the different alternatives, as described above. In addition, the estimated income to the fund is affected by the scheduled changes in contribution rates.

Rising disbursements during calendar years 1978-82 reflect the effects of the assumed future automatic benefit increases previously shown, as well as the long-range upward trend in the numbers of beneficiaries and in the amounts of average monthly earnings underlying benefits payable under the program. The estimates also reflect the effects of the benefit provisions in the 1977 amendments. Under alternatives I and II, outgo is expected to exceed income in each year through 1980. After 1980 income is expected to exceed outgo under both alternatives I and II. Under alternative III, it is estimated that the fund will decline each year through 1982. This decline would continue, under alternative III, until the scheduled increase in contribution rates in 1985.

The assets of the trust fund at the beginning of calendar year 1977 were equal to about 47 percent of expenditures during the year 1977. By the beginning of 1978, the assets of the fund had declined to 39 percent of estimated expenditures in 1978. Under alternatives I and II, the fund's assets, as a percentage of annual expenditures, are estimated to decline to 22 percent and 21 percent, respectively, by the beginning of 1981 and to rise to 25 percent and 23 percent, respectively, by the beginning of 1982. Under alternative III, it is estimated that the fund's assets would decline to 15 percent of annual expenditures by the beginning of 1982.

The growth in the number of beneficiaries in the past and the expected growth in the future results partly from the increase in the aged population and partly from two other factors—(1) in each succeeding year a larger proportion of the persons attaining age 65 are eligible for benefits, and (2) the amendments during the period 1950-77 liberalized the eligibility provisions and extended coverage to new categories of employment.

In addition, there has been a growth in the proportion of eligible persons who receive benefits. This growth is due to several factors, among which are (1) the amendments enacted during the period 1950-77 which affect the conditions governing the receipt of benefits, and (2) the increasing percentage of eligible persons who are aged 72 and over and who therefore receive benefits regardless of earnings. As indicated in the previous section, the age at which eligible persons may begin to receive full benefits regardless of earnings will be reduced from 72 to 70 beginning in 1982.

The expected operations and status of the disability insurance trust fund during calendar years 1978-82 under the three sets of assumptions are shown in table 12, together with figures on actual experience in 1977. Income will increase during calendar years 1978-82, under each alternative, reflecting the same factors, insofar as they apply to income to the disability insurance trust fund, that are reflected in the increase in income to the old-age and survivors insurance trust fund during the same period. Income will also rise as a result of the scheduled increases in the combined employee-employer contribution rate allocated for disability insurance, and accompanying increases in contribution rates for self-employed persons.

TABLE 12.—ESTIMATED OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING CALENDAR YEARS 1977-82 UNDER THREE ALTERNATIVE SETS OF ASSUMPTIONS

[Dollar amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at begin- ning of year as a percent- age of dis- bursements during year
Alternative I:					
1977 ¹	\$9.6	\$11.9	-\$2.4	\$3.4	48
1978.....	13.8	13.3	.5	3.8	25
1979.....	15.7	15.2	.5	4.3	25
1980.....	17.7	17.1	.6	5.0	25
1981.....	21.6	19.0	2.6	7.6	26
1982.....	24.2	20.9	3.3	10.9	36
Alternative II:					
1977 ¹	9.6	11.9	-2.4	3.4	48
1978.....	13.8	13.3	.5	3.8	25
1979.....	15.7	15.2	.5	4.3	25
1980.....	17.6	17.1	.5	4.8	25
1981.....	21.4	19.0	2.4	7.2	25
1982.....	23.8	21.0	2.8	10.0	34
Alternative III:					
1977 ¹	9.6	11.9	-2.4	3.4	48
1978.....	13.8	13.3	.5	3.8	25
1979.....	15.7	15.2	.4	4.3	25
1980.....	17.2	17.4	-.1	4.1	25
1981.....	20.8	19.6	1.2	5.3	21
1982.....	23.2	21.9	1.3	6.6	24

¹ Figures for 1977 represent actual experience.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the preceding section and are shown in table 10.

Disbursements will increase because of automatic benefit increases and because of increases in the numbers of beneficiaries and in the amounts of average monthly earnings on which benefits are based. Projected increases in the number of beneficiaries reflect assumed continued increases in disability incidence rates. However, because of recent trends in disability incidence rates, the projected incidence rates were assumed to be lower than the rates projected for the 1977 annual report.

The expected operations and status of the old-age and survivors insurance and disability insurance trust funds, combined, during each calendar year 1978-82, under the three alternatives, are shown in table 13, together with figures on actual experience in 1977.

TABLE 13.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, COMBINED, DURING CALENDAR YEARS 1977-82 UNDER THREE ALTERNATIVE SETS OF ASSUMPTIONS

[Dollar amounts in billions]

Calendar year	Income	Disbursements	Net increase in funds	Funds at end of year	Funds at begin- ning of year as a percent- age of dis- bursements during year
Alternative I:					
1977 ¹	\$82.0	\$87.3	-\$5.3	\$35.9	47
1978.....	91.8	97.1	-5.2	30.6	37
1979.....	106.2	107.8	-1.6	29.0	28
1980.....	119.5	119.2	.3	29.3	24
1981.....	139.8	130.9	9.0	38.2	22
1982.....	156.9	142.9	14.0	52.2	27

TABLE 13.—ESTIMATED OPERATIONS OF THE OLD AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS COMBINED DURING CALENDAR YEARS 1977-82 UNDER 3 ALTERNATIVE SETS OF ASSUMPTIONS—Contd
(Dollar amounts in billions)

Calendar year	Income	Disbursements	Net increase in funds	Funds at end of year	Funds at begin- ning of year as a percent- age of dis- bursements during year
Alternative II:					
1977 ¹	\$82.0	\$87.3	-\$5.3	\$35.9	47
1978.....	91.8	97.1	-5.2	30.6	37
1979.....	105.8	107.8	-2.0	28.6	28
1980.....	118.6	119.3	-.7	27.9	24
1981.....	138.5	131.1	7.4	35.3	21
1982.....	154.5	143.6	10.9	46.2	25
Alternative III:					
1977 ¹	82.0	87.3	-5.3	35.9	47
1978.....	91.8	97.1	-5.2	30.6	37
1979.....	105.9	108.0	-2.1	28.5	28
1980.....	116.2	120.7	-4.5	24.0	24
1981.....	134.5	134.4	.1	24.1	18
1982.....	150.2	149.3	1.0	25.1	16

¹ Figures for 1977 represent actual experience.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the preceding section and are shown in table 10.

Expenditures in calendar year 1977, from both trust funds combined, were 10.89 percent of taxable earnings for the year—0.99 percent more than the combined employee-employer contribution rate of 9.90 percent. After 1979 expenditures from both trust funds, combined, are estimated to decline from 10.94 percent of taxable earnings in 1978 to 10.17 percent in 1981 and to increase to 10.18 percent of taxable earnings in 1982, under the intermediate set of assumptions. These percentages, as well as the percentages under alternatives I and III, are shown in table 14 for both trust funds combined and for each trust fund separately. Table 14 also shows a comparison of each of the percentages with the corresponding combined employee-employer contribution rate.

As stated previously, estimates of the operations of the trust funds during calendar years 1978-82 have been presented in the preceding tables of this section under three different sets of economic assumptions because of the uncertainty of future economic developments. Under the provisions of the Social Security Act, it is required that estimates of the expected operations and status of the trust funds during the next 5 fiscal years be shown in this report. In accordance with these statutory provisions, detailed estimates of the expected operations and status of the trust funds during each fiscal year 1978-82 are shown in the remaining tables of this section for the intermediate set of assumptions (alternative II) only. Similar detailed estimates under the intermediate assumptions are also shown, as in previous annual reports, on a calendar year basis for the period 1978-82.

Data on the actual operations of the old-age and survivors insurance trust fund for selected years during the period 1940-77, and estimates of the expected operations of the trust fund during 1978-82 under the intermediate set of assumptions, are shown in tables 15 and 16 on a fiscal year basis and a calendar year basis, respectively. Corresponding figures on the operations of the disability insurance trust fund during the period 1960-82 are shown in tables 17 and 18.¹ Operations of both trust funds combined are shown in tables 19 and 20.

¹ Data relating to the operations of the two trust funds for years not shown in tables 15-18 are contained in earlier annual reports.

TABLE 14.—EXPENDITURES FROM THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS AS A PERCENTAGE OF TAXABLE PAYROLL COMPARED WITH COMBINED EMPLOYEE-EMPLOYER CONTRIBUTION RATES, FOR CALENDAR YEARS 1977-82 UNDER THREE ALTERNATIVE SETS OF ASSUMPTIONS

Calendar year	Old-age and survivors insurance trust fund			Disability insurance trust fund			Old-age and survivors insurance and disability insurance trust funds, combined		
	Expenditures as a percentage of taxable payroll ¹	Combined employee-employer contribution rate	Difference ²	Expenditures as a percentage of taxable payroll ¹	Combined employee-employer contribution rate	Difference ²	Expenditures as a percentage of taxable payroll ¹	Combined employee-employer contribution rate	Difference ²
Alternative I:									
1977 ³	9.40	8.75	-0.65	1.49	1.15	-0.34	10.89	9.90	-0.99
1978	9.44	8.55	-.89	1.50	1.55	.05	10.94	10.10	-.84
1979	8.94	8.66	-.28	1.47	1.50	.03	10.41	10.16	-.25
1980	8.79	8.66	-.13	1.47	1.50	.03	10.25	10.16	-.10
1981	8.60	9.05	.45	1.46	1.65	.19	10.06	10.70	.64
1982	8.53	9.15	.62	1.46	1.65	.19	9.99	10.80	.81
Alternative II:									
1977 ³	9.40	8.75	-.65	1.49	1.15	-.34	10.89	9.90	-.99
1978	9.44	8.55	-.89	1.50	1.55	.05	10.94	10.10	-.84
1979	8.98	8.66	-.32	1.48	1.50	.02	10.45	10.16	-.29
1980	8.86	8.66	-.20	1.48	1.50	.02	10.34	10.16	-.18
1981	8.69	9.05	.36	1.48	1.65	.17	10.17	10.70	.53
1982	8.69	9.15	.46	1.49	1.65	.16	10.18	10.80	.62
Alternative III:									
1977 ³	9.40	8.75	-.65	1.49	1.15	-.34	10.89	9.90	-.99
1978	9.44	8.55	-.89	1.50	1.55	.05	10.94	10.10	-.84
1979	8.98	8.66	-.32	1.48	1.50	.02	10.46	10.16	-.30
1980	8.98	8.66	-.32	1.48	1.50	.02	10.46	10.16	-.30
1981	9.15	8.66	-.49	1.54	1.50	-.04	10.69	10.16	-.53
1981	9.14	9.05	-.09	1.56	1.65	.09	10.70	10.70	(*)
1982	9.22	9.15	-.07	1.59	1.65	.06	10.81	10.80	-.01

¹ Percentage takes into account (1) the lower contribution rate payable by the self-employed compared with combined employee-employer rate, (2) employee contributions subject to refund, and (3) that only the employee contribution is payable on tips taxable as wages before 1978 and the employer contribution is payable on only a portion of such tips after 1977. For 1977, expenditures are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than three quarters of coverage, costs of which are financed from the general fund of the Treasury; similar adjustments

are not made in the projection period, 1978 and later, because such payments are relatively small.
² Represents difference between tax contribution income and total outgo, as a percentage of taxable payroll, and therefore excludes the effects of other sources of income (principally interest income). Total income and outgo during 1977-82 are shown in tables 11-13.

³ Percentages for 1977, though based on actual experience, are preliminary and subject to revision.
⁴ Expenditures as a percentage of taxable payroll exceeds the contribution rate by less than 0.005.

TABLE 15.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING SELECTED FISCAL YEARS 1940-77 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1978-82 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions]

Fiscal year ¹	Transactions during period										Net increase in fund	Fund at end of period	
	Income					Disbursements							
	Total	Reimbursements from general fund of Treasury for costs of—				Interest on investments ²	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses ³			Transfers to railroad retirement account
		Contributions, less refunds	Noncontributory credits for military service	Payments to noninsured persons aged 72 and over									
Past experience:													
1940.....	\$592	\$550				\$42	\$28	\$16		\$12		\$564	\$1,745
1945.....	1,434	1,310				124	267	240		27		1,167	6,613
1950.....	2,367	2,106	\$4			257	784	727		57		1,583	12,893
1955.....	5,525	5,087				438	4,427	4,333		103	-\$10	1,098	21,141
1960.....	10,360	9,843				517	11,073	10,270		202	600	-713	20,829
1965.....	16,443	15,857				586	15,962	15,226		300	436	482	20,180
1966.....	18,461	17,866				595	18,769	18,071		254	444	-308	19,872
1967.....	23,371	22,567	78			726	19,728	18,886	(*)	334	508	3,643	25,533
1968.....	23,640	22,662	78			899	21,622	20,737	(*)	447	438	2,018	28,191
1969.....	27,348	25,953	156	\$226	1,014	24,690	23,732	\$2	465	491	2,658	4,425	32,616
1970.....	31,746	29,955	78	364	1,350	27,321	26,267	1	474	579	1,714	3,431	36,399
1971.....	33,982	31,915	78	371	1,618	32,268	31,101	2	552	613	2,068	1,451	37,867
1972.....	43,917	35,711	137	351	1,719	35,849	34,541	2	582	724	309	1,177	39,948
1973.....	49,639	41,318	138	337	1,847	43,623	42,170	2	667	783	17	2,081	37,980
1974.....	50,936	48,455	139	303	2,039	49,485	47,849	4	723	909	-925	1,968	37,055
1975.....	58,757	56,017	140	307	2,292	56,676	54,839	8	848	982	1,212	-1,968	35,372
1976.....	62,327	59,555	157	268	2,347	64,295	62,140	7	935	1,212		-925	35,372
July-September 1976.....	16,186	16,106			80	17,111	16,876	2	234				
1977.....	71,796	68,895	378	236	2,287	73,479	71,271	8	993	1,208		-1,683	35,372
Estimated future experience: ⁴													
1978.....	76,843	74,093	\$385	228	2,137	81,635	78,965	9	1,029	1,632		-4,792	30,580
1979.....	86,395	84,042	384	230	1,739	90,232	87,733	9	1,135	1,355		-3,837	26,743
1980.....	98,451	96,403	379	162	1,507	99,769	97,161	9	1,197	1,402		-1,318	25,425
1981.....	112,525	110,508	382	144	1,491	109,617	106,928	10	1,273	1,406		2,908	28,333
1982.....	127,683	125,308	443	127	1,805	119,937	117,184	10	1,344	1,399		7,746	36,079

¹ Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consist of the 12 months ending on September 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ended on June 30, 1976, to fiscal year 1977, which began on October 1, 1976.

² Interest on investments includes net profits on marketable investments. Beginning in 1967, administrative expenses incurred under the old-age and survivors insurance program are charged currently to the appropriate trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included

in interest on investments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report of the Board of Trustees.

³ Less than \$500,000.

⁴ In interpreting the estimates, reference should be made to the underlying assumptions described in the preceding section and shown in table 10.

⁵ Includes \$3,000,000 as a single reimbursement for the estimated total costs of granting non-contributory 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.

TABLE 16.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING SELECTED CALENDAR YEARS 1940-77 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1978-82 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions]

Calendar year	Transactions during period										Fund at end of period		
	Income					Disbursements							
	Total	Reimbursements from general fund of Treasury for costs of—				Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses		Transfers to railroad retirement account	Net increase in fund
		Contributions, less refunds	Noncontributory credits for military service	Payments to noninsured persons aged 72 and over									
Past experience:													
1940	\$368	\$325			\$43	\$62	\$35		\$26		\$306	\$2,031	
1945	1,420	1,285			134	304	274		30		1,116	7,121	
1950	2,928	2,667	\$4		257	1,022	961		61		1,905	13,721	
1955	6,167	5,713			454	5,079	4,968		119	-\$7	1,087	21,663	
1960	11,382	10,866			516	11,198	10,677		203	318	184	20,324	
1965	16,610	16,017			593	17,501	16,737		328	436	-890	18,235	
1966	21,302	20,580	78		644	18,967	18,267	(1)	256	444	2,335	20,570	
1967	24,034	23,138	78		818	20,382	19,468	(1)	406	508	3,652	24,222	
1968	25,040	23,719	156	\$226	939	23,557	22,642	\$1	476	438	1,483	25,704	
1969	29,554	27,947	78	364	1,165	25,176	24,209	1	474	491	4,378	30,082	
1970	32,220	30,256	78	371	1,515	29,848	28,796	2	471	579	2,371	32,454	
1971	35,877	33,723	137	351	1,667	34,542	33,413	2	514	613	1,335	33,789	
1972	40,050	37,781	138	337	1,794	38,522	37,122	2	674	724	1,528	35,318	
1973	48,344	45,975	139	303	1,928	47,175	45,741	3	647	783	1,169	36,487	
1974	54,688	52,081	140	307	2,159	53,397	51,618	5	865	909	1,291	37,777	
1975	59,605	56,816	157	268	2,364	60,395	58,509	9	896	982	-790	36,987	
1976	66,276	63,362	378	236	2,301	67,876	65,699	6	959	1,212	-1,600	35,388	
1977	72,412	69,572	385	228	2,227	75,309	73,113	8	981	1,208	-2,897	32,491	
Estimated future experience:													
1978	78,067	75,507	384	230	1,946	83,732	81,034	9	1,057	1,632	-5,665	26,826	
1979	90,090	87,967	379	162	1,582	92,595	90,084	9	1,147	1,355	-2,505	24,321	
1980	101,022	99,033	382	144	1,463	102,210	99,585	9	1,214	1,402	-1,188	23,133	
1981	117,066	114,903	443	127	1,593	112,094	109,389	10	1,289	1,406	4,972	28,105	
1982	130,684	128,060	446	111	2,067	122,568	119,800	10	1,359	1,399	8,116	36,221	

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

¹ Less than \$500,000.

TABLE 17.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING SELECTED FISCAL YEARS 1960-77 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1978-82 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

(In millions)

Fiscal year ¹	Transactions during period										Fund at end of period
	Income				Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of noncontributory credits for military service	Interest on investments ²	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses ²	Transfers to railroad retirement account	Net increase in fund	
Past experience:³											
1960	\$1,034	\$987		\$47	\$533	\$528		\$32	-\$27	\$501	\$2,167
1965	1,237	1,175		62	1,495	1,392		79	24	-257	2,007
1966	1,611	1,557		54	1,931	1,721		183	25	-321	1,686
1967	2,332	2,249	\$16	67	1,997	1,861	7	99	31	335	2,022
1968	2,800	2,699	16	85	2,236	2,088	15	112	20	564	2,585
1969	3,705	3,532	32	141	2,613	2,443	15	133	21	1,092	3,678
1970	4,380	4,141	16	223	2,954	2,778	16	149	10	1,426	5,104
1971	4,911	4,569	16	325	3,606	3,381	21	190	13	1,305	6,408
1972	5,291	4,853	50	388	4,309	4,046	28	212	24	982	7,390
1973	5,947	5,461	51	435	5,467	5,162	39	247	20	479	7,869
1974	6,768	6,234	52	482	6,385	6,159	50	154	22	383	8,253
1975	7,920	7,356	52	512	7,982	7,630	71	253	29	-62	8,191
1976	8,355	7,797	90	468	9,606	9,222	92	266	26	-1,251	6,939
July-September 1976	2,172	2,159		13	2,653	2,555	27	71		-481	6,459
1977	9,374	8,900	103	372	11,590	11,135	77	378	(⁴)	-2,215	4,243
Estimated future experience:⁵											
1978	12,801	12,427	128	246	12,897	12,410	88	350	49	-96	4,147
1979	15,134	14,739	142	253	14,728	14,200	94	428	6	406	4,553
1980	17,103	16,696	126	281	16,626	16,079	99	451	-3	477	5,030
1981	20,320	19,865	130	325	18,517	17,949	104	479	-15	1,803	6,833
1982	23,298	22,678	141	479	20,518	19,938	110	508	-38	2,760	9,613

¹ Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consists of the 12 months ending on September, 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ended on June 30, 1976, to fiscal year 1977, which began on October 1, 1976.

² Interest on investments includes net profits on marketable investments. Beginning in 1967, administrative expenses incurred under the disability insurance program are charged currently to the trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on investments.

For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report of the Board of Trustees.

³ The financial operations of the disability insurance trust fund began in the latter half of fiscal year 1957.

⁴ Less than \$500,000 was transferred from the railroad retirement account to the disability insurance trust fund.

⁵ In interpreting the estimates, reference should be made to the underlying assumptions described in the preceding section and shown in table 10.

TABLE 12.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING SELECTED CALENDAR YEARS 1960-77 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1978-82 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions]

Calendar year	Transactions during period										
	Income				Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of noncontributory credits for military service	Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account	Net increase in fund	Fund at end of period
Past experience:											
1960	\$1,063	\$1,010		\$53	\$600	\$568		\$36	-\$5	\$464	\$2,289
1965	1,247	1,188		59	1,687	1,573		90	24	-440	1,606
1966	2,079	2,006	\$16	58	1,947	1,781	\$3	137	25	133	1,739
1967	2,379	2,286	16	78	2,089	1,939	11	109	31	290	2,029
1968	3,454	3,316	32	106	2,458	2,294	16	127	20	996	3,025
1969	4,774	4,481	16	177	2,716	2,542	15	138	21	1,075	4,100
1970	3,792	3,599	16	177	3,259	3,067	18	164	10	1,514	5,614
1971	4,774	4,481	16	277	4,000	3,758	24	205	13	1,031	6,645
1972	5,031	4,620	50	361	4,759	4,473	29	233	24	813	7,457
1973	5,572	5,107	51	414	5,973	5,718	46	190	20	470	7,927
1974	6,443	5,932	52	458	7,196	6,903	54	217	22	182	8,109
1975	7,378	6,826	52	500	8,790	8,414	91	256	29	-754	7,354
1976	8,035	7,444	90	502	10,366	9,966	89	285	26	-1,609	5,745
1977	8,757	8,233	103	422	11,945	11,463	84	399	(1)	-2,375	3,370
1977	9,570	9,138	128	304							
Estimated future experience:											
1978	13,772	13,393	142	237	13,321	12,834	89	349	49	451	3,821
1979	15,677	15,287	126	264	15,217	14,684	95	432	6	460	4,281
1980	17,577	17,152	130	295	17,086	16,532	100	457	-3	491	4,772
1981	21,405	20,876	141	388	19,023	18,446	106	486	-15	2,382	7,154
1982	23,841	23,119	145	577	21,024	20,438	111	513	-38	2,817	9,971

¹ Less than \$500,000 was transferred from the railroad retirement account to the disability insurance trust fund.

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

TABLE 19.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, COMBINED, DURING SELECTED FISCAL YEARS 1960-77 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1978-82 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions]

Fiscal year	Transactions during period										Funds at end of period	
	Income					Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account		Net increase in funds
			Noncontributory credits for military service	Payments to noninsured persons aged 72 and over								
Past experience:												
1960	\$11,394	\$10,830			\$564	\$11,606	\$10,798		\$234	\$574	-\$212	\$22,996
1965	17,681	17,032			648	17,456	16,618		379	459	224	22,187
1966	20,071	19,423			649	20,700	19,793		437	469	-629	21,558
1967	25,703	24,816			793	21,725	20,747		7	433	2,581	25,537
1968	26,440	25,362	\$94		984	23,859	22,825		16	560	458	28,118
1969	31,054	29,485	188	\$226	1,155	27,303	26,175		17	599	513	31,868
1970	36,127	34,096	94	364	1,572	30,275	29,045		18	623	589	37,720
1971	38,893	36,485	94	371	1,943	35,874	34,482		23	742	5,852	40,739
1972	43,208	40,564	187	351	2,107	40,158	38,587		29	794	3,019	43,789
1973	49,586	46,779	189	337	2,281	49,090	47,332		42	914	802	44,285
1974	57,704	54,689	191	303	2,521	55,869	54,007		54	878	1,835	46,120
1975	66,677	63,374	192	307	2,804	64,658	62,469		79	1,101	2,018	48,138
1976	70,682	67,352	247	268	2,815	73,901	71,363		100	1,200	-3,219	44,919
July-September 1976	18,359	18,265			94	19,764	19,431		29	304	-1,405	43,514
1977	81,170	77,794	481	236	2,659	85,068	82,406		85	1,370	-3,898	39,615
Estimated future experience:												
1978	89,644	86,520	513	228	2,383	94,532	91,375		97	1,379	-4,888	34,727
1979	101,529	98,781	526	230	1,992	104,960	101,933		103	1,563	-3,431	31,296
1980	115,554	113,099	505	162	1,788	116,395	113,240		108	1,648	-841	30,455
1981	132,845	130,373	512	144	1,816	128,134	124,877		114	1,752	4,711	35,156
1982	150,981	147,986	584	127	2,284	140,455	137,122		120	1,852	10,526	45,692

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

TABLE 20.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, COMBINED, DURING SELECTED CALENDAR YEARS 1960-77 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1978-82 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

(In millions)

Calendar year	Transactions during period										Funds at end of period	
	Income					Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account		Net increase in funds
			Noncontributory credits for military service	Payments to noninsured persons aged 72 and over								
Past experience:												
1960	\$12,445	\$11,876			\$569	\$11,798	\$11,245		\$240	\$314	\$647	\$22,613
1961	17,857	17,205			651	19,187	18,311		418	459	-1,331	19,841
1965	23,381	22,585	\$94		702	20,913	20,048	\$3	393	469	2,467	22,308
1966	26,413	25,424	94		896	22,471	21,406	11	515	539	3,942	26,250
1967	28,493	27,034	188	\$226	1,045	26,015	24,936	17	603	458	2,479	28,729
1968	33,346	31,546	94	364	1,342	27,892	26,751	16	612	513	5,453	34,182
1969	36,993	34,737	94	371	1,791	33,108	31,863	20	635	589	3,886	38,068
1970	40,808	38,343	187	351	2,027	38,542	37,171	26	719	626	2,366	40,434
1971	45,622	42,888	189	337	2,208	43,281	41,595	30	907	749	2,341	42,775
1972	54,787	51,907	191	303	2,386	53,148	51,459	49	837	802	1,639	44,414
1973	62,066	58,907	192	307	2,660	60,593	58,521	59	1,082	931	1,472	45,886
1974	67,640	64,259	247	268	2,866	69,184	66,923	99	1,152	1,010	-1,544	44,342
1975	75,034	71,595	481	236	2,722	78,242	75,665	95	1,244	1,239	-3,209	41,133
1976	81,982	78,710	513	228	2,531	87,254	84,576	92	1,379	1,208	-5,272	35,861
1977												
Estimated future experience:												
1978	91,839	88,960	526	230	2,183	97,053	93,868	98	1,406	1,681	-5,214	30,647
1979	105,767	103,254	505	162	1,846	107,812	104,768	104	1,579	1,361	-2,045	28,602
1980	118,599	116,185	512	144	1,753	119,296	115,117	109	1,671	1,399	-697	27,995
1981	138,471	135,779	584	127	1,981	131,117	127,835	116	1,775	1,391	7,354	35,259
1982	154,525	151,179	591	111	2,644	143,592	140,238	121	1,872	1,361	10,933	46,192

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

Expenditures as a percentage of taxable earnings for years prior to 1978, as well as the estimated percentages for 1978-82 under the intermediate assumptions, are shown in table 21 for both trust funds combined and for each trust fund separately. (Although the estimated percentages for 1978-82 have been shown in table 14, they are repeated in table 21 for comparison with past experience.)

TABLE 21.—EXPENDITURES FROM THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS AS A PERCENTAGE OF TAXABLE PAYROLL FOR SELECTED CALENDAR YEARS 1950-77 AND ESTIMATED FUTURE PERCENTAGES FOR CALENDAR YEARS 1978-82 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

Calendar year	Expenditures as a percentage of taxable payroll ¹		
	Old-age and survivors insurance and disability insurance trust funds, combined	Old-age and survivors insurance trust fund	Disability insurance trust fund
Past experience: ²			
1950	1.17	1.17	-----
1955	3.34	3.34	-----
1960	5.89	5.59	0.30
1965	7.93	7.23	.70
1966	6.88	6.24	.64
1967	6.82	6.27	.65
1968	7.03	6.35	.67
1969	7.08	6.38	.70
1970	8.12	7.32	.81
1971	9.23	8.27	.97
1972	9.13	8.12	1.01
1973	9.68	8.58	1.09
1974	9.71	8.55	1.16
1975	10.63	9.27	1.35
1976	10.83	9.39	1.44
1977	10.89	9.40	1.49
Estimated future experience: ³			
1978	10.94	9.44	1.50
1979	10.45	8.98	1.48
1980	10.34	8.86	1.48
1981	10.17	8.69	1.48
1982	10.18	8.69	1.49

¹ See footnote 1, table 14. For 1973-77, percentages are preliminary and subject to revision.

² Expenditures in each year 1966-77 are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than three quarters of coverage, the costs of which are financed from the general fund of the Treasury. Because of the relatively small amount of such payments, similar adjustments are not made for future years.

³ In interpreting the estimates, reference should be made to the preceding section which describes the underlying assumptions.

Assets at the beginning of the year as a percentage of expenditures during the year for both trust funds combined is estimated to be about 37 percent for calendar year 1978. During the period 1978-80, the percentage will drop each year as the assets of the trust funds decline. By the beginning of 1981, the assets of the combined trust funds are estimated to equal about 21 percent of the estimated outgo in 1981 under the intermediate assumptions. After 1981 the percentage is expected to increase—rising to 25 percent by the beginning of 1982. The estimated percentage for each of the calendar years 1978-82 under the intermediate set of assumptions, as well as the actual percentages for earlier years, are shown in table 22 for both trust funds combined and for each trust fund separately. (Although the estimated percentages for 1978-82 have been shown in earlier tables in this section, they are repeated in table 22 for comparison with past experience.)

TABLE 22.—ASSETS, AT THE BEGINNING OF THE YEAR, AS A PERCENTAGE OF EXPENDITURES DURING THE YEAR, FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM, BY TRUST FUND, FOR SELECTED CALENDAR YEARS 1950-77, AND ESTIMATED FUTURE PERCENTAGES FOR CALENDAR YEARS 1978-82 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

Calendar year	Assets, at the beginning of the year, as a percentage of expenditures during the year		
	Old-age and survivors insurance and disability insurance trust funds, combined	Old-age and survivors insurance trust fund	Disability insurance trust fund
Past experience:	1,156	1,156	-----
1950.....	405	405	-----
1955.....	186	180	304
1960.....	110	109	121
1965.....	95	96	83
1966.....	99	101	83
1967.....	101	103	83
1968.....	103	102	111
1969.....	103	101	126
1970.....	99	94	140
1971.....	93	88	140
1972.....	80	75	125
1973.....	73	68	110
1974.....	66	63	92
1975.....	57	54	71
1976.....	47	47	48
1977.....			
Estimated future experience: ¹	37	39	25
1978.....	28	29	25
1979.....	24	24	25
1980.....	21	21	25
1981.....	25	23	34
1982.....			

¹ In interpreting the estimates, reference should be made to the preceding section which describes the underlying assumptions.

The estimates in the tables in this section include the effects of various provisions to which reference has been made in earlier sections, namely, the provisions for (1) reimbursements to the trust funds from the general fund of the Treasury for the costs of granting noncontributory credits for military service and for the costs of monthly payments to certain noninsured persons aged 72 and over and (2) financial interchanges between the railroad retirement account and the trust funds.

State and local government systems may terminate the agreements under which social security coverage is provided for their public employees. Such coverage is available only on a group voluntary basis through agreements between the Secretary of Health, Education, and Welfare and the individual States. After coverage of the employees of a State, or of a political subdivision of the State, has been in effect for at least 5 years, the State may give notice of its intention to terminate the coverage of such employees. The termination of coverage becomes effective 2 years after such notice is given, unless the State withdraws the notice of termination within the 2-year period. However, once the termination becomes effective, it is irrevocable and the same group cannot be covered under social security again. In the past few years there has been some increase in the number of terminations of coverage among State and local government employees. Despite this increase, the total number of employees becoming covered under new agreements in each year through 1976 has been larger than the number of employees for whom coverage was terminated during the year.

During each of the last 2 years, notice has been given of the intention to terminate coverage on the part of a somewhat larger number of State and local government employees than the number of employees becoming covered under new agreements each year. The filing of such a notice by a State does not necessarily mean that coverage will be terminated because, as noted above, the State may withdraw the notice during the 2-year period before the termination becomes effective. The termination of coverage for any large number of State or local government employees would have an adverse effect on the status of the trust funds, especially in the short range. In fiscal year 1977, tax contributions received by the old-age and survivors insurance and disability insurance trust funds from workers employed by State and local governments and from such employers, under all of the coverage agreements in effect, amounted to \$8.5 billion, or about 11 percent of total contributions in the year. The estimates presented in this section, and in the following sections of this report, do not reflect the effects of (1) future terminations of coverage which may become effective as a result of such notices that have been filed and that are still pending, or that may be filed in the future, or (2) future agreements that would bring additional groups of public employees under covered employment.

Under the Social Security Amendments of 1977, the Congress has directed the Secretary of Health, Education, and Welfare to undertake a study of the feasibility and desirability of covering Federal employees, State and local government employees, and employees of nonprofit organizations under the old-age and survivors insurance, disability insurance, and hospital insurance programs, on a mandatory basis. The study is to be conducted in consultation with the Department of the Treasury, the Office of Management and Budget, and the Civil Service Commission.

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

(Specifically required by sec. 201(c) of the Social Security Act)

Effective January 1957, monthly benefits have been payable from the old-age and survivors insurance trust fund to disabled sons and daughters aged 18 and over of retired and deceased workers in those cases in which the disability of the son or daughter has continued since childhood. Effective February 1968, reduced monthly benefits have been payable from this trust fund to disabled widows and widowers beginning at age 50.

On December 31, 1977, about 480,000 persons were receiving monthly benefits with respect to disability from the old-age and survivors insurance trust fund. In addition to disabled beneficiaries, this total includes 41,000 mothers and fathers. These mothers and fathers—wives under age 65 of retired-worker beneficiaries and widows or widowers of deceased insured workers—met all other qualifying requirements and were receiving full-rate (i.e., not reduced for age) benefits solely because they had at least one disabled-child beneficiary in their care. Benefits paid from this trust fund to persons