

1980 ANNUAL REPORT OF
THE BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST FUNDS

COMMUNICATION

FROM

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

TRANSMITTING

THE 1980 ANNUAL REPORT OF THE BOARD, PURSUANT TO
SECTION 201(c) OF THE SOCIAL SECURITY ACT,
AS AMENDED



JUNE 19, 1980.—Referred to the Committee on Ways and Means and
ordered to be printed

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LETTER OF TRANSMITTAL

BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST FUNDS,
Washington, D.C., June 17, 1980.

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

SIR: We have the honor to transmit to you the 1980 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 40th such report), in compliance with the provisions of section 201(c) of the Social Security Act.

Respectfully,

G. WILLIAM MILLER,
*Secretary of the Treasury,
and Managing Trustee of the Trust Funds.*

RAY MARSHALL,
Secretary of Labor.

PATRICIA ROBERTS HARRIS,
Secretary of Health and Human Services.

WILLIAM J. DRIVER,
*Commissioner of Social Security
and Secretary, Board of Trustees.*



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1980 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

I. 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 and Human Services. 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 1980, the 40th such report.

II. ADVISORY COUNCIL ON SOCIAL SECURITY

The Secretary of Health, Education and Welfare (now Health and Human Services) on February 26, 1978 announced the appointment of an Advisory Council on Social Security under the provisions of section 706 of the Social Security Act. Under the law, the Social Security Advisory Council was charged with making a comprehensive study of the status of the social security cash benefit and Medicare programs. This study, which has been completed, included an examination of the financial status of the trust funds in relation to the long-term commitments of the programs, benefit levels, the scope of coverage and other aspects of the programs, including their impact on public assistance.

The Council commissioned a Panel of Consultants, consisting of three actuaries and three economists, to review the cost estimates for the old-age, survivors and disability insurance program and related subjects. A final draft report of the Panel's findings was released before the preparation of the 1979 annual report of the Board of Trustees. As noted in the 1979 annual report, the Panel generally found the assumptions and methodology underlying the projections in the 1978 annual report of the Board of Trustees to be reasonable. The Panel did recommend some changes in the assumptions, in part because of emerging experience after the preparation of the 1978 annual report. As indicated in the 1979 annual report, many of these recommendations were reflected in the estimates in that report. These recommendations continue to be reflected in the estimates that appear in this

report, modified, where appropriate, to reflect emerging experience after the Panel's report was prepared. The Panel's report was submitted to the Advisory Council and appears as an appendix to the Council's final reports.

The Council submitted its final reports to the Secretary of Health, Education and Welfare on December 7, 1979. After the Council's reports were transmitted by the Secretary to the Congress and to the Board of Trustees of each of the trust funds, the Council ceased to exist.

The Council made many recommendations with respect to social security financing and other broad social security program areas. While many of these recommendations go beyond the scope of the Board of Trustees in reviewing the financial status of the program, the Board shares the Advisory Council's concern about the financial integrity of the social security system. The Board notes that emerging economic conditions and the current projections of the status of the social security trust funds are generally less favorable than the corresponding conditions and projections shown in the 1979 annual report. The Board's recommendations concerning the short-range financing of the social security programs are contained in the "Conclusion" section of this report.

III. HIGHLIGHTS

This section summarizes the more important developments since the 1979 annual report was issued and describes the major features of this year's report. Later sections discuss these topics in more detail.

1. Trust fund operations during fiscal year 1979:

(a) The assets of the old-age and survivors insurance (OASI) and disability insurance (DI) trust funds, combined, declined by \$2.0 billion, to \$33.4 billion on September 30, 1979. Income amounted to \$102.1 billion, and expenditures totaled \$104.1 billion. Disbursements from the OASI trust fund exceeded income by \$3.2 billion, and the assets of the OASI trust fund declined to \$27.7 billion by the end of the fiscal year. In contrast, the assets of the DI trust fund increased by \$1.3 billion, to \$5.6 billion on September 30, 1979.

(b) The total number of people receiving monthly benefits under the OASDI program was 34.9 million at the end of September 1979. An estimated 114 million workers had earnings in calendar year 1979 that were taxable and creditable toward benefits under the program.

(c) The trust funds earned interest amounting to \$2.2 billion during fiscal year 1979. The effective annual rate of interest earned by the combined assets of the OASI and DI trust funds during the 12 months that ended June 30, 1979 was 7.4 percent. During this same period, the average interest rate on new securities purchased by the trust funds was 8.7 percent.

(d) Administrative expenses for the OASDI program in fiscal year 1979 were \$1.5 billion, which represented about 1.5 percent of total benefit payments made under the program during the year.

2. Developments since the last annual report:

(a) The Social Security Disability Amendments of 1980, enacted on June 9, 1980, made a number of changes in the way

benefits are calculated for disabled workers and their families and in the administration of the DI program. The cost estimates shown in this report reflect the effects of these amendments.

(b) An automatic cost-of-living benefit increase of 9.9 percent became effective for June 1979. (The published statement announcing the determination of this increase is shown in Appendix B.) An additional increase of 14.3 percent becomes effective for June 1980, as recently determined and announced.

(c) Effective for 1980, the contribution and benefit base was increased from \$22,900 to \$25,900. In addition, the annual exempt amount under the retirement test was increased from \$4,500 to \$5,000 for beneficiaries aged 65 and over, and from \$3,480 to \$3,720 for beneficiaries under age 65. The amount of annual earnings required for a quarter of coverage was increased from \$260 to \$290. The published statement announcing these changes is shown in Appendix C.

(d) In May 1980, a separate Department of Education was established. The remainder of the organization that comprised the Department of Health, Education and Welfare was renamed the Department of Health and Human Services.

3. Financial status of the OASDI program:

Three sets of financial projections are shown for the OASI and DI programs, to indicate the range of future income and outgo under optimistic, intermediate and pessimistic assumptions which are described in the section entitled "Economic and Demographic Assumptions." The financial projections are described in detail for three time periods of particular interest—short-range, medium-range and long-range. The assumptions and estimates that appear in this report were necessarily prepared before the most recent changes in the economy were known. Current evidence indicates that the economy has moved into a recession and is weakening rapidly. Therefore, revised short-range projections will probably be necessary in the near future as more information becomes available about the intensity of the changes in the economy. The estimates for the various time periods can be summarized as follows:

(a) Short-range (1980–84)—Under all three sets of assumptions, expenditures from the OASI trust fund are expected to exceed income in every year during this period. Under present law, the assets of the OASI trust fund would soon become insufficient to pay benefits when due. This would occur late in 1981 under the intermediate and pessimistic sets of assumptions, and early in 1982 under the optimistic set. Accordingly, changes in the law are needed so that OASI benefits will continue to be paid when due. In contrast, the DI trust fund is projected to increase in every year throughout the projection period under all three sets of assumptions. Its rate of growth under the intermediate and pessimistic assumptions, however, would not be sufficient to offset the projected declines in the OASI fund, and the assets of both trust funds, if combined, would also become depleted under these two sets of assumptions. As noted in the concurrent 1980 annual report on the status of the hospital insurance (HI) trust fund, the assets of the HI trust fund are also expected to increase during the next several years. The projections of the operations of the HI trust fund, and the OASI, DI and HI trust funds combined, are

summarized in Appendix E. Under the intermediate assumptions, interfund borrowing, or a reallocation of tax rates, among all three trust funds—OASI, DI and HI—would prevent the depletion of any of the trust funds. However, the margin over the minimum amount of combined assets required to prevent depletion is slim. If emerging economic conditions are somewhat more unfavorable, the funds could become depleted. Under the pessimistic assumptions, for example, the combined assets of all three trust funds are depleted during the short-range projection period.

(b) Medium-range (1980–2004)—Under the intermediate assumptions, annual expenditures for the OASDI program average 10.66 percent of taxable payroll, while payroll tax income averages 11.85 percent of taxable payroll. Thus an average actuarial surplus of 1.19 percent of taxable payroll is projected for the next 25 years. Although a surplus is shown, on average, for the next 25 years, this surplus reflects the short-range OASI deficits described above and a subsequent period of significant financial surpluses. Under the optimistic set of assumptions the average surplus in the medium-range is projected to be 1.94 percent of taxable payroll, while under the pessimistic set, OASDI tax income just exceeds expenditures on average by 0.12 percent of taxable payroll.

(c) Long-range (1980–2054)—Under the intermediate set of assumptions, annual expenditures average 13.74 percent of taxable payroll while payroll tax income averages 12.22 percent of taxable payroll. This produces a projected average actuarial deficit of 1.52 percent of taxable payroll over the next 75 years. This average reflects the near-term annual deficits, the projected surpluses in the remaining portion of the first 25-year period and deficits of 1.17 percent and 4.58 percent of taxable payroll projected for the second and third 25-year periods, respectively. Projections for such distant periods are subject to substantial uncertainty and should be interpreted not as precise forecasts of expected program operations, but as indications of how the trust funds would operate under the assumed economic and demographic conditions if there were no future legislative changes in the program. The average deficit in the third 25-year period, for example, ranges from 0.19 percent of taxable payroll under the optimistic assumptions to 14.20 percent under the pessimistic set, and the overall 75-year actuarial balance is projected as a slight surplus of 0.89 percent under the optimistic set of assumptions and a substantial deficit of 6.17 percent under the pessimistic set.

IV. SOCIAL SECURITY AMENDMENTS SINCE THE 1979 REPORT

On June 9, 1980, Public Law 96–265, the Social Security Disability Amendments of 1980, was enacted. These amendments made a number of changes in the way benefits are calculated for disabled workers and their families and in the administration of the DI program. The legislation is designed to strengthen incentives for disabled beneficiaries to return to work and to improve accountability under the DI program. Details of the amendments can be found in documents prepared by and for the Congress. In particular, details of the financial effects of these amendments on the OASDI program will be shown

in a forthcoming Ways and Means Committee print. The cost estimates shown in this report reflect the effects of these amendments.

V. 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. All the financial operations of the OASI program are handled through this fund. The Federal Disability Insurance Trust Fund—another separate account in the United States Treasury and thus a fund entirely separate from the Federal Old-Age and Survivors Insurance Trust Fund—was established on August 1, 1956. All the financial operations of the DI program are handled through this fund.

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 or on behalf of workers employed by State and local governments and by such employers with respect to wages 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. Employees are required to pay contributions with respect to cash tips, but employers are required to pay contributions on only that part of tip income deemed to be wages under the Federal minimum wage law. All covered self-employed persons are required to pay contributions with respect to their covered 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 within the annual maximum amount. An employee who pays contributions on wages in excess of the annual maximum amount (because of employment with two or more employers) is eligible for a refund of the excess contributions. The amount of benefits that an individual (or his dependents or survivors) may become entitled to under the OASDI program is based on the amount of the individual's taxable earnings in each year. In computing benefits for persons who first become eligible for benefits in 1979 or later, the earnings in each year are indexed to take account of increases in average wage levels. The maximum amount of earnings taxable in a year is also the maximum amount of earnings creditable toward benefits in that year, and the maximum amount is referred to as the contribution and benefit base.

The contribution rates applicable to taxable earnings in each of the calendar years 1937 and later, and the allocation of the rates between the two trust funds, are shown in table 1. For 1981 and later, the contribution rates shown are the rates scheduled in present law. The contribution and benefit base for each year 1937-81 is also shown in table 1. The contribution and benefit base for each year 1975-78 was determined under the automatic increase provisions in section 230 of

the Social Security Act. The bases for 1979 and 1980, and the scheduled base for 1981, are specified in the provisions of present law as amended in 1977. The automatic increase provisions will again be applicable after 1981.

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
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
1978	17,700	5.050	4.275	.775	7.1000	6.0100	1.0900
1979	22,900	5.080	4.330	.750	7.0500	6.0100	1.0400
1980	25,900	5.080	4.330	.750	7.0500	6.0100	1.0400
Changes scheduled in present law:							
1981	29,700	5.350	4.525	.825	8.0000	6.7625	1.2375
1982-84	(¹)	5.400	4.575	.825	8.0500	6.8125	1.2375
1985-89	(¹)	5.700	4.750	.950	8.5500	7.1250	1.4250
1990 and later	(¹)	6.200	5.100	1.100	9.3000	7.6500	1.6500

¹ Subject to automatic increase.

All contributions are collected by the Internal Revenue Service and deposited in the general fund of the Treasury as internal revenue collections, except for amounts received under State agreements (to effectuate coverage under the program for State and local government employees) which are deposited directly in the trust funds. The internal revenue collections are immediately and automatically appropriated to the trust funds on an estimated basis. The exact amount of contributions received is not known initially because contributions under the OASDI and HI programs 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. Adjustments are also made to account for any refunds to workers who paid contributions on wages in excess of the contribution and benefit base.

Another source of income to the trust funds is interest received on investments held by 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. The Act provides that these obligations shall bear interest at a rate equal to the average market yield (computed 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.

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 OASDI program. Under these provisions, transfers between the railroad retirement account and the trust funds are made on an annual basis in order to place each trust fund in the same position as it would have been if railroad employment had always been covered under social security.

Several other provisions in the Social Security Act also affect the income and expenditures of the trust funds. Income is affected by provisions for (1) annual reimbursements from the general fund of the Treasury to the OASI and DI trust funds for any cost arising from the granting of noncontributory wage credits for military service, according to periodic determinations made by the Secretary of Health and Human Services; (2) annual reimbursements from the general fund of the Treasury to the OASI trust fund for any costs arising from special monthly cash payments to certain persons who reached age 72 before 1968, almost all of whom are not eligible for cash benefits under other provisions of the OASDI program, and (3) the receipt of unconditional money gifts or bequests made for the benefit of the trust funds or any activity financed through the funds. In addition to the payment of benefits from the trust funds, the following expenditures from the trust funds are authorized: (1) costs of vocational rehabilitation services furnished to disabled persons receiving benefits because of their disability, which may not exceed a specified percentage of the benefits certified for payment to these types of beneficiaries in the preceding year; (2) expenses incurred by the Department of Health and Human Services 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; and (3) expenditures for construction, rental and lease or purchase contract of office buildings and related facilities for the Social Security Administration.

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 trust funds.

VI. SUMMARY OF THE OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, FISCAL YEAR 1979

A. OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

A statement of the income and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund in fiscal year 1979, 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 1978 are also shown in the table.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING FISCAL YEARS 1978 AND 1979

[In thousands]

	Fiscal year 1978	Fiscal year 1979
Total assets of the trust fund, beginning of year	\$35,372,213	\$30,978,264
Receipts:		
Contributions:		
Appropriations	66,574,306	76,126,738
Deposits arising from State agreements	7,859,698	8,680,185
Gross contributions	74,434,004	84,806,923
Less payment into the Treasury for contributions subject to refund	387,225	449,013
Net contributions	74,046,779	84,357,910
Reimbursement from general fund of the Treasury for costs of:		
Noncontributory credits for military service	382,000	384,457
Noncontributory credits for persons interned during World War II at places operated for the internment of U.S. citizens of Japanese ancestry	2,724	
Payments to noninsured persons aged 72 and over:		
Benefit payments	176,727	199,169
Administrative expenses	2,205	2,192
Interest	49,272	29,100
Total reimbursement for payments to noninsured persons aged 72 and over	228,203	230,461
Interest:		
Interest on investments	2,153,535	1,919,705
Interest on amounts transferred from the supplemental security income general fund account due to adjustment in allocation of administrative expenses ¹	-600	1,412
Gross interest	2,152,935	1,921,117
Less interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs	1,655	574
Less interest on amounts transferred to the disability insurance trust fund due to adjustment in allocation of costs of vocational rehabilitation services	139	404
Net interest	2,151,142	1,920,140
Gifts	6	100
Total receipts	76,810,854	86,893,068
Disbursements:		
Benefit payments	78,524,092	87,591,968
Transfer to railroad retirement account	1,588,664	1,447,532

See footnotes at end of table.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING FISCAL YEARS 1978 AND 1979—CONTINUED

[in thousands]

	Fiscal year 1978	Fiscal year 1979
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For the current fiscal year.....	\$6, 107	\$12, 330
Transfers to the disability insurance trust fund due to adjustment in allocation of costs for prior periods.....	354	4, 650
Total payment for costs of vocational rehabilitation services.....	6, 461	16, 980
Administrative expenses:		
Department of Health, Education and Welfare.....	931, 715	973, 640
Treasury Department.....	103, 973	104, 917
Construction of facilities for Social Security Administration.....	13, 332	2, 550
Expenses of the Department of Health, Education and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	50	62
Interfund transfers due to adjustment in allocation of administrative expenses ²	22, 327	-7, 783
Transfers to the supplemental security income general fund account due to adjustment in allocation of administrative expenses.....	14, 300	-----
Gross administrative expenses.....	1, 085, 695	1, 073, 386
Less interfund transfers due to adjustment in allocation of costs of construction.....	57	1, 013
Less reimbursement from general fund of the Treasury for costs of furnishing information on deferred vested pension benefits.....	-----	311
Less receipts from sales of supplies, materials, etc.....	53	5
Net administrative expenses.....	1, 085, 586	1, 072, 006
Total disbursements.....	81, 204, 803	90, 128, 486
Net addition to the trust fund.....	-4, 393, 949	-3, 235, 418
Total assets of the trust fund, end of year.....	30, 978, 264	27, 742, 846

¹ A positive figure represents a transfer of interest to the trust fund from the supplemental security income general fund account. A negative figure represents a transfer of interest from the trust fund to the supplemental security income general fund account.

² A positive figure represents a transfer from the OASI trust fund to the other social security trust funds. A negative figure represents a transfer to the OASI trust fund from the other social security trust funds.

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

The total assets of the OASI trust fund amounted to \$30,978 million on September 30, 1978. During fiscal year 1979, total receipts amounted to \$86,893 million and total disbursements were \$90,128 million. The assets of the trust fund thus decreased \$3,235 million during the year to a total of \$27,743 million on September 30, 1979.

Included in total receipts during fiscal year 1979 were \$76,127 million representing contributions appropriated to the fund and \$8,680 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, \$449 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 \$84,358 million, an increase of 13.9 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; (2) the two increases in the maximum annual amount of earnings taxable—from \$16,500 to \$17,700 effective on January 1, 1978 and from \$17,700 to \$22,900 effective on January 1, 1979; and (3) the increase in the OASI contribution rate for employees and employers, each from 4.275 percent to 4.330 percent that became effective on January 1, 1979. Although the first increase in the

maximum annual amount of earnings taxable, from \$16,500 to \$17,700, became effective in 1978, earnings between \$16,500 and \$17,700, which were taxable during all of fiscal year 1979, were taxable during only part of the preceding fiscal year. The increase in net contributions would have been larger had it not been for the decrease in the contribution rate for employees and employers, each, from 4.375 percent to 4.275 percent that became effective on January 1, 1978. Although this decrease in the contribution rate became effective in 1978, it was not in effect during all of fiscal year 1978.

Reference has been made in an earlier section to provisions of the Social Security Act under which the OASI and DI trust funds are to be reimbursed annually from the general fund of the Treasury for costs of granting noncontributory credits for military service and for the costs of payments to certain noninsured persons aged 72 and over who have less than three quarters of coverage.

Section 217(g) of the Social Security Act provides for reimbursement of the 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 1966-76 that have been deposited into the trust funds. In accordance with section 217(g), the Secretary of Health, Education and Welfare (now Health and Human Services) made a determination in 1975 of the level annual appropriations to the trust funds necessary to amortize this estimated total cost over a 39-year period, beginning in fiscal year 1977. The annual amounts resulting from this determination were \$354 million for the OASI trust fund and \$92 million for the DI trust fund. In accordance with section 229(b), the Secretary determined that the old-age and survivors insurance trust fund should receive reimbursement of \$30 million, and the disability insurance trust fund should receive reimbursement of \$50 million, for additional costs attributable to noncontributory credits for military service performed after 1956. Thus, reimbursements amounting to \$384 million for the OASI trust fund and \$142 million for the DI trust fund were received in December 1978.

A reimbursement amounting to \$230 million for the costs of monthly payments to certain noninsured persons aged 72 and over was transferred from the general fund of the Treasury to the OASI trust fund in fiscal year 1979. This reimbursement, made under section 228, reflected the costs of payments made from July 1976 through September 1977 and adjustments in the costs of payments made in prior fiscal years.

The OASI trust fund received \$99,609 in gifts in fiscal year 1979 under the provisions authorizing the deposit of money gifts or bequests in the OASI and DI trust funds.

The remaining \$1,920 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 prior fiscal years.

Of the \$90,128 million in total disbursements, \$87,592 million was for benefit payments, an increase of 11.5 percent over the corresponding amount paid in fiscal year 1978. This increase was due to (1) the automatic cost-of-living benefit increases of 6.5 percent and 9.9 percent, which became effective for June 1978 and June 1979, respectively, 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. Although the first automatic benefit increase of 6.5 percent became effective in 1978, the resulting higher benefit levels, which were in effect during all of fiscal year 1979, were in effect during only part of the preceding fiscal year. The increase in benefit payments from fiscal year 1978 to fiscal year 1979 also reflects the effects of various provisions in the 1977 amendments.

In accordance with the provisions of the Railroad Retirement Act which coordinate the railroad retirement and OASI programs and which govern the financial interchanges arising from the allocation of costs between the two systems, the Railroad Retirement Board and the Secretary of Health, Education and Welfare determined that a transfer of \$1,384,300,000 to the railroad retirement account from the OASI trust fund would place this trust fund in the same position as of September 30, 1978 as it would have been if railroad employment had always been covered under the Social Security Act. A total amount of \$1,447,532,000 was transferred to the railroad retirement account in June 1979, including interest to the date of transfer amounting to \$63,232,000.

Expenditures of the OASI program for the costs of vocational rehabilitation services amounted to \$17 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 OASI trust fund because of their disability.

The remaining \$1,072 million of disbursements from the OASI trust fund represents net administrative expenses. The expenses of administering the programs financed through the four trust funds—the OASI, DI, HI and supplementary medical insurance (SMI) 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 OASI trust fund and the supplemental security income general fund account, with appropriate interest allowances.

Section 1131 of the Social Security Act authorizes annual reimbursements from the general fund of the Treasury to the OASI trust fund for additional administrative expenses incurred by the OASI trust fund as a result of furnishing information on deferred vested benefits to pension plan participants as required by the Employee Retirement Income Security Act of 1974. The first reimbursement under section 1131 occurred in fiscal year 1979 and amounted to \$311,467.

Net administrative expenses charged to the OASI trust fund and to the DI trust fund in fiscal year 1979 totaled \$1,479 million. This amount represented 1.5 percent of contribution income and 1.5 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 OASDI system as a whole and for each trust fund separately are shown in table 3.

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 1975-79

Fiscal year	Total—Administrative expenses as a percentage of—		Old-age and survivors insurance trust fund—Administrative expenses as a percentage of—		Disability insurance trust fund—Administrative expenses as a percentage of—	
	Total contribution income	Total benefit payments ¹	Contribution income	Benefit payments ¹	Contribution income	Benefit payments ¹
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
July-September 1976.....	1.7	1.6	1.5	1.4	3.3	2.7
1977.....	1.8	1.7	1.4	1.4	4.2	3.4
1978.....	1.6	1.6	1.5	1.4	2.6	2.7
1979.....	1.5	1.5	1.3	1.2	2.8	3.0

¹ In determining the percentages shown, payments for the costs of vocational rehabilitation services are included with benefit payments. (In fiscal year 1979 such payments, for both OASI and DI, combined, amounted to less than 0.1 percent of total benefit payments.)

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

In table 4, the experience with respect to actual amounts of contributions and benefit payments in fiscal year 1979 is compared with the estimates for fiscal year 1979 which appeared in the 1978 and 1979 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 1979 reflects the aforementioned type of adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions in fiscal year 1979 does not reflect adjustments to contributions for fiscal year 1979 that were to be made after September 30, 1979.

TABLE 4.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, FISCAL YEAR 1979

[Amounts in millions]

	Old-age and survivors insurance trust fund		Disability insurance trust fund	
	Net contributions	Benefit payments	Net contributions	Benefit payments
Actual amount.....	\$84,358	\$87,592	\$14,750	\$13,428
Estimated amount published in 1979 report.....	\$84,526	\$87,462	\$14,850	\$13,552
Actual as percentage of estimate.....	100	100	99	99
Estimated amount published in 1978 report.....	\$84,042	\$87,733	\$14,739	\$14,200
Actual as percentage of estimate.....	100	100	100	95

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

At the end of fiscal year 1979, about 34.9 million persons were receiving monthly benefits under the OASDI program. About 30.1 million of these persons were receiving monthly benefits from the OASI trust fund. The distribution of benefit payments in fiscal years

1978 and 1979, by type of beneficiary, is shown in table 5. Approximately 74 percent of the total benefit payments from the OASI trust fund in fiscal year 1979 was accounted for by monthly benefits to retired workers and their dependents and about 17 percent by monthly benefits to aged survivors and disabled widows or widowers of deceased workers. Approximately 9 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.

TABLE 5.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE OF BENEFICIARY AND PAYMENT, FISCAL YEARS 1978 AND 1979

[Amounts in millions]

	Fiscal year 1978		Fiscal year 1979	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$78,524	100	\$87,592	100
Monthly benefits.....	78,192	100	87,249	100
Retired workers and their dependents.....	57,732	74	64,716	74
Retired workers.....	51,945	66	58,342	67
Wives and husbands.....	4,886	6	5,386	6
Children.....	902	1	989	1
Survivors of deceased workers.....	20,315	26	22,402	26
Aged widows and widowers.....	12,730	16	14,246	16
Disabled widows and widowers.....	261	(1)	279	(1)
Parents.....	52	(1)	52	(1)
Children.....	6,012	8	6,452	7
Widowed mothers and fathers caring for child beneficiaries.....	1,260	2	1,373	2
Noninsured persons aged 72 and over ²	145	(1)	131	(1)
Lump-sum death payments.....	332	(1)	343	(1)

¹ Less than 0.5 percent.

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

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

Special payments to noninsured persons aged 72 and over amounted to \$131 million, or less than 0.2 percent of total benefit payments from the trust fund. As stated earlier, the costs of such payments to persons who have fewer than three quarters of coverage are reimbursable from the general fund of the Treasury. About 97 percent of the total amount of the payments made in fiscal year 1979 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 1979 consisted of lump-sum death payments.

The assets of the OASI trust fund at the end of fiscal year 1979 totaled \$27,743 million, consisting of \$27,317 million in the form of obligations of the U.S. Government or of federally sponsored agency obligations, and an undisbursed balance of \$426 million. Table 6 shows the total assets of the fund and their distribution at the end of fiscal years 1978 and 1979.

TABLE 6.—ASSETS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1978 AND 1979

	September 30, 1978		September 30, 1979	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury bonds:				
2¼-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	70,153,276.15	70,170,000	70,154,300.11
3¼-percent, 1978-83.....	60,200,000	59,923,801.82	60,200,000	59,982,987.02
3¼-percent, 1985.....	25,700,000	25,127,664.47	25,700,000	25,214,601.59
3½-percent, 1980.....	449,450,000	450,358,754.22	449,450,000	449,922,352.42
3½-percent, 1990.....	556,250,000	551,440,994.91	556,250,000	551,865,319.11
3½-percent, 1998.....	552,037,000	545,837,174.77	552,037,000	546,145,879.93
4-percent, 1980.....	153,100,000	153,093,516.34	153,100,000	153,098,379.94
4½-percent, 1989-94.....	91,300,000	90,828,974.97	91,300,000	90,859,201.17
4¼-percent, 1975-85.....	78,023,000	77,884,860.86	78,023,000	77,905,844.18
4¼-percent, 1987-92.....	33,000,000	33,940,246.68	33,000,000	33,833,803.68
6½-percent, 1984.....	31,500,000	31,768,677.33	31,500,000	31,723,267.05
7-percent, 1981.....	50,000,000	49,883,333.05	50,000,000	49,923,333.01
7½-percent, 1988-93.....	99,934,000	98,749,197.44	99,934,000	98,828,625.56
7½-percent, 2002-07.....	15,000,000	14,991,617.02	15,000,000	14,991,911.98
7½-percent, 1995-2000.....	22,180,000	21,528,774.78	22,180,000	21,559,420.62
8-percent, 1996-2001.....	90,500,000	90,411,557.28	90,500,000	90,415,430.64
8¼-percent, 2000-05.....	22,450,000	22,444,447.98	22,450,000	22,444,646.82
8½-percent, 1995-2000.....	50,000,000	50,661,616.25	50,000,000	50,631,313.25
8½-percent, 1994-99.....	6,352,000	6,501,155.68	6,352,000	6,493,938.40
Total investments in public issues.....	3,522,048,000	3,510,431,642.00	3,522,048,000	3,510,896,756.48
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
8¼-percent, 1979.....	4,769,492,000	4,769,492,000.00	-----	-----
8½-percent, 1979.....	1,294,723,000	1,294,723,000.00	-----	-----
8¾-percent, 1980.....	-----	-----	1,732,790,000	1,732,790,000.00
9-percent, 1980.....	-----	-----	6,941,877,000	6,941,877,000.00
Bonds:				
7¼-percent, 1984.....	125,846,000	125,846,000.00	-----	-----
7¼-percent, 1985.....	125,846,000	125,846,000.00	-----	-----
7¼-percent, 1986.....	125,847,000	125,847,000.00	-----	-----
7¼-percent, 1987.....	125,847,000	125,847,000.00	-----	-----
7¼-percent, 1988.....	125,847,000	125,847,000.00	-----	-----
7¼-percent, 1989.....	125,847,000	125,847,000.00	125,847,000	125,847,000.00
7¼-percent, 1990.....	125,847,000	125,847,000.00	125,847,000	125,847,000.00
7¼-percent, 1991.....	125,848,000	125,848,000.00	125,848,000	125,848,000.00
7¼-percent, 1992.....	2,014,741,000	2,014,741,000.00	2,014,741,000	2,014,741,000.00
7½-percent, 1984.....	688,956,000	688,956,000.00	-----	-----
7½-percent, 1985.....	688,956,000	688,956,000.00	-----	-----
7½-percent, 1986.....	688,956,000	688,956,000.00	-----	-----
7½-percent, 1987.....	688,955,000	688,955,000.00	-----	-----
7½-percent, 1988.....	688,956,000	688,956,000.00	474,643,000	474,643,000.00
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, 1983.....	459,237,000	459,237,000.00	-----	-----
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	522,029,000	522,029,000.00
7½-percent, 1988.....	522,029,000	522,029,000.00	522,029,000	522,029,000.00
7½-percent, 1989.....	522,029,000	522,029,000.00	522,029,000	522,029,000.00
7½-percent, 1990.....	522,029,000	522,029,000.00	522,029,000	522,029,000.00
7½-percent, 1991.....	1,888,893,000	1,888,893,000.00	1,888,893,000	1,888,893,000.00
7½-percent, 1983.....	677,910,000	677,910,000.00	-----	-----
7½-percent, 1984.....	677,910,000	677,910,000.00	-----	-----
7½-percent, 1985.....	677,910,000	677,910,000.00	-----	-----
7½-percent, 1986.....	677,910,000	677,910,000.00	-----	-----
7½-percent, 1987.....	677,910,000	677,910,000.00	677,910,000	677,910,000.00
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
8¼-percent, 1993.....	1,555,736,000	1,555,736,000.00	1,555,736,000	1,555,736,000.00
8¼-percent, 1994.....	-----	-----	1,272,609,000	1,272,609,000.00
Total obligations sold only to this fund (special issues).....	26,889,767,000	26,889,767,000.00	23,251,299,000	23,251,299,000.00

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 1978 AND 1979—Continued

	September 30, 1978		September 30, 1979	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations—Continued:				
Total investments in public-debt obligations	\$30,411,815,000	\$30,400,198,642.00	\$26,773,347,000	\$26,767,135,756.48
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	64,886,250.64	65,000,000	64,898,438.20
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	554,886,250.64	555,000,000	554,898,438.20
Total investments	30,966,815,000	30,955,084,892.64	27,328,347,000	27,317,094,194.68
Undisbursed balances		23,179,467.85		425,751,973.22
Total assets		30,978,264,360.49		27,742,846,167.90

¹ 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 1979 amounted to \$3,638 million. New securities at a total par value of \$97,887 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 \$101,525 million. Included in these amounts are \$88,979 million in certificates of indebtedness that were acquired, and \$86,368 million in certificates of indebtedness that were redeemed, within the fiscal year.

The effective annual rate of interest earned by the assets of the OASI trust fund during the 12 months ending on June 30, 1979 was 7.4 percent. (This period is used because interest on special issues is paid semiannually on June 30 and December 31.) The interest rate on special issues purchased by the trust fund in June 1979 was 8¾ percent, payable semiannually. The special issues purchased by the trust fund in June 1979, at the interest rate of 8¾ percent, included \$1,273 million in Treasury bonds maturing in 1994. 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 4¼ 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.

Section 201(d) of the Social Security Act provides that the public-debt obligations issued for purchase by the OASI and DI trust funds shall have maturities fixed with due regard for the needs of the funds. Under this section, the general practice is to spread the maturity dates for the holdings of special issues as nearly as practicable in equal amounts over a 15-year period.

As a result, the OASI trust fund held \$14,577 million in special issues (bonds) at the end of September 1979 that were distributed in equal amounts of about \$2,015 million maturing in each of the years 1988-1992 and in smaller amounts maturing in 1987, 1993 and 1994 (table 6). The investment operations of the fund in fiscal years 1978 and earlier are described in the 1979 and earlier annual reports.

B. DISABILITY INSURANCE TRUST FUND

A statement of the income and disbursements of the Federal Disability Insurance Trust Fund during fiscal year 1979 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 1978 are also shown in the table.

TABLE 7.—STATEMENT OF OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING FISCAL YEARS 1978 AND 1979

[In thousands]

	Fiscal year 1978	Fiscal year 1979
Total assets of the trust fund, beginning of year.....	\$4,243,131	\$4,371,652
Receipts:		
Contributions:		
Appropriations.....	11,142,746	13,356,868
Deposits arising from State agreements.....	1,312,550	1,474,907
Gross contributions.....	12,455,296	14,831,775
Less payment into the Treasury for contributions subject to refund.....	50,900	82,032
Net contributions.....	12,404,396	14,749,743
Reimbursement from general fund of the Treasury for costs of:		
Noncontributory credits for military service.....	128,000	141,663
Noncontributory credits for persons interned during World War II at places operated for the internment of U.S. citizens of Japanese ancestry.....	3	
Interest:		
Interest on investments.....	249,289	303,226
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs.....	1,959	1,027
Interest on amounts transferred from the old-age and survivors insurance trust fund due to adjustment in allocation of costs of vocational rehabilitation services.....	139	404
Total interest.....	251,387	304,657
Total receipts ¹	12,783,786	15,196,063

See footnotes at end of table.

TABLE 7.—STATEMENT OF OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING FISCAL YEARS 1978 AND 1979—Continued

(In thousands)

	Fiscal year 1978	Fiscal year 1979
Disbursements:		
Benefit payments.....	\$12,213,895	\$13,428,454
Transfer to railroad retirement account.....	29,797	29,906
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For the current fiscal year.....	84,693	83,536
Less transfer from the old-age and survivors insurance trust fund due to adjustment in allocation of costs for prior periods.....	354	4,650
Total payment for costs of vocational rehabilitation services.....	84,339	78,886
Administrative expenses:		
Department of Health, Education and Welfare.....	337,222	385,295
Treasury Department.....	18,588	20,123
Construction of facilities for Social Security Administration.....	1,614	235
Expenses of the Department of Health, Education and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	550	538
Interfund transfers due to adjustment in allocation of administrative expenses ¹	-30,646	129
Interfund transfers due to adjustment in allocation of costs of construction ²	-75	458
Gross administrative expenses.....	327,254	406,778
Less receipts from sales of supplies, materials, etc.....	20	21
Net administrative expenses.....	327,234	406,758
Total disbursements.....	12,655,265	13,944,003
Net addition to the trust fund.....	128,521	1,252,059
Total assets of the trust fund, end of year.....	4,371,652	5,623,711

¹ Includes gifts amounting to \$159.60 during fiscal year 1978 and \$281.10 during fiscal year 1979.

² 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.

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

The total assets of the DI trust fund amounted to \$4,372 million on September 30, 1978. During fiscal year 1979, total receipts amounted to \$15,196 million and total disbursements were \$13,944 million. The assets of the trust fund thus increased \$1,252 million during the year to a total of \$5,624 million on September 30, 1979.

Included in total receipts were \$13,357 million representing contributions appropriated to the fund and \$1,475 million representing amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$82 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 \$14,750 million, an increase of 18.9 percent over the amount for the preceding fiscal year. The increase is accounted for, in part, by the same factors, insofar as they apply to contributions of the DI trust fund, that accounted for the increase in contributions to the OASI trust fund (described in the preceding section). Part of this growth also resulted from the increase in the contribution rate for employees and employers, each, which was allocated to finance the DI program—from 0.575 percent to 0.775

percent—that became effective on January 1, 1978. Although such increase in the contribution rate became effective in 1978, it was not in effect during all of fiscal year 1978. The increase in net contributions would have been larger had it not been for the decrease in the contribution rate for employees and employers, each, from 0.775 percent to 0.750 percent that became effective on January 1, 1979.

In addition, the trust fund received \$142 million in December 1978 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 \$50 million was reimbursed in accordance with section 229(b), as described in the preceding section.

The remaining \$305 million of receipts consisted of interest on the investments of the fund, plus interest on amounts of interfund transfers.

Of the \$13,944 million in total disbursements, \$13,428 million was for benefit payments, an increase of 9.9 percent over the corresponding amount paid in fiscal year 1978. 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 OASI trust fund as described in the preceding section.

Provisions governing the financial interchanges between the railroad retirement account and the DI trust fund are similar to those referred to in the preceding section relating to the OASI trust fund. The determination made as of September 30, 1978 required that a transfer of \$28,600,000 be made from the DI trust fund to the railroad retirement account. A total amount of \$29,906,000 was transferred to the railroad retirement account in June 1979, including interest to the date of transfer amounting to \$1,306,000.

The remaining disbursements amounted to \$407 million for net administrative expenses and \$79 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 OASI and DI trust funds to disabled persons receiving benefits because of their disability. This statutory limitation on the amounts to be made available was 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 period during fiscal years 1975-79 and the corresponding amount of benefits paid in the prior fiscal period from the trust funds to disabled beneficiaries.

Fiscal year to which costs of rehabilitation services are charged	Amount of payments for costs of rehabilitation services ¹ (in thousands)	Estimated amount of benefit payments in preceding fiscal year to disabled beneficiaries (in thousands)	Payments for costs of rehabilitation services as a percent of preceding year's benefit payments
1975.....	\$75,434	\$5,533,493	1.36
July 1975-Sept. 1976 ²	120,514	8,824,547	1.37
1977 ³	87,079	8,547,410	1.02
1978.....	93,229	9,986,069	.93
1979.....	45,627	10,967,760	.42

¹ The amounts shown represent the expenditures incurred for a fiscal year and differ from amounts actually 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 revision.

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 earlier 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 1979, some 4.8 million persons were receiving monthly benefits from the DI trust fund. The distribution of benefit payments in fiscal years 1978 and 1979, 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 1978 AND 1979

[Amounts in millions]

	Fiscal year 1978		Fiscal year 1979	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$12,214	100	\$13,428	100
Disabled workers.....	10,071	82	11,090	83
Wives and husbands.....	531	4	572	4
Children.....	1,612	13	1,766	13

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

The assets of the fund at the end of fiscal year 1979 totaled \$5,624 million, consisting of \$5,581 million in the form of obligations of the U.S. Government and an undisbursed balance of \$43 million. Table 9 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1978 and 1979.

TABLE 9.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1978 AND 1979

	September 30, 1978		September 30, 1979	
	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	\$2,000,126.46		
Treasury bonds:				
3½-percent, 1990-----	10,500,000	10,186,435.55	\$10,500,000	\$10,214,103.11
3½-percent, 1998-----	5,000,000	4,790,992.55	5,000,000	4,801,399.55
4-percent, 1980-----	30,250,000	30,248,886.44	30,250,000	30,249,657.12
4½-percent, 1989-94-----	68,400,000	67,880,966.91	68,400,000	67,914,273.75
4½-percent, 1975-85-----	20,795,000	20,785,298.54	20,795,000	20,786,772.02
4½-percent, 1987-92-----	80,800,000	80,879,743.80	80,800,000	80,870,716.32
6½-percent, 1984-----	15,000,000	15,032,099.32	15,000,000	15,026,674.00
7½-percent, 1988-93-----	26,500,000	25,927,644.56	26,500,000	25,966,014.68
7½-percent, 2002-07-----	10,000,000	9,994,411.22	10,000,000	9,994,607.78
8-percent, 1996-2001-----	26,000,000	25,974,590.98	26,000,000	25,975,703.74
8¼-percent, 2000-05-----	3,750,000	3,731,717.33	3,750,000	3,732,402.89
Total investments in public issues-----	298,995,000	297,432,913.66	296,995,000	295,532,324.96
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
8¼ percent, 1979-----	1,232,000,000	1,232,000,000.00		
9 percent, 1980-----			1,531,773,000	1,531,773,000.00
Bonds:				
7½-percent, 1986-----	5,830,000	5,830,000.00	5,830,000	5,830,000.00
7½-percent, 1987-----	5,831,000	5,831,000.00	5,831,000	5,831,000.00
7½-percent, 1988-----	5,831,000	5,831,000.00	5,831,000	5,831,000.00
7½-percent, 1989-----	5,831,000	5,831,000.00	5,831,000	5,831,000.00
7½-percent, 1990-----	5,831,000	5,831,000.00	5,831,000	5,831,000.00
7½-percent, 1991-----	5,831,000	5,831,000.00	5,831,000	5,831,000.00
7½-percent, 1992-----	274,851,000	274,851,000.00	274,851,000	274,851,000.00
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, 1986-----	63,020,000	63,020,000.00	63,020,000	63,020,000.00
7½-percent, 1987-----	63,019,000	63,019,000.00	63,019,000	63,019,000.00
7½-percent, 1988-----	63,020,000	63,020,000.00	63,020,000	63,020,000.00
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, 1985-----	32,529,000	32,529,000.00	32,529,000	32,529,000.00
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
8¼-percent, 1983-----	173,182,000	173,182,000.00		
8¼-percent, 1984-----	241,389,000	241,389,000.00	146,558,000	146,558,000.00
8¼-percent, 1985-----	208,860,000	208,860,000.00	208,860,000	208,860,000.00
8¼-percent, 1993-----	241,389,000	241,389,000.00	241,389,000	241,389,000.00
8¼-percent, 1983-----			21,816,000	21,816,000.00
8¼-percent, 1984-----			192,718,000	192,718,000.00
8¼-percent, 1985-----			97,887,000	97,887,000.00
8¼-percent, 1986-----			64,425,000	64,425,000.00
8¼-percent, 1987-----			64,425,000	64,425,000.00
8¼-percent, 1988-----			64,425,000	64,425,000.00
8¼-percent, 1989-----			64,425,000	64,425,000.00
8¼-percent, 1990-----			64,425,000	64,425,000.00
8¼-percent, 1991-----			64,425,000	64,425,000.00
8¼-percent, 1992-----			64,425,000	64,425,000.00
8¼-percent, 1993-----			97,887,000	97,887,000.00
8¼-percent, 1994-----			339,277,000	339,277,000.00
Total obligations sold only to this fund (special issues)-----	4,053,306,000	4,053,306,000.00	5,285,626,000	5,285,626,000.00
Total investments in public-debt obligations-----	4,352,301,000	4,350,738,913.66	5,582,621,000	5,581,158,324.96
Undisbursed balances-----		20,912,860.12		42,552,853.65
Total assets-----		4,371,651,773.78		5,623,711,178.61

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

The net increase in the par value of the investments owned by the fund during the fiscal year amounted to \$1,230 million. New securities at a total par value of \$17,769 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 \$16,538 million. Included in these amounts are \$15,233 million in certificates of indebtedness that were acquired, and \$14,933 million in certificates of indebtedness that were redeemed, within the fiscal year.

The effective annual rate of interest earned by the assets of the DI trust fund during the 12 months ending on June 30, 1979 was 7.9 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1979 was 8¼ percent, payable semiannually.

The investment policy and practices described in the preceding section concerning the OASI trust fund apply equally to investments of the assets of the DI trust fund.

VII. ACTUARIAL COST PROJECTIONS

The actuarial cost projections that appear in this report are based on the assumption that the present statutory provisions and regulations affecting the OASDI program will not change during the projection period. The projections include the effect of the Disability Amendments of 1980 which were enacted in June.

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 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, 1979 is presented in the preceding section of this report. Such information for fiscal years 1980-84 is presented later in this section.

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 statements have customarily been made for the medium-range period (25 years) and the long-range period (75 years), each period commencing with the year of the issuance of the report.

Basic to the discussion of the medium-range or long-range actuarial status of either trust fund is the concept of expenditures as a percentage 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 disabled beneficiaries. The taxable payroll consists of the total earnings which are subject to social security taxes. These earnings are adjusted to reflect the lower effective contribution rates which apply to self-employment income, tips and multiple-employer "excess wages." With this adjustment, the expenditures divided by the taxable payroll and expressed as a percentage can be compared directly to the combined employer-employee tax rate in the law.

Over the medium-range and long-range periods, the actuarial status of the trust funds is measured by the actuarial balance, which is the difference between the average of the tax rates scheduled in the law