

1981 ANNUAL REPORT
FEDERAL OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST FUND

COMMUNICATION

FROM

THE BOARD OF TRUSTEES
FEDERAL OLD-AGE AND SURVIVORS IN-
SURANCE AND DISABILITY INSURANCE
TRUST FUND

TRANSMITTING

THE 1981 ANNUAL REPORT OF THE BOARD, PURSUANT TO
SECTION 201(c) OF THE SOCIAL SECURITY ACT



JULY 8, 1981.—Referred to the Committee on Ways and Means
and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

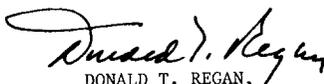
LETTER OF TRANSMITTAL

Board of Trustees of the
Federal Old-Age and Survivors Insurance
and Disability Insurance Trust Funds
Washington, D.C., July 2, 1981

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

SIR: We have the honor to transmit to you the 1981 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 41st such report), in compliance with the provisions of section 201(c) of the Social Security Act.

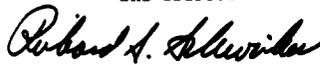
Respectfully,



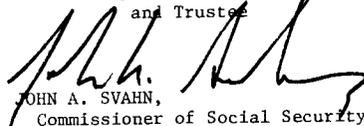
DONALD T. REGAN,
Secretary of the Treasury,
and Managing Trustee of the Trust Funds



RAYMOND J. DONOVAN,
Secretary of Labor,
and Trustee



RICHARD S. SCHWEIKER,
Secretary of Health and Human Services,
and Trustee



JOHN A. SVAHN,
Commissioner of Social Security,
and Secretary, Board of Trustees

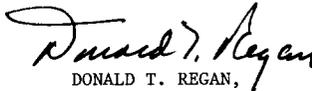
LETTER OF TRANSMITTAL

Board of Trustees of the
Federal Old-Age and Survivors Insurance
and Disability Insurance Trust Funds
Washington, D.C., July 2, 1981

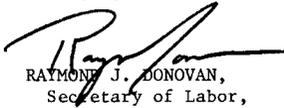
THE PRESIDENT OF THE SENATE
Washington, D.C.

SIR: We have the honor to transmit to you the 1981 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 41st such report), in compliance with the provisions of section 201(c) of the Social Security Act.

Respectfully,



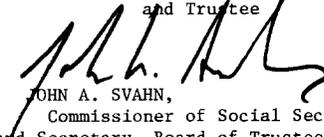
DONALD T. REGAN,
Secretary of the Treasury,
and Managing Trustee of the Trust Funds



RAYMOND J. DONOVAN,
Secretary of Labor,
and Trustee



RICHARD S. SCHWEIKER,
Secretary of Health and Human Services,
and Trustee



JOHN A. SVAHN,
Commissioner of Social Security,
and Secretary, Board of Trustees

CONTENTS

	Page
I. The Board of Trustees	1
II. Highlights.....	2
III. Social Security Amendments Since the 1980 Report	6
IV. Nature of the Trust Funds.....	7
V. Summary of the Operations of the Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Fiscal Year 1980.....	11
A. Old-Age and Survivors Insurance Trust Fund.....	11
B. Disability Insurance Trust Fund.....	20
VI. Actuarial Cost Projections.....	26
A. Economic and Demographic Assumptions	28
B. Automatic Adjustments.....	34
C. Estimated Operations and Status of the Trust Funds During the Period October 1, 1980 to December 31, 1985	36
D. Actuarial Analysis of Benefit Disbursements from the Federal Old-Age and Survivors Insurance Trust Fund with Respect to Disabled Beneficiaries.....	54
E. Actuarial Status of the Trust Funds.....	57
VII. Conclusion	70
Appendices:	
A. Assumptions and Methods Underlying the Medium- Range and Long-Range Cost Estimates.....	72
B. Sensitivity Analysis.....	87
C. Cyclic Analysis	91
D. Determination and Announcement of Social Security Benefit Increases	99
E. Determination and Announcement of Social Security Contribution and Benefit Base, Quarter of Coverage Amount, Retirement Test Exempt Amounts, Average of the Total Wages, Formulas for Computing Benefits, and Extended Table of Benefit Amounts for 1981	102
F. Automatic Adjustments Under Old-Age, Survivors, and Disability Insurance	108
G. Actuarial Cost Projections of the OASI, DI, and HI Programs, Combined	113
H. Statement of Actuarial Opinion.....	118

**1981 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 1981, the 41st such report.

II. HIGHLIGHTS

This section summarizes the more important developments since the 1980 Annual Report was issued and describes the major features of this year's report. Later sections discuss these topics in more detail.

Financial status of the trust funds

As discussed in last year's annual report, without corrective legislation in the very near future, the Old-Age and Survivors Insurance Trust Fund will be unable to make benefit payments on time beginning in the latter half of 1982. Under present law, and on the basis of any reasonable set of economic assumptions, the expenditures of the OASI program will continue to exceed the program's payroll tax and other income through at least 1985. To date, benefit payments have been made on a timely basis by drawing down the assets of the OASI Trust Fund to cover the shortfall. This, of course, is the fund's purpose: to act as a contingency reserve during temporary periods when outgo exceeds income. At this time, however, the assets of the OASI Trust Fund have been reduced to such a low level that they will not be able to continue making up the difference for much longer. If assets are allowed to decline to the point where their amount at the end of a particular month is less than the benefit payments falling due on the third of the following month, inability to pay all benefits on time for that month would result. This condition is expected to occur for the OASI program in the latter half of 1982 unless income to the program is increased or its benefits are reduced. The following section highlights the financial condition of the program in more detail.

Four sets of long-range financial projections are shown for the Old-Age, Survivors, and Disability Insurance program, to indicate future income and outgo under a broad range of assumptions which are described in the section entitled "Economic and Demographic Assumptions." As in recent annual reports, one set of assumptions is designated as "optimistic" and another is termed "pessimistic." The particular assumptions in each set are so characterized depending on whether they have a favorable or unfavorable effect on the financial status of the trust funds. This year, two alternative "intermediate" sets of assumptions are used: alternative II-A and alternative II-B. Alternatives II-A and II-B share the same demographic assumptions. However, alternative II-A assumes future economic performance resembling that of the more robust recent economic expansions; such performance would result from policies aimed at stimulating growth and lowering inflation. Alternative II-B assumes the adoption of policies which would result in an economic performance resembling less robust economic expansions. This presentation illustrates the beneficial effect on the financial status of the trust funds of higher real growth in wages, higher employment, and lower inflation for any given set of demographic assumptions. In addition, a fifth cost estimate is presented to show the effect of using "worst-case" economic assumptions over the short range (the next 6 years); these were used in developing the Administration's proposals to restore the financial solvency of the OASDI program.

The financial projections are described in detail for three time periods of particular interest—short range, medium range, and long range. The estimates for the various time periods can be summarized as follows:

- (a) Short range (1981-85)—Under all four sets of long-range assumptions and under the short-range “worst-case” economic 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 in the latter half of 1982 under each of the alternative sets of assumptions. Accordingly, changes in the law are needed so that OASI benefits will continue to be paid when due. In contrast, after 1981, the DI Trust Fund is projected to increase in every year throughout the projection period under all five sets of assumptions. Its rate of growth, however, would not be sufficient to offset the projected declines in the OASI Trust Fund, and the assets of both trust funds, if combined, would also become depleted under each set of assumptions. As noted in the concurrent 1981 Annual Report on the status of the Hospital Insurance Trust Fund, the assets of this fund are also expected to increase during the next several years. The projections of the operations of the HI Trust Fund, and of the OASI, DI, and HI Trust Funds combined, are summarized in Appendix G. Under the optimistic and the intermediate II-A assumptions, interfund borrowing (or a reallocation of tax rates among all three trust funds) would prevent the depletion of any of the trust funds in the short term. However, the margin over the minimum amount of combined assets required to prevent depletion is slim. If emerging economic conditions are somewhat less favorable, the funds could become depleted. Under the intermediate II-B, the pessimistic, and the “worst-case” assumptions, for example, the combined assets of all three trust funds are depleted during the short-range projection period.
- (b) Medium range (1981-2005)—Under the four alternative sets of long-range assumptions, average annual total costs for the OASDI program range from 9.99 to 12.55 percent of taxable payroll, while payroll tax income averages 11.94 percent of taxable payroll. Thus, the projected average actuarial balance ranges from a surplus of 1.95 percent of taxable payroll to a deficit of 0.61 percent of taxable payroll, depending on assumed economic growth and other factors over the next 25 years. Although a surplus is shown under all but the pessimistic assumptions, on average, for the next 25 years, this surplus reflects the short-range OASI deficits described above being more than counterbalanced by a subsequent period of significant financial surpluses.
- (c) Long range (1981-2055)—Over this 75-year period, annual costs for the OASDI program are projected to average from 10.99 to 18.50 percent of taxable payroll, depending on the particular trends assumed in the key economic and demographic factors. Since scheduled payroll tax income averages 12.25 percent of taxable payroll during this period, the projected long-range actuarial balance varies from a surplus of 1.25 percent of taxable

payroll under the optimistic assumptions to a deficit of 6.25 percent of taxable payroll under the pessimistic assumptions. Under alternatives II-A and II-B, respectively, average deficits of 0.93 and 1.82 percent of taxable payroll are projected. Under both sets of intermediate assumptions, this average reflects the near-term annual deficits, the projected surpluses in the remaining portion of the first 25-year period, and substantial deficits projected for the second and third 25-year periods. Projections for such distant periods are subject to considerable uncertainty and should be interpreted, not as precise forecasts of expected program operations, but as indications of how the trust funds would operate if the assumed economic and demographic conditions actually came to pass and if there were no future legislative changes in the program. The average actuarial balance in the third 25-year period, for example, ranges from a surplus of 0.48 percent of taxable payroll under the optimistic assumptions to a deficit of 13.03 percent under the pessimistic set. The projected average deficits for this period under the alternative II-A and II-B sets of assumptions are 3.39 and 4.41 percent of taxable payroll, respectively.

Trust fund operations during fiscal year 1980

- (a) The total assets of the OASI and DI Trust Funds declined by \$1.1 billion during fiscal year 1980, to \$32.2 billion on September 30, 1980. Income amounted to \$117.4 billion, and expenditures totaled \$118.5 billion. Disbursements from the OASI Trust Fund exceeded income by \$3.2 billion, and the assets of the OASI Trust Fund declined to \$24.6 billion by the end of the fiscal year. In contrast, the assets of the DI Trust Fund increased by \$2.1 billion, to \$7.7 billion on September 30, 1980.
- (b) The total number of persons receiving monthly benefits under the OASDI program was 35.4 million at the end of September 1980. An estimated 115 million workers had earnings in calendar year 1980 that were taxable and creditable toward benefits under the program.
- (c) The trust funds earned interest amounting to \$2.3 billion during fiscal year 1980. 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, 1980 was 8.4 percent. During this same period, the average interest rate on new securities purchased by the trust funds was 10.1 percent.
- (d) Administrative expenses for the OASDI program in fiscal year 1980 were \$1.5 billion, which represented 1.3 percent of total benefit payments made during the year.

Developments since the last annual report

- (a) An automatic cost-of-living benefit increase of 14.3 percent became effective for June 1980. (The published statement announcing the determination of this increase is shown in Appendix D.) An increase of 11.2 percent became effective for June 1981, as recently determined and announced.

(b) Effective for 1981, the contribution and benefit base was increased from \$25,900 to \$29,700. The annual exempt amount under the retirement earnings test was increased from \$5,000 to \$5,500 for beneficiaries aged 65 and over, and from \$3,720 to \$4,080 for beneficiaries under age 65. The amount of annual earnings required for a quarter of coverage was increased from \$290 to \$310. The published statement announcing these changes is shown in Appendix E.

III. SOCIAL SECURITY AMENDMENTS SINCE THE 1980 REPORT

Since the 1980 Annual Report was published, several amendments affecting the OASDI program have been enacted. The legislative changes with a significant effect on the program's financial status are briefly described below.

On October 9, 1980, Public Law 96-403 (the Reallocation of Social Security Tax Receipts Act) was signed into law. This act reallocates portions of the DI tax rate to the OASI Trust Fund for calendar years 1980 and 1981. (Total OASDI tax rates were not changed.) This adjustment was made to place the assets of the two trust funds, relative to outgo, on a more even basis during this period, and to allow additional time to resolve the impending OASI financial problems.

On October 19, 1980, Public Law 96-473 was signed into law. This amendment makes a number of modifications in the earnings-test provisions in order to correct certain inequities caused when the monthly earnings test was substantially eliminated by the Social Security Amendments of 1977. In addition, restrictions on Social Security benefits for certain inmates of penal institutions are provided.

On December 5, 1980, Public Law 96-499 (the Omnibus Reconciliation Act of 1980) was signed into law. This act limits benefit retroactivity, except for disability claims, and (with certain temporary exceptions) includes as "covered wages" any payment of employee Social Security taxes by employers.

Details of these amendments can be found in documents prepared by and for the Congress. In particular, estimates of the financial effects of the new provisions on the OASDI program are available in these documents. The financial projections shown in this report reflect the effects of these amendments.

IV. 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 of the financial operations of the OASI program are handled through this fund. The Federal Disability Insurance Trust Fund is another separate account in the United States Treasury and thus a fund entirely separate from the OASI Trust Fund; it was established on August 1, 1956. All of 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 OASDI 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 their wages. 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. The contributions are 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 employee contributions on the income tax form. The amount of benefits that an individual (or his or her spouse and children) 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 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 (the contribution and benefit base).

The contribution rates applicable to taxable earnings in each calendar year, and the allocation of the rates between the two trust funds, are shown in Table 1. For 1982 and later, the rates shown are those scheduled in present law. The contribution and benefit bases are also shown in Table 1. The bases for 1975-78 were determined under the automatic-increase provisions in section 230 of the Social Security Act. The bases for 1979-81 are specified in the 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	4,520	.560	7,0500	6,2725	.7775
1981.....	29,700	5,350	4,700	.650	8,0000	7,0250	.9750
Changes scheduled in present law:							
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

¹Subject 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 Department of the Treasury. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable as determined from 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 trust 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 OASDI.

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 the 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 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 Department of the Treasury in carrying out the provisions of title II of the Social Security Act and the provisions 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.

**V. SUMMARY OF THE OPERATIONS OF THE OLD-AGE AND
SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST
FUNDS, FISCAL YEAR 1980**

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 1980, and of the assets of the fund at the beginning and end of the fiscal year, is presented in Table 2. Comparable figures for fiscal year 1979 are also shown in the table.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND DURING FISCAL YEARS
1979 AND 1980
[In thousands]

	Fiscal year 1979	Fiscal year 1980
Total assets, beginning of year	\$30,978,264	\$27,742,846
Receipts:		
Contributions:		
Appropriations.....	76,126,738	86,736,410
Deposits arising from State agreements.....	8,680,185	11,228,740
Gross contributions	84,806,923	97,965,150
Less payment into the general fund of the Treasury for contributions subject to refund.....	449,013	357,505
Net contributions.....	84,357,910	97,607,645
Reimbursement from general fund of the Treasury for costs of:		
Noncontributory credits for military service	384,457	392,968
Payments to noninsured persons aged 72 and over:		
Benefit payments.....	199,169	140,550
Administrative expenses.....	2,192	1,557
Interest.....	29,100	21,962
Total reimbursement for payments to noninsured persons aged 72 and over	230,461	164,069
Interest:		
Interest on investments	1,919,705	1,885,287
Interest on amounts transferred from the general fund account for the Supplemental Security Income program due to adjustment in allocation of administrative expenses	1,412	46
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs ¹	-574	951
Gross interest.....	1,920,544	1,886,284
Less interest on amounts transferred to the DI Trust Fund due to adjustment in allocation of costs of vocational rehabilitation services.....	404	65
Net interest.....	1,920,140	1,886,219
Gifts	100	52
Total receipts.....	86,893,068	100,050,953
Disbursements:		
Benefit payments	87,591,968	100,615,304
Transfer to Railroad Retirement Account.....	1,447,532	1,441,988
Payment for costs of vocational rehabilitation services for disabled benefi- ciaries:		
For current fiscal year.....	12,330	10,960
Transfers to DI Trust Fund due to adjustment in allocation of costs for prior periods	4,650	130
Total payment for costs of vocational rehabilitation services.....	16,980	11,090
Administrative expenses:		
Department of Health and Human Services.....	973,640	1,116,117
Department of the Treasury	104,917	38,589
Construction of facilities for Social Security Administration.....	2,550	21,379
Expenses of Department of Health and Human Services for administration of vocational rehabilitation program for disabled beneficiaries	62	44

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND DURING FISCAL YEARS
1979 AND 1980 (Cont.)
(In thousands)

	Fiscal year 1979	Fiscal year 1980
Disbursements: (Cont.)		
Administrative expenses: (Cont.)		
Interfund transfers due to adjustment in allocation of costs of construction ¹	-1,013	18
Gross administrative expenses.....	1,080,156	1,174,147
Less interfund transfers due to adjustment in allocation of administrative expenses.....	7,783	14,135
Less reimbursement from general fund of the Treasury for costs of furnishing information on deferred vested pension benefits.....	311	216
Less receipts from sales of supplies, materials, etc.....	55	137
Net administrative expenses.....	1,072,006	1,159,659
Total disbursements.....	90,128,486	103,228,041
Net increase in assets.....	-3,235,418	-3,177,089
Total assets, end of year.....	27,742,846	24,565,757

¹A positive figure represents a transfer of interest to the trust fund from the general fund account for the Supplemental Security Income program. A negative figure represents a transfer of interest from the trust fund to the general fund account for the Supplemental Security Income program.

²A 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 \$27,743 million on September 30, 1979. During fiscal year 1980, total receipts amounted to \$100,051 million and total disbursements were \$103,228 million. The assets of the trust fund thus decreased \$3,177 million during the year, to a total of \$24,566 million on September 30, 1980.

Included in total receipts during fiscal year 1980 were \$86,736 million representing contributions appropriated to the fund and \$11,229 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, \$358 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 \$97,608 million, an increase of 15.7 percent over the amount for the preceding fiscal year. Growth in contribution income resulted primarily from (1) the higher level of earnings in covered employment; (2) the two increases in the maximum annual amount of earnings taxable—from \$17,700 to \$22,900 and from \$22,900 to \$25,900—that became effective on January 1, 1979, and January 1, 1980, respectively; 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 \$17,700 to \$22,900, became effective in 1979, earnings between \$17,700 and \$22,900, which were taxable during all of fiscal year 1980, were

taxable during only part of the preceding fiscal year. Similarly, although the increase in the OASI contribution rate, from 4.275 percent to 4.330 percent, became effective in 1979, the first full fiscal year during which the higher rate was operative was 1980.¹

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.

Section 217(g) of the Social Security Act provides for reimbursement of the additional costs for military service performed before 1957 arising from benefit payments that have been made after August 1950 and those 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) of the Social Security Act, the Secretary of Health and Human Services has determined that the OASI Trust Fund should receive reimbursement of \$39 million, and the DI Trust Fund should receive reimbursement of \$26 million, for additional costs in fiscal year 1980 attributable to noncontributory credits for military service performed after 1956. Thus, reimbursements amounting to \$393 million for the OASI Trust Fund and \$118 million for the DI Trust Fund were received in December 1979.

A reimbursement amounting to \$164 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 1980. This reimbursement, made under section 228 of the Social Security Act, reflected the costs of payments made in fiscal year 1978 and adjustments in the costs of payments made in prior fiscal years.

The OASI Trust Fund received \$51,579 in gifts in fiscal year 1980 under the provisions authorizing the deposit of money gifts or bequests in the OASI and DI Trust Funds.

The remaining \$1,886 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 \$103,228 million in total disbursements, \$100,615 million was for benefit payments, an increase of 14.9 percent over the corresponding amount paid in fiscal year 1979. This increase was due to (1) the automatic cost-of-living benefit increases of 9.9 percent and 14.3 percent,

¹On October 9, 1980, the OASI rate for 1980 was increased to 4.52 percent retroactive to January 1, 1980, by the enactment of Public Law 96-403. Since this change was made after the close of fiscal year 1980, the resulting adjustments in contribution income for the period January through September 1980 were made in fiscal year 1981.

which became effective for June 1979 and June 1980, respectively, under the automatic provisions in section 215(i) of the Social Security Act and (2) the continuing growth in both the total number of beneficiaries and the average benefit amounts (the latter resulting from the rising level of earnings). Although the automatic benefit increase of 9.9 percent became effective in 1979, the resulting higher benefit levels (which were in effect during all of fiscal year 1980) were in effect during only part of the preceding fiscal year. The increase in benefit payments from fiscal year 1979 to fiscal year 1980 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 and Human Services determined that a transfer of \$1,369,500,000 to the Railroad Retirement Account from the OASI Trust Fund would place this trust fund in the same position as of September 30, 1979, as it would have been if railroad employment had always been covered under the Social Security Act. A total amount of \$1,441,988,000 was transferred to the Railroad Retirement Account in June 1980, including interest to the date of transfer amounting to \$72,488,000.

Expenditures of the OASI program for the costs of vocational rehabilitation services amounted to \$11 million. These services were furnished to disabled adults (children 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 \$1,160 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 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 general fund account for the Supplemental Security Income program, 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 it 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. This annual reimbursement in fiscal year 1980 amounted to \$216,022.

Net administrative expenses charged to the OASI and DI Trust Funds in fiscal year 1980 totaled \$1,494 million. This amount represented 1.3 percent of contribution income and 1.3 percent of expenditures for

benefit payments. 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 OASDI PROGRAM TO CONTRIBUTION INCOME AND BENEFIT PAYMENTS, BY TRUST FUND, FISCAL YEARS 1976-80

Fiscal year	Total— Administrative expenses as a percentage of—		OASI Trust Fund— Administrative expenses as a percentage of—		DI 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
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
1980.....	1.3	1.3	1.2	1.2	2.0	2.2

¹Payments for the costs of vocational rehabilitation services are included with benefit payments. In fiscal year 1980, such payments, for OASI and DI combined, amounted to 0.1 percent of total benefit payments.

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

Table 4 compares the experience with respect to actual amounts of contributions and benefit payments in fiscal year 1980 with the estimates for that year which appeared in the 1979 and 1980 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 these figures, it should be noted that the "actual" amount of contributions in fiscal year 1980 reflects the aforementioned type of adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions in fiscal year 1980 does not reflect adjustments to contributions for that year that were to be made after September 30, 1980. (Another adjustment to contributions for the period January-September 1980 that was not made until after the end of the fiscal year was due to the retroactive reallocation of contribution rates between OASI and DI provided under Public Law 96-403. Since this act became law after the 1980 Trustees Report had been published, its effects were not reflected in the estimates shown in the 1979 and 1980 reports.)

TABLE 4.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, FISCAL YEAR 1980
[Amounts in millions]

	OASI Trust Fund		DI Trust Fund	
	Net contributions	Benefit payments	Net contributions	Benefit payments
Actual amount.....	\$97,608	\$100,615	\$16,805	\$14,899
Estimated amount published in 1980 report.....	\$98,274	\$101,208	\$16,932	\$14,864
Actual as percentage of estimate.....	99	99	99	100
Estimated amount published in 1979 report.....	\$97,887	\$99,730	\$16,954	\$15,199
Actual as percentage of estimate.....	100	101	99	99

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

At the end of fiscal year 1980, about 35.4 million persons were receiving monthly benefits under the OASDI program. About 30.7 million of these persons were receiving monthly benefits from the OASI Trust Fund. The distribution of benefit payments in fiscal years 1979 and 1980, 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 1980 was accounted for by monthly benefits to retired workers and their spouses and children and about 17 percent by monthly benefits to aged survivors and disabled widows and 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 such children in their care.

TABLE 5.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE OASI TRUST FUND, BY TYPE OF BENEFICIARY AND PAYMENT, FISCAL YEARS 1979 AND 1980
(Amounts in millions)

	Fiscal year 1979		Fiscal year 1980	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$87,592	100	\$100,615	100
Monthly benefits.....	87,249	100	100,234	100
Retired workers and their dependents.....	64,716	74	74,513	74
Retired workers.....	58,342	67	67,276	67
Wives and husbands.....	5,386	6	6,139	6
Children.....	989	1	1,099	1
Survivors of deceased workers.....	22,402	26	25,600	25
Aged widows and widowers.....	14,246	16	16,578	16
Disabled widows and widowers.....	279	(¹)	304	(¹)
Parents.....	52	(¹)	54	(¹)
Children.....	6,452	7	7,141	7
Widowed mothers and fathers caring for child beneficiaries.....	1,373	2	1,523	2
Noninsured persons aged 72 and over.....	131	(¹)	121	(¹)
Lump-sum death payments.....	343	(¹)	381	(¹)

¹Less than 0.5 percent.

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

In fiscal year 1980, special payments to noninsured persons aged 72 and over amounted to \$121 million, or 0.1 percent of total benefit payments. As stated earlier, the costs of such payments to persons who have fewer than 3 quarters of coverage are reimbursable from the general fund of the Treasury. About 97 percent of the total of such payments went to persons with fewer than 3 quarters of coverage.

During fiscal year 1980, lump-sum death payments amounted to \$381 million, or 0.4 percent of total benefit payments.

The assets of the OASI Trust Fund at the end of fiscal year 1980 totaled \$24,566 million, consisting of \$23,566 million in obligations of the U.S. Government or of federally sponsored agency obligations, and an undisbursed balance of \$1,000 million. Table 6 shows the total assets of the fund and their distribution at the end of fiscal years 1979 and 1980.

TABLE 6.—ASSETS OF THE OASI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1979 AND 1980

	September 30, 1979		September 30, 1980	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury bonds:				
2½-percent, investment series B, 1975-80.....	\$1,064,902,000	\$1,064,902,000.00	—	—
3-percent, 1995.....	70,170,000	70,154,300.11	\$70,170,000	\$70,155,324.07
3½-percent, 1978-83.....	60,200,000	59,982,987.02	60,200,000	60,042,172.22
3½-percent, 1985..	25,700,000	25,214,601.59	25,700,000	25,301,538.71
3½-percent, 1980..	449,450,000	449,922,552.42	449,450,000	449,486,350.62
3½-percent, 1990..	556,250,000	551,865,319.11	556,250,000	552,289,643.31
3½-percent, 1998..	552,037,000	546,145,879.93	552,037,000	546,454,585.09
4-percent, 1980....	153,100,000	153,098,379.94	—	—
4½-percent, 1989-94.....	91,300,000	90,859,201.17	91,300,000	90,889,427.37
4½-percent, 1975-85.....	78,023,000	77,905,844.18	78,023,000	77,926,827.50
4½-percent, 1987-92.....	33,000,000	33,833,803.68	33,000,000	33,727,360.68
6½-percent, 1984..	31,500,000	31,723,267.05	31,500,000	31,677,856.77
7-percent, 1981....	50,000,000	49,923,333.01	50,000,000	49,963,332.97
7½-percent, 1988-93.....	99,934,000	98,828,625.56	99,934,000	98,908,053.68
7½-percent, 2002-07.....	15,000,000	14,991,911.98	15,000,000	14,992,205.14
7½-percent, 1995-2000.....	22,180,000	21,559,420.62	22,180,000	21,590,066.46
8-percent, 1996-2001.....	90,500,000	90,415,430.64	90,500,000	90,419,304.00
8½-percent, 2000-05.....	22,450,000	22,444,646.82	22,450,000	22,444,845.66
11½-percent, 2010.....	—	—	153,100,000	151,998,224.32
8½-percent, 1995-2000.....	50,000,000	50,631,313.25	50,000,000	50,601,010.25
8½-percent, 1994-99.....	6,352,000	6,493,938.40	6,352,000	6,486,721.12
Total investments in public issues	3,522,048,000	3,510,896,756.48	2,457,146,000	2,445,354,849.94
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
8½-percent, 1980..	1,732,790,000	1,732,790,000.00	—	—
9-percent, 1980....	6,941,877,000	6,941,877,000.00	—	—
10½-percent, 1981.....	—	—	406,799,000	406,799,000.00
11½-percent, 1981.....	—	—	8,464,877,000	8,464,877,000.00
Bonds:				
7½-percent, 1988..	125,847,000	125,847,000.00	—	—
7½-percent, 1989..	125,847,000	125,847,000.00	—	—
7½-percent, 1990..	125,847,000	125,847,000.00	125,847,000	125,847,000.00
7½-percent, 1991..	125,848,000	125,848,000.00	125,848,000	125,848,000.00
7½-percent, 1992..	2,014,741,000	2,014,741,000.00	2,014,741,000	2,014,741,000.00
7½-percent, 1987..	474,643,000	474,643,000.00	—	—
7½-percent, 1988..	688,956,000	688,956,000.00	—	—
7½-percent, 1989..	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, 1987..	522,029,000	522,029,000.00	—	—
7½-percent, 1988..	522,029,000	522,029,000.00	—	—
7½-percent, 1989..	522,029,000	522,029,000.00	437,645,000	437,645,000.00
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, 1987..	677,910,000	677,910,000.00	—	—
7½-percent, 1988..	677,909,000	677,909,000.00	—	—
7½-percent, 1989..	677,909,000	677,909,000.00	677,909,000	677,909,000.00

TABLE 6.—ASSETS OF THE OASI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1979 AND 1980 (Cont.)

	September 30, 1979		September 30, 1980	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations: (Cont.)				
Obligations sold only to this fund (special issues): (Cont.)				
Bonds: (Cont.)				
8½-percent, 1993 ..	1,555,736,000	1,555,736,000.00	1,555,736,000	1,555,736,000.00
8½-percent, 1994 ..	1,272,609,000	1,272,609,000.00	1,272,609,000	1,272,609,000.00
9½-percent, 1994 ..	—	—	216,450,000	216,450,000.00
9½-percent, 1995 ..	—	—	1,489,059,000	1,489,059,000.00
Total obligations sold only to this fund (special issues)	23,251,299,000	23,251,299,000.00	20,565,307,000	20,565,307,000.00
Total investments in public-debt obligations	26,773,347,000	26,762,195,756.48	23,022,453,000	23,010,661,849.94
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	64,898,438.20	65,000,000	64,910,625.76
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	554,898,438.20	555,000,000	554,910,625.76
Total investments	27,328,347,000	27,317,094,194.68	23,577,453,000	23,565,572,475.70
Undisbursed balances	—	425,751,973.22	—	1,000,184,989.34
Total assets	—	27,742,846,167.90	—	24,565,757,465.04

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

The net decrease in the par value of the investments owned by the fund during fiscal year 1980 amounted to \$3,751 million. New securities at a total par value of \$117,675 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 \$121,425 million. Included in these amounts are \$104,497 million in certificates of indebtedness that

were acquired, and \$104,300 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, 1980 was 8.3 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 1980 was 9 $\frac{1}{4}$ percent, payable semiannually. The special issues purchased then included \$1,489 million in Treasury bonds maturing in 1995. Although the interest rate on bonds is generally limited to 4 $\frac{1}{4}$ percent by the provisions of 31 U.S.C. 752, subsequent amendments have authorized the issuance of bonds to the trust funds at rates of interest exceeding 4 $\frac{1}{4}$ percent.

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. 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 \$11,694 million in special issues (bonds) at the end of September 1980 that were distributed in equal amounts of about \$2,015 million maturing in each of the years 1990-92 and in smaller amounts maturing in 1989, and in 1993-95 (Table 6). The investment operations of the fund in fiscal years 1979 and earlier are described in 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 1980 and of the assets of the fund at the beginning and end of the fiscal year is presented in Table 7. Comparable figures for fiscal year 1979 are also shown in the table.

TABLE 7.—STATEMENT OF OPERATIONS OF THE DI TRUST FUND DURING FISCAL YEARS
1979 AND 1980
[In thousands]

	Fiscal year 1979	Fiscal year 1980
Total assets, beginning of year	\$4,371,652	\$5,623,711
Receipts:		
Contributions:		
Appropriations.....	13,356,868	15,014,167
Deposits arising from State agreements.....	1,474,907	1,853,633
Gross contributions	14,831,775	16,867,800
Less payment into the general fund of the Treasury for contributions subject to refund.....	82,032	62,545
Net contributions.....	14,749,743	16,805,255
Reimbursement from general fund of the Treasury for costs of noncontributo- ry credits for military service.....	141,663	117,827
Interest:		
Interest on investments	303,226	451,890
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs.....	1,027	1,315
Interest on amounts transferred from OASI Trust Fund due to adjustment in allocation of costs of vocational rehabilitation services.....	404	65
Total interest	304,657	453,271
Total receipts ¹	15,196,063	17,376,356
Disbursements:		
Benefit payments	13,428,454	14,898,923
Transfer to Railroad Retirement Account ²	29,906	-12,109
Payment for costs of vocational rehabilitation services for disabled benefi- ciaries:		
For the current fiscal year	83,536	99,040
Less transfer from OASI Trust Fund due to adjustment in allocation of costs for prior periods	4,650	130
Total payment for costs of vocational rehabilitation services.....	78,886	98,910
Administrative expenses:		
Department of Health and Human Services.....	385,295	330,628
Department of the Treasury	20,123	9,814
Construction of facilities for Social Security Administration.....	235	2,546
Expenses of Department of Health and Human Services for administration of vocational rehabilitation program for disabled beneficiaries	538	316
Interfund transfers due to adjustment in allocation of administrative expenses ³	129	-8,990
Interfund transfers due to adjustment in allocation of costs of con- struction ³	458	-96
Gross administrative expenses	406,778	334,217
Less receipts from sales of supplies, materials, etc.....	21	48
Net administrative expenses	406,758	334,169
Total disbursements	13,944,003	15,319,893
Net increase in assets	1,252,059	2,056,462
Total assets, end of year.....	5,623,711	7,680,173

¹Includes gifts amounting to \$281 during fiscal year 1979 and \$2,989 during fiscal year 1980.

²A positive figure represents a transfer from the DI Trust Fund to the Railroad Retirement Account. A negative figure represents a transfer to the DI Trust Fund from the Railroad Retirement Account.

³A positive figure represents a transfer from the DI Trust Fund to the other Social Security Trust Funds. A negative figure represents a transfer to the DI 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 \$5,624 million on September 30, 1979. During fiscal year 1980, total receipts amounted to \$17,376 million, and total disbursements were \$15,320 million. The assets of the trust fund thus increased by \$2,056 million during the year, to a total of \$7,680 million on September 30, 1980.

Included in total receipts were \$15,014 million representing contributions appropriated to the fund and \$1,854 million representing amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$63 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 \$16,805 million, an increase of 13.9 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).

In addition, the trust fund received \$118 million in December 1979 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 \$26 million was reimbursed in accordance with section 229(b), as described in the preceding section.

The remaining \$453 million of receipts consisted of interest on the investments of the fund, plus interest on amounts of interfund transfers.

Of the \$15,320 million in total disbursements, \$14,899 million was for benefit payments, an increase of 11.0 percent over the corresponding amount paid in fiscal year 1979. This increase is accounted for by the same factors that resulted in the increase in benefit payments from the OASI Trust Fund as described in the preceding section. This increase also reflects the offsetting effects of (1) a continuing decline in the number of persons receiving benefits from the DI Trust Fund and (2) reductions in outlays resulting from the Social Security Disability Amendments of 1980.

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, 1979 required that a transfer of \$11,500,000 be made to the DI Trust Fund from the Railroad Retirement Account. A total amount of \$12,109,000 was transferred from the Railroad Retirement Account in June 1980, including interest to the date of transfer amounting to \$609,000. The transfer made in the previous fiscal year, 1979, was in the opposite direction—from the DI Trust Fund to the Railroad Retirement Account—because, in the determination underlying the 1979 transfer, the estimate of additional contributions that would have been received by the DI Trust Fund if railroad employment had always been covered under Social Security was smaller than the

estimate of additional benefits and administrative expenses that would have been paid from the fund, whereas in the determination underlying the 1980 transfer, the estimated contributions were larger than the estimated expenditures.

The remaining disbursements amounted to \$334 million for net administrative expenses and \$99 million for the costs of vocational rehabilitation services furnished to disabled-worker beneficiaries and to those children of disabled workers who are receiving benefits on the basis of disabilities that have continued since childhood.

As stated earlier, 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, such funds were 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 such payments for fiscal years 1975-79 and the amount of benefits paid 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-September 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

¹The 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 amounts shown are subject to revision.

²The 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.

³The 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 1980, some 4.7 million persons were receiving monthly benefits from the DI Trust Fund. The distribution of benefit payments in fiscal years 1979 and 1980, by type of beneficiary, is shown in Table 8.

TABLE 8.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE DI TRUST FUND, BY TYPE OF BENEFICIARY, FISCAL YEARS 1979 AND 1980
(Amounts in millions)

	Fiscal year 1979		Fiscal year 1980	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$13,428	100	\$14,899	100
Disabled workers.....	11,090	83	12,355	83
Wives and husbands.....	572	4	620	4
Children.....	1,766	13	1,924	13

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

The assets of the DI Trust Fund at the end of fiscal year 1980 totaled \$7,680 million, consisting of \$7,673 million in the form of obligations of the U.S. Government and an undisbursed balance of \$7 million. Table 9 shows the total assets of the fund and their distribution at the end of fiscal years 1979 and 1980.

TABLE 9.—ASSETS OF THE DI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1979 AND 1980

	September 30, 1979		September 30, 1980	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury bonds:				
3½-percent, 1990..	\$10,500,000	\$10,214,103.11	\$10,500,000	\$10,241,770.67
3½-percent, 1998..	5,000,000	4,801,399.55	5,000,000	4,811,806.55
4-percent, 1980....	30,250,000	30,249,657.12	—	—
4½-percent, 1989-94.....	68,400,000	67,914,273.75	68,400,000	67,947,580.59
4½-percent, 1975-85.....	20,795,000	20,786,772.02	20,795,000	20,788,245.50
4½-percent, 1987-92.....	80,800,000	80,870,716.32	80,800,000	80,861,688.84
6½-percent, 1984..	15,000,000	15,026,674.00	15,000,000	15,021,248.68
7½-percent, 1988-93.....	26,500,000	25,966,014.68	26,500,000	26,004,384.80
7½-percent, 2002-07.....	10,000,000	9,994,607.78	10,000,000	9,994,804.34
8-percent, 1996-2001.....	26,000,000	25,975,703.74	26,000,000	25,976,816.50
8½-percent, 2000-05.....	3,750,000	3,732,402.89	3,750,000	3,733,088.45
11½-percent, 2010.....	—	—	30,250,000	30,032,307.52
Total investments in public issues	296,995,000	295,532,324.96	296,995,000	295,413,742.44
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
9-percent, 1980....	1,531,773,000	1,531,773,000.00	—	—
11½-percent, 1981.....	—	—	1,875,730,000	1,875,730,000.00
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

TABLE 9.—ASSETS OF THE DI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1979 AND 1980 (Cont.)

	September 30, 1979		September 30, 1980	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations: (Cont.)				
Obligations sold only to this fund (special issues): (Cont.)				
Bonds: (Cont.)				
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
8½-percent, 1984 ..	146,558,000	146,558,000.00	—	—
8½-percent, 1985 ..	208,860,000	208,860,000.00	208,860,000	208,860,000.00
8½-percent, 1993 ..	241,389,000	241,389,000.00	241,389,000	241,389,000.00
8½-percent, 1983 ..	21,816,000	21,816,000.00	—	—
8½-percent, 1984 ..	192,718,000	192,718,000.00	61,511,000	61,511,000.00
8½-percent, 1985 ..	97,887,000	97,887,000.00	97,887,000	97,887,000.00
8½-percent, 1986 ..	64,425,000	64,425,000.00	64,425,000	64,425,000.00
8½-percent, 1987 ..	64,425,000	64,425,000.00	64,425,000	64,425,000.00
8½-percent, 1988 ..	64,425,000	64,425,000.00	64,425,000	64,425,000.00
8½-percent, 1989 ..	64,425,000	64,425,000.00	64,425,000	64,425,000.00
8½-percent, 1990 ..	64,425,000	64,425,000.00	64,425,000	64,425,000.00
8½-percent, 1991 ..	64,425,000	64,425,000.00	64,425,000	64,425,000.00
8½-percent, 1992 ..	64,425,000	64,425,000.00	64,425,000	64,425,000.00
8½-percent, 1993 ..	97,887,000	97,887,000.00	97,887,000	97,887,000.00
8½-percent, 1994 ..	339,277,000	339,277,000.00	339,277,000	339,277,000.00
9½-percent, 1984 ..	—	—	142,338,000	142,338,000.00
9½-percent, 1985 ..	—	—	142,338,000	142,338,000.00
9½-percent, 1986 ..	—	—	142,338,000	142,338,000.00
9½-percent, 1987 ..	—	—	142,338,000	142,338,000.00
9½-percent, 1988 ..	—	—	142,338,000	142,338,000.00
9½-percent, 1989 ..	—	—	142,338,000	142,338,000.00
9½-percent, 1990 ..	—	—	142,337,000	142,337,000.00
9½-percent, 1991 ..	—	—	142,337,000	142,337,000.00
9½-percent, 1992 ..	—	—	142,337,000	142,337,000.00
9½-percent, 1993 ..	—	—	142,337,000	142,337,000.00
9½-percent, 1994 ..	—	—	142,336,000	142,336,000.00
9½-percent, 1995 ..	—	—	481,613,000	481,613,000.00
Total obligations sold only to this fund (special issues)	5,285,626,000	5,285,626,000.00	7,377,327,000	7,377,327,000.00
Total investments in public-debt obligations....	5,582,621,000	5,581,158,324.96	7,674,322,000	7,672,740,742.44
Undisbursed balances	—	42,552,853.65	—	7,432,523.85
Total assets	—	5,623,711,178.61	—	7,680,173,266.29

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

The net increase in the par value of the investments owned by the trust fund during the fiscal year amounted to \$2,092 million. New securities at a total par value of \$20,784 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 \$18,692 million. Included in

these amounts are \$17,313 million in certificates of indebtedness that were acquired, and \$16,970 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, 1980 was 8.8 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1980 was $9\frac{3}{4}$ 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.