

## VI. ACTUARIAL COST PROJECTIONS

Section 201(c) of the Social Security Act requires that the Board of Trustees report annually to the Congress on the operations and status of the OASI and DI Trust Funds during the preceding fiscal year and on the expected operations and status of those trust funds during the ensuing 5 fiscal years. Such information for the fiscal year that ended September 30, 1980 is presented in the preceding section of this report. Such information for fiscal years 1981-85 is presented in this section. It is also required that the report 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. Statements of the current actuarial status are presented in this section. The methods used to estimate the actuarial status are described in Appendix A.

Basic to the discussion of the medium-range or long-range actuarial status of either trust fund is the concept of a "cost rate"—i.e., the cost (also referred to as outgo or disbursements) of the program as a percentage of taxable payroll. The outgo includes 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 taxation, adjusted to reflect the lower effective tax rates (in comparison with the combined employee-employer rate) which apply to self-employment income, tips, and multiple-employer "excess wages." With this adjustment, the cost rate can be compared directly with the combined OASDI employee-employer tax rate scheduled in the law.

Over the medium-range and long-range periods, the actuarial status of the trust funds is often summarized by the actuarial balance, which is the difference between the average tax rate and the estimated average cost rate. If the actuarial balance is positive, the system is said to have an actuarial surplus, and if negative, an actuarial deficit. Such a deficit, if it exists, is a warning that, unless the projected trends turn out to be too pessimistic, changes in the system will be needed to make it viable in the future.

The concept of actuarial balance must, however, be used with caution. The use of a single summary measure to describe the system over a fixed time span may mask an adverse pattern (or patterns) within that time frame or problems which emerge soon after the end of the time frame. The addition or deletion of years to the time span could change a surplus into a deficit or vice versa. This is, in fact, the case under either set of intermediate assumptions with the OASDI system, which runs a severe 5- or 10-year deficit, a 25-year surplus, and a 75-year deficit which continues thereafter.

Thus, it is important to note the year-by-year relationship between income and outgo, each expressed as a percentage of taxable payroll. For example, projections presented later in the report show a deficit beginning around 2010 and generally widening through 2055. Such a

pattern indicates that the benefits promised by the system become more and more out of line with expected revenues over time, indicating a very different situation from a hypothetical pattern of early but temporary deficits which might average out to the same actuarial balance.

In recent years, the system has been said to be in "close actuarial balance" over the long-range period if the average tax rate over the 75-year period is within 5 percent of the estimated average cost rate over that period (relatively, i.e., not 5 percentage points). This is equivalent to requiring that the average tax rate be between 95 and 105 percent of the estimated average cost rate over the long-range period.

There is general agreement that the OASDI system should be financed on the basis of a "current-cost" method, under which total income each year is intended to be approximately equal to total outgo during the year, plus an additional amount needed to maintain the trust funds at appropriate contingency-reserve levels. Under this financing method, the assets of the trust funds should not become too large (through continued annual surpluses), nor too small (through continued annual deficits). Although there is no general agreement regarding the appropriate size of either trust fund, the level of each fund should be large enough to allow time for legislative action to prevent its exhaustion during periods of continued annual deficits. When either trust fund is not large enough to serve this purpose, the immediate future financing of that fund—to be considered adequate—must provide for rebuilding the fund to such a level within a reasonable period of time without significant further decline in the interim.

The adequacy of either trust fund is often measured by the size of the trust fund ratio—i.e., the assets at the beginning of the year as a percentage of the outgo during the year. If the ratio for either trust fund falls below a level of about 12-14 percent, the probable inability of the fund to pay benefits when due becomes imminent. To be considered adequate, short-range financing must result in projected trust fund ratios that do not fall below such a level, even under pessimistic assumptions.

Projections of income, outgo, cost rates, actuarial balances, and trust fund ratios are presented later in this section.

#### *A. ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS*

The future income and outgo of the OASDI system will depend upon many economic and demographic factors, including fertility, mortality, net immigration, marriage, divorce, labor force participation, unemployment, productivity, inflation, retirement patterns, and disability incidence and duration. The income will depend upon how these factors affect the size and composition of the working population and the general level of earnings. Similarly, the outgo will depend upon how these factors affect the size and composition of the beneficiary population and the general level of benefits. Because the precise forecasting of the behavior of these various factors is impossible, projections are shown in this report on the basis of four sets of long-range assumptions, designated as alternatives I, II-A, II-B, and III.

Alternative I is the most optimistic alternative in terms of its economic and demographic assumptions and its net effect on the status of the trust funds; alternative III is the most pessimistic. Alternatives II-A and II-B are generally referred to as intermediate assumptions. 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.

These sets of economic and demographic assumptions have been developed using the best available information. The resulting cost projections, however, should be interpreted as indicating a range of values around future system income and outgo rather than specific point estimates. Nonetheless, such information can provide valuable input into the decision-making process.

##### *Economic assumptions*

The economic assumptions incorporated in the four alternatives relating to the long range are summarized in Table 10.

TABLE 10.—SELECTED ECONOMIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1960-2055

Calendar year	Average annual percentage increase in—					
	Real GNP <sup>1</sup>	Average wages in covered employment	Consumer price index	Real-wage differential <sup>2</sup> (percent)	Average annual interest rate <sup>3</sup> (percent)	Average annual unemployment rate (percent)
<b>Past experience:</b>						
1960-64 .....	4.0	3.4	1.3	2.1	3.7	5.7
1965-69 .....	4.4	5.4	3.4	2.0	5.2	3.8
1970-74 .....	2.8	6.3	6.1	.2	6.7	5.4
1975-79 .....	3.5	*7.8	8.1	*-3	7.8	7.0
1980 .....	-1	*8.5	13.5	*-5.0	11.0	7.1
<b>Alternative I:</b>						
1981 .....	1.7	10.6	10.7	-1	11.7	7.7
1982 .....	4.8	9.6	8.3	1.3	9.4	7.1
1983 .....	5.3	9.1	6.5	2.6	8.1	6.5
1984 .....	4.7	7.6	5.0	2.6	7.1	6.0
1985 .....	4.4	6.8	4.1	2.7	6.4	5.7
1990 .....	3.9	4.6	2.0	2.6	5.0	5.2
1995 .....	3.2	4.5	2.0	2.5	5.1	4.5
2000 & later .....	*3.5	4.5	2.0	2.5	5.1	4.0
<b>Alternative II-A<sup>4</sup>:</b>						
1981 .....	1.1	10.2	11.1	-9	11.6	7.8
1982 .....	4.2	9.8	8.3	1.5	9.6	7.2
1983 .....	5.0	8.6	6.2	2.4	8.9	6.6
1984 .....	4.5	7.9	5.5	2.4	8.1	6.4
1985 .....	4.2	7.1	4.7	2.4	7.3	5.9
1990 .....	3.4	5.1	3.0	2.1	5.6	5.5
1995 .....	2.8	5.0	3.0	2.0	5.6	5.0
2000 & later .....	*3.1	5.0	3.0	2.0	5.6	5.0
<b>Alternative II-B:</b>						
1981 .....	1.1	10.2	11.1	-9	11.8	7.8
1982 .....	3.7	9.6	9.4	.2	9.9	7.5
1983 .....	3.5	9.7	9.0	.7	9.1	7.2
1984 .....	2.9	8.8	8.2	.6	8.4	7.0
1985 .....	2.9	8.1	7.4	.7	7.9	6.8
1990 .....	3.0	5.4	4.0	1.4	6.1	5.9
1995 .....	2.4	5.5	4.0	1.5	6.1	5.4
2000 & later .....	*2.7	5.5	4.0	1.5	6.1	5.0
<b>Alternative III:</b>						
1981 .....	.7	11.5	12.6	-1.1	12.2	7.9
1982 .....	1.1	10.9	12.5	-1.6	10.9	8.0
1983 .....	2.2	11.1	11.1	.0	10.2	8.8
1984 .....	3.9	11.4	10.7	.7	9.7	7.9
1985 .....	3.0	10.1	9.7	.4	9.2	7.4
1990 .....	2.4	8.2	7.4	.8	7.7	6.3
1995 .....	2.3	6.4	5.4	1.0	6.8	6.0
2000 & later .....	*2.2	6.0	5.0	1.0	6.6	6.0
<b>"Worst-case"<sup>5</sup>:</b>						
1981 .....	-1	10.6	12.8	-2.2	12.1	8.3
1982 .....	.7	11.0	13.6	-2.6	11.1	8.7
1983 .....	.7	10.3	11.6	-1.3	10.4	9.7
1984 .....	4.4	12.0	10.9	1.1	9.8	9.1
1985 .....	4.4	10.4	9.7	.7	9.2	8.0
1986 .....	3.4	9.2	8.6	.6	8.6	7.4

<sup>1</sup>The real GNP (Gross National Product) is the total output of goods and services expressed in constant dollars.

<sup>2</sup>The difference between the percentage increase in average annual wages in covered employment and the percentage increase in the average annual CPI.

<sup>3</sup>The average of the interest rates determined in each of the 12 months of the year for special public-debt obligations issuable to the trust funds.

<sup>4</sup>Preliminary.

<sup>5</sup>This value is for the year 2000. The annual percentage increase in real GNP is assumed to continue to change after 2000 under each alternative so as to reflect the dependence of labor force growth on the size and age-sex distribution of the population. The percentage increases for 2055 are 3.4, 2.5, 2.1, and 0.9 for alternatives I, II-A, II-B, and III, respectively.

<sup>6</sup>The economic assumptions in alternative II-A for 1981-86 are identical to or derived from the assumptions underlying the President's 1982 Budget.

All four long-range alternatives assume a sluggish economy during 1981, with an upturn beginning toward the end of the year. Real GNP in 1981 is assumed to increase 1.7 percent above the 1980 level in alternative I, 1.1 percent in alternatives II-A and II-B, and 0.7 percent in alternative III. In 1982 and later, the GNP paths of the four alternatives branch out from recent experience, with growth of roughly 0.5 percentage points per year separating each of them at the end of the 1980's. Over the long-range period, the rate of growth in the projected real GNP depends strongly upon the rate of growth in the size of the labor force, the rate of change in the average number of hours worked per person in the labor force, and the rate of change in the average productivity of the labor force. A general downward trend in the growth rate of real GNP until 1995 is projected as a result of a significant slowdown in the growth rate of the labor force. Such slowdown results from the combination of the baby boom in the 1950's and 1960's, the subsequent decline in birth rates, and the rapid increase in the labor force participation of women which is projected to begin decelerating during the mid-1980's.

In both alternatives I and II-A, a strong economy is assumed in 1982, followed by continued and steady growth. In alternative II-B, the upturn is assumed to be long and slow by historical standards, although no recession is assumed. In alternative III, the upturn is assumed to begin at the end of 1981, decelerate at the beginning of 1982, and be followed by a recession, which will occur during the last two quarters of 1982. Because economic performance recently has been particularly volatile and difficult to project, the range of future economic performance incorporated in the various alternatives is wider than in previous reports.

In alternative II-A, the annual rate of growth in real GNP is assumed to rise to 5.0 percent in 1983, before slowing to 3.4 percent by 1990. At the same time, the average annual unemployment rate declines, reaching an assumed ultimate rate of 5.0 percent by 1995. The annual rate of increase in average wages in covered employment is assumed to fall to an ultimate rate of 5.0 percent by 1991, with an accompanying decline in the annual rate of increase in the average CPI to an ultimate rate of 3.0 percent by 1989. The real-wage differential (i.e., the difference between annual rates of increase in the average wage and the average CPI) is assumed to reach an ultimate rate of 2.0 percent per year by 1991. The annual interest rate is assumed to reach its ultimate value of 5.6 percent by 1990.

In alternative II-B, the annual rate of growth in real GNP is assumed to rise to 3.7 percent in 1982, before slowing to 2.9 percent by 1984. At the same time, the average annual unemployment rate declines, reaching an assumed ultimate of 5.0 percent by 1999. The annual rate of increase in average wages in covered employment is assumed to fall to an ultimate of 5.5 percent by 1991, with an accompanying decline in the annual rate of increase in the average CPI to an ultimate of 4.0 percent by 1990. The real-wage differential is assumed to reach an ultimate of 1.5 percent per year by 1991. The annual interest rate is assumed to reach its ultimate value of 6.1 percent by 1990.

It is convenient to discuss alternative I in comparison with alternative II-A, the more optimistic of the two intermediate alternatives. In each year, the assumed annual percentage increase in the real GNP in alternative I is higher. Consistent with this higher real GNP is an assumed average annual unemployment rate which in each year is lower, with the ultimate rate of 4.0 percent being 1 percentage point lower. In each year after 1983, the assumed annual percentage increase in the CPI is lower, with the ultimate of 2.0 percent being 1 percentage point lower. In each year after 1982, the assumed real-wage differential is higher, with the ultimate of 2.5 percent being 0.5 percentage points higher. The resulting ultimate annual rate of increase in average wages in covered employment is 4.5 percent, which is 0.5 percentage points lower. The ultimate interest rate of 5.1 percent is lower by 0.5 percentage points.

Similarly, it is convenient to discuss alternative III in comparison with alternative II-B, the more pessimistic of the two intermediate alternatives. In each year after 1985, the assumed annual percentage increase in the real GNP in alternative III is lower. These assumptions reflect an assumed economic recession in 1982 and a subsequent period of recovery. Consistent with this lower real GNP is an average annual unemployment rate which in every year is higher, with the ultimate level of 6.0 percent being 1 percentage point higher. The assumed annual percentage increase in the CPI is higher in each year, with the ultimate of 5.0 percent being 1 percentage point higher. In every year after 1984, the assumed real-wage differential is lower, with the ultimate of 1.0 percent being 0.5 percentage points lower. The resulting ultimate annual rate of increase in average wages in covered employment is 6.0 percent, which is 0.5 percentage points higher. The ultimate interest rate of 6.6 percent is higher by 0.5 percentage points.

In addition to the four long-range alternatives, a fifth set of assumptions is shown in Table 10. That set is the one that was characterized as the "worst-case" assumptions in the announcement of the Administration's Social Security proposals made on May 12, 1981. This "worst-case" set of assumptions was used to estimate the cost effect of those proposals. For the 6-year period for which this set is defined, it is more pessimistic than all four long-range alternatives. Cost projections based on this set of assumptions are shown later in this section.

### Demographic assumptions

The demographic assumptions incorporated in the four long-range alternatives are shown in Table 11.

TABLE 11.—SELECTED DEMOGRAPHIC ASSUMPTIONS UNDER ALTERNATIVES I, II-A, II-B, AND III, CALENDAR YEARS 1960-2055

Calendar year	Total fertility rate <sup>1</sup>	Age-adjusted mortality rate <sup>2</sup>		Age-adjusted gross disability incidence rate <sup>3</sup>	
		Male	Female	Male	Female
<b>Past experience:</b>					
1960.....	3,608	12.56	8.17	4.68	3.34
1965.....	2,885	12.49	7.73	4.94	3.52
1970.....	2,432	12.18	7.22	5.05	3.60
1975.....	1,770	11.09	6.38	7.51	6.05
1976.....	1,745	10.94	6.32	6.94	5.43
1977.....	1,795	10.69	6.13	7.11	5.42
1978.....	1,764	10.61	6.10	5.77	4.26
1979 <sup>4</sup> .....	1,812	10.27	5.88	4.97	3.67
1980 <sup>4</sup> .....	1,845	10.27	5.88	4.66	3.44
<b>Alternative I:</b>					
1981.....	1,867	10.19	5.82	4.52	3.34
1982.....	1,889	10.12	5.76	4.53	3.35
1983.....	1,912	10.04	5.71	4.57	3.37
1984.....	1,934	9.97	5.65	4.60	3.40
1985.....	1,956	9.89	5.59	4.63	3.42
1990.....	2,067	9.57	5.36	4.78	3.53
1995.....	2,178	9.35	5.21	4.80	3.54
2000.....	2,289	9.24	5.14	4.81	3.55
2005 & later.....	2,400	*9.15	*5.09	4.81	3.55
<b>Alternatives II-A and II-B:</b>					
1981.....	1,855	10.12	5.77	4.61	3.41
1982.....	1,865	9.97	5.66	4.66	3.44
1983.....	1,876	9.82	5.54	4.75	3.51
1984.....	1,886	9.67	5.43	4.85	3.58
1985.....	1,896	9.52	5.32	4.94	3.65
1990.....	1,947	8.91	4.89	5.34	3.94
1995.....	1,998	8.51	4.63	5.46	4.03
2000.....	2,049	8.31	4.50	5.49	4.05
2005 & later.....	2,100	*8.16	*4.41	5.49	4.05
<b>Alternative III:</b>					
1981.....	1,839	9.98	5.67	4.71	3.47
1982.....	1,833	9.69	5.46	4.78	3.53
1983.....	1,828	9.39	5.24	4.94	3.65
1984.....	1,822	9.10	5.03	5.09	3.76
1985.....	1,816	8.81	4.82	5.25	3.87
1990.....	1,787	7.73	4.07	5.91	4.36
1995.....	1,758	7.06	3.64	6.17	4.56
2000.....	1,729	6.72	3.45	6.24	4.60
2005 & later.....	1,700	*6.49	*3.31	6.24	4.60

<sup>1</sup>The total fertility rate for any year is the number of children who would be born to 1,000 women in their lifetime if they were to experience the birth rates by age assumed for the selected year and if they were to survive the entire child-bearing period.

<sup>2</sup>The age-adjusted mortality rate for any year is the annual number of deaths per 1,000 persons that would have occurred in the enumerated total population as of April 1, 1970, if that population had experienced the death rates by age assumed for the selected year.

<sup>3</sup>The age-adjusted gross disability incidence rate for any year is the annual number of awards per 1,000 persons that would have occurred in the total population exposed to disability during 1978, if that population had experienced the disability incidence rates by age assumed for the selected year.

<sup>4</sup>Preliminary.

<sup>5</sup>This value is for the year 2005. Mortality rates are assumed to continue declining during the remainder of the projection period. For men, the rates in 2055 are 8.46, 6.98, 6.98, and 4.76, under alternatives I, II-A, II-B, and III, respectively. For women, the corresponding rates are 4.63, 3.66, 3.66, and 2.30.

The demographic assumptions in alternatives II-A and II-B are identical. In those alternatives, the assumed ultimate total fertility rate is 2,100 children per 1,000 women (or 2.1 children per woman), which is the rate that, in the absence of net migration and changes in mortality, would eventually result in a nearly constant number of people in the population. This ultimate level of fertility is fully attained in 2005, after a

projected gradual increase from the estimated 1980 level. Mortality rates are assumed to decrease gradually during the entire 75-year projection period, with an average reduction from 1978 levels of 36 percent by the year 2055. Disability incidence rates, which declined during 1978-80, are assumed to increase steadily from 1981 through 2000, when they reach an ultimate level which, after an adjustment to reflect the effects of the Disability Amendments of 1980 (P.L. 96-265), is about 15 percent higher than the average incidence rate for 1978-80.

In alternative I, the total fertility rate is assumed to be higher than in the other alternatives, reaching an ultimate level of 2.4 children per woman, which is fully attained in 2005. The average annual reduction in mortality rates during the 75-year projection period is assumed to be half of the annual reduction assumed in alternatives II-A and II-B. Disability incidence rates are assumed to increase steadily from 1981 through 2000, when they reach an ultimate level which, after the previously mentioned adjustment, is approximately equal to the average for 1978-80.

In alternative III, less favorable demographic conditions are assumed. The total fertility rate is assumed to be lower than in the other alternatives, decreasing from the estimated 1980 level to an ultimate level of 1.7, which is fully attained in 2005. The average annual reduction in mortality rates during the 75-year projection period is assumed to be twice the annual reduction assumed in alternatives II-A and II-B. Disability incidence rates are assumed to increase steadily from 1981 through 2000, when they reach an ultimate level which, after the previously mentioned adjustment, is about 30 percent above the average for 1978-80.

The values assumed after the early years for both the economic and the demographic factors are intended to represent the average experience for those years and are not intended to be predictions of year-by-year values. Actual future values will likely exhibit fluctuations or cyclical patterns, as in the past. In order to provide some insight into the variations from a trend, illustrative cost projections based on economic assumptions which fluctuate around those in alternative II-B are presented in Appendix C.

In addition to the assumptions discussed above, many other assumed or derived factors (such as labor force participation rates, marriage rates, and others) are necessary to prepare the cost estimates presented in this report. Appendix A includes a discussion of some of those factors.

### B. AUTOMATIC ADJUSTMENTS

Under the automatic-increase provisions of the law, benefits are adjusted to reflect increases in the CPI. For persons becoming eligible for benefits in 1979 and later, the automatic cost-of-living benefit increases begin with the year a worker reaches age 62, or becomes disabled or dies, if earlier. An automatic increase of 14.3 percent, effective for June 1980, was established in April 1980, as described in Appendix D. Another automatic increase, effective for June 1981, has been determined to be 11.2 percent.

With the exception of predetermined amounts provided under the 1977 amendments, the contribution and benefit base, as well as the amount of earnings exempted from the withholding of benefits under the retirement earnings test, automatically increase in the year following each year in which an automatic cost-of-living benefit increase becomes effective. Such automatic increases are proportionate to the increase in average wages.

The 1977 amendments provided specific amounts for the contribution and benefit base for each year in 1978-81 and for the exempt amount under the earnings test in 1978-82 for beneficiaries aged 65 and over. As a result of these provisions, the contribution and benefit base increased from \$25,900 in 1980 to \$29,700 in 1981. Similarly, the annual exempt amount under the earnings test for beneficiaries aged 65 and over increased from \$5,000 in 1980 to \$5,500 in 1981.

Following the cost-of-living benefit increase that became effective for June 1980, an automatic increase in the annual exempt amount under the earnings test, from \$3,720 in 1980 to \$4,080 in 1981, was established in November 1980 for beneficiaries under age 65, as described in Appendix E. That appendix also describes the determinations of the following amounts for 1981:

1. The amount of earnings a worker must have to be credited with quarters of coverage in 1981;
2. The dollar amounts (or "bend points") in the formulas used to compute benefits payable on the earnings of workers who first become eligible for Old-Age or Disability Insurance benefits, or die before becoming eligible for such benefits, in 1981; and
3. The average of total wages reported for calendar year 1979, to be used for indexing earnings of workers who first become eligible for benefits, or die before first eligibility, in 1981 or later.

A historical summary of the Social Security program amounts determined under the automatic provisions, and the average-wage series used for indexing earnings, are shown in Appendix F. A projection of the corresponding amounts resulting from the two intermediate sets of assumptions, through 1986, is also shown there.

The law as amended in 1977 further provides for the determination of the contribution and benefit base that would have been in effect in each year after 1978 under the automatic provisions of the law as in effect before the enactment of the 1977 amendments. This "old-law" base is used in determining special minimum benefits for certain workers who have many years of low earnings in covered employment. It is also used

for certain purposes under the Railroad Retirement program and the Employee Retirement Income Security Act of 1974. For 1980, the old-law base was \$20,400. The corresponding old-law base for 1981 was determined to be \$22,200.

The five alternative sets of economic assumptions described previously result in the following general benefit increases and contribution and benefit bases for each year 1982 through 1986 (amounts for 1980 and 1981 are also shown as a basis for comparison):

Calendar year	General benefit increase <sup>1</sup> (percent) under alternative—					Contribution and benefit base <sup>2</sup> under alternative—				
	I	II-A	II-B	III	"Worst-case"	I	II-A	II-B	III	"Worst-case"
1980.....	14.3	14.3	14.3	14.3	14.3	\$25,900	\$25,900	\$25,900	\$25,900	\$25,900
1981.....	11.2	11.2	11.2	11.2	11.2	29,700	29,700	29,700	29,700	29,700
1982.....	8.9	9.3	9.7	13.4	14.4	32,100	32,100	32,100	32,100	32,100
1983.....	7.2	6.6	9.2	11.4	11.9	35,400	35,400	35,400	35,700	35,400
1984.....	5.5	5.8	8.5	11.0	11.4	38,700	39,000	38,700	39,600	39,300
1985.....	4.5	4.9	7.7	10.1	10.2	42,300	42,300	42,600	44,100	43,500
1986.....	3.6	4.4	6.9	9.2	9.0	45,600	45,600	46,200	49,200	48,600

<sup>1</sup>Effective with benefits for June of the stated year. General benefit increases are assumed to continue to decline gradually after 1986, reaching ultimate values by the year 1997 of 2 percent, 3 percent, 4 percent, and 5 percent, respectively, under alternatives I, II-A, II-B, and III.

<sup>2</sup>The amounts, effective on January 1 of the stated year, are specified in the law for the years 1979-81. After 1981, the amount increases under the automatic provisions.

Under the automatic provisions of the law, the five different sets of economic assumptions result in the following annual exempt amounts under the earnings test, both for beneficiaries under age 65 and for beneficiaries aged 65 and over (the amounts for 1980 and 1981, and the amounts scheduled for 1982 under present law for beneficiaries aged 65 and over, are also shown as a basis for comparison):

#### ANNUAL EXEMPT AMOUNTS UNDER THE RETIREMENT TEST<sup>1</sup>

Calendar year	Annual exempt amount for beneficiaries under age 65 under alternative—		Annual exempt amount for beneficiaries aged 65 and over <sup>2</sup> under alternative—			
	I, II-A, & II-B	III & "Worst-case"	I & II-A	II-B	III	"Worst-case"
1980.....	\$3,720	\$3,720	\$5,000	\$5,000	\$5,000	5,000
1981.....	4,080	4,080	5,500	5,500	5,500	5,500
1982.....	4,440	4,440	6,000	6,000	6,000	6,000
1983.....	4,920	4,920	6,600	6,600	6,600	6,600
1984.....	5,400	5,400	7,200	7,200	7,320	7,320
1985.....	5,880	6,000	7,800	7,920	8,160	8,040
1986.....	6,360	6,720	8,400	8,640	9,120	9,000

<sup>1</sup>Effective on January 1 of the stated year.

<sup>2</sup>The amounts are specified in the law for the years 1980-82. After 1982, the amount increases automatically. Through the year 1981, the earnings test does not apply to beneficiaries aged 72 and over; after 1981, it will not apply to beneficiaries aged 70 and over.

**C. ESTIMATED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD OCTOBER 1, 1980 TO DECEMBER 31, 1985**

The following statement of the estimated operations and status of the trust funds during the period October 1, 1980 to December 31, 1985 is based on the assumptions described in the preceding sections. As previously stated, it is assumed that present statutory provisions and regulations affecting the program will remain unchanged in the period. The estimates reflect the effects of: (1) the reallocation of OASDI tax rates for 1980 and 1981 enacted in October 1980; (2) Public Law 96-473, which amended the earnings test, provided for separate entitlement to cash benefits and Hospital Insurance benefits, and suspended benefits for certain inmates of penal institutions; and (3) the Omnibus Reconciliation Act of 1980.

**OASI Trust Fund operations**

Estimates of the operations and status of the OASI Trust Fund during calendar years 1981-85 are shown in Table 12 for each of the five alternative sets of assumptions that were described in the preceding sections. Actual data for calendar year 1980 are also shown in the table. Under each alternative, it is assumed that employment and earnings will increase in every year through 1985. The number of persons with taxable earnings under the OASDI program is expected to increase from 115 million during calendar year 1980 to about 128 million, 126 million, and 125 million by 1985, under alternatives I, II-A, and II-B, respectively, and to 123 million under both alternative III and the "worst-case." The total annual amount of taxable earnings is expected to increase from \$1,175 billion in 1980 to \$2,005 billion, \$1,973 billion, \$2,002 billion, \$2,113 billion, and \$2,094 billion in 1985, under alternatives I, II-A, II-B, and III, and the "worst-case," respectively. (In 1980 dollars—taking account of assumed increases in the CPI from 1980 to 1985 under each alternative—the estimated amounts of taxable earnings in 1985 are \$1,435 billion, \$1,399 billion, \$1,301 billion, \$1,235 billion, and \$1,204 billion under alternatives I, II-A, II-B, and III, and the "worst-case," respectively.) These increases are due in part to the remaining ad hoc increase in the contribution and benefit base for 1981 under present law, and the increases in the base assumed to occur in 1982-85 under the automatic provisions. The increases in taxable earnings are also due to projected increases in (1) employment levels and (2) average earnings in covered employment.

TABLE 12.—ESTIMATED OPERATIONS OF THE OASI TRUST FUND DURING CALENDAR YEARS 1980-85 UNDER FIVE ALTERNATIVE SETS OF ASSUMPTIONS  
[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
<b>Alternative I:</b>					
1980 <sup>1</sup> .....	\$105.8	\$107.7	-\$1.8	\$22.8	23
1981.....	123.7	127.0	-3.3	19.6	18
1982 <sup>2</sup> .....	134.2	144.3	-10.1	9.5	14
1983 <sup>3</sup> .....	148.5	160.6	-12.1	-2.6	6
1984 <sup>3</sup> .....	162.9	176.1	-13.1	-15.7	-1
1985 <sup>3</sup> .....	184.1	190.4	-6.3	-22.0	-8
<b>Alternative II-A:</b>					
1980 <sup>1</sup> .....	105.8	107.7	-1.8	22.8	23
1981.....	123.3	127.0	-3.7	19.1	18

TABLE 12.—ESTIMATED OPERATIONS OF THE OASI TRUST FUND DURING CALENDAR YEARS 1980-85 UNDER FIVE ALTERNATIVE SETS OF ASSUMPTIONS (Cont.)  
[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
<b>Alternative II-A: (Cont.)</b>					
1982 <sup>1</sup> .....	132.7	144.6	-11.8	7.3	13
1983 <sup>2</sup> .....	145.7	160.8	-15.1	-7.8	5
1984 <sup>2</sup> .....	159.4	176.3	-16.9	-24.7	-4
1985 <sup>2</sup> .....	179.9	191.4	-11.5	-36.2	-13
<b>Alternative II-B:</b>					
1980 <sup>1</sup> .....	105.8	107.7	-1.8	22.8	23
1981.....	123.3	127.0	-3.7	19.1	18
1982 <sup>2</sup> .....	132.7	144.8	-12.1	7.0	13
1983 <sup>2</sup> .....	146.3	163.3	-17.0	-10.0	4
1984 <sup>2</sup> .....	160.1	183.3	-23.2	-33.2	-5
1985 <sup>2</sup> .....	181.1	203.8	-22.7	-55.9	-16
<b>Alternative III:</b>					
1980 <sup>1</sup> .....	105.8	107.7	-1.8	22.8	23
1981.....	124.1	127.0	-3.0	19.9	18
1982 <sup>2</sup> .....	134.3	147.4	-13.1	6.8	13
1983 <sup>2</sup> .....	146.5	170.6	-24.1	-17.3	4
1984 <sup>2</sup> .....	163.9	195.7	-31.8	-49.1	-9
1985 <sup>2</sup> .....	188.2	222.8	-34.5	-83.6	-22
<b>"Worst-case":</b>					
1980 <sup>1</sup> .....	105.8	107.7	-1.8	22.8	23
1981.....	122.8	127.0	-4.3	18.6	18
1982 <sup>2</sup> .....	132.7	148.0	-15.3	3.3	13
1983 <sup>2</sup> .....	142.9	172.2	-29.3	-26.0	2
1984 <sup>2</sup> .....	159.4	197.9	-38.6	-64.6	-13
1985 <sup>2</sup> .....	184.3	225.2	-40.9	-105.4	-29

<sup>1</sup>Figures for 1980 represent actual experience.

<sup>2</sup>Under each set of assumptions, the fund is depleted late in 1982, when assets become insufficient to pay benefits when due. Figures for these and later years are therefore theoretical. See text for details.

Note: Totals do not necessarily equal the sum of rounded components. The major assumptions underlying the estimates are described in the preceding sections and are shown in Tables 10 and 11.

The rise in estimated income shown in Table 12 under each set of assumptions reflects the increases in estimated taxable earnings under the different alternatives, as described above. In addition, the estimated income to the fund is affected by the scheduled changes in contribution rates.

Rising disbursements during calendar years 1981-85 reflect the effects of the assumed future automatic benefit increases previously shown, as well as the long-range upward trend in the numbers of beneficiaries and in the amounts of average monthly earnings underlying benefits payable under the program. The growth in the number of beneficiaries in the past and the expected growth in the future result partly from the increase in the aged population and partly from two other factors—(1) in each succeeding year a larger proportion of the persons attaining age 62 are eligible for benefits and (2) the amendments during the period 1950-77 liberalized the eligibility provisions and extended coverage to additional categories of employment.

In addition, there has been a growth in the proportion of eligible persons who receive benefits. This growth is due to several factors, among which are (1) the amendments enacted during the period 1950-77 which affect the conditions governing the receipt of benefits and (2) the increasing percentage of eligible persons who are aged 72 and over and

who therefore receive benefits regardless of earnings. As indicated in the previous section, the age at which eligible persons may begin to receive full benefits regardless of earnings will be reduced from 72 to 70 beginning in 1982.

Under all five sets of assumptions, the estimates shown in Table 12 indicate that disbursements are estimated to exceed income in every year 1981-85. The assets of the OASI Trust Fund at the beginning of 1980 were equal to about 23 percent of the fund's disbursements in 1980. During 1980, the fund declined to 18 percent of estimated outgo in 1981. By the beginning of 1982, this percentage is estimated to decline to 13 percent under alternatives II-A, II-B, III, and the "worst-case" assumptions, and to 14 percent under alternative I.

By late 1982, under all five alternatives, the assets of the OASI Trust Fund would become insufficient to pay benefits when due in the absence of corrective legislation. This condition occurs when, at the end of any month, the assets fall to less than about 9 percent of the following 12 months of disbursements. Below this level, assets are not large enough to pay benefits when due because of the difference in the cash flow of income and outgo during a month. Almost all of the benefits for a given month are usually payable on the third day of the following month. Contribution income, on the other hand, is received more or less uniformly throughout the month, on a daily basis. For example, the benefits for October 1982, estimated to be about \$12 billion under alternative II-B, are payable on November 3, 1982, before enough income can be added to the fund's estimated assets of about \$11 billion at the end of October to pay the benefits due on November 3.

Although the OASI Trust Fund would be depleted in 1982 under present law, projections representing the theoretical operations of the trust fund in 1982 and later years are shown in Table 12 for informational purposes. In order to calculate the figures representing these theoretical trust fund operations, it was assumed that the OASI Trust Fund could borrow money, to be repaid with interest, on the same terms that it normally would invest positive trust fund balances.

#### *DI Trust Fund operations*

The estimated operations and status of the DI Trust Fund during calendar years 1981-85 under the five sets of assumptions are shown in Table 13, together with figures on actual experience in 1980. Income will increase during calendar years 1981-85, under each alternative, reflecting the same factors, insofar as they apply to income to the DI Trust Fund, that are reflected in the increase in income to the OASI Trust Fund during the same period. Income will also rise as a result of the scheduled increases in the combined employee-employer contribution rate allocated for DI, and accompanying increases in contribution rates for self-employed persons.

Disbursements will increase because of automatic benefit increases and because of projected increases in the amounts of average monthly earnings on which benefits are based. These effects are offset, somewhat, by projected decreases in the numbers of beneficiaries. Since about 1978, the number of persons receiving benefits under the DI program has been declining, primarily because of declining disability incidence rates. A

continuing decline in the number of beneficiaries is projected for the next several years under all five sets of assumptions, reflecting the combined effects of (1) somewhat lower incidence rates than those of the last decade and (2) projected termination rates that are somewhat higher than recent experience. The higher termination rates are expected to result from the increased review of the continuing eligibility of disabled beneficiaries.

Because OASDI tax rates were reallocated in 1980 retroactively to January 1, 1980, some tax income was shifted from the DI fund to the OASI fund. The effect of this reallocation on the assets of the DI fund, as a percentage of annual expenditures, was to cause a sharp decrease—from 35 percent at the beginning of 1980 to an estimated 13 percent at the beginning of 1982. Since the reallocation was limited to only 2 years, the increase in DI tax rates to the levels provided for 1982-84 is expected to result in a rapid increase in the assets of the DI fund. As a percentage of annual expenditures, the assets of the DI Trust Fund are projected to reach 104 percent, 96 percent, 87 percent, 75 percent, and 68 percent at the beginning of 1985 under alternatives I, II-A, II-B, and III, and the "worst-case," respectively.

TABLE 13.—ESTIMATED OPERATIONS OF THE DI TRUST FUND DURING CALENDAR YEARS 1980-85 UNDER FIVE ALTERNATIVE SETS OF ASSUMPTIONS  
[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
<b>Alternative I:</b>					
1980 <sup>1</sup> .....	\$13.9	\$15.9	-\$2.0	\$3.6	35
1981.....	17.0	18.1	-1.0	2.6	20
1982.....	24.1	19.5	4.6	7.2	13
1983.....	27.8	20.6	7.2	14.4	35
1984.....	31.2	21.8	9.4	23.8	66
1985.....	39.4	22.8	16.6	40.4	104
<b>Alternative II-A:</b>					
1980 <sup>1</sup> .....	13.9	15.9	-2.0	3.6	35
1981.....	17.0	18.1	-1.1	2.5	20
1982.....	23.9	19.6	4.3	6.8	13
1983.....	27.4	20.7	6.7	13.5	33
1984.....	30.7	21.9	8.8	22.3	62
1985.....	38.8	23.2	15.7	38.0	96
<b>Alternative II-B:</b>					
1980 <sup>1</sup> .....	13.9	15.9	-2.0	3.6	35
1981.....	17.0	18.1	-1.1	2.5	20
1982.....	23.9	19.6	4.3	6.8	13
1983.....	27.5	21.0	6.5	13.3	32
1984.....	31.0	22.8	8.2	21.5	58
1985.....	39.4	24.6	14.9	36.3	87
<b>Alternative III:</b>					
1980 <sup>1</sup> .....	13.9	15.9	-2.0	3.6	35
1981.....	17.1	18.1	-1.0	2.7	20
1982.....	24.2	19.9	4.2	6.9	13
1983.....	27.7	22.0	5.7	12.6	31
1984.....	32.0	24.3	7.7	20.3	52
1985.....	41.7	26.9	14.8	35.1	75
<b>"Worst-case":</b>					
1980 <sup>1</sup> .....	13.9	15.9	-2.0	3.6	35
1981.....	17.0	18.1	-1.1	2.6	20
1982.....	23.9	20.0	3.9	6.4	13
1983.....	27.1	22.1	5.0	11.4	29
1984.....	31.3	24.4	6.9	18.3	47
1985.....	41.1	26.8	14.3	32.6	68

<sup>1</sup>Figures for 1980 represent actual experience.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the preceding sections and are shown in Tables 10 and 11.

*Combined OASI and DI Trust Fund operations*

The estimated operations and status of the OASI and DI Trust Funds, combined, during calendar years 1981-85 under the five alternatives, are shown in Table 14 together with figures on actual experience in 1980. As explained above, the OASI Trust Fund is projected to be depleted in the near future under all five alternative sets of assumptions. Since under present law, none of the income to one trust fund can be allocated to the other trust fund, the projections of the combined OASI and DI Trust Fund operations for 1982-85 under each alternative are theoretical. These figures represent the arithmetical addition of the figures shown in Tables 12 and 13.

TABLE 14.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING CALENDAR YEARS 1980-85 UNDER FIVE ALTERNATIVE SETS OF ASSUMPTIONS  
(Amounts in billions)

Calendar year	Income	Disbursements	Net increase in funds	Funds at end of year	Funds at beginning of year as a percentage of disbursements during year
<b>Alternative I:</b>					
1980 <sup>1</sup> .....	\$119.7	\$123.5	-\$3.8	\$26.5	25
1981.....	140.8	145.1	-4.3	22.2	18
1982 <sup>2</sup> .....	158.3	163.8	-5.5	16.7	14
1983 <sup>2</sup> .....	176.3	181.2	-4.9	11.8	9
1984 <sup>2</sup> .....	194.1	197.9	-3.7	8.1	6
1985 <sup>2</sup> .....	223.5	213.2	10.2	18.3	4
<b>Alternative II-A:</b>					
1980 <sup>1</sup> .....	119.7	123.5	-3.8	26.5	25
1981.....	140.2	145.1	-4.8	21.6	18
1982 <sup>2</sup> .....	156.6	164.1	-7.5	14.1	13
1983 <sup>2</sup> .....	173.1	181.5	-8.4	5.7	8
1984 <sup>2</sup> .....	190.1	198.2	-8.1	-2.4	3
1985 <sup>2</sup> .....	218.7	214.6	4.2	1.7	-1
<b>Alternative II-B:</b>					
1980 <sup>1</sup> .....	119.7	123.5	-3.8	26.5	25
1981.....	140.2	145.1	-4.8	21.6	18
1982 <sup>2</sup> .....	156.6	164.4	-7.8	13.8	13
1983 <sup>2</sup> .....	173.8	184.4	-10.6	3.2	7
1984 <sup>2</sup> .....	191.1	206.0	-15.0	-11.7	2
1985 <sup>2</sup> .....	220.6	228.4	-7.9	-19.6	-5
<b>Alternative III:</b>					
1980 <sup>1</sup> .....	119.7	123.5	-3.8	26.5	25
1981.....	141.1	145.1	-3.9	22.5	18
1982 <sup>2</sup> .....	158.5	167.3	-8.8	13.7	13
1983 <sup>2</sup> .....	174.2	192.6	-18.4	-4.8	7
1984 <sup>2</sup> .....	196.0	220.1	-24.1	-28.9	-2
1985 <sup>2</sup> .....	229.9	249.7	-19.7	-48.6	-12
<b>"Worst-case":</b>					
1980 <sup>1</sup> .....	119.7	123.5	-3.8	26.5	25
1981.....	139.8	145.1	-5.3	21.1	18
1982 <sup>2</sup> .....	156.6	168.0	-11.4	9.7	13
1983 <sup>2</sup> .....	170.0	194.3	-24.3	-14.6	5
1984 <sup>2</sup> .....	190.7	222.4	-31.6	-46.2	-7
1985 <sup>2</sup> .....	225.4	252.0	-26.6	-72.8	-18

<sup>1</sup>Figures for 1980 represent actual experience.

<sup>2</sup>Figures are theoretical. See accompanying text and footnote 2 in Table 12 for details.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the preceding sections and are shown in Tables 10 and 11.

At the beginning of 1980, the assets of the combined OASI and DI Trust Funds were equal to 25 percent of the disbursements in 1980, as shown in Table 14. By the beginning of 1981 the assets had declined to an amount representing 18 percent of the expenditures in 1981 as estimated under each of the five alternatives. Under alternative I, the

combined funds are projected to continue to decline and are depleted late in 1983. Under the other alternatives, the combined funds decline more rapidly and are depleted in late 1982 or early 1983.

Assets as a percentage of annual expenditures for selected years prior to 1981 are shown in Table 15 for both funds combined and for each fund separately.

TABLE 15.—ASSETS AT THE BEGINNING OF THE YEAR AS A PERCENTAGE OF EXPENDITURES DURING THE YEAR, FOR THE OASDI PROGRAM, BY TRUST FUND, FOR SELECTED CALENDAR YEARS 1950-80

Calendar year	OASI and DI Trust Funds, combined	OASI Trust Fund	DI Trust Fund
1950.....	1,156	1,156	—
1955.....	405	405	—
1960.....	186	180	304
1965.....	110	109	121
1970.....	103	101	126
1971.....	99	94	140
1972.....	93	88	140
1973.....	80	75	125
1974.....	73	68	110
1975.....	66	63	92
1976.....	57	54	71
1977.....	47	47	48
1978.....	37	39	26
1979.....	30	30	30
1980.....	25	23	35

Expenditures in calendar year 1980 from both trust funds, combined, were 10.77 percent of taxable payroll for the year—0.61 percentage points more than the combined employee-employer contribution rate of 10.16 percent. The cost rates for both trust funds, combined, are estimated to increase in 1981 and 1982 under each alternative. Under alternatives I and II-A, cost rates are estimated to begin a slow decline in 1983, reaching 10.85 percent and 11.10 percent, respectively, in 1985. Under alternatives II-B and III, cost rates are estimated to continue to climb to 11.63 percent and 12.04 percent, respectively, in 1985. Under the “worst-case” assumptions, the estimated OASDI cost rate rises to 12.27 percent in 1985. These percentages are shown in Table 16 for both trust funds, combined, and for each trust fund separately. Table 16 also shows a comparison of each of the percentages with the corresponding combined employee-employer contribution rate.

TABLE 16.—ESTIMATED COST RATES FOR THE OASI AND DI TRUST FUNDS COMPARED WITH COMBINED EMPLOYEE-EMPLOYER CONTRIBUTION RATES, FOR CALENDAR YEARS 1980-85 UNDER FIVE ALTERNATIVE SETS OF ASSUMPTIONS

Calendar year	OASI Trust Fund			DI Trust Fund			OASI and DI Trust Funds, combined		
	Estimated cost rate <sup>a</sup>	Combined employee-employer contribution rate	Difference <sup>a</sup>	Estimated cost rate <sup>a</sup>	Combined employee-employer contribution rate	Difference <sup>a</sup>	Estimated cost rate <sup>a</sup>	Combined employee-employer contribution rate	Difference <sup>a</sup>
1980 <sup>a</sup> .....	9.39	9.04	-0.35	1.38	1.12	-0.26	10.77	10.16	-0.61
Alternative I:									
1981.....	9.84	9.40	-.44	1.40	1.30	-.10	11.24	10.70	-.54
1982.....	9.94	9.15	-.79	1.34	1.65	.31	11.28	10.80	-.48
1983.....	9.86	9.15	-.71	1.27	1.65	.38	11.13	10.80	-.33
1984.....	9.80	9.15	-.65	1.21	1.65	.44	11.01	10.80	-.21
1985.....	9.69	9.50	-.19	1.16	1.90	.74	10.85	11.40	.55
Alternative II-A:									
1981.....	9.89	9.40	-.49	1.41	1.30	-.11	11.30	10.70	-.60
1982.....	10.07	9.15	-.92	1.36	1.65	.29	11.43	10.80	-.63
1983.....	10.04	9.15	-.89	1.29	1.65	.36	11.33	10.80	-.53
1984.....	9.97	9.15	-.82	1.24	1.65	.41	11.21	10.80	-.41
1985.....	9.90	9.50	-.40	1.20	1.90	.70	11.10	11.40	.30
Alternative II-B:									
1981.....	9.89	9.40	-.49	1.41	1.30	-.11	11.30	10.70	-.60
1982.....	10.08	9.15	-.93	1.36	1.65	.29	11.45	10.80	-.65
1983.....	10.15	9.15	-1.00	1.31	1.65	.34	11.45	10.80	-.65
1984.....	10.29	9.15	-1.14	1.28	1.65	.37	11.57	10.80	-.77
1985.....	10.38	9.50	-.88	1.25	1.90	.65	11.63	11.40	-.23
Alternative III:									
1981.....	9.81	9.40	-.41	1.40	1.30	-.10	11.21	10.70	-.51
1982.....	10.16	9.15	-1.01	1.38	1.65	.27	11.54	10.80	-.74
1983.....	10.54	9.15	-1.39	1.36	1.65	.29	11.90	10.80	-1.10
1984.....	10.61	9.15	-1.46	1.32	1.65	.33	11.93	10.80	-1.13
1985.....	10.75	9.50	-1.25	1.30	1.90	.60	12.04	11.40	-.64
"Worst-case":									
1981.....	9.88	9.40	-.48	1.40	1.30	-.10	11.29	10.70	-.59
1982.....	10.31	9.15	-1.16	1.39	1.65	.26	11.71	10.80	-.91
1983.....	10.84	9.15	-1.69	1.39	1.65	.26	12.24	10.80	-1.44
1984.....	10.94	9.15	-1.79	1.35	1.65	.30	12.29	10.80	-1.49
1985.....	10.96	9.50	-1.46	1.31	1.90	.59	12.27	11.40	-.87

See following page for footnotes.

<sup>1</sup>Represents trust fund expenditures as a percentage of taxable payroll. Percentage takes into account (1) the lower contribution rate payable by the self-employed compared with combined employee-employer rate, (2) employee contributions subject to refund and (3) that the employer contribution is payable on only a portion of tips taxable as wages. For 1980, expenditures are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than three quarters of coverage, costs of which are financed from the general fund of the Treasury. Similar adjustments are not made in the projection period, 1981 and later, because such payments are relatively small.

<sup>\*</sup>Represents difference between tax contribution income and total outgo, as a percentage of taxable payroll, and therefore excludes the effects of other sources of income (principally interest income). Total income and outgo during 1980-85 are shown in Tables 12-14.

<sup>1</sup>Percentages for 1980, though based on actual experience, are preliminary and subject to revision.

Expenditures as a percentage of taxable payroll for years prior to 1981 are shown in Table 17.

TABLE 17.—COST RATES FOR THE OASI AND DI TRUST FUNDS FOR SELECTED CALENDAR YEARS 1950-80<sup>1</sup>

Calendar year	OASI and DI Trust Funds, combined	OASI Trust Fund	DI Trust Fund
1950.....	1.17	1.17	—
1955.....	3.34	3.34	—
1960.....	5.89	5.59	0.30
1965.....	7.93	7.23	.70
1970.....	8.12	7.32	.81
1971.....	9.23	8.27	.97
1972.....	9.13	8.12	1.01
1973.....	9.68	8.58	1.09
1974.....	9.73	8.57	1.16
1975.....	10.65	9.29	1.36
1976.....	10.86	9.42	1.44
1977.....	10.97	9.47	1.50
1978.....	10.75	9.30	1.45
1979.....	10.31	8.95	1.36
1980.....	10.77	9.39	1.38

<sup>1</sup>See footnote 1, Table 16. For 1976-80, percentages are preliminary and subject to revision. Expenditures in each year 1970-80 are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than three quarters of coverage, the costs of which are financed from the general fund of the Treasury.

As stated previously, estimates of the operations of the trust funds during calendar years 1981-85 have been presented in the preceding tables of this section under five different sets of economic assumptions because of the uncertainty of future economic developments. Under the provisions of the Social Security Act, it is required that estimates of the expected operations and status of the trust funds during the next 5 fiscal years be shown in this report. Accordingly, detailed estimates of the expected operations and status of the trust funds during each fiscal year 1981-85 are shown in the remaining tables of this section for the two intermediate sets of assumptions (alternatives II-A and II-B) only. Similar detailed estimates are also shown on a calendar-year basis for 1981-85.

Data on the actual operations of the OASI Trust Fund for selected years during 1940-80, and estimates of the expected operations of the trust fund during 1981-85 under the intermediate set of assumptions, are shown in Tables 18 and 19 on fiscal and calendar year bases, respectively. Corresponding figures on the operations of the DI Trust Fund are shown in Tables 20 and 21. Operations of both trust funds combined are shown in Tables 22 and 23.<sup>1</sup>

<sup>1</sup>Data relating to the operations of the two trust funds for years not shown in Tables 18-23 are contained in earlier annual reports.

TABLE 18.—OPERATIONS OF THE OASI TRUST FUND DURING SELECTED FISCAL YEARS 1940-80 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1981-85 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS  
[In millions]

Fiscal year <sup>1</sup>	Income					Disbursements						
	Total	Reimbursements from the general fund of Treasury for costs of—				Total	Benefit payments	Payments for vocational rehabilitation services	Administra- tive expenses	Transfers to Railroad Retirement Account	Net increase in fund	Fund at end of period
		Contributions, less refunds	Noncon- tributory credits for military service	Payments to non- insured persons aged 72 and over	Interest on invest- ments <sup>2</sup>							
<b>Past experience:</b>												
1940.....	\$592	\$550	—	—	\$42	\$28	\$16	—	\$12	—	\$564	\$1,745
1945.....	1,434	1,310	—	—	124	267	240	—	27	—	1,167	6,613
1950.....	2,367	2,106	\$4	—	257	784	727	—	57	—	1,583	12,893
1955.....	5,525	5,087	—	—	438	4,427	4,333	—	103	-\$10	1,098	21,141
1960.....	10,360	9,843	—	—	517	11,073	10,270	—	202	600	-713	20,829
1965.....	16,443	15,857	—	—	586	15,962	15,226	—	300	436	482	20,180
1970.....	31,746	29,955	78	\$364	1,350	27,321	26,267	\$1	474	579	4,425	32,616
1975.....	58,757	56,017	140	307	2,292	56,676	54,939	8	848	962	2,081	39,948
1976.....	62,327	59,555	157	268	2,347	64,295	62,140	7	935	1,212	-1,968	37,980
July-Sept. 1976.....	16,186	16,106	—	—	80	17,111	16,876	2	234	—	-925	37,055
1977.....	71,796	68,895	378	236	2,287	73,479	71,271	8	993	1,208	-1,683	35,372
1978.....	76,811	74,047	385	228	2,151	81,205	78,524	6	1,066	1,589	-4,394	30,978
1979.....	86,893	84,358	384	230	1,920	90,128	87,592	17	1,072	1,448	-3,235	27,743
1980.....	100,051	97,608	393	164	1,886	103,226	100,615	11	1,160	1,442	-3,177	24,566
<b>Estimated future experience:<sup>3</sup></b>												
<b>Alternative II-A:</b>												
1981.....	121,433	119,111	390	150	1,782	122,302	119,375	12	1,330	1,585	-869	23,696
1982 <sup>4</sup> .....	130,693	128,642	534	140	1,377	140,403	136,980	12	1,533	1,878	-9,710	13,986
1983 <sup>5</sup> .....	143,438	142,720	527	137	54	156,996	153,265	13	1,629	2,091	-13,560	427
1984 <sup>6</sup> .....	156,731	157,533	531	120	-1,453	172,483	168,466	13	1,748	2,255	-15,752	-15,325
1985 <sup>7</sup> .....	175,172	177,282	534	106	-2,750	187,744	183,523	14	1,866	2,341	-12,572	-27,897
<b>Alternative II-B:</b>												
1981.....	121,436	119,111	390	150	1,785	122,303	119,376	12	1,330	1,585	-867	23,699
1982 <sup>4</sup> .....	130,640	128,571	534	140	1,395	140,537	137,114	12	1,533	1,878	-9,897	13,802
1983 <sup>5</sup> .....	144,034	143,342	527	137	28	158,517	154,780	13	1,627	2,097	-14,483	-680
1984 <sup>6</sup> .....	157,601	158,715	531	121	-1,766	178,234	174,175	14	1,759	2,286	-20,633	-21,313
1985 <sup>7</sup> .....	176,635	179,749	536	107	-3,757	198,703	194,339	15	1,893	2,456	-22,068	-43,381

See following page for footnotes.

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

<sup>2</sup>Interest on investments includes net profits on marketable investments. Beginning in 1967, administrative expenses incurred under the OASI program are charged currently to the trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on investments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report.

<sup>3</sup>Includes \$2,700,000 as a single reimbursement for the estimated total costs of granting noncontributory wage credits to individuals who were interned during World War II at a place within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

<sup>4</sup>In interpreting the estimates, reference should be made to the underlying assumptions described in the preceding section and shown in Tables 10 and 11.

<sup>5</sup>Figures are theoretical. See text and footnote 2 in Table 12 for details.

TABLE 19.—OPERATIONS OF THE OASI TRUST FUND DURING SELECTED CALENDAR YEARS 1940-80 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1981-85 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS  
[In millions]

Calendar year	Income					Disbursements					Fund at end of period	
	Total	Reimbursements from the general fund of Treasury for costs of—				Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to Railroad Retirement Account		Net increase in fund
		Contributions, less refunds	Noncontributory credits for military service	Payments to non-insured persons aged 72 and over	Interest on investments							
<b>Past experience:</b>												
1940.....	\$368	\$325	—	—	\$43	\$62	\$35	—	\$26	—	\$306	\$2,031
1945.....	1,420	1,285	—	—	134	304	274	—	30	—	1,116	7,721
1950.....	2,928	2,667	\$4	—	257	1,022	961	—	61	—	1,905	13,721
1955.....	6,167	5,713	—	—	454	5,079	4,968	—	119	-\$7	1,087	21,663
1960.....	11,382	10,866	—	—	516	11,198	10,677	—	203	318	184	20,324
1965.....	16,610	16,017	—	—	593	17,501	16,737	—	328	436	-890	18,235
1970.....	32,220	30,256	78	\$371	1,515	29,848	28,796	\$2	471	579	2,371	32,454
1975.....	59,605	56,816	157	268	2,364	60,395	58,509	9	896	982	-790	36,987
1976.....	66,276	63,362	378	236	2,301	67,876	65,699	6	959	1,212	-1,600	35,388
1977.....	72,412	69,572	385	228	2,227	75,309	73,113	8	981	1,208	-2,897	32,491
1978.....	78,094	75,471	384	230	2,008	83,064	80,352	9	1,115	1,589	-4,971	27,520
1979.....	90,274	87,919	393	164	1,797	93,133	90,556	18	1,113	1,448	-2,860	24,660
1980.....	105,841	103,456	390	150	1,845	107,678	105,074	8	1,154	1,442	-1,837	22,824
<b>Estimated future experience:</b>												
<b>Alternative II-A:</b>												
1981.....	123,265	120,913	534	140	1,678	127,014	124,038	15	1,376	1,585	-3,749	19,075
1982.....	132,748	131,171	527	137	913	144,572	141,105	12	1,577	1,878	-11,824	7,250
1983.....	145,723	145,815	531	120	-743	160,820	157,058	13	1,658	2,091	-15,097	-7,846
1984.....	159,427	160,921	534	106	-2,134	176,299	172,251	13	1,780	2,255	-16,872	-24,719
1985.....	179,906	182,386	538	91	-3,109	191,431	187,180	14	1,896	2,341	-11,525	-36,243
<b>Alternative II-B:</b>												
1981.....	123,271	120,913	534	140	1,684	127,015	124,039	15	1,376	1,585	-3,744	19,080
1982.....	132,744	131,164	527	137	916	144,840	141,373	12	1,577	1,878	-12,096	6,984
1983.....	146,297	146,519	531	121	-874	163,328	159,563	13	1,655	2,097	-17,031	-10,047
1984.....	160,105	162,226	536	107	-2,764	183,271	179,175	14	1,796	2,286	-23,166	-33,213
1985.....	181,116	185,141	541	95	-4,661	203,847	199,449	15	1,927	2,456	-22,731	-55,944

Note: In interpreting the above, reference should be made to the footnotes in Table 18.

TABLE 20.—OPERATIONS OF THE DI TRUST FUND DURING SELECTED FISCAL YEARS 1960-80 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1981-85 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS  
(In millions)

Fiscal year <sup>1</sup>	Income				Disbursements						Fund at end of period
	Total	Contributions, less refunds	Reimbursements from the general fund of Treasury for costs of noncontributory credits for military service	Interest on investments <sup>2</sup>	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to Railroad Retirement Account	Net increase in fund	
<b>Past experience:<sup>3</sup></b>											
1960 .....	\$1,034	\$987	—	\$47	\$533	\$528	—	\$32	-\$27	\$501	\$2,167
1965 .....	1,237	1,175	—	62	1,495	1,392	—	79	24	-257	2,007
1970 .....	4,380	4,141	\$16	223	2,954	2,778	\$16	149	10	1,426	5,104
1975 .....	7,920	7,356	52	512	7,982	7,630	71	253	29	-62	8,191
1976 .....	8,355	7,797	90	468	9,606	9,222	92	266	26	-1,251	6,939
July-Sept. 1976 .....	2,172	2,159	—	13	2,653	2,555	27	71	—	-481	6,459
1977 .....	9,374	8,900	103	372	11,590	11,135	77	378	(*)	-2,215	4,243
1978 .....	12,784	12,404	128	251	12,655	12,214	84	327	30	129	4,372
1979 .....	15,196	14,750	142	305	13,944	13,428	79	407	30	1,252	5,624
1980 .....	17,376	16,805	118	453	15,320	14,899	99	334	-12	2,056	7,680
<b>Estimated future experience:<sup>4</sup></b>											
<b>Alternative I-A:</b>											
1981 .....	13,061	12,561	130	370	17,547	16,901	75	542	29	-4,486	3,194
1982 .....	22,104	21,686	168	250	19,217	18,433	75	671	39	2,887	6,080
1983 .....	26,524	25,745	168	611	20,412	19,623	79	707	3	6,112	12,192
1984 .....	29,767	28,417	173	1,177	21,604	20,775	84	756	-10	8,163	20,355
1985 .....	36,609	34,541	178	1,890	22,855	21,971	87	808	-12	13,754	34,109
<b>Alternative II-B:</b>											
1981 .....	13,062	12,561	130	371	17,547	16,901	75	542	29	-4,485	3,195
1982 .....	22,096	21,674	168	254	19,235	18,450	75	671	39	2,861	6,056
1983 .....	26,654	25,859	168	627	20,616	19,825	81	707	3	6,038	12,094
1984 .....	29,995	28,629	174	1,192	22,317	21,477	88	762	-10	7,678	19,772
1985 .....	37,112	35,025	180	1,907	24,116	23,209	94	819	-7	12,996	32,769

<sup>1</sup>See footnote 1 in Table 18.

<sup>2</sup>Interest on investments includes net profits on marketable investments. Beginning in 1967, administrative expenses incurred under the DI program are charged currently to the trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on investments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report.

<sup>3</sup>The financial operations of the DI Trust Fund began in the latter half of fiscal year 1957.

<sup>4</sup>Less than \$500,000 was transferred from the Railroad Retirement Account to the DI Trust Fund.

<sup>5</sup>In interpreting the estimates, reference should be made to the underlying assumptions described in the preceding section and shown in Tables 10 and 11.

TABLE 21.—OPERATIONS OF THE DI TRUST FUND DURING SELECTED CALENDAR YEARS 1960-80 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1981-85 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS  
[In millions]

Calendar year	Income				Disbursements					Net increase in fund	Fund at end of period
	Total	Contributions, less refunds	Reimbursements from the general fund of Treasury for costs of noncontributory credits for military service	Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to Railroad Retirement Account		
<b>Past experience:</b>											
1960	\$1,063	\$1,010	—	\$53	\$600	\$568	—	\$36	-\$5	\$464	\$2,289
1965	1,247	1,188	—	59	1,687	1,573	—	90	24	-440	1,606
1970	4,774	4,481	\$16	277	3,259	3,067	\$18	164	10	1,514	5,614
1975	8,035	7,444	90	502	8,790	8,414	91	256	29	-754	7,354
1976	8,757	8,233	103	422	10,366	9,966	89	285	26	-1,609	5,745
1977	9,570	9,138	128	304	11,945	11,463	84	399	( <sup>1</sup> )	-2,375	3,370
1978	13,810	13,413	142	256	12,954	12,513	86	325	30	856	4,226
1979	15,590	15,114	118	358	14,186	13,708	78	371	30	1,404	5,630
1980	13,871	13,255	130	485	15,872	15,437	78	368	-12	-2,001	3,629
<b>Estimated future experience:</b>											
<b>Alternative II-A:</b>											
1981	16,973	16,556	168	249	18,055	17,333	93	600	29	-1,082	2,547
1982	23,853	23,298	168	387	19,554	18,740	75	700	39	4,299	6,846
1983	27,354	26,304	173	877	20,701	19,899	80	718	3	6,653	13,499
1984	30,709	29,029	178	1,502	21,916	21,071	85	770	-10	8,793	22,292
1985	38,840	36,280	183	2,377	23,164	22,265	88	822	-12	15,676	37,969
<b>Alternative II-B:</b>											
1981	16,974	16,556	168	250	18,055	17,333	93	600	29	-1,081	2,548
1982	23,863	23,298	168	397	19,590	18,776	76	700	39	4,273	6,820
1983	27,503	26,434	174	895	21,028	20,224	83	718	3	6,475	13,295
1984	30,952	29,259	180	1,513	22,766	21,908	90	778	-10	8,186	21,482
1985	39,434	36,829	187	2,418	24,566	23,643	96	834	-7	14,868	36,349

<sup>1</sup>Less than \$500,000 was transferred from the Railroad Retirement Account to the DI Trust Fund.

Note: In interpreting the above, reference should be made to the footnotes in Table 20.

TABLE 22.—OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING SELECTED FISCAL YEARS 1960-80 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1981-85 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS  
[In millions]

Fiscal year	Income					Disbursements						Funds at end of period
	Total	Reimbursements from the general fund of Treasury for costs of—				Total	Benefit payments	Payments for vocational rehabilitation services	Administra- tive expenses	Transfers to Railroad Retirement Account	Net increase in funds	
		Contributions, less refunds	Noncon- tributory credits for military service	Payments to non- insured persons aged 72 and over	Interest on invest- ments							
<b>Past experience:</b>												
1960.....	\$11,394	\$10,830	—	—	\$564	\$11,606	\$10,798	—	\$234	\$574	-\$212	\$22,996
1965.....	17,681	17,032	—	—	648	17,456	16,618	—	379	459	224	22,187
1970.....	36,127	34,096	\$94	\$364	1,572	30,275	29,045	\$18	623	589	5,852	37,720
1975.....	66,677	63,374	192	307	2,804	64,658	62,469	79	1,101	1,010	2,018	48,138
1976.....	70,682	67,352	247	268	2,815	73,901	71,363	100	1,200	1,239	-3,219	44,919
July-Sept. 1976.....	18,359	18,265	—	—	94	19,764	19,431	29	304	—	-1,405	43,514
1977.....	81,170	77,794	481	236	2,659	85,068	82,406	85	1,370	1,208	-3,898	39,615
1978.....	89,595	86,451	513	228	2,403	93,860	90,738	91	1,413	1,618	-4,265	35,350
1979.....	102,089	99,108	526	230	2,225	104,072	101,020	96	1,479	1,477	-1,983	33,367
1980.....	117,427	114,413	511	164	2,339	118,548	115,514	110	1,494	1,430	-1,121	32,246
<b>Estimated future experience:</b>												
<b>Alternative II-A:</b>												
1981.....	134,494	131,672	521	150	2,152	139,850	136,276	86	1,873	1,614	-5,356	26,890
1982.....	152,797	150,328	702	140	1,627	159,620	155,413	86	2,204	1,917	-6,823	20,067
1983.....	169,962	168,465	695	137	665	177,410	172,898	92	2,336	2,094	-7,448	12,619
1984.....	186,498	185,950	704	120	-276	194,087	189,241	97	2,504	2,245	-7,589	5,030
1985.....	211,781	211,823	712	106	-860	210,599	205,494	101	2,674	2,329	1,162	6,212
<b>Alternative II-B:</b>												
1981.....	134,498	131,672	521	150	2,156	139,850	136,277	86	1,873	1,614	-5,352	26,894
1982.....	152,736	150,245	702	140	1,649	159,771	155,564	86	2,204	1,917	-7,035	19,859
1983.....	170,688	169,201	695	137	655	179,133	174,605	94	2,334	2,100	-8,445	11,414
1984.....	187,596	187,344	705	121	-574	200,551	195,652	102	2,521	2,276	-12,955	-1,541
1985.....	213,747	214,774	716	107	-1,850	222,818	217,548	109	2,712	2,449	-9,071	-10,612

Note: In interpreting the above, reference should be made to the footnotes in Table 18.

TABLE 23.—OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, DURING SELECTED CALENDAR YEARS 1960-80 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1981-85 UNDER THE INTERMEDIATE SETS OF ASSUMPTIONS  
[In millions]

Calendar year	Income					Disbursements							
	Total	Contributions, less refunds	Reimbursements from the general fund of Treasury for costs of—			Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to Railroad Retirement Account	Net increase in funds	Funds at end of period
			Noncontributory credits for military service	Payments to non-insured persons aged 72 and over									
<b>Past experience:</b>													
1960.....	\$12,445	\$11,876	—	—	\$569	\$11,798	\$11,245	—	\$240	\$314	\$647	\$22,613	
1965.....	17,857	17,205	—	—	651	19,187	18,311	—	418	459	-1,331	19,841	
1970.....	36,993	34,737	\$94	\$371	1,791	33,108	31,863	\$20	635	589	3,886	38,068	
1971.....	40,908	38,343	187	351	2,027	38,542	37,171	26	719	626	2,366	40,434	
1972.....	45,622	42,888	189	337	2,208	43,281	41,595	30	907	749	2,341	42,775	
1973.....	54,787	51,907	191	303	2,386	53,148	51,459	49	837	802	1,639	44,414	
1974.....	62,066	58,907	192	307	2,660	60,593	58,521	59	1,082	931	1,472	45,886	
1975.....	67,640	64,259	247	268	2,866	69,184	66,923	99	1,152	1,010	-1,544	44,342	
1976.....	75,034	71,595	481	236	2,722	78,242	75,665	95	1,244	1,239	-3,209	41,133	
1977.....	81,982	78,710	513	228	2,531	87,254	84,576	92	1,379	1,208	-5,272	35,861	
1978.....	91,904	88,883	526	230	2,264	96,018	92,865	95	1,439	1,618	-4,115	31,746	
1979.....	105,864	103,034	511	164	2,155	107,320	104,263	96	1,483	1,477	-1,456	30,291	
1980.....	119,712	116,711	521	150	2,330	123,550	120,512	86	1,522	1,430	-3,838	26,453	
<b>Estimated future experience:</b>													
<b>Alternative II-A:</b>													
1981.....	140,238	137,469	702	140	1,927	145,069	141,371	108	1,976	1,614	-4,831	21,622	
1982.....	156,601	154,469	695	137	1,300	164,126	159,845	87	2,277	1,917	-7,525	14,096	
1983.....	173,077	172,119	704	120	134	181,521	176,957	93	2,376	2,094	-8,444	5,653	
1984.....	190,136	189,950	712	106	-632	198,215	193,322	98	2,550	2,245	-8,079	-2,426	
1985.....	218,746	218,666	721	91	-732	214,594	209,445	102	2,718	2,329	4,152	1,725	
<b>Alternative II-B:</b>													
1981.....	140,245	137,469	702	140	1,934	145,070	141,372	108	1,976	1,614	-4,825	21,628	
1982.....	156,607	154,462	695	137	1,313	164,430	160,148	88	2,277	1,917	-7,823	13,804	
1983.....	173,800	172,953	705	121	21	184,356	179,787	96	2,373	2,100	-10,556	3,248	
1984.....	191,057	191,485	716	107	-1,251	206,036	201,083	104	2,574	2,276	-14,979	-11,731	
1985.....	220,550	221,970	728	95	-2,243	228,413	223,092	111	2,761	2,449	-7,863	-19,595	

Note: In interpreting the above, reference should be made to the footnotes in Table 18.

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

*Coverage agreements with State and local governments*

State and local government systems may terminate the agreements under which Social Security coverage is provided for their public employees. Such coverage is available only on a group voluntary basis through agreements between the Secretary of Health and Human Services and the individual States. After coverage of the employees of a State, or of a political subdivision of the State, has been in effect for at least 5 years, the State may give notice of its intention to terminate the coverage of such employees. The termination of coverage becomes effective at the end of any specified calendar year, as long as at least 2 years have passed after such notice is given. The State may withdraw the notice of termination before it becomes effective. However, once the termination becomes effective, it is irrevocable and the same group cannot be covered under Social Security again.

In the past few years, there has been some increase in the number of terminations of coverage among State and local government employees. The total number of employees becoming covered under new agreements in each year through 1976 was larger than the number of employees for whom coverage was terminated during the year. However, in each of the last 4 years, the number of State and local government employees for whom coverage was terminated was somewhat larger than the number of employees becoming covered under new agreements. Notices have also been given of the intention to terminate coverage on the part of a larger number of State and local government employees in each of the next 2 years than the number of employees becoming covered under new agreements each year. The filing of such a notice does not necessarily mean that coverage will be terminated because, as noted above, the notice may be withdrawn during the period before the termination becomes effective.

The termination of coverage for any large number of State or local government employees would have an adverse effect on the status of the trust funds, especially in the short range. In fiscal year 1980, tax contributions received by the combined OASI and DI Trust Funds from workers employed by State and local governments and from such employers under all of the coverage agreements in effect amounted to \$13.1 billion, or about 11 percent of total contributions in the year. The estimates presented in this report do not reflect the effects of (1) future terminations of coverage which may become effective as a result of such notices that have been filed and that are still pending, or that may be filed in the future, or (2) future agreements that would bring additional groups of public employees under covered employment.

*Study of extension of coverage*

The Social Security Amendments of 1977 directed the Secretary of Health and Human Services to undertake a study of the feasibility and desirability of covering Federal employees, State and local government employees, and employees of nonprofit organizations under the OASDI and HI programs on a mandatory basis. The study was conducted in consultation with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Office of Personnel Management. The results of the study were contained in a report released in March 1980. The report describes and evaluates various policy opinions concerning universal coverage, but does not advocate a particular alternative.