

1982 ANNUAL REPORT, FEDERAL OLD-AGE AND
SURVIVORS INSURANCE AND DISABILITY
INSURANCE TRUST FUNDS

COMMUNICATION

FROM

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

TRANSMITTING

THE 1982 ANNUAL REPORT OF THE BOARD, PURSUANT TO
SECTION 201(c) OF THE SOCIAL SECURITY ACT



APRIL 1, 1982.—Referred to the Committee on Ways and Means and
ordered to be printed

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LETTER OF TRANSMITTAL

**BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST FUNDS,
Washington, D.C., April 1, 1982.**

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

SIR: We have the honor to transmit to you the 1982 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 42nd such report), in compliance with the provisions of section 201(c) of the Social Security Act.

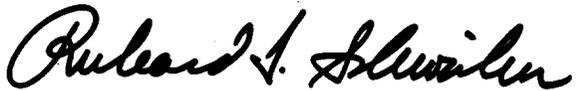
Respectfully,



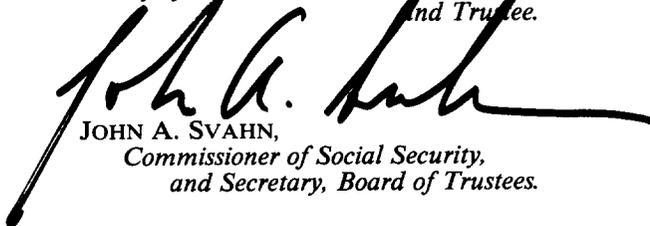
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and Managing Trustee of the Trust Funds.*



RAYMOND J. DONOVAN,
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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.*

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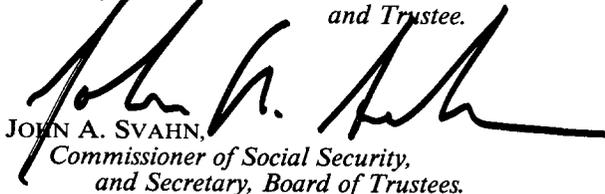
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**1982 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF
THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE
TRUST FUND AND THE FEDERAL DISABILITY
INSURANCE TRUST FUND**

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 1982, the 42nd such report.

II. HIGHLIGHTS

This section summarizes the more important developments since the 1981 Annual Report was issued and describes the major features of this year's report. These topics are discussed in more detail in later sections.

Financial status of the trust funds

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 no later than July 1983. Under present law, and on the basis of any reasonable set of economic assumptions, the expenditures of the OASI program will continue to exceed income from payroll taxes and other sources through at least 1986. 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 between outgo and income 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 some benefits on time for that month would result.

Recent amendments authorized loans (to be repaid with interest) among the OASI, DI, and Hospital Insurance (HI) Trust Funds at the discretion of the Managing Trustee. This authority expires at the end of 1982. In addition, the Conference Report on the amendments specified that "In no case shall such interfund borrowing make adjustments in the trust funds insuring benefit payments for a period more than six months beyond the date of such determination."¹ The financial projections shown in this report are based on the assumption that, in December 1982, the Managing Trustee will direct sufficient loans from the DI and HI Trust Funds to the OASI Trust Fund so that OASI benefit payments through June 3, 1983 can be made on time. Lacking further authority to continue loans, and in the absence of other legislation to increase income or reduce expenditures, the OASI Trust Fund would be unable to pay the benefits falling due on July 1, 1983.² If interfund loans were not made, the OASI Trust Fund would become unable to pay some benefits on time beginning late in 1982.

Four sets of financial projections are shown for the Old-Age, Survivors, and Disability Insurance program, to indicate future income and outgo under a broad range of conditions 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. As was the case in the 1981 report, two alternative "intermediate" sets of assumptions are used: alternative II-A and alternative II-B. Alternatives

¹House Report No. 97-409, 97th Congress, pp. 10-11.

²Under section 708(a) of the Social Security Act, benefits for June 1983 will be payable on July 1, instead of July 3, because July 3 is a Sunday.

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; alternative II-B assumes 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. The “pessimistic” assumptions this year are designed, in the short range, to represent a very adverse economic situation although it must be emphasized that these assumptions do not portray the worst conditions that could possibly occur.

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 (1982-86)—Under all four sets of assumptions, expenditures from the OASI Trust Fund are expected to exceed income in every year during this period. Under present law, the assets of the OASI Trust Fund would soon become insufficient to pay benefits when due. This would occur no later than July 1983 under each set of assumptions. Accordingly, changes in the law are needed so that OASI benefits will continue to be paid when due. In contrast, after 1982, the DI Trust Fund is projected to increase in every year throughout the projection period under all four 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 1982 Annual Report on the status of the Hospital Insurance Trust Fund, the assets of this fund are expected to begin declining within the next few 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 F. Under the optimistic and the intermediate II-A assumptions, an extension of interfund borrowing (or a reallocation of tax rates among all three trust funds) would narrowly prevent the depletion of any of the trust funds in the short term. Under the intermediate II-A assumptions, however, the margin over the minimum amount of combined assets required to prevent depletion is virtually nonexistent. If emerging economic conditions are even slightly less favorable, the funds would become depleted. Under the intermediate II-B and the pessimistic assumptions, the combined assets of all three trust funds would be depleted during the short-range projection period.
- (b) Medium range (1982-2006)—Under the four alternative sets of assumptions, average annual total costs for the OASDI program range from 9.75 to 12.73 percent of taxable payroll, while payroll tax income averages 12.01 percent of taxable payroll. Thus, the projected average actuarial balance ranges from a surplus of 2.26 percent of taxable payroll to a deficit of 0.72

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 (1982-2056)—Over this 75-year period, annual costs for the OASDI program are projected to average from 10.98 to 18.74 percent of taxable payroll, depending on the particular trends assumed in the key economic and demographic factors. Since scheduled payroll tax income averages 12.27 percent of taxable payroll during this period, the projected long-range average actuarial balance varies from a surplus of 1.29 percent of taxable payroll under the optimistic assumptions to a deficit of 6.47 percent of taxable payroll under the pessimistic assumptions. Under alternatives II-A and II-B, respectively, average deficits of 0.82 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 materialize and if there were no future legislative changes in the program. Despite their inherent uncertainty, long-range projections provide a valuable measure of the long-range financial obligations of the Social Security program and information on how program costs would respond to changing conditions.

Trust fund operations during fiscal year 1981

- (a) The total assets of the OASI and DI Trust Funds declined by \$5.0 billion during fiscal year 1981, to \$27.2 billion on September 30, 1981. Income amounted to \$134.6 billion and expenditures totaled \$139.6 billion. Disbursements from the OASI Trust Fund exceeded income by \$0.7 billion, and the assets of the OASI Trust Fund declined to \$23.8 billion by the end of the fiscal year. The assets of the DI Trust Fund decreased by \$4.3 billion, to \$3.4 billion on September 30, 1981, reflecting the effect of the temporary reallocation of tax rates between the OASI and DI programs (effective in 1980-81 only).
- (b) The total number of persons receiving monthly benefits under the OASDI program was 35.8 million at the end of September 1981. An estimated 116 million workers had earnings in calendar year 1981 that were taxable and creditable toward benefits under the program.
- (c) The trust funds earned interest amounting to \$2.3 billion during fiscal year 1981. 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, 1981 was 9.2 percent. During this same period, the average interest rate on new securities purchased by the trust funds was 11.9 percent.

- (d) Administrative expenses for the OASDI program in fiscal year 1981 were \$1.7 billion, which represented 1.2 percent of total benefit payments made during the year.

Developments since the last annual report

- (a) An automatic cost-of-living benefit increase of 11.2 percent became effective for June 1981. (The published statement announcing the determination of this increase is shown in Appendix C.)
- (b) Effective for 1982, the contribution and benefit base was increased from \$29,700 to \$32,400. In accordance with the schedule in the law, the OASDI contribution rate for employees and employers, each, increased from 5.35 percent in 1981 to 5.40 percent in 1982. The corresponding rate for self-employed persons increased from 8.00 percent to 8.05 percent. The annual exempt amount under the retirement earnings test was increased from \$5,500 to \$6,000 for beneficiaries aged 65 through 71, and from \$4,080 to \$4,440 for beneficiaries under age 65. The amount of annual earnings required for a quarter of coverage was increased from \$310 to \$340. The published statement announcing these changes is shown in Appendix D.

III. NATIONAL COMMISSION ON SOCIAL SECURITY REFORM

On December 16, 1981, the President established the National Commission on Social Security Reform, in accordance with the provisions of the Federal Advisory Committee Act. The Commission consists of fifteen members selected by the President, the Majority Leader of the Senate, and the Speaker of the House of Representatives, each of whom selected five members. No more than three of the five members selected by each belonged to the same political party. A Chairman was designated by the President from among the members of the Commission.

The Commission is charged with the following functions:

1. Review relevant analyses of the current and long-term financial condition of the Social Security trust funds;
2. Identify problems that may threaten the long-term solvency of such funds;
3. Analyze potential solutions to such problems that will assure both the financial integrity of the Social Security system and the provision of appropriate benefits; and
4. Provide appropriate recommendations to the Secretary of Health and Human Services, the President, and the Congress.

The Commission must make its report to the President by December 31, 1982, and shall terminate 30 days after submitting its report.

IV. SOCIAL SECURITY AMENDMENTS SINCE THE 1981 REPORT

Since the 1981 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 described below.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35, signed August 13, 1981) amended several benefit provisions in the Social Security Act. The more important changes, significant from an actuarial standpoint, are:

1. Regular minimum benefits were eliminated for all beneficiaries who initially become eligible for benefits after October 1981. For such persons, benefits were to be based on a Primary Insurance Amount determined by the benefit formula and could therefore be less than the old minimum of \$122. For all other beneficiaries—those eligible for benefits before November 1981—regular minimum benefits were to have been eliminated beginning with benefits for months after February 1982. (However, as noted later in this section, minimum benefits were subsequently restored for beneficiaries who initially became eligible for benefits before 1982.)
2. Child's benefits paid to students aged 18-21 are to be gradually eliminated for persons who are students at postsecondary schools, with full elimination of such benefits completed by May 1985. Child's benefits for students aged 18 who attend elementary or secondary schools will end at age 19, effective with benefits for months after July 1982. Students who began postsecondary school before May 1982, and received a child's benefit for August 1981, may continue to receive benefits as a postsecondary student. However, beginning with benefits for September 1982, the amount of the benefit will be reduced each year by 25 percent of the benefit amount payable for August 1981. No student's benefits for postsecondary students aged 18 or over will be paid after April 1985. Further, the benefits of postsecondary students will not be increased for cost-of-living benefit increases in June 1982 or later. Finally, postsecondary student's benefits will not be paid to such beneficiaries for the months of May through August, regardless of whether the student is in full-time school attendance. Students who begin postsecondary school after April 1982, or who first become entitled to child's benefits after August 1981, can receive benefits as a postsecondary student, but only for months through July 1982 (and including the cost-of-living benefit increase for June 1982).
3. Benefits paid to a disabled worker, including any benefits paid to the worker's spouse and children, will be reduced (if necessary) so that the sum of all benefits payable under certain Federal, State, and local public programs on the basis of disability will not exceed 80 percent of the worker's "average current earnings" (as defined in the law by the 1965 amendments). The provision does not apply to service-connected

benefits payable by the Veterans Administration, public-employee pensions based on employment covered under OASDI, needs-based public benefits, or private pension or insurance benefits. The provisions of the new offset are more inclusive than but otherwise similar to the workmen's compensation offset provision in prior law. The provision in prior law was also broadened by extending the workmen's compensation offset to disabled workers aged 62-64 and by making the offset effective with the month of the worker's first concurrent entitlement to disability benefits under both Social Security and some other program, instead of the month of application for Social Security disability benefits or, if later, the month in which the Secretary of Health and Human Services is notified of such other entitlement. In addition, the present restriction against the offset when a State plan calls for reducing State workmen's compensation benefits because of Social Security disability benefits will be limited to those States having such a plan in effect on February 18, 1981. The new offset provisions become effective for workers whose first month of entitlement to disability insurance benefits is after August 1981 and is based on a period of disability that begins after February 1981.

4. Mothers or fathers, of entitled children, will be eligible for mother's or father's benefits only until the youngest entitled child reaches age 16, instead of age 18 as under prior law, unless the parent is caring for a disabled entitled child aged 16 or over. Parents becoming entitled to mother's or father's benefits after August 1981 are immediately affected by this change. Parents entitled to such benefits for the month of August 1981 are not affected until after August 1983.
5. Beginning with workers or spouses who attain age 62 after August 1981, the first month of entitlement to old-age insurance benefits, or wife's or husband's benefits, can be no earlier than the first month throughout which all eligibility requirements are met. The major effect of this change is to postpone, in the vast majority of cases, the first month for which an individual can become entitled to old-age benefits, or aged wife's or husband's benefits, from the month of attainment of age 62 to the next month, with reduction for early retirement, in such cases, based on a reduction period of 35 months, instead of 36 months, before age 65.
6. Benefit amounts will be rounded to the next lower dime, instead of the next higher dime, at every step of the benefit calculation, and then to the next lower dollar (after deducting any SMI premium) at the final step, effective for initial calculations and adjustments of Primary Insurance Amounts and benefit amounts which are attributable to periods after August 1981.
7. Effective for deaths of insured workers after August 1981, the lump-sum death benefit will be payable only to a spouse living with the worker at time of death or, if there is no such spouse,

to a spouse (excluding a divorced spouse) who is eligible for widow's or widower's benefits for the month in which the worker died or, if there is no spouse eligible for the payment, to any children who are eligible for child's benefits, based on the worker's earnings, for the month of death.

8. The reduction in the age at which a beneficiary becomes exempt from the retirement test is postponed 1 year, so that the exempt age remains at age 72 through 1982 and drops to age 70 in 1983 instead of 1982 as provided under prior law.
9. Effective with respect to vocational rehabilitation services provided after September 1981, the cost of providing such services to disabled OASDI beneficiaries will be reimbursed from the trust funds only for those disabled beneficiaries who successfully engage in Substantial Gainful Activity (SGA) for 9 continuous months and for whom such services contributed to the successful return to SGA.

Public Law 97-123, signed December 29, 1981, amended the Social Security Act, the Omnibus Budget Reconciliation Act of 1981, and the Internal Revenue Code. The changes that are significant from an actuarial standpoint are:

1. Minimum benefits, which had been eliminated under the Omnibus Budget Reconciliation Act of 1981, were restored for all persons eligible for benefits before January 1982 or whose benefits are based on the earnings of a worker who became eligible for benefits, or died, before January 1982. In addition, entitlement to minimum benefits will be retained for persons who become eligible for benefits after 1981 and before 1992 and who are members of a religious order which requires its members to take a vow of poverty and which elected to be covered under Social Security before December 29, 1981.
2. Interfund borrowing among the OASI, DI, and HI Trust Funds was authorized through December 31, 1982 with a provision for payment of interest on amounts borrowed.
3. Social Security coverage was extended to the first partial month and the subsequent 6 full months of sick pay including payments by insurance companies and payments under State temporary disability insurance laws. (Payments for non-work-related temporary disability under the Railroad Unemployment Insurance Act are similarly treated as taxable compensation under the Railroad Retirement Tax Act.) Any portion of such sickness benefits attributable to employee contributions is not covered.

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.

V. NATURE OF THE TRUST FUNDS

The Federal Old-Age and Survivors Insurance Trust Fund was established on January 1, 1940 as a separate account in the United States Treasury. All 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 1983 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 were specified in the law, as amended in 1977. The base for 1982 was determined under the automatic-increase provisions as will be the bases in 1983 and later.

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
1982.....	32,400	5.400	4.575	.825	8.0500	6.8125	1.2375
Changes scheduled in present law:							
1983-84.....	(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; (3) the receipt of unconditional money gifts or bequests made for the benefit of the trust funds or any activity financed through the funds; and (4) amounts charged to private employee benefit plans for providing the plans with detailed earnings information. 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 where such services contributed to their successful rehabilitation; (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.

Public Law 97-123 authorizes borrowing among the OASI, DI, and HI Trust Funds when necessary "to best meet the need for financing the benefit payments" from the three funds. The timing and amounts of the loans, the repayment procedures, and the timing of interest payments are largely at the discretion of the Managing Trustee. The law specifies that interest on a loaned amount will be paid at a rate "equal to the rate which the lending Trust Fund would earn on the amount involved if the loan were an investment." The interfund borrowing authority expires at the end of 1982 and, based on the Conference Report accompanying the amendment, at no time may amounts be borrowed in excess of the amount sufficient to ensure the timely payment of benefits for the following 6 months.

VI. SUMMARY OF THE OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, FISCAL YEAR 1981

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 1981, 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 1980 are also shown in the table.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND DURING FISCAL YEARS 1980 AND 1981
(In thousands)

	Fiscal year 1980	Fiscal year 1981
Total assets, beginning of year	\$27,742,846	\$24,565,757
Receipts:		
Contributions:		
Appropriations	86,736,410	107,659,524
Deposits arising from State agreements	11,228,740	11,736,537
Gross contributions	97,965,150	119,396,061
Less payment into the general fund of the Treasury for contributions subject to refund	357,505	379,970
Net contributions	97,607,645	119,016,091
Reimbursement from general fund of the Treasury for costs of:		
Noncontributory credits for military service	392,968	390,127
Payments to noninsured persons aged 72 and over:		
Benefit payments	140,550	126,850
Administrative expenses	1,557	1,343
Interest	21,962	21,616
Total reimbursement for payments to noninsured persons aged 72 and over	164,069	149,809
Interest:		
Interest on investments	1,885,287	2,018,614
Interest on amounts transferred from the general fund account for the Supplemental Security Income program due to adjustment in allocation of administrative expenses	46	302
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs ¹	951	-2,615
Gross interest	1,886,284	2,016,300
Less interest on amounts transferred to the DI Trust Fund due to adjustment in allocation of costs of vocational rehabilitation services	65	48
Net interest	1,886,219	2,016,252
Gifts	52	32
Total receipts	100,050,953	121,572,311
Disbursements:		
Benefit payments	100,615,304	119,413,467
Transfer to Railroad Retirement Account	1,441,988	1,584,932
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For current fiscal year	10,960	(?)
Transfers to DI Trust Fund due to adjustment in allocation of costs for prior periods	130	7,542
Total payment for costs of vocational rehabilitation services	11,090	7,542
Administrative expenses:		
Department of Health and Human Services	1,116,117	1,203,618
Department of the Treasury	36,589	71,425
Construction of facilities for Social Security Administration	21,379	10,059

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND DURING FISCAL YEARS
1980 AND 1981 (Cont.)
(In thousands)

	Fiscal year 1980	Fiscal year 1981
Disbursements: (Cont.)		
Administrative expenses: (Cont.)		
Expenses of Department of Health and Human Services and Department of Education for administration of vocational rehabilitation program for disabled beneficiaries.....	\$44	(¹)
Interfund transfers due to adjustment in allocation of administrative expenses ²	-14,135	\$14,128
Interfund transfers due to adjustment in allocation of costs of construction ³	18	-924
Gross administrative expenses.....	1,160,012	1,298,307
Less reimbursement from general fund of the Treasury for costs of furnishing information on deferred vested pension benefits.....	216	131
Less receipts from sales of supplies, materials, etc.....	137	69
Net administrative expenses.....	1,159,659	1,298,107
Total disbursements.....	103,228,041	122,304,048
Net increase in assets.....	-3,177,089	-731,737
Total assets, end of year.....	24,565,757	23,834,020

¹A positive figure represents a transfer to the OASI Trust Fund from the other Social Security trust funds. A negative figure represents a transfer from the OASI Trust Fund to the other Social Security trust funds.

²Reimbursement for rehabilitation services provided during fiscal year 1981 (and the associated administrative expenses at the Federal level) was not requested until after the close of the fiscal year (see text for details).

³A 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 \$24,566 million on September 30, 1980. During fiscal year 1981, total receipts amounted to \$121,572 million and total disbursements were \$122,304 million. The assets of the trust fund thus decreased \$732 million during the year, to a total of \$23,834 million on September 30, 1981.

Included in total receipts during fiscal year 1981 were \$107,660 million representing contributions appropriated to the fund and \$11,737 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, \$380 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 \$119,016 million, an increase of 21.9 percent over the amount for the preceding fiscal year. Growth in contribution income resulted primarily from (1) the higher level of earnings in covered employment; (2) the two increases in the maximum annual amount of earnings taxable—from \$22,900 to \$25,900 and from \$25,900 to \$29,700—that became effective on January 1, 1980, and January 1, 1981, respectively; and (3) the increase in the OASI contribution rate for employees and employers, each, from 4.33 percent to 4.52 percent that was enacted on October 9, 1980 but which was made retroactive to January 1, 1980 and the increase from 4.52 percent to 4.70 percent that became effective January 1, 1981. Although the first

increase in the maximum annual amount of earnings taxable, from \$22,900 to \$25,900, became effective in 1980, earnings between \$22,900 and \$25,900, which were taxable during all of fiscal year 1981, were taxable during only part of the preceding fiscal year. The retroactive increase in the OASI tax rate for 1980 was enacted after the close of fiscal year 1980. Thus the resulting adjustments in contribution income for the period January through September 1980 were made in fiscal year 1981 (with an associated adjustment to investment income). The retroactive OASI tax rate increase for 1980 was exactly offset by a retroactive decrease in the tax rate allocated to the DI Trust Fund (from 0.75 percent to 0.56 percent for employees and employers, each). The increase in the OASI tax rate for 1981 reflected both a reallocation from the DI program and the increase in combined OASI and DI tax rates for 1981 that was enacted in the Social Security Amendments of 1977.

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 \$36 million, and the DI Trust Fund should receive reimbursement of \$38 million, for additional costs in fiscal year 1981 attributable to noncontributory credits for military service performed after 1956. Thus, reimbursements amounting to \$390 million for the OASI Trust Fund and \$130 million for the DI Trust Fund were received in December 1980.

A reimbursement amounting to \$150 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 1981. This reimbursement, made under section 228 of the Social Security Act, reflected the costs of payments made in fiscal year 1979 and adjustments in the costs of payments made in prior fiscal years.

The OASI Trust Fund received \$31,823 in gifts in fiscal year 1981 under the provisions authorizing the deposit of money gifts or bequests in the OASI and DI Trust Funds.

The remaining \$2,016 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 \$122,304 million in total disbursements, \$119,413 million was for benefit payments, an increase of 18.7 percent over the corresponding amount paid in fiscal year 1980. This increase was due to (1) the automatic cost-of-living benefit increases of 14.3 percent and 11.2 percent, which became effective for June 1980 and June 1981, 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 14.3 percent became effective in 1980, the resulting higher benefit levels (which were in effect during all of fiscal year 1981) were in effect during only part of the preceding fiscal year. The change in benefit payments from fiscal year 1980 to fiscal year 1981 also reflects the net effect of various provisions in the 1977 and later 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 \$1,491 million to the Railroad Retirement Account from the OASI Trust Fund would place this trust fund in the same position as of September 30, 1980, as it would have been if railroad employment had always been covered under the Social Security Act. A total amount of \$1,585 million was transferred to the Railroad Retirement Account in June 1981, including interest to the date of transfer amounting to \$94 million.

Expenditures of the OASI program for the costs of vocational rehabilitation services amounted to \$8 million. This amount represents transfers to the DI Trust Fund resulting from adjustments to the allocation of prior years' vocational rehabilitation expenses between the two trust funds. Although trust fund expenditures for rehabilitation services were authorized in fiscal year 1981 and, in fact, such services were provided, reimbursement for the costs of these services was not requested by the Department of Education until after the close of the fiscal year. Rehabilitation 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. Public Law 97-35 will limit the reimbursement by the trust funds for such services in the future to certain cases where a return to substantial gainful activity results (at least in part) from the rehabilitation services.

The remaining \$1,298 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 1981 amounted to \$131,127.

Net administrative expenses charged to the OASI and DI Trust Funds in fiscal year 1981 totaled \$1,703 million. This amount represented 1.3 percent of contribution income and 1.2 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 1977-81

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 contribu- tion income	Total benefit payments	Contribution income	Benefit payments	Contribution income	Benefit payments
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
1981	1.3	1.2	1.1	1.1	3.2	2.4

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 1981 with the estimates for that year which appeared in the 1980 and 1981 Annual Reports. The actual experience for each trust fund was quite close, relatively, to the estimates in the 1981 report. The contribution estimates in the 1980 report, however, were prepared prior to the enactment of a retroactive tax rate reallocation between the OASI and DI Trust Funds (Public Law 96-403). Thus the resulting adjustment to each fund's tax income in fiscal year 1981 was not reflected in the estimates contained in the 1980 Annual Report. Actual total tax income for the two funds combined in fiscal year 1981 was 101 percent of the total amount estimated in the 1980 Annual Report. 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 1981 reflects the aforementioned type of adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions in fiscal year 1981 does not reflect adjustments to contributions for that year that were to

be made after September 30, 1981.

TABLE 4.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, FISCAL YEAR 1981
[Amounts in millions]

	OASI Trust Fund		DI Trust Fund	
	Net contributions	Benefit payments	Net contributions	Benefit payments
Actual amount.....	\$119,016	\$119,413	\$12,589	\$16,853
Estimated amount published in 1981 report.....	\$119,111	\$119,375	\$12,581	\$16,901
Actual as percentage of estimate.....	100	100	100	100
Estimated amount published in 1980 report.....	\$110,290	\$119,639	\$19,846	\$16,764
Actual as percentage of estimate.....	108	100	163	101

¹See text for explanation of reallocation of tax rates since the 1980 report.

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

At the end of fiscal year 1981, about 35.8 million persons were receiving monthly benefits under the OASDI program. About 31.3 million of these persons were receiving monthly benefits from the OASI Trust Fund. The distribution of benefit payments in fiscal years 1980 and 1981, by type of beneficiary, is shown in Table 5. Approximately 75 percent of the total benefit payments from the OASI Trust Fund in fiscal year 1981 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 8 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 1980 AND 1981
[Amounts in millions]

	Fiscal year 1980		Fiscal year 1981	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$100,615	100	\$119,413	100
Monthly benefits.....	100,234	100	119,043	100
Retired workers and their dependents.....	74,513	74	89,032	75
Retired workers.....	67,276	67	80,466	67
Wives and husbands.....	6,139	6	7,280	6
Children.....	1,099	1	1,286	1
Survivors of deceased workers.....	25,600	25	29,899	25
Aged widows and widowers.....	16,578	16	19,666	16
Disabled widows and widowers.....	304	(¹)	335	(¹)
Parents.....	54	(¹)	58	(¹)
Children.....	7,141	7	8,116	7
Widowed mothers and fathers caring for child beneficiaries.....	1,523	2	1,724	1
Noninsured persons aged 72 and over.....	121	(¹)	113	(¹)
Lump-sum death payments.....	381	(¹)	370	(¹)

¹Less than 0.5 percent.

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

In fiscal year 1981, special payments to noninsured persons aged 72 and over amounted to \$113 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 1981, lump-sum death payments amounted to \$370 million, or 0.3 percent of total benefit payments.

The assets of the OASI Trust Fund at the end of fiscal year 1981 totaled \$23,834 million, consisting of \$23,244 million in the form of obligations of the U.S. Government or of federally sponsored agency obligations, and an undisbursed balance of \$590 million. Table 6 shows the total assets of the fund and their distribution at the end of fiscal years 1980 and 1981.

TABLE 6.—ASSETS OF THE OASI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1980 AND 1981

	September 30, 1980		September 30, 1981	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury bonds:				
3-percent, 1995	\$70,170,000	\$70,155,324.07	\$70,170,000	\$70,156,348.03
3½-percent, 1978-83.....	60,200,000	60,042,172.22	60,200,000	60,101,357.42
3½-percent, 1985..	25,700,000	25,301,538.71	25,700,000	25,388,475.83
3½-percent, 1980..	449,450,000	449,486,350.62	—	—
3½-percent, 1990..	556,250,000	552,289,643.31	556,250,000	552,713,967.51
3½-percent, 1998..	552,037,000	546,454,585.09	552,037,000	546,763,290.25
4½-percent, 1989-94.....	91,300,000	90,889,427.37	91,300,000	90,919,653.57
4½-percent, 1975-85.....	78,023,000	77,926,827.50	78,023,000	77,947,810.82
4½-percent, 1987-92.....	33,000,000	33,727,360.68	33,000,000	33,620,917.68
6½-percent, 1984..	31,500,000	31,677,856.77	31,500,000	31,632,446.49
7-percent, 1981	50,000,000	49,963,332.97	—	—
7½-percent, 1988-93.....	99,934,000	98,908,053.68	99,934,000	98,987,481.80
7½-percent, 2002-07.....	15,000,000	14,992,205.14	15,000,000	14,992,501.90
7½-percent, 1995-2000.....	22,180,000	21,590,066.46	22,180,000	21,620,712.30
8-percent, 1996-2001 ..	90,500,000	90,419,304.00	90,500,000	90,423,177.36
8½-percent, 2000-05.....	22,450,000	22,444,845.66	22,450,000	22,445,044.50
8½-percent, 1995-2000.....	50,000,000	50,601,010.25	50,000,000	50,570,707.25
8½-percent, 1994-99.....	6,352,000	6,486,721.12	6,352,000	6,479,503.84
11½-percent, 2010.....	153,100,000	151,998,224.32	153,100,000	152,035,784.80
Total investments in public issues	2,457,146,000	2,445,354,849.94	1,957,696,000	1,946,799,181.35
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
10½-percent, 1981	406,799,000	406,799,000.00	—	—
11½-percent, 1981	8,464,877,000	8,464,877,000.00	—	—
14½-percent, 1982	—	—	7,764,737,000	7,764,737,000.00
Bonds:				
7½-percent, 1990..	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, 1990..	1,366,865,000	1,366,865,000.00	547,391,000	547,391,000.00
7½-percent, 1989..	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, 1989..	\$677,909,000	\$677,909,000.00	—	—

TABLE 6.—ASSETS OF THE OASI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1980 AND 1981 (Cont.)

	September 30, 1980		September 30, 1981	
	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
9¾-percent, 1994 ..	216,450,000	216,450,000.00	216,450,000	216,450,000.00
9¾-percent, 1995 ..	1,489,059,000	1,489,059,000.00	1,489,059,000	1,489,059,000.00
13-percent, 1989 ..	—	—	1,442,909,000	1,442,909,000.00
13-percent, 1990 ..	—	—	419,639,000	419,639,000.00
13-percent, 1996 ..	—	—	1,482,268,000	1,482,268,000.00
Total obligations sold only to this fund (special issues).....	20,565,307,000	20,565,307,000.00	20,742,309,000	20,742,309,000.00
Total investments in public-debt obligations....	23,022,453,000	23,010,661,849.94	22,700,005,000	22,689,108,181.35
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	64,910,625.76	65,000,000	64,922,813.32
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	554,910,625.76	555,000,000	554,922,813.32
Total investments	23,577,453,000	23,565,572,475.70	23,255,005,000	23,244,030,994.67
Undisbursed balances.....	—	1,000,184,989.34	—	589,989,207.52
Total assets.....	—	24,565,757,465.04	—	23,834,020,202.19

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 1981 amounted to \$322 million. New securities at a total par value of \$138,212 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 \$138,535 million. Included in these

amounts are \$124,452 million in certificates of indebtedness that were acquired, and \$125,559 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, 1981 was 9.2 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 1981 was 13 percent, payable semiannually. The special issues purchased then included \$1,482 million in Treasury bonds maturing in 1996. Although the interest rate on bonds is generally limited to 4½ 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 4½ 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 \$12,978 million in special issues (bonds) at the end of September 1981 that were distributed in equal amounts of about \$2,015 million maturing in each of the years 1991-92 and in smaller amounts maturing in 1989-90, and in 1993-96 (Table 6). The investment operations of the fund in fiscal years 1980 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 1981 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 1980 are also shown in the table.

TABLE 7.—STATEMENT OF OPERATIONS OF THE DI TRUST FUND DURING FISCAL YEARS
1980 AND 1981
[In thousands]

	Fiscal year 1980	Fiscal year 1981
Total assets, beginning of year	\$5,623,711	\$7,680,173
Receipts:		
Contributions:		
Appropriations.....	15,014,167	11,387,656
Deposits arising from State agreements.....	1,853,633	1,248,844
Gross contributions	16,867,800	12,636,500
Less payment into the general fund of the Treasury for contributions subject to refund.....	62,545	47,010
Net contributions.....	16,805,255	12,589,490
Reimbursement from general fund of the Treasury for costs of noncontributory credits for military service.....	117,827	130,389
Interest:		
Interest on investments	451,890	268,454
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs.....	1,315	4,121
Interest on amounts transferred from OASI Trust Fund due to adjustment in allocation of costs of vocational rehabilitation services.....	65	48
Total interest	453,271	272,624
Total receipts ¹	17,376,356	12,992,509
Disbursements:		
Benefit payments	14,898,923	16,853,311
Transfer to Railroad Retirement Account ²	-12,109	29,443
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For the current fiscal year	99,040	(³)
Less transfer from OASI Trust Fund due to adjustment in allocation of costs for prior periods	130	7,542
Total payment for costs of vocational rehabilitation services.....	98,910	-7,542
Administrative expenses:		
Department of Health and Human Services.....	330,628	414,314
Department of the Treasury.....	9,814	11,758
Construction of facilities for Social Security Administration.....	2,546	4,243
Expenses of Department of Health and Human Services and Department of Education for administration of vocational rehabilitation program for disabled beneficiaries.....	316	(³)
Interfund transfers due to adjustment in allocation of costs of construction ⁴	-96	791
Gross administrative expenses.....	343,208	431,106
Less interfund transfers due to adjustment in allocation of administrative expenses	8,990	26,047
Less receipts from sales of supplies, materials, etc.....	48	22
Net administrative expenses	334,169	405,036
Total disbursements	15,319,893	17,280,249
Net increase in assets.....	2,056,462	-4,287,739
Total assets, end of year.....	7,680,173	3,392,434

¹Includes gifts amounting to \$2,989 during fiscal year 1980 and \$7,005 during fiscal year 1981.

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.

³Reimbursement for rehabilitation services provided during fiscal year 1981 (and the associated administrative expenses at the Federal level) was not requested until after the close of the fiscal year (see text for details).

⁴A 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 \$7,680 million on September 30, 1980. During fiscal year 1981, total receipts amounted to \$12,993 million, and total disbursements were \$17,280 million. The assets of the trust fund thus decreased by \$4,288 million during the year, to a total of \$3,392 million on September 30, 1981.

Included in total receipts were \$11,388 million representing contributions appropriated to the fund and \$1,249 million representing amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$47 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 \$12,589 million, a decrease of 25.1 percent from the amount for the preceding fiscal year. This decrease is largely attributable to the reallocation of tax rates between OASI and DI that was described earlier. Because the reallocation was enacted after the close of fiscal year 1980, but was made effective retroactively to January 1, 1980, a significant part of the assets of the DI Trust Fund was transferred to the OASI Trust Fund — and was reflected in contribution income and interest on investments — in fiscal year 1981. In addition, the change reflects the same factors, insofar as they apply to contributions to the DI Trust Fund, that accounted for the change in contributions to the OASI Trust Fund (described in the preceding section).

In addition, the trust fund received \$130 million in December 1980 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 \$38 million was reimbursed in accordance with section 229(b), as described in the preceding section.

The remaining \$273 million of receipts consisted of interest on the investments of the fund, plus interest on amounts of interfund transfers.

Of the \$17,280 million in total disbursements, \$16,853 million was for benefit payments, an increase of 13.1 percent over the corresponding amount paid in fiscal year 1980. 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, 1980 required that a transfer of \$27,700,000 be made from the DI Trust Fund to the Railroad Retirement Account. A total amount of \$29,443,000 was transferred to the Railroad Retirement Account in June 1981, including interest to the date of transfer amounting to \$1,743,000. The transfer made in the previous

fiscal year, 1980, was in the opposite direction—to the DI Trust Fund from the Railroad Retirement Account—because, in the determination underlying the 1980 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 larger than the estimate of additional benefits and administrative expenses that would have been paid from the fund, whereas in the determination underlying the 1981 transfer, the estimated contributions were smaller than the estimated expenditures.

The remaining disbursements amounted to \$405 million for net administrative expenses. No reimbursement was made in fiscal year 1981 for the current 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 explained in the preceding section. Due to an adjustment in the allocation of such costs between the OASI and DI Trust Funds for prior years, the DI Trust Fund received a transfer of \$8 million from the OASI Trust Fund in fiscal year 1981.

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. As noted in an earlier section, the Omnibus Budget Reconciliation Act of 1981 contained a provision that will result in further curtailment of payments from the trust funds for such services in the future. The data presented below show the relationship between the total amount of such payments for the fiscal year transition period July 1975-September 1976 and fiscal years 1977-80 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
July 1975-September 1976 ²	\$120,716	\$8,824,547	1.37
1977 ³	87,598	8,547,410	1.02
1978.....	94,539	9,986,069	.95
1979.....	97,766	10,967,760	.89
1980.....	40,638	12,089,653	.34

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 1981, some 4.5 million persons were receiving monthly benefits from the DI Trust Fund. The distribution of benefit payments in fiscal years 1980 and 1981, 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 1980 AND 1981
[Amounts in millions]

	Fiscal year 1980		Fiscal year 1981	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$14,899	100	\$16,853	100
Disabled workers.....	12,355	83	14,057	83
Wives and husbands.....	620	4	678	4
Children.....	1,924	13	2,118	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 1981 totaled \$3,392 million, consisting of \$3,391 million in the form of obligations of the U.S. Government and an undisbursed balance of \$2 million. Table 9 shows the total assets of the fund and their distribution at the end of fiscal years 1980 and 1981.

TABLE 9.—ASSETS OF THE DI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1980 AND 1981

	September 30, 1980		September 30, 1981	
	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	\$10,241,770.67	\$10,500,000	\$10,269,438.23
3½-percent, 1998 ..	5,000,000	4,811,806.55	5,000,000	4,822,213.55
4½-percent, 1989-94.....	68,400,000	67,947,580.59	68,400,000	67,980,887.43
4¼-percent, 1975-85.....	20,795,000	20,788,245.50	20,795,000	20,789,718.98
4¼-percent, 1987-92.....	80,800,000	80,861,688.84	80,800,000	80,852,661.36
6¾-percent, 1984 ..	15,000,000	15,021,248.68	15,000,000	15,015,823.36
7½-percent, 1988-93.....	26,500,000	26,004,384.80	26,500,000	26,042,754.92
7¾-percent, 2002-07.....	10,000,000	9,994,804.34	10,000,000	9,995,000.90
8-percent, 1996-2001.....	26,000,000	25,976,816.50	26,000,000	25,977,929.26
8½-percent, 2000-05.....	3,750,000	3,733,088.45	3,750,000	3,733,774.01
11¼-percent, 2010.....	30,250,000	30,032,307.52	30,250,000	30,039,729.70
Total investments in public issues	296,995,000	295,413,742.44	296,995,000	295,519,931.70
Obligations sold only to this fund (special issues):				
Certificates of indebtedness:				
11½-percent, 1981 ..	1,875,730,000	1,875,730,000.00	—	—
14½-percent, 1982 ..	—	—	1,282,170,000	1,282,170,000.00
Bonds:				
7½-percent, 1986 ..	5,830,000	5,830,000.00	—	—
7½-percent, 1987 ..	5,831,000	5,831,000.00	—	—
7½-percent, 1988 ..	5,831,000	5,831,000.00	—	—
7½-percent, 1989 ..	5,831,000	5,831,000.00	—	—
7½-percent, 1990 ..	5,831,000	5,831,000.00	—	—
7½-percent, 1991 ..	5,831,000	5,831,000.00	—	—
7½-percent, 1992 ..	274,851,000	274,851,000.00	161,560,000	161,560,000.00
7½-percent, 1986 ..	84,338,000	84,338,000.00	—	—
7½-percent, 1987 ..	84,338,000	84,338,000.00	—	—
7½-percent, 1988 ..	84,337,000	84,337,000.00	—	—
7½-percent, 1989 ..	84,337,000	84,337,000.00	—	—
7½-percent, 1990 ..	206,000,000	206,000,000.00	—	—
7½-percent, 1986 ..	63,020,000	63,020,000.00	—	—
7½-percent, 1987 ..	63,019,000	63,019,000.00	—	—

TABLE 9.—ASSETS OF THE DI TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1980 AND 1981 (Cont.)

	September 30, 1980		September 30, 1981	
	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, 1988 ..	\$63,020,000	\$63,020,000.00	—	—
7½-percent, 1989 ..	63,020,000	63,020,000.00	—	—
7½-percent, 1990 ..	63,020,000	63,020,000.00	—	—
7½-percent, 1991 ..	269,020,000	269,020,000.00	—	—
7½-percent, 1985 ..	32,529,000	32,529,000.00	—	—
7½-percent, 1986 ..	121,663,000	121,663,000.00	—	—
7½-percent, 1987 ..	121,663,000	121,663,000.00	—	—
7½-percent, 1988 ..	121,663,000	121,663,000.00	—	—
7½-percent, 1989 ..	121,663,000	121,663,000.00	—	—
8½-percent, 1985 ..	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, 1984 ..	61,511,000	61,511,000.00	—	—
8½-percent, 1985 ..	97,887,000	97,887,000.00	—	—
8½-percent, 1986 ..	64,425,000	64,425,000.00	—	—
8½-percent, 1987 ..	64,425,000	64,425,000.00	—	—
8½-percent, 1988 ..	64,425,000	64,425,000.00	—	—
8½-percent, 1989 ..	64,425,000	64,425,000.00	—	—
8½-percent, 1990 ..	64,425,000	64,425,000.00	—	—
8½-percent, 1991 ..	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	142,337,000	142,337,000.00
9½-percent, 1993 ..	142,337,000	142,337,000.00	142,337,000	142,337,000.00
9½-percent, 1994 ..	142,336,000	142,336,000.00	142,336,000	142,336,000.00
9½-percent, 1995 ..	481,613,000	481,613,000.00	481,613,000	481,613,000.00
Total obligations sold only to this fund (special issues)	7,377,327,000	7,377,327,000.00	3,095,331,000	3,095,331,000.00
Total investments in public-debt obligations....	7,674,322,000	7,672,740,742.44	3,392,326,000	3,390,850,931.70
Undisbursed balances.....	—	7,432,523.85	—	1,582,891.88
Total assets.....	—	7,680,173,266.29	—	3,392,433,823.58

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

The net decrease in the par value of the investments owned by the trust fund during the fiscal year amounted to \$4,282 million. New securities at a total par value of \$18,367 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 \$22,649 million. Included in these amounts are \$16,611 million in certificates of indebtedness that were acquired, and \$17,205 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, 1981 was 9.3 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1981 was 13 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.