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COMPARISON OF ACTUAL EXPERIENCE UNDER OASDI SYSTEM WITH SHORT-RANGE COST ESTIMATES

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This is the first in a semi-annual series of notes comparing actual experience under the Old-Age, Survivors, and Disability Insurance system with the short-range cost estimates, which are generally contained in the annual Trustees Reports (for both fiscal and calendar years). These short-range estimates are based on the assumptions that no legislative changes will be made in the period under consideration and that economic activity will expand, with increases occurring in employment and in earnings rates. Therefore, it should be recognized that these estimates may vary from actual experience to some extent because of changing economic conditions. Statutory changes, changes in reporting and appropriating procedures, and over- or under-appropriation of taxes to the trust

funds (which are adjusted subsequently) also may account for some of the differences between actual and estimated experience.

Table 1 presents a comparison of actual experience for fiscal year 1965 with estimates shown in the 25th Trustees Report (prepared in January 1964). For the OASI Trust Fund, the income items were underestimated by \$254 million, and the outgo items were overestimated by \$4 million, with the result that the assets at the end of the fiscal year exceeded the estimate by \$258 million. For the DI Trust Fund, a similar situation is shown. Income was underestimated by \$18 million, and outgo was overestimated by \$20 million, so that the fund at the

Table 1
COMPARISON OF PROGRESS OF OASDI TRUST FUNDS,
FISCAL YEAR 1965

Item	Amount (in millions)		Estimated as Percent of Actual
	Actual	Estimated	
OASI Trust Fund			
Contributions	\$15,857	\$15,620	98.5%
Benefit Payments	15,226	15,253	100.2
Administrative Expenses	300	314	104.7
Interest Income	586	569	97.1
Transfer to Railroad Retirement	436	399	91.5
Fund at End of Year	20,180	19,922	98.7
DI Trust Fund			
Contributions	\$1,175	\$1,158	98.6%
Benefit Payments	1,392	1,416	101.7
Administrative Expenses	79	79	100.0
Interest Income	62	61	98.4
Transfer to Railroad Retirement	24	20	83.3
Fund at End of Year	2,007	1,968	98.1

end of the fiscal year was almost \$39 million in excess of the estimate.

Table 2 presents a summary of comparisons of the balance in the fund at the end of fiscal years 1960-65 with the estimates contained in the Trustees Reports published in the same years. In each year, the estimates have been very close to the actual experience, with the greatest variation being in the DI Trust Fund at the end of fiscal year 1965 - an underestimate of slightly less than 2%. However, it is to be expected that these estimates should be relatively close to the actual experience, since they are made in about the middle of each fiscal year and thus project only about 6 months into the future.

As would be expected, these estimates come closer to the actual experience as more and more actual experience is made available. Table 3 compares the fund at the end of fiscal year 1965 with the estimates made in each of the years 1962 through 1965 (such comparison being valid because there was no significant change made in the law during the period). The estimate for the OASI Trust Fund made in 1962, for 3½ years into the future, was 10.9% higher than the actual amount. As more experience was gained and as the period of estimation became shorter, this percentage difference decreased, until the estimate made in 1965 for ½ year into the future differed from the actual by only 1.3%. A similar pattern can be seen in regard to the DI Trust Fund, with the difference in 1962 of 28.4% decreasing to 1.9% in 1965.

Table 2

COMPARISON OF BALANCES IN FUND
AT END OF FISCAL YEAR, 1960-65

Fiscal Year	Amount (in millions)		Estimated as Percent of Actual
	Actual	Estimated	
OASI Trust Fund			
1960	\$20,829	\$20,524	98.5%
1961	20,900	20,772	99.4
1962	19,626	19,825	101.0
1963	18,939	18,889	99.7
1964	19,699	19,426	98.6
1965	20,180	19,922	98.7
DI Trust Fund			
1960	\$2,167	\$2,167	100.0%
1961	2,504	2,486	99.3
1962	2,507	2,544	101.5
1963	2,394	2,401	100.3
1964	2,264	2,247	99.2
1965	2,007	1,968	98.1

Table 3

COMPARISON OF ESTIMATES CONTAINED
IN VARIOUS TRUSTEES REPORTS
FOR BALANCE IN FUND AT
END OF FISCAL YEAR 1965

Estimate Made In	Amount (in millions)	Estimate as Percent of Actual
OASI Trust Fund		
1962	\$22,374	110.9%
1963	19,199	95.1
1964	19,607	97.2
1965	19,922	98.7
DI Trust Fund		
1962	\$2,576	128.4%
1963	2,099	104.6
1964	2,047	102.0
1965	1,968	98.1