and (3) have been living in Canada for 1 year immediately preceding the claim. If the pensioner is absent from Canada his payment is suspended. If he returns within 6 months, however, the pension may be paid for the time he was away, up to a maximum of 3 months' benefit in any one calendar year.

Income is no bar to receiving the pensions, so that beneficiaries under various private and public pension plans are eligible. The effect of the new universal pension on other income maintenance programs, such as pensions and allowances for veterans and relief (a Provincial matter), had not been determined when the law was passed.

Payment of the pensions is made from the Consolidated Revenue Fund and charged to the Old Age Security Fund account. Three taxes finance the old-age security program: (1) An individual income tax equal to 2 percent of taxable income, but not more than $60 a year; (2) a corporation tax of 2 percent on taxable corporate income, with no ceiling specified; and (3) one-fifth of the existing manufacturers' sales tax of 10 percent. The individual income tax of 2 percent may be offset in 1952 by another change in the tax system, eliminating an existing surcharge on individual incomes. Revenue from the three sources is estimated to be $305 million in a full tax year—$145 million from the sales tax, $95 million from the individual income tax; and $65 million from the corporation tax. Since the individual income tax does not become effective until July 1, 1952, the Government will appropriate approximately $70 million from general revenue during 1952. This will be a temporary loan, to be repaid from the Old Age Security Fund when the Minister of Finance so directs.

Administration of the program is carried out by the National Director of Old Age Security of the Department of National Health and Welfare, through 10 regional offices, one in each Provincial capital.

Cost of old-age security and other programs.—The Minister of Health and Welfare has estimated that the total annual cost of the programs for the aged and for the blind will be about $411 million—more than a quarter of a billion dollars above the 1951 expenditures of $145 million.[5] The estimated increase in the number of beneficiaries is also large, as shown in the tabulation that follows.

Type of beneficiary	Old system [1]	New system [2]
	Number	
All pensioners	320,000	853,000
Aged 70 and over	309,000	700,000
Aged 65–69	0	145,000
Blind	11,000	8,000
	Annual benefit expenditures (in millions)	
Total	$144	$411
For those aged 70 and over:		
Federal	104	343
Provincial [3]	35	0
For those aged 65–69:		
Federal	0	32
Provincial	0	32
For blind persons:		
Federal	4	3
Provincial	1	1

[1] Based on data for July–Sept. 1951 (latest available) from *Labour Gazette*, December 1951, p. 1622.
[2] Provisional estimates for the period following the early years of the new program.
[3] Excludes supplementary amounts paid under provisions, the exact nature of which is not known, outside the Federal-Provincial agreements and financed entirely by the Provinces concerned. Some Provinces paid such supplementary amounts under the old system, and certain Provinces have indicated that under the new system similar supplements will be paid.

One result of the new legislation will be to make pension expenditures rather than family allowances the largest expenditures for Canadian social welfare. In the year ended March 31, 1951, expenditures under the family allowance program were $309.5 million. The Deputy Minister of National Welfare stated early in 1951[6] that Canada was spending "somewhere between $1 billion and $1¼ billion annually at the present time" for health and social security. This amount includes Federal, Provincial, and local expenditures. In 1952, with increased old-age assistance, old-age security, and higher veterans' pensions (enacted in December 1951), expenditures will probably be about $1.5 billion. Canada's national income in 1951 was $17.1 billion.

[5] Paul Martin, *Text of Address . . . on the Resolution to Introduce Old Age Security Legislation, House of Commons, Thursday, October 25, 1951.*

[6] *Canadian Welfare*, March 1, 1951, pp. 3–4.

Trust Fund Operations, 1951

Financial operations under the old-age and survivors insurance program are handled through the Federal old-age and survivors insurance trust fund. Sums equivalent to 100 per cent of taxes collected under the Federal Insurance Contributions Act are transferred under permanent appropriation to the trust fund on the basis of estimates made by the Secretary of the Treasury. Proper adjustments are made periodically to the extent that the estimates are subsequently found to differ from the actual amounts of contributions payable. Contributions received under voluntary agreements with States for the coverage of State and local government employees are deposited directly into the trust fund.

In the calendar year 1951, contributions amounting to $3,363 million were appropriated to and deposited in the Federal old-age and survivors insurance trust fund. The trust fund also received $417 million in interest on investments and $3.7 million in appropriations from the general fund as reimbursement for costs incurred previously for benefit payments to survivors of certain World War II veterans under the Social Security Act Amendments of 1946. The 1950 amendments continued this survivorship protection, but the cost is to be met from the trust fund. Expenditures for old-age and survivors insurance benefits in 1951 totaled $1,885 million, and administrative expenses amounted to $81 million. The fund's assets showed a net increase of $1,818 million for 1951 and totaled $15,540 million at the end of the year.

The unemployment trust fund is composed of the State accounts and the railroad unemployment insurance account. In 1951, deposits in the State accounts amounted to $1,495 million and interest credited was $217 million. Withdrawals for benefit payments totaled $845 million, and the net balance in the State accounts increased $866 million. The railroad unemployment insurance ac-

Table 1.—***Changes in social security trust fund investments and the interest-bearing public debt, as of the end of December, 1950 and 1951***

[Amounts in millions]

Item	Investments at end of December				Net acquisitions, Dec. 31, 1950, through Dec. 31, 1951
	1950		1951		
	Amount	Average interest rate (percent)	Amount	Average interest rate (percent)	
Total interest-bearing public debt	$254,283	2.209	$257,070	2.308	$2,788
Securities acquired by social security trust funds, total	20,970		23,444		2,475
Old-age and survivors insurance trust fund	13,331	2.19	15,017	2.20	1,687
Unemployment trust fund	7,639	2.16	8,427	2.18	788
All other interest-bearing securities	233,313		233,626		313

Source: *Daily Statement of the U.S. Treasury.*

count declined slightly during the calendar year 1951. Deposits in the railroad account amounted to $15.4 million, interest received to $23.4 million, and transfers from the railroad unemployment insurance administration fund to $4.4 million. Benefit payments, on the other hand, amounted to almost $47 million. The net balance in the railroad unemployment insurance account declined $3.3 million.

Investments

Under the provisions of the Social Security Act, as amended, the Federal old-age and survivors insurance trust fund is held by a Board of Trustees, which is composed of the Secretary of the Treasury, who is the Managing Trustee; the Secretary of Labor; and the Federal Security Administrator. The Commissioner for Social Security is Secretary of the Board.

The Secretary of the Treasury invests that portion of the trust fund which, in his judgment, is not needed to meet current expenditures for benefit payments and administrative expenses. The act restricts the permissible investments of the trust fund to interest-bearing obligations of the United States Government or to obligations guaranteed as to principal and interest by the United States. Regular obligations of these types may be acquired on original issue at par or by purchase of outstanding obligations at their market price. In addition, the act authorizes the issuance of special obligations exclusively to the trust fund if the Managing Trustee determines that the purchase of other eligible securities is not in the public interest. Regular obligations acquired by the trust fund may be sold at market price. Special obligations are to be redeemed at par plus accrued interest. The special obligations issued to the trust fund have generally been special Treasury notes or special certificates of indebtedness.

Investments are made by the Secretary of the Treasury for the unemployment trust fund as a unit, although the fund is composed of 51 separate State accounts and the railroad unemployment insurance account. Interest earned on the fund's investments is distributed quarterly among all accounts on the basis of the average daily balance of each account. Permissible types of investments are the same for this fund as for the Federal old-age and survivors insurance trust fund.

Net investments made during 1951 for the old-age and survivors insurance trust fund amounted to $1,687 million. At the end of 1951 the investments of the fund totaled $15,017 million, as compared with $13,331 million at the close of the preceding year. The investments held by the unemployment trust fund increased by $788 million; by the end of 1951 they totaled $8,427 million (table 1).

The net acquisitions of the two social security trust funds amounted to $2,475 million in Government securities—more than for any previous year. The large increase in the assets of these funds resulted mainly from the extension of old-age and survivors insurance coverage and the increase from $3,000 to $3,600 in the amount of earnings taxable under old-age and survivors insurance. At the end of 1951, the investments of the two social security trust funds amounted to $23,444 million.

Interest Rates

The Social Security Act of 1935 had required that the investments of the old-age reserve account (now the old-age and survivors insurance trust fund) must earn at least 3 percent. The 1939 amendments removed all reference to a minimum yield except on special obligations issued to the fund. These special obligations are required to bear the average rate of interest on the interest-bearing public debt, computed as of the end of the month next preceding the date of issue. If, however, this average is

Table 2.—***Investments of social security trust funds and the interest-bearing public debt at end of specified period, 1936–51***

[Amounts in millions]

At end of—	Interest-bearing public debt	Social security trust fund investments			
		Total amount	Percent of public debt	Old-age and survivors insurance trust fund	Unemployment trust fund
1936	$33,699	$64	0.2		$64
1937	36,715	1,138	3.1	$513	625
1938	38,899	1,926	5.0	862	1,064
1939	41,445	2,944	7.1	1,435	1,509
1940	44,458	3,962	8.9	2,016	1,945
1941	57,451	5,468	9.5	2,736	2,732
1942	107,308	7,342	6.8	3,655	3,687
1943	164,508	9,874	6.0	4,779	5,095
1944	228,891	12,546	5.5	5,967	6,579
1945	275,694	14,563	5.3	7,054	7,508
1946	257,649	15,643	6.1	8,079	7,564
1947	254,205	17,371	6.8	9,268	8,102
1948	250,579	19,052	7.6	10,556	8,496
1949	255,019	19,424	7.6	11,728	7,696
1950	254,283	20,970	8.2	13,331	7,639
1951	257,070	23,444	9.1	15,017	8,427
1951					
Jan	253,704	21,168	8.3	13,528	7,639
Feb	253,382	21,389	8.4	13,610	7,778
March	252,553	21,515	8.5	13,777	7,738
April	252,280	21,542	8.5	13,844	7,698
May	252,729	22,079	8.7	14,056	8,023
June	252,852	22,387	8.9	14,323	8,064
July	253,325	22,482	8.9	14,453	8,029
Aug	254,321	23,008	9.1	14,673	8,335
Sept	254,958	23,103	9.1	14,793	8,310
Oct	255,940	23,108	9.0	14,843	8,265
Nov	257,253	23,380	9.1	14,888	8,492
Dec	257,070	23,444	9.1	15,017	8,427

Source: *Daily Statement of the U. S. Treasury.*

not a multiple of ⅛ of 1 percent, the rate of interest is to be the multiple next lower than the average rate.

The interest provisions governing the investments of the unemployment trust fund have remained unchanged since the fund's establishment in 1936, and the rates for special obligations issued to it are determined in the same manner as for those issued to the old-age and survivors insurance trust fund. Investments in other issues must bear rates at least equal to those of special obligations.

Thus, the interest earnings of the unemployment trust fund and, from 1940 on, of the old-age and survivors insurance trust fund have been directly affected by Federal debt financing (table 3). During the war years, when the computed average rate on the interest-bearing Federal debt declined, the rate of earnings of the two social security trust funds also declined. In 1945 the computed average Federal interest rate began to rise, and this rate was reflected later in the interest rates earned by the social security trust funds. In the last half of the calendar year 1949, however, the average Federal interest rate declined slightly. On December 31, 1948, the average interest rate was 2.216 percent, while at the end of 1949 and 1950 it was 2.208 and 2.209 percent, respectively. During 1951, it rose to 2.310 percent and at the end of December was 2.308 percent.

During 1951, the old-age and survivors insurance trust fund acquired $695 million of special certificates bearing 2¼-percent interest and $1,082 million of public issues bearing 2¾-percent interest. At the end of 1951, the trust fund held, in addition, $12,096 million in 2⅛-percent special certificates of indebtedness, $4 million in 2¼-percent Treasury bonds, $1,135 million in 2½-percent Treasury bonds, and $5 million in unamortized premiums.

The unemployment trust fund also acquired during 1951 some special certificates of indebtedness bearing 2¼-percent interest and Treasury bonds yielding 2¾-percent. At the end of December 1951, this fund held $4 million in 2¼-percent Treasury bonds, $455 million in 2½-percent Treasury bonds, $338 million in 2¾-percent Treasury bonds, $7,096 million in 2⅛-percent special certificates of indebtedness, $533 million in 2¼-percent special certificates of indebtedness, and $1 million in unamortized premiums.

Table 3.—*Average interest rate on social security trust fund investments and interest-bearing public debt at end of specified period, 1936–51*

At end of—	Computed average interest rate (percent)		
	Interest-bearing public debt	Old-age and survivors insurance trust fund investments	Unemployment trust fund investments
1936	2.570	----------	2.50
1937	2.568	3.00	2.50
1938	2.586	3.00	2.50
1939	2.598	3.00	2.50
1940	2.566	2.84	2.50
1941	2.409	2.66	2.49
1942	2.059	2.44	2.24
1943	1.956	2.22	1.89
1944	1.919	2.20	1.91
1945	1.965	2.14	1.93
1946	2.057	2.04	1.94
1947	2.144	2.09	2.05
1948	2.216	2.20	2.16
1949	2.208	2.20	2.16
1950	2.209	2.19	2.16
1951	2.308	2.20	2.18
1951			
January	2.224	2.19	2.16
February	2.224	2.19	2.16
March	2.227	2.19	2.16
April	2.243	2.20	2.17
May	2.247	2.20	2.17
June	2.270	2.20	2.17
July	2.267	2.20	2.17
August	2.281	2.20	2.18
September	2.283	2.20	2.18
October	2.310	2.20	2.18
November	2.307	2.20	2.18
December	2.308	2.20	2.18

Source: *Daily Statement of the U. S. Treasury.*

The two social security trust funds held investments totaling $23,444 million at the end of 1951, of which $20,420 million, or 87 percent, was in special obligations bearing 2⅛- and 2¼-percent interest.

The Treasury also manages 10 other social insurance and related trust funds. The interest rates on most investments of these funds are higher than those for the two large social security funds.

All types of special Government securities outstanding at the end of 1951 totaled $36 billion, of which the two social security trust funds held 57 percent. Other trust funds held most of the remainder. Among them, the national service life insurance fund held 14 percent, the civil-service retirement fund 13 percent, the railroad retirement account 7 percent, and the Government life insurance fund 4 percent.

The securities held by the two social security trust funds comprised 9.1 percent of the total interest-bearing public debt ($257 billion) at the end of 1951 and 8.2 percent at the end of 1950. The investments of these trust funds increased proportionately more than the public debt in 1951.

Survivor Protection, West Frankfort Mine Disaster

The old-age and survivors insurance system furnishes a substantial amount of survivor protection to insured employees.[1] A striking example of the protection provided in an individual instance is furnished by an analysis of the benefits payable for surviving dependents of workers killed in the mine disaster that occurred at West Frankfort, Illinois, on December 21, 1951.[2]

In this disaster there were 119 deaths. All the victims had fully insured status under the old-age and survivors insurance program. An actuarial analysis has been prepared from preliminary data furnished by the claimants on the ages of the widows and surviving children. Complete information on the amounts of the benefits was not available, however, pending final adjudication.

In addition to these general data, complete and specific data are available for one particular family that can be considered as "typical." Accordingly, analysis is possible both on an approximate basis for the entire group and on a more exact basis for the "typical" case.

A brief statistical analysis of the entire group shows that, of the 119 victims of the disaster, 107—or 90 percent—left widows. Seventy-six of these widows, or about 70 percent, had at least one child under age 18. The age distribution of the widows is shown on the following page.

[1] For a general summary of the protection provided see "Survivor Protection as of January 1, 1951," *Social Security Bulletin*, January 1952.

[2] For an analysis of the old-age and survivors insurance protection in connection with a previous and much larger disaster see Robert J. Myers, "Insurance Payments to Survivors of the Texas City Disaster," *Social Security Bulletin*, September 1947.