Trust Fund Operations, 1953

Financial operations under the old-age and survivors insurance program are managed through the Federal old-age and survivors insurance trust fund. Sums equivalent to 100 percent of current collections under the Federal Insurance Contributions Act and the Federal Old-Age and Survivors Insurance Act are managed through the Federal old-age and survivors insurance trust fund. The trust fund also received $414 million in interest on investments. Expenditures for old-age and survivors insurance benefits in 1953 totaled $3,006 million, and administrative expenses amounted to $88 million. The fund's assets showed a net increase of $1,265 million for 1953 and totaled $18,707 million at the end of the year. The effects of the financial interchange provisions of the 1951 amendments to the Railroad Retirement Act were not reflected in the 1953 operations of the fund; no transfer of funds took place during the year.

The unemployment trust fund is composed of the 51 accounts for the Social Security Trust funds and interest-bearing State and local government employees. The Commissioner of Social Security is the Secretary of the Board. The Secretary of the Treasury is in charge of the administration of the trust fund. The Secretary of Labor is responsible for the management of the trust fund.

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, the Secretary of Labor, and the Secretary of Health, Education, and Welfare. The Commissioner of Social Security is the Secretary of the Board.

Net investments made during 1953 for the old-age and survivors insurance trust fund amounted to $1,331 million.
million. At the end of 1953 the investments of the fund totaled $18,291 million. The investments of the unemployment trust fund increased by $522 million; by the end of 1953 they totaled $9,545 million (table 1).

The net acquisitions of the two social security trust funds amounted to $1,853 million in Government securities—less than in the two preceding years. At the end of 1953 the investments of the two trust funds amounted to $27,836 million, about 10 percent of the total Federal interest-bearing debt (table 1).

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 not a multiple of 1/8 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 2). During the war years, when the computed average rate on the Federal interest-bearing debt declined, the rate of earnings of the two social security trust funds also declined. Since the end of World War II, the computed average Federal interest rate has risen gradually, and the rise was reflected later in the interest rates earned by the two funds. After several years of relative stability, their earnings rates went up again during 1952 and 1953 as the result of an increase in average Federal interest rates and of purchases of public issues at higher rates. The computed rate for the funds was 2.30 percent and 2.41 percent, respectively, at the end of 1952 and 1953.

Early in 1953, the two social security trust funds began to acquire new special certificates bearing 23/₄-percent interest; on June 30, 1953, when the special certificates outstanding matured, they were all replaced by new issues bearing 23/₄-percent interest. In addition, both funds acquired public issues bearing 3¼-percent interest; the old-age and survivors insurance trust fund also acquired additional public issues bearing 2½-percent interest, and the unemployment trust fund acquired additional public issues bearing 2¾-percent interest (table 3). At the end of the year the two social security trust funds held investments totaling $27,836 million, of which $24,586 million, or 88 percent, was in special obligations bearing 2¾-percent interest.

In addition to the old-age and survivors insurance trust fund and the unemployment trust fund, the Treasury manages 10 other social insurance and related trust funds. Interest rates on investments of these funds are higher than those for the two large social security funds, and all rates are determined administratively rather than by statute.

All types of special Government securities outstanding at the end of 1953 totaled $41 billion, of which the two social security trust funds held 60 percent. Other trust funds held most of the remainder. Among them, the civil-service retirement fund held 14 percent, the national service life insurance fund 13 percent, and the railroad retirement account 8 percent.