

**Table 1.—Children for whom adoption petitions were filed: Percentage distribution by type of placement, 31 States reporting completely, 1955<sup>1</sup>**

State	Number of children named in adoption petitions filed	Percentage distribution <sup>2</sup>						No placement made
		Agency placement			Independent placement			
		Total	Public	Private	Total	By parents or other relatives	By others	
Total, 31 States reporting completely <sup>3</sup>	436,528	29	12	17	31	19	12	40
Arkansas	568	27	27	—	32	25	7	41
Connecticut	1,170	35	12	23	26	13	13	39
Delaware	185	50	7	43	12	11	1	38
District of Columbia	504	35	13	22	31	28	3	34
Florida <sup>4</sup>	2,063	15	—	15	53	18	35	32
Georgia	1,419	15	8	7	53	38	15	32
Hawaii	611	10	6	4	43	34	9	47
Indiana	2,972	31	23	8	32	26	6	37
Iowa	1,767	24	5	19	29	—	29	47
Kentucky	903	30	20	10	42	34	8	28
Louisiana	1,017	32	9	23	29	—	29	39
Maine	881	100	54	46	—	—	—	—
Minnesota	1,616	49	8	41	11	8	3	40
Missouri <sup>5</sup>	1,666	33	25	8	29	22	7	38
Nevada	191	9	5	4	63	57	6	28
New Hampshire	312	48	23	25	26	21	5	26
New Mexico	673	14	8	6	50	32	18	36
North Carolina	1,378	39	28	11	18	18	—	43
North Dakota	252	42	1	41	16	13	3	42
Oregon	1,649	15	—	15	39	8	31	46
Puerto Rico	190	4	—	(?)	55	82	3	11
Rhode Island	351	28	13	15	11	7	4	61
South Dakota	347	27	17	10	34	22	12	39
Tennessee <sup>6</sup>	1,040	39	27	12	39	34	5	22
Texas	6,399	27	4	23	23	19	4	50
Utah	528	31	9	22	28	4	24	41
Vermont	285	47	14	33	19	13	6	34
Virgin Islands	22	—	—	—	23	23	—	77
Virginia	1,794	30	19	11	38	24	14	32
Washington <sup>6</sup>	2,158	28	3	25	24	6	18	48
Wisconsin <sup>6</sup>	1,617	45	19	25	17	16	1	38

<sup>1</sup> Reporting period represents the calendar year ended Dec. 31, 1955, with the following exceptions: Connecticut, Louisiana, Minnesota, North Carolina, North Dakota, and Rhode Island reported for year ended June 30, 1955, and Texas for year ended Aug. 31, 1955.

<sup>2</sup> Based on data for children for whom type of placement was reported.

<sup>3</sup> States "reporting completely" are those whose reports include data for 90 percent or more of the children for whom adoption petitions were filed.

<sup>4</sup> An estimated 93,900 children were named in adoption petitions filed throughout the United States. This estimate is based on reports from 39 States. In addition to the States listed in the table

California, Kansas, Montana, Pennsylvania, Massachusetts, New Jersey, Oklahoma, and West Virginia also transmitted reports. The first 4 States reported the total number of children but provided no additional data about their adoption; the last 4 reported data for less than 90 percent of the children named in adoption petitions filed in their States.

<sup>5</sup> Report based on data for all children placed by licensed child-placing agencies for whom a petition was filed during 1955 and for all children placed independently for whom the investigation of the petition was completed in 1955.

<sup>6</sup> Report based on data for adoptions completed rather than for petitions filed.

<sup>7</sup> Less than 0.5 percent.

statutory provisions on adoption. Generally, there is about a 12-month interval between placement and filing of the petition for adoption of children placed by social agencies. For children placed by public agencies in 1955 the median age was 21.6 months at the time of petition, and for those placed by voluntary agencies it was 15.1 months.

White children predominate among those placed by social agencies. Private agencies placed 60 percent of the white children, and public agencies placed 58 percent of the nonwhite children.

Children requiring placement in

an adoptive home and who are not placed by a recognized social agency are said to be placed independently. One of the most significant facts about such children is that only 74 percent were placed with persons not related to them. (Almost 100 percent of the placements made by social agencies in 1955 were with persons not related to the children.)

Of the children placed independently for adoption, 57 percent were born out of wedlock; the percentage was 51 for those placed by relatives and 69 for those placed by nonrelatives. A high proportion of those born in wedlock and placed independently

were children whose natural parents had been divorced or separated.

The data on birth status and on the relationship of the persons making the placements suggest that children placed by relatives may be older than those placed by nonrelatives, since 36 percent of the children placed by relatives were from homes broken by the divorce, separation, or death of the parents. The finding is substantiated by the data on age at time of placement, which shows that these children had a median age of 3.1 months and the median age of those placed independently by nonrelatives was less than 1 month.

The interval between the child's age at time of placement and his age at the time the petition is filed varies considerably for the children placed independently, but the average age at time of filing was 17.6 months and the interval between placement and petition was 16.6 months. For children placed in the adoptive home by a relative, however, the interval between placement and petition was 24.5 months, and for those placed independently by nonrelatives it was about 5.0 months.

More nonwhite than white children were placed independently. The proportions were 67 percent and 49 percent, respectively.

## Trustees Report on Old-Age and Survivors Insurance and Disability Insurance Trust Funds

*The Board of Trustees of the old-age and survivors insurance trust fund recently submitted to Congress its seventeenth annual report. The report shows old-age and survivors insurance trust fund operations for the fiscal year 1955-56 and, as required by statute, estimates of projected operations of the old-age and survivors insurance and the disability insurance trust funds during the next 5 years, as well as an analysis of the funds' long-range actuarial status. The Board is composed of the Secretary of the Treasury, who is the funds' Managing Trustee; the Secretary of Labor; and the Secretary of Health, Education, and Welfare. The*

Commissioner of Social Security is the Secretary of the Board. Excerpts from the report follow.

During the past 5 fiscal years, the contribution income of the old-age and survivors insurance trust fund has increased substantially for a number of reasons. In addition to a rise in earnings levels and the normal uptrend in the labor force, contribution rates increased in 1954; moreover, coverage was extended to additional employments and the maximum limit on taxable earnings was raised in 1951 and 1955. With the growth of the trust fund, interest received on investments has also increased.

Trust-fund disbursements have risen

even more sharply than contribution income. Basic factors in this increase are the long-term growth in the aged population and, more significantly, the lengthening period during which workers have had an opportunity to earn the quarters of coverage required to be insured. More immediate causes have been the amendments to the Social Security Act during 1950-54, which have extended the program's coverage; lowered the requirements for eligibility to benefits for persons who retire and for the survivors of individuals who die in the early years of the program; increased the benefits payable; and liberalized the retirement test.

It is estimated that under continued favorable economic conditions,

aggregate income of the old-age and survivors insurance and disability insurance trust funds from contributions and interest will be wholly sufficient during the 5-year period immediately ahead to meet aggregate disbursements of the programs during this period. Long-range actuarial studies show that, on the basis of high employment assumptions, the level-premium cost of the old-age and survivors insurance program at 2.6-percent interest ranges from 6.59 to 8.40 percent of payroll, depending on the combination of cost assumptions selected. The corresponding level-premium cost of the disability insurance program ranges from 0.29 to 0.58 percent of payroll.

### Fiscal Year Highlights

The total number of old-age and survivors insurance beneficiaries in June 1956 was 8,374,000 or 11 percent more than in June 1955. There were 6,114,000 retirement beneficiaries (old-age beneficiaries and their entitled wives, dependent husbands, and young children), an increase of 12 percent, and 2,260,000 survivor beneficiaries, an increase of 7.6 percent, over one year earlier. The estimated number of persons with taxable earnings under old-age and survivors insurance in calendar year 1956 was about 69 million.

Disbursements of the old-age and survivors insurance trust fund in fiscal year 1956 were \$5,485 million, not including \$66 million representing refunds of overpayments of employee contributions. Receipts net of these refunds were \$6,937 million. The net addition of \$1,452 million raised the total assets of the trust fund to \$22,593 million on June 30, 1956.

The disbursements of the fund in fiscal year 1956 included \$5,361 million for benefits and \$124 million for administrative expenses. The receipts included \$6,442 million in net contributions and \$495 million in interest.

Both disbursements and receipts showed an increase over fiscal year 1955. Disbursements rose \$1,049 million or 24 percent, and receipts rose \$1,403 million or 25 percent. The increase in disbursements was the combined result of the coverage extension and liberalized eligibility and benefit provisions included in the

Table 1.—Operations of the Federal old-age and survivors insurance trust fund, fiscal years 1937-61, subject to the assumptions and limitations stated in the text <sup>1</sup>

[In millions]

Fiscal year	Transactions during period				Net increase in fund <sup>5</sup>	Fund at end of period <sup>6</sup>
	Income		Disbursements			
	Appropriations <sup>2</sup>	Interest on investments <sup>3</sup>	Benefit payments	Administrative expenses <sup>4</sup>		
Past experience:						
1937-56.....	\$42,078	\$3,918	\$22,453	\$950	\$22,593	\$22,593
1941.....	688	56	64	27	653	2,398
1942.....	896	71	110	27	830	3,227
1943.....	1,130	87	149	27	1,041	4,268
1944.....	1,292	103	185	33	1,178	5,446
1945.....	1,310	124	240	27	1,167	6,613
1946.....	1,238	148	321	37	1,028	7,641
1947.....	1,460	163	426	41	1,157	8,798
1948.....	1,617	191	512	47	1,248	10,047
1949.....	1,694	230	607	53	1,263	11,310
1950.....	2,110	257	727	57	1,583	12,893
1951.....	3,124	287	1,498	70	1,843	14,736
1952.....	3,598	334	1,982	85	1,884	16,600
1953.....	4,097	387	2,627	89	1,766	18,366
1954.....	4,589	451	3,276	89	<sup>6</sup> 1,675	20,043
1955.....	5,087	448	4,333	103	1,098	21,141
1956.....	6,442	495	5,361	124	1,452	22,593
Estimated future experience:						
1957.....	6,740	567	6,300	135	872	23,465
1958.....	7,315	578	7,386	141	366	23,831
1959:						
Assumption I.....	7,527	582	7,952	156	1	23,832
Assumption II.....	7,023	575	8,148	160	-710	23,121
1960:						
Assumption I.....	8,425	580	8,488	155	362	24,194
Assumption II.....	7,537	550	8,876	154	-943	22,178
1961:						
Assumption I.....	9,864	603	8,995	149	1,323	25,517
Assumption II.....	8,527	532	9,449	145	-535	21,643

<sup>1</sup> In interpreting the estimates in this table, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1957.

<sup>2</sup> Includes insurance contributions, adjusted for refunds, and transfers from general funds equivalent to additional payments arising from the extension of survivor insurance protection to certain veterans of World War II (Social Security Act Amendments of 1946).

<sup>3</sup> Includes (1) profits on marketable investments amounting to \$183,668 in 1949, \$8,934 in 1950, and \$50,781 in 1956; and (2) beginning in fiscal year 1954, interest transferred from the Railroad Retirement

Account.

<sup>4</sup> Includes administrative expenses, less receipts for sale of surplus material, services, etc. For fiscal years 1944 and 1945, represents charges against trust fund; administrative expenses, after adjustment for bookkeeping transfers, were about \$30 million in fiscal year 1944 and \$29 million in fiscal year 1945. For fiscal years 1954-60, includes cost of construction of an office building for the Bureau of Old-Age and Survivors Insurance.

<sup>5</sup> Totals do not necessarily equal the sum of rounded components.

<sup>6</sup> Excludes net adjustment of approximately \$0.8 million which was allocable to prior years.

amendments adopted during 1950-54 and the long-term growth of the aged population and the proportion of the aged eligible for benefits. The rise in trust-fund receipts is accounted for chiefly by the extended coverage provisions and the increase in the taxable earnings maximum, both effective on January 1, 1955, and by a rise in the general level of employment and earnings.

Long-range cost estimates for the old-age and survivors insurance program as amended in 1956 show that under high employment assumptions the level-premium cost, at 2.6 percent interest, ranges from 6.59 to 8.40 percent of payroll, depending on the combination of cost assumptions selected.

### Social Security Amendments in 1956

Amendments to the Social Security Act in 1956 (Public Laws 880 and 881, both approved August 1, 1956) will have significant effects on both the immediate and long-range future levels of income and disbursements under the system. Coverage was extended on a contributory basis to nearly 4 million persons. Provision was made for the payment of monthly benefits to disabled workers, with a financing arrangement that is separate from the old-age and survivors insurance system. Eligibility requirements for the payment of benefits to

certain classes of beneficiaries were liberalized. The schedule of contribution rates was revised to continue to reflect the intent that the program be self-supporting.

The more important changes, significant from an actuarial standpoint, are presented below.

1. Coverage was extended on a contributory basis to nearly 3 million members of the uniformed services, effective January 1, 1957. Coverage was also extended to additional civilian jobs in which about 900,000 persons are employed in the course of a year—principally, additional farm owners and operators, all previously excluded self-employed professional persons except doctors of medicine, certain Federal civilian employees, and certain additional State and local government employees in specified States. Beginning with 1957, slightly more than 9 out of 10 gainfully employed persons are covered or eligible for coverage.

2. Monthly benefits were provided, beginning July 1957, for insured workers between the ages of 50 and 65 who are totally and permanently disabled after a waiting period of 6 consecutive months of disability. The amount of the monthly disability benefit is the same as the primary insurance amount, computed as though the worker became entitled to old-age benefits in the first month of his waiting period. Benefits are

not payable to dependents of a worker who is entitled to disability benefits.

3. The conditions under which persons may become eligible for benefits were liberalized.

(a) Monthly benefits were provided, beginning January 1957, for a dependent, disabled, unmarried child aged 18 or over of a retired or deceased insured worker if the child was totally disabled before attaining age 18 and the disability has continued uninterruptedly since age 18. Benefits are also payable to a mother having such a child in her care. Benefits to both child and mother are payable from the old-age and survivors insurance trust fund.

(b) The minimum retirement age at which women may qualify for benefits was reduced from 65 to 62. Full-rate benefits are payable at age 62 to widows and to dependent mothers of deceased insured workers. Women who elect to receive a retired worker's or wife's benefit when they are between age 62 and age 65 will receive reduced benefits (both before and after age 65) which are, on an actuarial basis, virtually equivalent to their full-rate benefits.

(c) For women workers with dates of birth from July 2, 1889, to January 1, 1909, the eligibility provisions were liberalized by terminating at age 62 instead of age 65 the elapsed period which fixes the number of quarters of coverage required to be eligible for old-age insurance benefits.

(d) Persons who cannot meet the requirements of the 1950 or 1954 amendments for fully insured status will nevertheless be fully insured if they have quarters of coverage in all but 4 of the quarters elapsing after 1954 and before (1) July 1957, or (2) if later, the quarter of death or attainment of retirement age. This transitional provision, intended principally for persons newly covered in 1956, will cease to be effective for persons who die or attain retirement age after the third quarter of 1960, when the normal requirements become easier to meet than this alternative.

4. Larger benefits were made payable in the future to certain beneficiaries.

(a) In computing the average

Table 2.—Estimated future operations of the Federal disability insurance trust fund, fiscal years 1957-61, subject to the assumptions and limitations stated in the text<sup>1</sup>

[In millions]

Fiscal year	Transactions during period				Net increase in fund	Fund at end of period
	Income		Disbursements			
	Appropriations <sup>2</sup>	Interest on investments	Benefit payments	Administrative expenses		
1957.....	\$340	\$1		\$19	\$322	\$322
1958.....	922	16	\$290	23	625	947
1959:						
Assumption I.....	939	31	355	26	589	1,536
Assumption II.....	875	30	355	26	524	1,471
1960:						
Assumption I.....	962	46	390	23	595	2,131
Assumption II.....	863	43	390	24	492	1,963
1961:						
Assumption I.....	988	61	425	22	602	2,733
Assumption II.....	855	55	425	23	462	2,425

<sup>1</sup> In interpreting the estimates in this table, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1957.

<sup>2</sup> Includes insurance contributions, adjusted for refunds.

monthly wage of an insured person, 5 years of lowest earnings may be dropped, regardless of the number of quarters of coverage he has.

(b) With the lowering of the minimum retirement age from 65 to 62, the average monthly wage of a female insured worker is computed on the basis of the earnings up to the year of attainment of age 62 or, if it would result in a higher benefit, up to the year of retirement if later. In effect, the lowering of the minimum retirement age from 65 to 62 makes a dropout of 3 additional years of lowest earnings possible for many women workers.

5. Changes relating to the financing of the system were made to assure that it will continue to be self-supporting.

(a) A disability insurance trust fund was created which is entirely separate from the old-age and survivors insurance trust fund and from which monthly benefits will be paid to disabled workers. Beginning in 1957, contributions at the rate of  $\frac{1}{4}$  of 1 percent each for employees and employers, and  $\frac{3}{8}$  of 1 percent for the self-employed, will be paid into this new fund to finance these benefits and related administrative expenses.

(b) Contribution rates were increased in recognition of the increased costs resulting from the provision for the payment of monthly benefits to disabled workers. The revised schedule of contribution rates for employees and employers, including contributions for disability insurance benefits at the rates described in the preceding paragraph, is as follows:  $2\frac{1}{4}$  percent each on taxable wages for calendar years 1957-59;  $2\frac{3}{4}$  percent each for 1960-64;  $3\frac{1}{4}$  percent each for 1965-69;  $3\frac{3}{4}$  percent each for 1970-74; and  $4\frac{1}{4}$  percent each thereafter. The contribution rates on self-employment income are equal to  $1\frac{1}{2}$  times the corresponding employee rates.

(c) Before each scheduled increase in the contribution rate, an Advisory Council on Social Security Financing is to be appointed by the Secretary of Health, Education, and Welfare to review the status of the old-age and survivors insurance trust fund and the disability insurance trust fund

**Table 3.—Estimated progress of old-age and survivors insurance trust fund, 2.6-percent interest**

[In millions]

Calendar year	Contributions <sup>1</sup>	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Actual data (excluding effect of railroad coverage)					
1953.....	\$3,945	\$3,006	\$88	\$414	\$18,707
1954.....	5,163	3,670	92	2 468	20,576
1955.....	5,713	4,968	119	2 461	21,663
1956.....	6,172	5,715	132	2 531	22,519
Actual data (including effect of railroad coverage)					
1953.....	\$4,099	\$3,246	\$91	\$424	\$19,084
1954 <sup>2</sup> .....	5,336	3,940	96	2 476	20,860
1955 <sup>2</sup> .....	5,913	5,290	123	2 466	21,826
Low-cost estimate					
1965.....	\$11,571	\$9,797	\$140	\$901	\$36,373
1970.....	14,389	11,867	157	1,227	49,594
1980.....	18,614	15,987	186	2,368	94,667
1990.....	20,278	19,322	215	3,508	138,818
2000.....	22,519	20,550	232	4,850	192,242
High-cost estimate					
1965.....	\$11,434	\$11,150	\$184	\$659	\$26,053
1970.....	14,241	13,418	206	728	29,030
1980.....	18,138	18,017	248	1,109	43,692
1990.....	19,027	21,978	285	952	35,942
2000.....	20,299	23,906	308	134	3,346
Intermediate-cost estimate					
1965.....	\$11,503	\$10,465	\$170	\$780	\$31,216
1970.....	14,315	12,642	182	977	39,817
1980.....	18,376	17,002	217	1,739	69,184
1990.....	19,652	20,650	250	2,230	87,387
2000.....	21,409	22,228	270	2,492	97,802

<sup>1</sup> Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 4 percent for 1955-59, 5 percent for 1960-64, 6 percent for 1965-69, 7 percent for 1970-74, and 8 percent for 1975 and after. The self-employed pay  $\frac{1}{4}$  of these rates.

<sup>2</sup> Includes interest transfer from the railroad retirement account to OASI trust fund (\$21.1 million in 1954, \$7.4 million in 1955, and \$5.2 million in 1956).

<sup>3</sup> Preliminary; partly estimated.

Note: The estimated figures in this table are based on high-employment assumptions.

in relation to the long-term commitments of the program. The first such council is required to submit its report to the Board of Trustees not later than January 1, 1959.

(d) The old-age and survivors insurance trust fund, and where appropriate the disability insurance trust fund, will be reimbursed from general revenues for past and future expenditures resulting from the provisions that granted noncontributory \$160 monthly wage credits to persons who served in the Armed Forces from Sep-

tember 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivorship protection to certain World War II veterans for a period of 3 years after leaving service.

(e) The basis for determining the interest rate on public-debt obligations to be purchased by the trust funds was changed. These investments will bear a rate of interest equal to the average rate of interest borne by all marketable Government obligations with maturity dates exceeding 5 years from date of issue, the average rate being rounded to the nearest  $\frac{1}{8}$  of 1 percent.

### Fiscal Years 1957-61

In the following statement of the expected operations and status of the trust funds during the next five fiscal years, it is assumed that the present statutory provisions relating to the old-age, survivors, and disability insurance program remain unchanged throughout the period under consideration. The income and disbursements of the program, however, not only depend on the legislative provisions but they are also affected by general economic conditions. Because it is difficult to foresee economic developments, the assumptions on which the estimates here presented are based are subject to many uncertainties. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.

Single sets of estimates are here presented to show the expected operations of the trust funds in fiscal years 1957 and 1958, but for fiscal years 1959-61 two sets of estimates are given based on two different assumptions as to economic developments in those years. In assumption I the entire period 1957-61 is characterized by a continued rise in employment and earnings reflecting chiefly long-term trends. Unemployment remains at a low level. The other set of estimates for fiscal years 1959-61, based on assumption II, shows the effects that would result in the unlikely event that there were a sharp contraction in industrial ac-

tivities beginning in the latter half of calendar year 1958 with a slow recovery not beginning until the first half of calendar year 1961.

The expected operations and status of the old-age and survivors insurance trust fund during the next five fiscal years are presented in summary in *table 1*, together with the figures on the actual experience in earlier fiscal years. The increase in estimated income from contributions in fiscal year 1958 as compared with fiscal year 1957 reflects the extension of coverage to additional employments, including the Armed Forces, beginning January 1, 1957, and also the uptrend in the levels of employment and earnings. Estimates of contribution income in fiscal years 1959-61 based on assumption I show the effect of an assumed rise in employment and earnings during these years as well as the scheduled increase in contribution rates on January 1, 1960. Benefit disbursements increase substantially primarily because of the 1954 and 1956 amendments, and partly because of the long-range upward trend in the number of beneficiaries under the program. Under assumption II, estimated contributions in fiscal years 1959-61 are lower than under assumption I because of the effects of the assumed economic recession on the levels of covered employment and taxable earnings in the periods affecting tax collections during those years. Estimated benefit disbursements, on the other hand, are higher under assumption II than assumption I because a larger number of older workers leave employment or are unable to find jobs.

Under assumption I, income of the old-age and survivors insurance trust fund is expected to exceed disbursements in each of the five fiscal years 1957-61. Under assumption II, income is estimated to exceed disbursements during the 2 years 1957-58; during the years 1959-61, disbursements are estimated to exceed income. During the 5-year period, there is an estimated net increase in the trust fund of about \$2.9 billion under assumption I, and an estimated net decrease in the fund of about \$1.0 billion under assumption II. During the five fiscal years 1957-61 the old-

age and survivors insurance trust fund will not exceed 2.8 times the highest expected annual disbursements during the 5-year period under either assumption I or assumption II.

Under both assumptions benefit payments as a percentage of taxable earnings will continue to rise. Benefit payments were 3.26 percent of taxable earnings for calendar year 1955. It is estimated that by 1961 benefit expenditures from the old-age and survivors insurance trust fund under assumption I will be 4.65 percent, and under assumption II, 5.72 percent, of taxable earnings.

An insured woman worker between age 62 and age 65 may elect to receive an actuarially reduced retirement benefit. On January 1, 1957, there were an estimated 665,000 women workers aged 62-64 eligible for old-age benefits, of whom 115,000, or 17 percent, were drawing such benefits. This relatively low percentage results from the fact that a significant number of claims for benefits had been received but had not

yet been completely processed. On January 1, 1961, under assumption I, 41 percent of the 890,000 women workers aged 62-64 eligible for old-age benefits are expected to be receiving such benefits.

If the lower employment conditions assumed in assumption II should materialize, it is expected that larger proportions of eligible workers will be obliged to leave employment, especially at ages 65-69. Hence, despite a slightly smaller number of eligible workers, the number receiving old-age (primary) benefits under assumption II would considerably exceed that under assumption I. Moreover, it is expected that the average old-age (primary) benefit amount payable under assumption II would exceed the average under assumption I, inasmuch as many of the more steadily employed, and therefore higher paid, older workers who would not withdraw from employment under the conditions of assumption I would not be employed under the conditions of assumption II. The foregoing analysis also applies to insured women workers aged 62-64; under assumption II, on January 1, 1961, about 52 percent of the 885,000 eligible women aged 62-64 are expected to be receiving old-age benefits. In consequence, assumption II would result in a substantially higher volume of benefit payments to old-age (primary) beneficiaries and their dependents.

The expected operations and status of the disability insurance trust fund during the next five fiscal years are presented in summary in *table 2*. The sharp rise in estimated income from contributions in fiscal year 1958 as compared with fiscal year 1957 reflects primarily the fact that the program will be in effect during the entire fiscal year 1958, but during only part of fiscal year 1957. As in the case of the old-age and survivors insurance trust fund, estimates for fiscal years 1959-61 are presented on the basis of the two assumptions previously described. Contribution income of the disability insurance trust fund will be influenced significantly by economic developments and so will have a considerable range of possible variation. On the other hand, the amount of benefit payments over

**Table 4.—Estimated progress of disability insurance trust fund, 2.6 percent interest**

[In millions]					
Calendar year	Contributions <sup>1</sup>	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Low-cost estimate					
1965.....	\$972	\$483	\$19	\$133	\$5,468
1970.....	1,036	572	23	213	8,533
1980.....	1,163	671	26	405	16,225
1990.....	1,267	650	25	675	26,946
2000.....	1,407	773	29	1,055	41,929
High-cost estimate					
1965.....	\$959	\$689	\$39	\$33	\$1,278
1970.....	1,023	1,136	46	22	804
1980.....	1,134	1,303	49	( <sup>2</sup> )	( <sup>2</sup> )
1990.....	1,189	1,273	48	( <sup>2</sup> )	( <sup>2</sup> )
2000.....	1,269	1,515	57	( <sup>2</sup> )	( <sup>2</sup> )
Intermediate-cost estimate					
1965.....	\$966	\$735	\$29	\$83	\$3,380
1970.....	1,030	854	34	118	4,729
1980.....	1,148	988	37	188	7,468
1990.....	1,228	962	36	291	11,581
2000.....	1,338	1,144	43	442	17,502

<sup>1</sup> Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 1½ percent for 1957 and after. The self-employed pay ¾ of this rate.

<sup>2</sup> Fund exhausted in 1975.

Note: The estimated figures in this table are based on high-employment assumptions.

the short range will not differ significantly under the two sets of assumptions. The assumed decrease in the level of employment under assumption II would probably result in a larger number of claims for disability insurance benefits. Most of these claims would be denied, since the determination of disability, while considering such factors as age, prior work experience, education and training, rests primarily on a medical determination of limitation in functional capacity rather than on the availability of gainful employment. A small number of these claims for benefits, however, would be allowed. Such claims would come from persons whose impairments are so severe that it would be unreasonable to expect them to engage in any substantial gainful employment but who, by reason of extraordinary circumstances, do obtain, or continue in, remunerative employment during the prevalence of the favorable economic conditions underlying assumption I. In some cases of course the circumstances under which they obtain or continue in employment will not exist under unfavorable economic conditions. In these instances, they would apply for and be found entitled to benefits. While the lack of employment opportunities will operate to increase to some extent the number of allowed claims, there will tend to be counter-balancing effects, such as the progressively increasing number of persons who would fail to meet the insured-status requirements, especially the requirement that the individual have 6 quarters of coverage in the 13-calendar quarters ending with the quarter of his disability. On balance, disbursements for disability benefits over the next few years would differ so little under assumption I or assumption II that a single set of estimates is presented.

Income of the disability insurance trust fund is expected to exceed disbursements in each of the five fiscal years 1957-61 under both assumption I and assumption II. During this 5-year period, it is estimated that the disability insurance trust fund will reach a level 5.4 to 6.1 times the highest expected annual disbursements during 1957-61.

### Actuarial Status of the Trust Funds

On June 30, 1956, there were about 14,600,000 persons aged 65 and over in the United States, a number equivalent to 8.5 percent of the total population. It is estimated that by the year 2000 the number of persons aged 65 and over may be nearly double that on June 30, 1956, and represent from 10 to 13 percent of the population. The effect on the finances of the old-age and survivors insurance system of this expected change in the number of aged persons will be even greater than may at first appear, because at the end of the century a much larger proportion of aged persons is expected to be eligible to receive benefits under the program than at present. The future financial soundness of this system, with its rising rate of disbursements, is of the utmost importance to the millions of persons who are already within its scope and to the Nation as a whole.

Survivor benefits, although not as important costwise as old-age benefits, nonetheless play a very important role in the old-age and survivors insurance system. One way of measuring the significance of survivor benefits is through the volume of "life insurance" afforded by the program. This term is interpreted as meaning the present value of the prospective benefit payments to the surviving dependents of each worker in the event of his death, taking into account the possible termination of benefits through death, remarriage of widow, marriage of child, child's attainment of age 18, etc. It is estimated that at the beginning of the calendar year 1957, the program provided about \$425 to \$450 billion of such "life insurance" protection for survivors.

The estimated level-premium cost of old-age and survivor benefits and monthly disability benefits—that is, the level percentage of payroll which, in perpetuity, would be sufficient to meet the cost of the benefits—at a 2.6 percent interest assumption, ranges from 6.59 to 8.40 percent of payroll for the old-age and survivor benefits and from 0.29 to 0.58 percent of payroll for the monthly dis-

ability benefits, depending upon the combination of assumptions selected. Tables 3 and 4 show the estimated contributions, benefit payments, administrative expenses, interest accumulations, and assets of the two trust funds through the year 2000, under alternative combinations of assumptions with respect to benefit costs.

The difference between the level-premium cost of benefits and administrative expenses and the level-premium contribution rate equivalent to the graded schedule in the law is used to indicate the actuarial balance of the system. The following table shows these figures for the old-age and survivors insurance program and disability insurance program:

Level-premium equivalent	Low cost	High cost	Intermediate cost
Old-age and survivors insurance			
Contributions.....	7.27	7.17	7.23
Benefit costs <sup>1</sup> .....	6.59	8.40	7.43
Net difference <sup>2</sup> .....	.68	-1.23	-.20
Disability insurance			
Contributions.....	.49	.49	.49
Benefit costs <sup>1</sup> .....	0.29	0.58	0.42
Net difference <sup>2</sup> .....	.20	-.09	.07

<sup>1</sup> Including adjustments (a) to reflect lower contribution rate for self-employed as compared with employer-employee rate, (b) interest on the existing trust fund on Dec. 31, 1955, and (c) for administrative expenses.

<sup>2</sup> A negative figure indicates the extent of lack of actuarial balance. A positive figure indicates more than sufficient financing.

These figures indicate that the old-age and survivors insurance system has a small financial "deficit" and is thus not quite self-supporting; this deficiency, however, is relatively small so that for all practical purposes it may be said that the system is in actuarial balance. On the other hand, the disability insurance program shows a small "surplus" according to the intermediate cost estimates and so is indicated as being slightly more than self-supporting. However, considering the variability of cost estimates for disability benefits, this small actuarial excess is certainly no more than a moderate safety factor.