

# Notes and Brief Reports

## Trust Fund Operations, 1963\*

The three "social security" trust funds account for by far the largest portion of the total assets of all the social insurance and related trust funds managed in whole or in part by the Treasury Department. These three, established under the Social Security Act, are the old-age and survivors insurance trust fund, the disability insurance trust fund, and the unemployment trust fund. Related trust funds include the railroad retirement account, the civil-service retirement and disability fund, and the three veterans' life insurance funds.

### OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

The 1961 amendments to the Social Security Act established a contribution schedule for the old-age and survivors insurance trust fund that raised the combined employer-employee tax rate from  $5\frac{3}{4}$  percent of payroll in 1962 to  $6\frac{3}{4}$  percent in 1963. The rate increase of  $\frac{7}{10}$  of 1 percent on self-employment earnings (to 5.025 percent) will not affect trust fund receipts significantly until the taxes are paid with Federal income taxes for 1963 in the following year.

### Income-Outgo

Net contributions paid into the trust fund at the higher rate amounted to \$14,541 million or almost 21 percent more than 1962 contributions. Continued improvement in employment also played a role in increasing contribution income. Income, disbursements, and assets of the trust fund for 1962 and 1963 appear in table 1.

Earnings of the invested assets of the trust fund dropped  $\frac{9}{10}$  of 1 percent in 1963, although the fund itself increased fractionally. Interest totaled \$519 million and included \$1 million earned in noncash form as amortization of discount on public issues acquired in the open

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TABLE 1.—Operations of the old-age and survivors insurance trust fund, calendar years 1962 and 1963

[In thousands]

Item	1963	1962
Total assets, January 1.....	\$18,337,265	\$19,725,311
Receipts, calendar year:		
Contributions:		
Appropriations (taxes).....	13,562,895	11,254,172
Deposits arising from State agreements.....	1,106,405	934,397
Gross contributions.....	14,669,301	12,188,569
Less payments to Treasury for taxes subject to refund.....	127,850	129,760
Net contributions.....	14,541,451	12,058,809
Interest and profit:		
On investments.....	518,865	523,813
On administrative expenses reimbursed from DI trust fund.....	2,508	2,414
Total interest received.....	521,373	526,228
Total net receipts.....	15,062,824	12,585,036
Disbursements, calendar year:		
Benefit payments.....	14,216,567	13,356,411
Payments to railroad retirement account under the financial interchange.....	422,523	360,788
Total benefit payments and transfers with respect to benefits.....	14,639,090	13,717,199
Administrative expenses:		
Department of Health, Education, and Welfare.....	294,638	273,665
Treasury Department.....	47,744	42,648
Construction of headquarters building for Bureau of Old-Age and Survivors Insurance.....	2,164	2,572
Gross administrative expenses.....	344,546	318,886
Less receipts for sale of services, etc.....	77	67
Less reimbursements of administrative expenses from DI trust fund.....	63,850	62,935
Net administrative expenses.....	280,619	255,883
Total net disbursements.....	14,919,710	13,973,082
Net addition to trust fund.....	143,114	-1,388,046
Total assets, December 31.....	18,480,380	18,337,265

market. Total receipts—contributions and interest—amounted to \$15,063 million in 1963, one-fifth more than the 1962 income.

Old-age and survivors insurance benefit payments rose 6 percent in 1963 to a total of \$14,217 million. Under the financial interchange a payment of \$423 million, pertaining to the fiscal year 1961-62, was made from the trust fund to the railroad retirement account to place the old-age and survivors insurance fund in the same position in which it would have been had railroad employment always been covered employment for old-age and survivors insurance purposes. The comparable payment in 1962 was \$361 million.<sup>1</sup>

Administrative expenses paid from the old-age and survivors insurance trust fund in 1963 amounted to \$345 million. Reimbursement of \$64 million from the disability insurance trust fund for the allocated cost of disability insurance op-

<sup>1</sup> Data on the financial interchange include principal and interest. Previous *Bulletin* reports separated the two and deducted the interest transferred to the railroad retirement account from the interest earned by the trust fund.

erations brought net administrative expenses down to \$281 million, 10 percent more than in 1962.

Assets of the trust fund at the close of the year totaled \$18,480 million, reflecting an increase of \$143 million during the year from the starting balance of \$18,337 million. Of the year-end assets, \$17,154 million (book value) was invested in United States Government securities (table 2), and the remainder was held in cash balances.

The present contribution rates are applicable through 1965. It is estimated that further im-

provement in the employment situation, plus the rate increases scheduled for 1966 and 1968, will halt the decline of the old-age and survivors insurance trust fund and reinstitute the growth that characterized the fund in its first two decades of operation.

### Investments and Interest Rates

The total amount invested in public issues (face value, excluding net premium and discount) increased \$115 million, or 3 percent, as shown in table 2. The distribution of the coupon interest rates on the marketable portion of the fund's portfolio has shifted in the past few years to reflect the general trend toward higher interest rates. In 1961 the \$81 million invested at 4 percent and 4¼ percent represented less than 4 percent of the fund's marketable bonds. In 1962, \$336 million—15 percent of the marketable bonds—was invested at these rates. By the end of 1963, \$495 million or 21 percent was invested at coupon rates of 4 percent or higher. The \$1,558 million invested in 3½-percent marketable bonds remained the same in 1963 as in 1962, but as a proportion of the total they decreased from 68 percent to 65 percent. Holdings at rates below 3½ percent (2½, 3, 3¼, and 3¾ percent) declined by \$29 million to \$226 million in all.

For several years the amount (\$1,065 million in 1963) invested in 2¾-percent nonmarketable, investment series bonds has remained at slightly less than one-third of all public-issue holdings and has represented about 6 percent of the whole portfolio. Their presence has been a drag on the average interest rate of the fund's total investments, but if they were converted into marketable bonds they would bear an even lower rate.<sup>2</sup>

In 1963 as in 1962, public issues constituted 20 percent of the portfolio, the highest they have ever been. The special-issue sector decreased by \$21 million, or less than 2/10 of 1 percent, during 1963. At the end of the year the holdings in this sector totaled \$13,648 million, of which 97 percent was in special bonds maturing in 1966-78 and bearing interest at 2½-3¾ percent. The remain-

TABLE 2.—Investments of the social security trust funds, by type and earnings, end of December 1962 and 1963

Type of investment	(In millions)					
	Old-age and survivors insurance trust fund		Disability insurance trust fund		Unemployment trust fund 1	
	1963	1962	1963	1962	1963	1962
Total portfolio 1.....	\$17,153	\$17,060	\$2,115	\$2,256	\$6,686	\$6,265
Public issues 1.....	3,506	3,391	190	112	1,882	1,157
Treasury bonds.....	3,463	3,333	187	102	1,644	1,140
Marketable.....	2,398	2,268	187	102	899	395
2½ percent.....	55	55	.....	.....	15	.....
3 percent.....	85	110	.....	10	.....	10
3¼ percent.....	86	86	.....	.....	67	65
3½ percent.....	.....	4	.....	.....	1	.....
3¾ percent.....	1,558	1,558	14	12	208	203
4 percent.....	34	34	10	10	14	14
4¼ percent.....	35	35	5	5	59	5
4½ percent.....	50	50	14	9	31	8
4¾ percent.....	369	301	68	46	307	75
5 percent.....	91	.....	67	.....	174	.....
5¼ percent.....	35	35	10	10	21	15
Nonmarketable.....	1,065	1,065	.....	.....	745	745
2¾ percent.....	1,065	1,065	.....	.....	745	745
Treasury notes.....	64	78	5	10	246	20
3½ percent.....	.....	.....	.....	.....	153	.....
3¾ percent.....	.....	.....	.....	.....	52	.....
4 percent.....	.....	.....	.....	.....	16	.....
4¼ percent.....	38	38	.....	.....	16	10
4½ percent.....	.....	15	.....	5	.....	.....
5 percent.....	25	25	5	5	10	10
Net unamortized premium and discount 1.....	2-21	-21	2-2	-1	2-7	-3
Public-debt obligations (special issues).....	13,648	13,669	1,925	2,145	4,804	5,108
Treasury bonds.....	13,302	13,157	1,873	1,953	.....	.....
2½ percent.....	1,919	3,345	68	174	.....	.....
2¾ percent.....	8,404	8,572	1,159	1,287	.....	.....
3¼ percent.....	1,240	1,240	493	493	.....	.....
3½ percent.....	1,738	.....	154	.....	.....	.....
Treasury notes.....	.....	257	22	101	.....	.....
2¾ percent.....	.....	168	.....	123	.....	.....
3¾ percent.....	.....	89	22	64	.....	.....
Treasury certificates of indebtedness.....	346	254	30	.....	4,804	5,108
3¼ percent.....	.....	.....	.....	.....	4,027	4,353
3¾ percent.....	.....	.....	.....	.....	777	755
3¾ percent.....	.....	254	.....	.....	.....	.....
4 percent.....	261	.....	30	.....	.....	.....
4½ percent.....	85	.....	.....	.....	.....	.....

<sup>1</sup> Represents book value, including "net unamortized premium and discount," which refers to investments acquired above or below par values in open-market operations. "Premium" is the excess of the price paid in the open market over par value; "discount" is the amount by which the price is less than par value. The Treasury Department amortizes this positive or negative difference over the remaining life of the obligations. At any given time, the "net unamortized" figure represents a subtraction of the amount remaining to be written off between that time and maturity on issues bought at a premium from the amount still to be "written on" for issues bought at a discount.

<sup>2</sup> Includes small amounts of accrued interest purchased.

Source: *Daily Statement of the U.S. Treasury* and unpublished Treasury releases.

<sup>2</sup> According to their terms of issue, the 2¾-percent Investment Series B of 1975-80 are exchangeable for 1½-percent 5-year Treasury notes dated April 1 and October 1 next preceding the date of exchange.

ing \$346 million was held in certificates of indebtedness maturing in June 1964, at interest rates of 4 percent and  $4\frac{1}{8}$  percent.

Table 3 shows the total investments of the old-age and survivors insurance trust fund at the end of each year since its inception, together with the computed average interest rate for the whole portfolio. The face value of the public-issue holdings has been used for purposes of comparison with the public debt and also because the average interest rate is computed from the face value and the coupon rate of the securities. At the end of 1962 the trust fund's average rate was 2.84 percent. After the June 1963 "rollover"—the reinvestment of matured securities—it had risen to 2.94 percent, and at the end of 1963 it stood at 3.00 percent.

The interest rate on new special public-debt obligations issued to the trust fund is based on the current market yield of the longer term Government securities. During 1963 this formula produced interest rates of  $3\frac{7}{8}$ , 4, and  $4\frac{1}{8}$  percent. The

mid-year investment in special obligations was accomplished at  $3\frac{7}{8}$  percent.

The average interest rate on the entire portfolio, however, has shown only fractional increases and occasionally even small decreases, because the formula applies only to new investments. The greatest part of the special obligations has been frozen by maturities of up to 15 years at the lower rates that obtained under a previous formula. At the end of 1963, 77 percent of the long-term special bonds were bearing interest at  $2\frac{5}{8}$  percent or lower. Unless redeemed before maturity, the last of the  $2\frac{1}{2}$ -percent bonds will not disappear from the portfolio until June 1968 and the last  $2\frac{5}{8}$ -percent bonds until June 1975.

### DISABILITY INSURANCE TRUST FUND

From its start (1957) the disability insurance trust fund has received contributions at the rate

TABLE 3.—Social security trust funds and interest-bearing public debt: Total investments and computed average interest rate (percent) <sup>1</sup> at end of specified periods, 1936–63

[Amounts in millions]

At end of—	Interest-bearing public debt		Social security trust fund investment portfolio (face value) <sup>2</sup>							
			Total amount	Percent of public debt	Old-age and survivors insurance trust fund		Disability insurance trust fund		Unemployment trust fund	
	Amount	Average interest rate			Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate
1936.....	\$33,699	2.570	\$64	0.2					\$64	2.50
1937.....	36,715	2.568	1,138	3.1	\$513	3.00			625	2.50
1938.....	38,899	2.586	1,926	5.0	862	3.00			1,064	2.50
1939.....	41,445	2.598	2,944	7.1	1,435	3.00			1,509	2.50
1940.....	44,458	2.566	3,962	8.9	2,016	2.84			1,945	2.50
1941.....	57,451	2.409	5,468	9.5	2,736	2.66			2,732	2.49
1942.....	107,308	2.059	7,342	6.8	3,655	2.44			3,687	2.24
1943.....	164,508	1.956	9,874	6.0	4,779	2.22			5,095	1.89
1944.....	228,891	1.919	12,546	5.5	5,967	2.20			6,579	1.91
1945.....	275,694	1.965	14,562	5.3	7,054	2.14			7,508	1.93
1946.....	257,649	2.057	15,643	6.1	8,079	2.04			7,564	1.94
1947.....	254,205	2.144	17,363	6.8	9,262	2.09			8,101	2.05
1948.....	250,579	2.216	19,044	7.6	10,549	2.20			8,495	2.16
1949.....	255,019	2.208	19,417	7.6	11,722	2.20			7,695	2.16
1950.....	254,283	2.209	20,963	8.2	13,325	2.19			7,638	2.16
1951.....	257,070	2.308	23,438	9.1	15,012	2.20			8,426	2.18
1952.....	265,293	2.353	25,977	9.8	16,956	2.30			9,022	2.30
1953.....	272,881	1.414	27,832	10.2	18,288	2.41			9,544	2.41
1954.....	275,731	2.291	28,598	10.4	19,860	2.29			8,739	2.30
1955.....	277,799	2.490	29,853	10.7	21,101	2.31			8,753	2.31
1956.....	274,219	2.671	30,890	11.3	21,830	2.52			9,060	2.53
1957.....	272,874	2.889	31,276	11.5	21,566	2.55	\$612	2.57	9,097	2.66
1958.....	280,839	2.689	29,390	10.5	20,956	2.57	1,321	2.57	7,114	2.65
1959.....	287,704	3.300	27,830	9.7	19,159	2.62	1,794	2.64	6,878	2.79
1960.....	286,820	3.137	27,954	9.7	19,134	2.66	2,180	2.77	6,639	3.20
1961.....	292,689	3.135	26,581	9.1	18,430	2.78	2,325	2.91	5,827	3.00
1962.....	299,209	3.297	25,606	8.6	17,081	2.84	2,257	2.96	6,268	3.13
1963:.....										
June.....	301,954	3.360	26,156	8.6	17,633	2.94	2,278	3.04	6,245	3.24
December.....	305,213	3.486	25,985	8.5	17,174	3.00	2,117	3.13	6,693	3.30

<sup>1</sup> Beginning Dec. 31, 1958, the computed average interest rates on the public debt as reported in the *Daily Statement of the U.S. Treasury* are based on the rate of effective yield for issues sold at premiums or discounts. Before that date the computed rate was based on the coupon rates of the securities. The computed rates for the social security trust funds are based on coupon

rates of all securities composing the portfolio.

<sup>2</sup> Includes public and special Government obligations.

Source: *Daily Statement of the U. S. Treasury* and other Treasury Department releases.

of  $\frac{1}{4}$  of 1 percent of payroll each from employers and employees and of  $\frac{3}{8}$  of 1 percent from the self-employed. Disability benefits were first paid in August.

### Income-Outgo

In 1963 the net contribution income of the trust fund was \$1,099 million, 5 percent more than in 1962. Refunds for tax overpayment were \$12 million in both years. Net interest received during 1963 amounted to \$66 million. Total net receipts of \$1,165 million were a scant 5 percent larger than receipts in the preceding year. Details of this trust fund's financial operations in 1962 and 1963 are shown in table 4.

In this sixth full year of program operation, disability benefit payments rose to \$1,210 million, 10 percent more than the \$1,105 million of 1962; the latter had represented a jump of 25 percent from the 1961 total. These increases represent mainly the cumulative effect of the 1960 amendments making benefits payable to disabled workers under age 50 and their dependents, as well as the normal growth of the disability rolls.

Administrative expenses reimbursed to the old-

age and survivors insurance trust fund in 1963 totaled \$64 million, slightly more than in 1962, for expenses incurred in the Department of Health, Education, and Welfare. Treasury Department expenses in connection with disability insurance, which have totaled about \$3-\$4 million a year, are transferred from the trust fund to general funds as incurred.

Benefit payments and administrative costs together amounted to \$1,278 million, or 9 percent more than expenditures for the same purposes in 1962. When the \$20 million transfer to the railroad retirement account under the financial interchange provision is included, 1963 expenditures totaled \$1,297 million or 10 percent more than the total disbursements of the preceding year.

Total receipts advanced a scant \$51 million in 1963, while total expenditures increased \$115 million. The trust fund for the year had a net decrease in assets of \$133 million—to \$2,235 million or almost 6 percent less than the 1962 total. For the second year running the disability insurance trust fund has paid out more in benefits than it received in contributions. Interest earnings have always exceeded total administrative expenses with some to spare.

TABLE 4.—Operations of the disability insurance trust fund, calendar years 1962 and 1963

[In thousands]		
Items	1963	1962
Total assets, January 1.....	\$2,367,903	\$2,436,617
Receipts, calendar year:		
Contributions and transfers:		
Appropriations (taxes).....	1,025,922	976,403
Deposits arising from State agreements.....	84,270	81,697
Gross contributions.....	1,110,192	1,058,100
Less payments to Treasury for taxes subject to refund.....	11,575	11,908
Net contributions.....	1,098,617	1,046,192
Interest and profit:		
On investments.....	68,410	70,036
Gross interest received.....	68,410	70,036
Less interest transferred to OASI trust fund with administrative expenses.....	2,508	2,414
Net interest received.....	65,901	67,622
Total net receipts.....	1,164,518	1,113,814
Disbursements, calendar year:		
Benefit payments.....	1,210,208	1,105,050
Payments to railroad retirement account under the financial interchange.....	19,609	11,030
Total benefit payments and transfers with respect to benefits.....	1,229,817	1,116,080
Administrative expenses:		
Department of Health, Education, and Welfare.....	63,850	62,935
Treasury Department.....	3,791	3,514
Total administrative expenses.....	67,641	66,449
Total disbursements.....	1,297,458	1,182,529
Net addition to trust fund.....	-132,940	-68,714
Total assets, December 31.....	2,234,963	2,367,903

### Investments and Interest Rate

The interest rate on special obligations issued to the disability insurance trust fund is governed by the same statutory provisions that control the old-age and survivors insurance trust fund. There was a 6-percent decrease in the total investment portfolio of the disability insurance trust fund during 1963 (table 2) that corresponded exactly with the decrease in total assets. Holdings of public issues rose to form 9 percent of the portfolio, compared with 5 percent in 1962 and a scant 4 percent in 1961. The entire decrease occurred in the special public-debt obligation sector, where holdings at the end of 1963 were 10 percent less than at the close of 1962 and 14 percent less than at the end of 1961.

Among the special public-debt obligations, the proportion invested in the longest-term issues continues to increase. At the end of 1963, bonds formed 97 percent of the special issues; at the end of 1962 they had been 91 percent; and the year before that, 80 percent. The trust fund ended the

year, however, with \$30 million in the shortest-term certificates of indebtedness, in contrast to none on December 31, 1962,<sup>3</sup> and the medium-maturity special notes dropped from 9 percent to 1 percent of all special issues. After the June 30 rollover, nearly half the dollar amount invested in the special bonds still had maturities of 10–15 years and nearly half of these are frozen at a 2½-percent interest rate.

## UNEMPLOYMENT TRUST FUND

On December 31, 1963, the unemployment trust fund's assets totaled \$6,707 million, marking the second straight year of increase—7 percent in 1963 and 8 percent in 1962. From a high of \$9,109 million at the end of 1957 the fund had declined each year through 1961: 22 percent in 1958, 3 percent in 1959 and 1960, and 12 percent in 1961 to \$5,841 million. The 1963 increase brings it to the level of mid-1959.

Taken together, the 52 State accounts represented more than 98 percent of the total trust fund, with assets of \$6,618 million at the year's end. State unemployment insurance programs deposited \$3,023 million in their respective accounts, 2 percent more than in 1962. (Transfers, loans, and interest increased receipts to \$3,205 million.) The programs withdrew \$2,839 million, or 4 percent more than in 1961.<sup>4</sup>

The Federal unemployment account, established to make loans to State accounts in temporary financial difficulty, began the year with a balance of \$11 million and ended it with \$72 million. The continued inability of Alaska, Michigan, and Pennsylvania to repay their loans resulted in a statutory reduction of the Federal unemployment tax credit for employers in these States—in Alaska for the second year. The increased revenue (\$20 million) was transferred to the loan account to reduce the States' indebtedness. Under section 902(a) of the Social Security Act, \$32.5 mil-

lion in excess receipts<sup>5</sup> of the employment security administration account was transferred to the Federal unemployment account on July 1, 1963. The account received \$8 million in interest earned by its present funds and by the loans to the State accounts. There were no withdrawals in 1963.

At the end of 1963 the three States that have borrowed from the Federal unemployment account owed the account a total of \$213 million, as shown below.

(In thousands)

Item	Alaska	Michigan	Pennsylvania
Borrowed.....	\$11,765	\$113,000	\$112,000
Repaid.....	3,469	7,289	12,551
Balance due.....	8,296	105,711	99,449

Activated toward the end of 1960, the employment security administration account had completed its third full year of operation by the end of 1963. The account received \$948 million in net tax receipts in 1963 and earned more than \$1 million in interest on invested assets. It paid out \$427 million for Federal and State employment security administrative expenses, as well as the \$32.5 million to the Federal unemployment account. The account ended the year with assets of \$4 million, after completion of all transactions with the revolving fund and extended compensation account, not detailed here.

The railroad unemployment insurance account had a balance of \$7 million at the end of 1963, its lowest year-end balance since 1959. It borrowed a total of \$24 million during the year and repaid half that amount. Deposits of employer-tax collections again dropped, to \$138 million. Withdrawals for benefit payments also decreased, however; the \$150 million paid out in 1963 was the lowest amount since 1956. The account earned \$364,000 in interest. The outstanding balance owed the railroad retirement account at the end

<sup>3</sup> Contributions come in to the trust fund every month and are invested in certificates maturing the next June 30. Between December 31, 1962, and June 30, 1963, 1-year certificates again formed part of the portfolio.

<sup>4</sup> Withdrawals from the State accounts do not represent actual benefit payments, but rather sums transferred by the States from these accounts for deposit in their own local accounts, from which the benefits are paid.

<sup>5</sup> The method of determining an excess in the employment security administration account is established by section 901(f) of the Act. Section 902 provides that, when the determination is made, either the total excess will be transferred to the Federal unemployment account or as much of it as is required to raise the latter account to the greater of (1) \$550 million or (2) ¼ of 1 percent of covered payroll under all State unemployment compensation laws for the immediately preceding calendar year.

of 1963 amounted to \$312 million, more than 44 times total assets.

The railroad unemployment administration fund ended 1963 with a balance of slightly less than \$6 million.

### Investments and Interest Rate

The assets of all the accounts in the unemployment trust fund are invested by the Secretary of the Treasury for the trust fund as a unit.

The unemployment trust fund's invested assets rose in 1963 by \$421 million to \$6,686 million. This increase reversed the downward trend that had characterized the fund from 1957 until the first improvement in 1962. Holdings of public issues advanced \$24 million in 1961, \$40 million in 1962, and \$725 million in 1963 to a total of \$1,882 million at the end of the year. As a proportion of the total portfolio, these holdings increased from 18 percent to 28 percent during the year.

All the special obligations of the unemployment trust fund are 1-year maturities because of the special nature of the risk this type of social insurance guards against. The interest-rate formula governing the issue to the unemployment trust fund of special public-debt obligations also differs from the formula now applicable to the other two funds; it is based on the average coupon interest rate on the total interest-bearing debt.

At the end of 1963 the special-issue sector of the unemployment trust fund was \$305 million smaller than it was at its start. At the midyear rollover, 3 $\frac{1}{8}$ -percent and 3 $\frac{1}{4}$ -percent certificates were exchanged for certificates with a 3 $\frac{1}{4}$ -percent rate; by the year's end, \$777 million had also been invested at 3 $\frac{3}{8}$ -percent interest. The average rate on the entire interest-bearing public debt at the end of December 1963 was 3.486 percent; therefore any special obligations issued to the trust fund in January 1964 would continue to be at the rate of 3 $\frac{3}{8}$  percent.

Government securities held by the three social security trust funds at the end of 1963 totaled \$25,985 million, about 9 percent of the total public debt and fractionally lower than the proportion a year earlier (table 3). On December 31, 1963, special public-debt obligations amounted to \$20,377 million, 78 percent of the total investment portfolios of the three funds. A year earlier,

special obligations totaled \$20,921 million and represented 82 percent of their investments.

## RELATED TRUST FUNDS

### Railroad Retirement Account

The railroad retirement account received a total of \$1,174 million in 1963—12 $\frac{1}{2}$  percent more than in 1962. This sum is composed of \$593 million in contribution income, \$140 million in interest, and \$422 million from the financial interchange with the old-age, survivors, and disability insurance trust funds. Railroad retirement benefit payments totaled \$1,081 million, and administrative expenses \$10 million. Total assets rose from \$3,709 million to \$3,792 million during the year. Of this total, \$2 million was in cash balances at the year's end and \$311 million in outstanding loans to the railroad unemployment insurance account. All the rest—\$3,475 million—was invested in United States Government securities—\$789 million in public marketable bonds and notes and \$2,687 million in Treasury special obligations.

With the 1963 Amendments to the Railroad Retirement Act (Public Law 88-133, signed October 5, 1963) the railroad retirement account became the fourth (and last) of the Government-operated retirement funds to acquire special Treasury obligations under an interest-rate formula based on the current average market yield of Treasury long-term bonds. The rate base for special obligations issued to the old-age and survivors insurance trust fund was changed to this formula in 1960; the disability insurance trust fund has been invested under the current-yield formula since 1960; and the civil-service retirement fund was brought under it in 1961. There are some important differences, however, between the formula for these funds and that for the investments of the railroad retirement account. The most important is the minimum interest rate of 3 percent guaranteed the account. Another is that the new formula applied immediately to the entire special-issue portfolio: All issues outstanding at the previous statutory rate of 3 percent were retired and reissued under the new formula, which resulted in a 4-percent rate.

Still another difference, in the formula itself,

*(Continued on page 31)*

TABLE 6.—Old-age, survivors, and disability insurance: Number of beneficiaries with monthly benefits in current-payment status, by age group and type of benefit, at end of period, 1940-64

[In thousands]

Period	Total, all ages	Under age 62	Aged 62 and over	Aged 62-64				Aged 65 and over		
				Total	Retired workers	Disabled workers	Survivors and dependents <sup>1</sup>	Total	Retired workers	Survivors and dependents <sup>1</sup>
1940.....	222	75	147	( <sup>2</sup> )			( <sup>2</sup> )	147	112	35
1945.....	1,288	510	778	1			1	777	518	259
1950.....	3,477	876	2,602	2			2	2,599	1,771	828
1955.....	7,961	1,625	6,341	6			6	6,335	4,474	1,862
1956.....	9,128	1,699	7,429	339	113		226	7,089	4,999	2,090
1957.....	11,129	2,008	9,121	730	266	46	418	8,391	5,931	2,459
1958 (November).....	12,430	2,236	10,194	832	299	77	456	9,362	6,621	2,741
1959.....	13,704	2,566	11,138	962	334	105	523	10,176	7,191	2,984
1960.....	14,845	2,881	11,963	1,043	357	127	559	10,921	7,704	3,217
1961.....	16,495	3,403	13,092	1,378	648	141	589	11,714	8,277	3,437
1962.....	18,053	3,881	14,172	1,659	873	156	630	12,513	8,865	3,648
1963										
January.....	18,171	3,915	14,256	1,672	882	157	633	12,584	8,914	3,670
February.....	18,242	3,921	14,321	1,678	892	156	630	12,643	8,955	3,688
March.....	18,374	3,965	14,409	1,706	916	157	633	12,703	8,995	3,707
April.....	18,452	3,986	14,466	1,727	933	157	637	12,739	9,019	3,720
May.....	18,531	4,012	14,519	1,739	943	158	638	12,780	9,048	3,732
June.....	18,608	4,021	14,587	1,750	951	159	640	12,837	9,086	3,751
July.....	18,707	4,045	14,662	1,768	962	160	646	12,894	9,132	3,763
August.....	18,790	4,060	14,730	1,771	965	160	646	12,959	9,178	3,780
September.....	18,873	4,084	14,789	1,775	968	161	646	13,014	9,218	3,796
October.....	18,957	4,115	14,842	1,778	969	162	647	13,064	9,253	3,811
November.....	18,998	4,117	14,881	1,766	960	162	644	13,115	9,288	3,827
December.....	19,035	4,128	14,907	1,747	944	164	639	13,160	9,319	3,841
1964										
January.....	19,144	4,149	14,995	1,762	954	165	643	13,233	9,372	3,860

<sup>1</sup> Includes dependents of disabled workers.

<sup>2</sup> Less than 500.

## TRUST FUND OPERATIONS

(Continued from page 25)

concerns the definition of "long-term." For the other funds the yields to be averaged are those of securities with maturities of more than 4 years<sup>6</sup> from the date of issue of the special obligations; for the railroad retirement account only, securities with more than 3 years to maturity are included in the base. In effect, the 1963 change places the railroad account on a more nearly current basis than the other funds.

As with the other funds, special obligations for the railroad retirement account have maturities fixed "with due regard to the needs" of the account. At the end of 1963, therefore, the \$2,687 million invested in special issues, all with coupon rates of 4 percent, consisted of \$96 million maturing on June 30, 1964, and \$185 million maturing on June 30 of each of the 14 years 1965-78.

<sup>6</sup> It will be recalled that the 1957-58 Advisory Council on Social Security Financing had recommended inclusion of securities with more than 5 years to maturity, and the funds' Board of Trustees, 3 years. The 4 years was a congressional compromise.

## Civil-Service Retirement and Disability Fund

The civil-service retirement and disability fund received contributions from employees and the Government totaling \$1,978 million in 1963, and its invested assets earned interest amounting to \$364 million. Benefits during the year totaled \$1,149 million, 15 percent more than in 1962, and \$105 million was refunded to persons leaving Federal employment. Invested assets amounted to \$13,503 million at the end of 1963, and cash balances to \$100 million. In its second year of investment operations under the same "current yield" formula applicable to the old-age, survivors, and disability insurance trust funds, the civil-service fund acquired special obligations at the same interest rates as those two.

Special public-debt obligations issued to all the trust funds managed by the Treasury totaled \$43,658 million at the end of 1963 and continued, as they have been for most of the past decade, to represent about 15 percent of the outstanding interest-bearing public debt. In 1963 the three social security funds together held 46 percent of all special obligations—a lower proportion than

TABLE 7.—Old-age, survivors, and disability insurance: Average monthly amount of benefits, by type of beneficiary, for selected periods, 1940-64

Period	Retired and deceased workers and their dependents							Disabled workers and their dependents		
	Aged individuals <sup>1</sup>				Mothers and children					
	Retired workers	Wives or husbands <sup>2</sup>	Widows or widowers	Parents	Children of		Widowed mothers <sup>3</sup>	Disabled workers	Wives or husbands	Children
					Retired workers	Deceased workers				
Average benefits in current-payment status at end of period										
1940.....	\$22.60	\$12.13	\$20.28	\$13.09	( <sup>4</sup> )	\$12.22	\$19.61			
1945.....	24.19	12.82	20.19	13.05	( <sup>4</sup> )	12.45	19.83			
1950.....	43.86	23.60	36.54	36.69	\$17.05	28.43	34.24			
1955.....	61.90	33.07	48.69	49.93	20.11	38.11	45.91			
1956.....	63.09	33.71	50.14	50.78	20.69	39.36	47.35			
1957.....	64.58	34.37	51.08	51.87	22.09	40.88	49.05	\$72.76		
1958 (November).....	66.35	35.08	51.90	52.83	23.08	42.08	50.53	82.10	\$33.95	\$27.28
1959.....	72.78	38.21	56.72	58.96	27.45	47.47	57.37	89.00	36.05	30.95
1960.....	74.04	38.72	57.68	60.31	28.34	51.37	59.29	89.31	34.41	30.21
1961.....	75.65	39.45	64.91	67.15	27.49	52.74	59.38	89.59	33.09	29.13
1962.....	76.19	39.62	65.88	68.18	27.53	53.57	59.38	89.99	32.41	28.56
1963										
March.....	76.53	39.77	66.13	68.38	27.90	53.76	59.32	90.15	32.33	28.49
June.....	76.66	39.83	66.39	68.58	27.74	53.99	59.36	90.33	32.24	28.44
September.....	76.81	39.89	66.64	68.86	27.73	54.15	59.60	90.47	32.24	28.41
December.....	76.88	39.94	66.84	69.11	27.92	54.33	59.43	90.59	32.23	28.39
1964										
January.....	77.04	39.99	66.93	69.17	27.92	54.38	59.42	90.61	32.22	28.38
Average benefits awarded during period										
1940.....	\$22.71	\$12.15	\$20.43	\$12.91	( <sup>4</sup> )	\$12.20	\$19.60			
1945.....	25.11	13.04	20.17	13.10	( <sup>4</sup> )	12.66	19.85			
1950 (under 1939 amendments).....	29.03	15.02	21.65	14.65	\$14.08	14.35	22.65			
1950 (under 1950 amendments).....	33.24	19.71	36.89	37.99	11.22	27.95	35.42			
1955.....	69.73	35.73	49.67	55.29	23.29	40.22	53.08			
1956.....	67.35	34.52	53.70	56.14	22.84	42.92	55.71			
1957.....	67.50	34.24	53.91	58.17	23.77	44.61	56.82	\$81.38		
1958 (Jan.-Nov.).....	74.47	36.54	55.53	61.06	25.49	45.08	57.57	84.54	\$34.38	\$27.28
1959.....	81.86	39.73	60.93	67.49	30.34	50.55	65.52	91.84	37.10	31.19
1960.....	81.73	40.25	62.11	70.13	30.40	50.89	65.95	91.16	35.39	30.25
1961 (under 1960 amendments).....	80.17	40.19	62.15	70.31	28.91	52.56	61.05	90.76	33.59	28.88
1961 (under 1961 amendments).....	75.33	37.69	69.20	75.93	23.83	52.92	60.54	91.94	33.68	28.32
1962.....	78.80	39.19	70.48	77.85	27.12	53.31	61.15	92.70	33.56	28.15
1963.....	80.30	39.80	71.60	78.33	28.90	53.17	61.36	94.39	33.98	28.40
1963										
March.....	80.02	39.82	71.09	77.00	28.43	52.86	61.15	94.12	33.58	28.19
June.....	79.10	39.14	71.46	77.88	27.59	52.57	60.40	94.51	33.92	28.45
September.....	79.47	39.42	71.92	79.91	28.43	53.23	60.82	94.91	34.17	28.49
December.....	78.67	39.48	72.10	78.87	28.77	53.37	61.66	94.53	34.50	28.84
1964										
January.....	86.39	41.92	72.30	79.26	31.11	53.69	61.56	94.59	33.87	28.36

<sup>1</sup> Includes women beneficiaries aged 62-64 beginning 1956, and, beginning 1961, men beneficiaries aged 62-64.

<sup>2</sup> Beginning 1950, includes a small proportion receiving benefits as young wives with child beneficiaries in their care.

<sup>3</sup> Beginning 1950, includes dependent former wives (divorced) with eligible child present.

<sup>4</sup> Included with children of deceased workers.

in any of the 8 preceding years. Most of the remaining special obligations are held by the related trust funds. The civil-service fund held 29 percent in 1963. For the past several years its proportion of all public issues has increased by about 2 percentage points a year. During the same period

the three veterans' life insurance funds have held 15-16 percent of the special obligations (which constitute their total portfolio). The railroad retirement account special obligations, for several years about 7-8 percent of all such obligations, dropped to 6 percent in 1963.