

1972 ANNUAL REPORT OF THE BOARD OF
TRUSTEES OF THE FEDERAL OLD-AGE
AND SURVIVORS INSURANCE AND
DISABILITY INSURANCE
TRUST FUNDS

LETTER

FROM

BOARD OF TRUSTEES
FEDERAL OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST FUNDS

TRANSMITTING

THE 1972 ANNUAL REPORT OF THE BOARD (32ND REPORT)
PURSUANT TO THE PROVISIONS OF SECTION 201(c)
OF THE SOCIAL SECURITY ACT, AS AMENDED



JUNE 6, 1972.—Referred to the Committee on Ways and Means and
ordered to be printed

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LETTER OF TRANSMITTAL

BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST FUNDS,
Washington, D.C., June 6, 1972.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D.C.

SIR: We have the honor to transmit to you the 1972 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (the 32nd such report), in compliance with the provisions of section 201(c) of the Social Security Act.

Respectfully,

JOHN B. CONNALLY,
*Secretary of the Treasury
and Managing Trustee of the Trust Funds.*

J. D. HODGSON,
Secretary of Labor.

ELLIOT L. RICHARDSON,
Secretary of Health, Education, and Welfare.

ROBERT M. BALL,
*Commissioner of Social Security
and Secretary, Board of Trustees.*

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1972 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

THE BOARD OF TRUSTEES

The Federal old-age and survivors insurance trust fund, established on January 1, 1940, and the Federal disability insurance trust fund, established on August 1, 1956, are held by the Board of Trustees under the authority of section 201(c) of the Social Security Act. The Board is comprised of three members who serve in an ex officio capacity. The members of the Board are the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare. The Secretary of the Treasury is designated by law as the Managing Trustee. The Commissioner of Social Security is Secretary of the Board. The Board of Trustees reports to the Congress once each year, in compliance with section 201(c)(2) of the Social Security Act. This Report is the annual report for 1972, the 32nd such report.

HIGHLIGHTS

The more important developments since the 1971 Report, discussed in more detail in later sections, are indicated below:

(a) The growth of the old-age, survivors, and disability insurance system during fiscal year 1971 was close to that predicted in the 1971 Report. Income for fiscal 1971 amounted to \$38.9 billion, up by 8 percent over fiscal 1970. Outgo totaled \$35.9 billion, 18 percent more than in fiscal 1970. The funds increased by \$3.0 billion in fiscal 1971, to the level of \$40.7 billion on June 30, 1971.

(b) A 10 percent general benefit increase went into effect as of January 1, 1971, the middle of the 1971 fiscal year. Delay in the enacting legislation made necessary retroactive payment of these increases during the month of June 1971. Comparison between fiscal years is also affected by a 15 percent general benefit increase as of January 1, 1970.

(c) The number of persons receiving monthly benefits under the old-age, survivors, and disability insurance program increased to 26.7 million by the end of June 1971. An estimated 93 million workers had earnings in calendar year 1970 that were taxable and creditable toward benefits under the program.

(d) The trust funds earned interest of \$1.9 billion during the fiscal year, equivalent to an annual rate of 5.1 percent.

(e) The report of the 1971 Advisory Council on Social Security was received, and its recommendations concerning the financing and actuarial methodology of the old-age, survivors, and disability system were carefully evaluated. Several changes in the long-range cost estimates shown in this Report stem from the acceptance of certain of the Advisory Council's recommendations.

SOCIAL SECURITY AMENDMENTS SINCE 1971 REPORT

There have been no amendments substantially affecting the Federal old-age and survivors insurance and disability insurance trust funds since the passage of Public Law 92-5, approved on March 17, 1971. The changes brought about by the passage of the 1971 legislation are summarized in the 1971 Report of the Board of Trustees, and are not repeated here.

Legislation which would substantially modify the current law was introduced into the House of Representatives as H.R. 1, was favorably reported by the Ways and Means Committee on May 26, 1971, and was passed by the House of Representatives on June 22, 1971. As of the submission of this Report, H.R. 1 is a matter of pending business before the Senate, but has not become law. This report necessarily assumes current law, and does not consider the changed situation when and if H.R. 1 (or any modification thereof) is enacted.

NATURE OF THE TRUST FUNDS

The Federal old-age and survivors insurance trust fund was established on January 1, 1940, as a separate account in the U.S. Treasury to hold the amounts accumulated under the old-age and survivors insurance program. All the financial operations which relate to the system of old-age and survivors insurance are handled through this fund. The Social Security Amendments of 1956, which became law August 1, 1956, provided for the creation of the Federal disability insurance trust fund—a fund entirely separate from the old-age and survivors insurance trust fund—through which are handled all financial operations in connection with the system of monthly disability benefits payable to insured workers and to their dependents.

The major sources of receipts of these two funds are (1) amounts appropriated to each of them under permanent appropriation on the basis of contributions paid by workers and their employers, and by individuals with self-employment income, in work covered by the old-age, survivors, and disability insurance program and (2) amounts deposited in each of them representing contributions paid by workers employed by State and local governments and by such employers with respect to work covered by the program. All employees, and their employers, in employment covered by the program are required to pay contributions with respect to the wages of individual workers (cash tips, covered as wages beginning in 1966 under the 1965 amendments, are an exception to this; employees pay contributions with respect to cash tips, but employers do not). All covered self-employed persons are required to pay contributions with respect to their self-employment income.

In general, an individual's contributions are computed on annual wages or self-employment income, or both wages and self-employment income combined, up to a specified maximum annual amount, with the contributions being determined first on the wages and then on any self-employment income necessary to make up the annual maximum amount.

The maximum amount of annual earnings taxable in each of the calendar years 1937 and later is shown in table 1. The contribution rates applicable to taxable earnings in each year, and the allocation of the rates to finance expenditures from each of the two trust funds, are also shown. Table 1, for 1971 and earlier, is a historical record based on continually changing law. For 1972 and later, table 1 indicates the provisions of present law as last amended in 1971.

Except for amounts received by the Secretary of the Treasury under State agreements (to effectuate coverage under the program for State and local government employees) and deposited directly in the trust funds, all contributions are collected by the Internal Revenue Service and deposited in the general fund of the Treasury as internal revenue collections; then, on an estimated basis, the contributions received are immediately and automatically appropriated to the trust funds. The exact amount of contributions received is not known initially since old-age, survivors, disability, and hospital insurance contributions and individual income taxes are not separately identified in collection reports received by the Treasury Department. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable on the basis of reported earnings.

TABLE 1.—CONTRIBUTION RATES AND MAXIMUM TAXABLE AMOUNT OF ANNUAL EARNINGS

Calendar years	Maximum taxable amount of annual earnings	Contribution rates (percent of taxable earnings)					
		Employees and employers, each			Self-employed		
		OASDI	OASI	DI	OASDI	OASI	DI
1937-49	\$3,000	1.000	1.000				
1950	3,000	1.500	1.500				
1951-53	3,600	1.500	1.500		2.2500	2.2500	
1954	3,600	2.000	2.000		3.0000	3.0000	
1955-56	4,200	2.000	2.000		3.0000	3.0000	
1957-58	4,200	2.250	2.000	0.250	3.3750	3.0000	0.3750
1959	4,800	2.250	2.250	.250	3.7500	3.3750	.3750
1960-61	4,800	3.000	2.750	.250	4.5000	4.1250	.3750
1962	4,800	3.000	2.750	.250	4.7000	4.3250	.3750
1963-65	4,800	3.125	2.875	.250	5.0000	5.0250	.3750
1966	6,600	3.850	3.375	.350	5.8000	5.2750	.5250
1967	6,600	3.900	3.500	.350	5.9000	5.3750	.5250
1968	7,800	3.900	3.550	.475	5.8000	5.0875	.7125
1969	7,800	3.800	3.325	.475	6.3000	5.5875	.7125
1970	7,800	4.200	3.725	.550	6.3000	5.4750	.8250
1971	7,800	4.200	3.650	.550	6.9000	6.0750	.8250
1972	9,000	4.600	4.050	.550	6.9000	6.0750	.8250
1973-75	9,000	5.000	4.450	.550	7.0000	6.1750	.8250
1976 and later	9,000	5.150	4.600	.550	7.0000	6.1750	.8250

An employee who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum can receive a refund of the contributions he paid on such excess wages. The amount of contributions subject to refund for any period is a charge against each of the trust funds in the ratio in which the amount was appropriated to or deposited in such trust funds for that period.

Another source from which receipts of the trust funds are derived is interest received on investments held by the funds. The investment procedures of the funds are described later in this section.

The income and expenditures of the trust funds are also affected by the provisions of the Railroad Retirement Act which provide for a system of coordination and financial interchange between the railroad retirement program and the old-age, survivors, and disability insurance program.

Sections 217(g) and 229(b) of the Social Security Act authorize annual reimbursements from the general fund of the Treasury to the old-age and survivors insurance and disability insurance trust funds for any costs arising from the granting of noncontributory credits for military service, according to periodic determinations made by the Secretary of Health, Education, and Welfare.

Section 228 of the Social Security Act provides monthly cash benefits to certain persons aged 72 and over, almost all of whom are not eligible for cash benefits under other provisions of the old-age, survivors, and disability insurance program. Under section 228, all payments are made initially from the old-age and survivors insurance trust fund, with later reimbursement, with interest, from the general fund of the Treasury for the costs, including administrative expenses, of payments to persons who have less than 3 quarters of coverage. The reimbursements so made are on a provisional basis and are subject to adjustment, with appropriate interest allowances, as the actual experience develops and is analyzed.

Expenditures for benefit payments and administrative expenses under the old-age, survivors, and disability insurance program are paid out of the trust funds. All expenses incurred by the Department of Health, Education, and Welfare and by the Treasury Department in carrying out the provisions of title II of the Social Security Act and of the Internal Revenue Code relating to the collection of contributions are charged to the trust funds. The Secretary of Health, Education, and Welfare certifies benefit payments to the Managing Trustee, who makes the payment from the respective trust funds in accordance therewith.

Section 222(d) of the Social Security Act provides for reimbursement from the trust funds for the cost of vocational rehabilitation services furnished to disabled persons receiving benefits because of their disability. The total amount of funds that may be made available for purposes of reimbursement for such services may not, in any fiscal year, exceed 1 percent of the benefits certified for payment to these types of beneficiaries in the preceding year.

Congress has authorized expenditures from the trust funds for construction of office buildings and related facilities for the Social Security Administration. The costs of such construction are included as part of administrative expenses in the financial statements of operations of the trust funds as set forth in subsequent sections of this report. The net worth of the resulting facilities—like the net worth of all other capital assets—is not carried as an asset in such statements.

That portion of each trust fund which, in the judgement of the Managing Trustee, is not required to meet current expenditures for benefits and administration is invested, on a daily basis, in interest-bearing obligations of the U.S. Government, in obligations guaranteed as to both principal and interest by the United States, or in certain

federally-sponsored agency obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States. Obligations of these types may be acquired on original issue at the issue price or by purchase of outstanding obligations at their market price.

In addition, the Social Security Act authorizes the issuance of special public-debt obligations for purchase exclusively by the trust funds that shall bear interest at a rate based on the average market yield (computed by the Managing Trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month.

SUMMARY OF THE OPERATIONS OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, FISCAL YEAR 1971

A statement of the income and disbursements of the Federal old-age and survivors insurance trust fund in the fiscal year which began on July 1, 1970, and ended on June 30, 1971, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 2. Also appearing in the table are comparable amounts for fiscal year 1970.

The total assets of the old-age and survivors insurance trust fund amounted to \$32,616 million on June 30, 1970. These assets increased to \$34,331 million by the end of the fiscal year 1971, an increase of \$1,714 million.

Net receipts of the trust fund during the fiscal year 1971 amounted to \$33,982 million. Of this total, \$29,243 million represented contributions appropriated to the fund, and \$3,066 million represented amounts received by the Secretary of the Treasury in accordance with State agreements for coverage of State and local government employees and deposited in the trust fund. As an offset, \$394 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum earnings base.

Net contributions amounted to \$31,915 million, an increase of 6.5 percent over the amount for the preceding fiscal year. Growth in contribution income resulted primarily from (1) the increase from 7.3 percent to 8.1 percent in the combined employer-employee contribution rate allocated to finance benefits from the old-age and survivors insurance trust fund that became effective on January 1, 1971 and (2) the somewhat higher level of taxable earnings. The increase in net contributions would have been larger had it not been for the decrease in the combined employer-employee contribution rate from 7.45 percent to 7.30 percent that became effective on January 1, 1970 (this decrease being exactly counterbalanced by an increase in the contribution rate allocated for disability insurance from 0.95 percent to 1.10 percent). Although the decrease in the contribution rate became effective in 1970, it was not in effect during all of fiscal year 1970.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING FISCAL YEARS 1970 AND 1971—continued

[In thousands]

	Fiscal year 1970	Fiscal year 1971
Total assets of the trust fund, beginning of year.....	\$28, 190, 939	\$32, 616, 355
RECEIPTS		
Contributions:		
Appropriations.....	27, 494, 643	29, 242, 673
Deposits arising from State agreements.....	2, 758, 436	3, 066, 427
Gross contributions.....	30, 253, 079	32, 309, 101
Less payment into the Treasury for contributions subject to refund.....	298, 406	393, 870
Net contributions.....	¹ 29, 954, 673	¹ 31, 915, 231
Reimbursement from general fund of the Treasury for costs of—		
Noncontributory credits for military service.....	78, 000	78, 000
Payments to noninsured persons aged 72 and over:		
Benefit payments.....	314, 845	322, 148
Administrative expenses.....	5, 680	4, 457
Interest.....	43, 626	44, 310
Total reimbursements for payments to noninsured persons aged 72 and over.....	364, 151	370, 916
Interest:		
Interest on investments.....	1, 348, 569	1, 617, 802
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs.....	1, 074	364
Gross interest.....	1, 349, 643	1, 618, 166
Less interest on amounts transferred to disability insurance trust fund for reimbursement of cost of vocational rehabilitation services.....	30	28
Net interest.....	1, 349, 613	1, 618, 138
Total receipts.....	31, 746, 437	33, 982, 285
DISBURSEMENTS		
Benefit payments.....	² 26, 266, 928	² 31, 101, 018
Transfers to railroad retirement account.....	578, 818	613, 026
Payment for cost of vocational rehabilitation services for disabled beneficiaries:		
For the current fiscal year.....	1, 223	1, 756
Reimbursement to disability insurance trust fund due to adjustment in cost for prior fiscal year.....	16	103
Total.....	1, 239	1, 859
Administrative expenses:		
Department of Health, Education, and Welfare.....	425, 406	480, 714
Treasury Department.....	61, 127	69, 428
Construction of facilities for Social Security Administration.....	4, 517	2, 026
Expenses of the Department of Health, Education, and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	25	30
Interfund transfers due to adjustment in allocation of: ³		
Administrative expenses.....	-14, 769	-482
Costs of construction.....	-2, 240	207
Gross administrative expenses.....	474, 066	551, 922
Less receipts from sale of surplus supplies, materials, etc.....	31	33
Net administrative expenses.....	474, 035	551, 889
Total disbursements.....	27, 321, 020	32, 267, 792
Net addition to the trust fund.....	4, 425, 416	1, 714, 493
Total assets of the trust fund, end of year.....	32, 616, 355	34, 330, 848

¹ Percentage increase in net contributions, 1970 to 1971, 6.5 percent.

² Percentage increase in benefit payments, 1970 to 1971, 18.4 percent.

³ Positive transfers represent transfers from the old-age and survivors insurance trust fund to the other social security trust funds. Negative transfers represent transfers to the old-age and survivor insurance trust fund from the other social security trust funds.

Reference has been made in an earlier section to provisions under which the old-age and survivors insurance and disability insurance trust funds are to be reimbursed annually from the general fund of

the Treasury for costs of granting noncontributory credits for military service performed before 1957. In accordance with these provisions, the Secretary of Health, Education, and Welfare determined, in September 1965, that the annual amounts due were \$87.4 million for the old-age and survivors insurance trust fund and \$18.4 million for the disability insurance trust fund. Annual reimbursements amounting to \$78 million for the old-age and survivors insurance trust fund, and to \$16 million for the disability insurance trust fund were received in December 1970.

Reference has also been made in an earlier section to provisions under which the old-age and survivors insurance trust fund is to be reimbursed annually from the general fund of the Treasury for costs of monthly payments to certain noninsured persons aged 72 and over who have less than three quarters of coverage. The reimbursement in fiscal year 1971 amounted to \$371 million.

The remaining \$1,618 million of receipts consisted of interest on the investments of the trust fund and net interest on amounts of interfund transfers among the old-age and survivors insurance, disability insurance, and hospital insurance trust funds.

Disbursements from the trust fund during the fiscal year totaled \$32,268 million. Of this total \$31,101 million was for benefit payments, an increase of 18.4 percent over the corresponding amount paid in the fiscal year 1970. This increase was due primarily to the 1969 and 1971 amendments which provided for general increases in benefits of 15 percent effective January 1970 and an additional 10 percent effective January 1971, respectively. (Fiscal year 1971 was the first full fiscal year during which the benefit increase provided by the 1969 amendments was operative.) Another factor that contributed to the increase in benefit payments from fiscal year 1970 to fiscal year 1971 was the expected growth in the total number of beneficiaries as the program gradually matures.

Reference has been made in an earlier section to provisions of the Railroad Retirement Act which coordinate the railroad retirement and the old-age and survivors insurance programs and which govern the financial interchanges arising from the allocation of costs between the two systems. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determined that a transfer of \$583,400,000 to the railroad retirement account from the old-age and survivors insurance trust fund would place this trust fund in the same position as of June 30, 1970, as it would have been if railroad employment had always been covered under the Social Security Act. This amount was transferred to the railroad retirement account in June 1971, together with interest to the date of transfer amounting to \$29,626,000.

Expenditures of the old-age and survivors insurance program for the cost of vocational rehabilitation services amounted to \$1,859,000. These services were furnished to disabled adults—dependents of old-age beneficiaries and survivors of deceased insured workers—who were receiving monthly benefits from the old-age and survivors insurance trust fund. (Related administrative expenses of the Department of Health, Education, and Welfare, amounting to \$29,640 are included in the net administrative expenses of the trust fund.)

The remaining \$552 million of disbursements from the old-age and survivors insurance trust fund represents net administrative expenses. Administrative expenses are allocated and charged directly to each of the four trust funds on the basis of provisional estimates. Periodically, as actual experience develops and is analyzed, adjustments to the allocations of administrative expenses, and costs of construction, for prior periods are affected by interfund transfers, with appropriate interest allowances.

Net administrative expenses charged to both the old-age and survivors insurance trust fund and the disability insurance trust fund in fiscal year 1971 totaled \$742 million and represented 2.2 percent of benefit payments during the fiscal year. Corresponding percentages for each of the last 5 years for the system as a whole and for each trust fund separately are shown in table 3.

In table 4, the experience with respect to actual amounts of contributions and benefit payments in fiscal year 1971 is compared with the estimates for fiscal year 1971 which appeared in the 1971 Annual Report of the Board of Trustees. Reference was made in an earlier section to the appropriation of contributions to the trust funds on an estimated basis, with subsequent periodic adjustments to account for differences from the amounts of contributions actually payable on the basis of reported earnings. In interpreting the figures in table 4, it should be noted that the "actual" amount of contributions in fiscal year 1971 reflects the aforementioned type of adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions in fiscal year 1971 does not reflect adjustments to contributions for fiscal year 1971 that were to be made after June 30, 1971. The actual experience for each trust fund was quite close, relatively, to the estimates.

The assets of the old-age and survivors insurance trust fund at the end of fiscal year 1971 totaled \$34,331 million, consisting of \$31,361 million in the form of obligations of the U.S. Government or of federally-sponsored agency obligations, and \$2,970 million in undisbursed balances. Table 5 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1970 and 1971.

The net increase in the par value of the investments owned by the fund during the fiscal year 1971 amounted to \$1,254 million. New securities at a total par value of \$37,126 million were acquired during the fiscal year through the investment of receipts and the reinvestment of funds made available from the maturity of securities. The par value of securities redeemed during the fiscal year was \$35,872 million.

The effective annual rate of interest earned by the assets of the old-age and survivors insurance trust fund during fiscal year 1971 was 4.95 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1971 was 6½ percent, compounded semiannually.

The 1956 amendments provided that the public-debt obligations issued for purchase by the old-age and survivors insurance trust fund and the disability insurance trust fund shall have maturities fixed with due regard for the needs of the funds. Under this provision, the general practice has been to spread the maturity dates for the holdings of special issues as nearly as practicable in equal amounts over a 15-year period. Thus, on June 30, 1971, the old-age and survivors in-

surance trust fund held special issues, totaling \$9,720 million, that were distributed by year of maturity, 1972-80, in equal amounts of \$1,080 million each (table 5). In addition, \$17,528 million was invested in 7-year notes, of varying amounts, maturing on June 30 of each year, 1974-78. (Similarly, with respect to assets of the disability insurance trust fund at the end of fiscal year 1971, \$4,723 million was invested in 7-year notes, of varying amounts, maturing on June 30 of each year, 1974-78.)

TABLE 3.—RELATIONSHIP OF NET ADMINISTRATIVE EXPENSES OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM TO BENEFIT PAYMENTS, BY TRUST FUND, FISCAL YEARS 1967-71

Fiscal year—	Administrative expenses as a percentage of benefit payments for the—		
	Old-age and survivors insurance and disability insurance trust funds, combined	Old-age and survivors insurance trust fund	Disability insurance trust fund
1967	2.2	1.9	5.3
1968	2.5	2.2	5.4
1969	2.3	2.0	5.5
1970	2.1	1.8	5.4
1971	2.2	1.8	5.6

Note: In interpreting the figures in the above table, reference should be made to the applicable text in the current and earlier annual reports.

TABLE 4.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, FISCAL YEAR 1971

	[Amounts in millions]		
	Actual amount	Estimated amount published in 1971 report	Actual as percentage of estimate
Old-age and survivors insurance trust fund:			
Net contributions	\$31,915	\$32,245	99
Benefit payments	31,101	31,085	100
Disability insurance trust fund:			
Net contributions	4,569	4,619	99
Benefit payments	3,381	3,358	101

Note.—In interpreting the figures in the above table, reference should be made to the accompanying text.

TABLE 5.—ASSETS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE, AT END OF FISCAL YEARS 1970 AND 1971

	June 30, 1970		June 30, 1971	
	Par value	Book value ¹	Par value	Book value ¹
INVESTMENTS IN PUBLIC-DEBT OBLIGATIONS				
Public issues:				
Treasury notes:				
5½ percent, 1975	\$7,000,000	\$7,038,958.43	\$7,000,000	\$7,030,458.47
6 percent, 1975	17,450,000	17,450,000.00	17,450,000	17,450,000.00
6¼ percent, 1976	5,000,000	4,993,029.81	5,000,000	4,991,815.53
6½ percent, 1976	22,180,000	22,180,000.00	22,180,000	22,180,000.00
7½ percent, 1976	90,500,000	90,027,244.90	90,500,000	90,104,958.10
8 percent, 1977	15,000,000	15,000,000.00	15,000,000	15,000,000.00
Treasury bonds:				
2½ percent, 1967-72	250	250.00	250	250.00
2¾ percent, investment series B, 1975-80	1,064,902,000	1,064,902,000.00	1,064,902,000	1,064,902,000.00
3 percent, 1995	70,170,000	70,144,828.48	70,170,000	70,145,852.44

See footnotes at end of table, p. 10.

TABLE 5.—ASSETS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, BY TYPE, AT END OF FISCAL YEARS 1970 AND 1971—Continued

	June 30, 1970		June 30, 1971	
	Par value	Book value ¹	Par value	Book value ¹
INVESTMENTS IN PUBLIC-DEBT OBLIGATIONS—Continued				
Public issues—Continued				
Treasury bonds—Continued				
3¼ percent, 1978-83	\$60,200,000	\$59,435,523.92	\$60,200,000	\$59,494,709.12
3¼ percent, 1985	25,700,000	24,410,433.23	25,700,000	24,497,370.35
3½ percent, 1980	449,450,000	453,957,419.07	449,450,000	453,521,217.27
3½ percent, 1990	556,250,000	547,940,320.26	556,250,000	548,364,644.46
3½ percent, 1998	552,037,000	543,290,357.20	552,037,000	543,599,062.36
3½ percent, 1974	24,500,000	24,487,931.81	24,500,000	24,490,716.89
4 percent, 1971	100,000,000	100,197,128.41	100,000,000	100,015,163.89
4 percent, 1973	38,000,000	37,888,539.70	38,000,000	37,924,689.10
4 percent, 1980	153,100,000	153,053,391.64	153,100,000	153,058,255.24
4½ percent, 1974	61,934,000	61,912,263.11	61,934,000	61,918,329.35
4½ percent, 1989-94	91,300,000	90,579,608.82	91,300,000	90,609,835.02
4½ percent, 1974	6,352,000	6,358,763.52	6,352,000	6,356,995.04
4½ percent, 1975-85	78,023,000	77,711,748.47	78,023,000	77,732,731.79
4½ percent, 1987-92	33,000,000	34,818,401.53	33,000,000	34,711,958.49
Total investments in public issues	3,522,048,250	3,507,775,142.31	3,522,048,250	3,508,101,016.91
Obligations sold only to this fund (special issues):				
Notes:				
4¾ percent, 1974	2,720,279,000	2,720,291,000.00	2,270,279,000	2,720,279,000.00
4¾ percent, 1971	1,080,011,000	1,080,011,000.00		
5½ percent, 1975	2,460,795,000	2,460,795,000.00	2,460,795,000	2,460,795,000.00
6½ percent, 1978				
6½ percent, 1976	3,844,864,000	3,844,864,000.00	3,468,850,000	3,468,850,000.00
7½ percent, 1977	5,033,296,000	5,033,296,000.00	3,844,864,000	3,844,864,000.00
Bonds:				
2½ percent, 1971	1,080,011,000	1,080,011,000.00		
2½ percent, 1972	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½ percent, 1973	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½ percent, 1974	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2½ percent, 1975	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3¼ percent, 1975	160,077,000	160,077,000.00	160,077,000	160,077,000.00
3¼ percent, 1976	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3½ percent, 1977	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
3½ percent, 1978	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
4½ percent, 1978	658,444,000	658,444,000.00	658,444,000	658,444,000.00
4½ percent, 1979	421,567,000	421,567,000.00	421,567,000	421,567,000.00
4½ percent, 1980	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
4½ percent, 1980	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
Total obligations sold only to this fund (special issues)	25,939,355,000	25,939,355,000.00	27,248,183,000	27,248,183,000.00
Total investments in public-debt obligations	29,461,403,250	29,447,130,142.31	30,770,231,250	30,756,284,016.91
INVESTMENTS IN FEDERALLY-SPONSORED AGENCY OBLIGATIONS¹				
Agency securities: Federal National Mortgage Association Debentures:				
5½ percent, 1970	20,000,000	19,996,666.63		
Participation certificates:				
Federal assets liquidation trust—Government National Mortgage Association:				
5.10-percent, 1987	50,000,000	50,000,000.00	50,000,000	50,000,000.00
5.20-percent, 1982	100,000,000	100,000,000.00	100,000,000	100,000,000.00
5½ percent, 1972	50,000,000	50,000,000.00	50,000,000	50,000,000.00
Federal assets financing trust—Government National Mortgage Association:				
6-percent, 1971	35,000,000	35,000,000.00		
6.05-percent, 1988	65,000,000	64,785,703.27	65,000,000	64,797,890.83
6.20-percent, 1988	230,000,000	230,000,000.00	230,000,000	230,000,000.00
6.40-percent, 1987	75,000,000	75,000,000.00	75,000,000	75,000,000.00
6.45-percent, 1988	35,000,000	35,000,000.00	35,000,000	35,000,000.00
Total investments in federally-sponsored agency obligations	660,000,000	659,782,369.90	605,000,000	604,797,890.83
Total investments	30,121,403,250	30,106,912,512.21	31,375,231,250	31,361,081,907.74
Undisbursed balances		2,509,442,784.44		2,969,766,076.05
Total assets		32,616,355,296.65		34,330,847,983.79

¹ Par value, plus unamortized premium, less discount outstanding.

The circumstances under which the 7-year notes maturing on June 30, 1978, were acquired in June 1971 were similar to those under which the other 7-year notes had been acquired. Briefly, the interest rate on special issues acquired in June 1971, as determined under section 201(d) of the Social Security Act, was 6½ percent, while the interest rate on long-term issues is limited to 4¼ percent. Therefore, the established pattern of spreading the maturities equally over a 15-year period could not be followed, and the entire available amount was invested in 6½ percent 7-year notes, the longest-term issue then possible at the prescribed interest rate. A fuller description of these investment operations is contained in the 1968 annual report.

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1971

A statement of the income and disbursements of the Federal disability insurance trust fund during fiscal year 1971 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 6. Also appearing in the table are comparable amounts for fiscal year 1970.

The total assets of the disability insurance trust fund amounted to \$5,104 million on June 30, 1970. By the end of fiscal year 1971 the assets amounted to \$6,408 million, an increase of \$1,305 million.

TABLE 6.—STATEMENT OF OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING FISCAL YEARS 1970 AND 1971

[In thousands]

	Fiscal year 1970	Fiscal year 1971
Total assets of the trust fund, beginning of year.....	\$3, 677, 539	\$5, 103, 596
RECEIPTS		
Contributions:		
Appropriations.....	3, 808, 430	4, 182, 690
Deposits arising from State agreements.....	371, 416	445, 590
Gross contributions.....	4, 179, 846	4, 628, 279
Less payment into the Treasury for contributions subject to refund.....	38, 488	58, 810
Net contributions.....	4, 141, 358	4, 569, 470
Reimbursement from general fund of the Treasury for costs of noncontributory credits for military service.....	16, 000	16, 000
Interest:		
Interest on investments.....	222, 953	325, 461
Interest on amounts transferred from old-age and survivors insurance trust fund for reimbursement of cost of vocational rehabilitation services.....	30	28
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs ²	-221	-421
Total interest.....	222, 762	325, 068
Total receipts.....	4, 380, 120	4, 910, 538
DISBURSEMENTS		
Benefit payments.....	3, 278, 118	3, 381, 448
Transfers to railroad retirement account.....	10, 439	13, 240
Payment for cost of vocational rehabilitation services for disabled beneficiaries:		
Gross payment.....	16, 503	21, 345
Less reimbursement from old-age and survivors insurance trust fund due to adjustment in cost for prior fiscal year.....	16	103
Net payment.....	16, 487	21, 242

See footnotes at end of table, p. 12.

TABLE 6.—STATEMENT OF OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING FISCAL YEARS 1970 AND 1971—CONTINUED

[In Thousands]

	Fiscal year 1970	Fiscal year 1971
Administrative expenses:		
Department of Health, Education, and Welfare.....	\$135,340	\$172,738
Treasury Department.....	7,539	8,969
Construction of facilities for Social Security Administration.....	1,862	476
Expenses of the Department of Health, Education, and Welfare for administration of vocational rehabilitation program for disabled beneficiaries.....	335	360
Interfund transfers due to adjustment in allocation of — ⁴		
Administrative expenses.....	3,504	7,664
Costs of construction.....	449	—320
Gross administrative expenses.....	149,030	189,887
Less receipts from sale of surplus supplies, materials, etc.....	10	12
Net administrative expenses.....	149,020	189,875
Total disbursements.....	2,954,063	3,605,805
Net addition to the trust fund.....	1,426,057	1,304,732
Total assets of the trust fund, end of year.....	5,103,596	6,408,329

¹ Percentage increase in net contributions, 1970 to 1971, 10.3 percent.

² Negative transfers of interest represent transfers of interest from the disability insurance trust fund to the other social security trust funds.

³ Percentage increase in benefit payments, 1970 to 1971, 21.7 percent.

⁴ Positive transfers represent transfers from the disability insurance trust fund to the other social security trust funds. Negative transfers represent transfers to the disability insurance trust fund from the other social security trust funds.

Net receipts of the fund amounted to \$4,911 million. Of this total \$4,183 million represented contributions appropriated to the fund, and \$446 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$59 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum earnings base. Net contributions amounted to \$4,569 million, representing an increase of 10.3 percent over the amount for the preceding fiscal year.

This increase is accounted for, in part, by the same factors, insofar as they apply to contributions of the disability insurance trust fund, that accounted for the increase in contributions to the old-age and survivors insurance trust fund (described in the preceding section), and in part by the provision in the 1969 amendments that increased the portion of the contribution rate allocated to finance benefits from the disability insurance trust fund. Effective January 1, 1970, the allocated rate for employees and employers was increased from 0.475 percent of taxable earnings each to 0.55 percent each. For the self-employed, the allocated rate was increased from 0.7125 percent to 0.825 percent. Although these increases in the contribution rates became effective in 1970, the first full fiscal year during which the higher rates were operative was 1971.

In addition, the trust fund received \$16 million in December from the general fund of the Treasury, as reimbursement for the costs of noncontributory credits for military service.

The remaining \$325 million of receipts consisted of interest on the investments of the fund and net interest on amounts of interfund transfers.

Disbursements from the fund during the fiscal year 1971 totaled \$3,606 million. Of this total, \$3,381 million was for benefit payments, an increase of 21.7 percent over the corresponding amount paid in the fiscal year 1970. This increase is accounted for by the same factors that resulted in the increase in benefit payments from the old-age and survivors insurance trust fund (described in the preceding section).

Provisions governing the financial interchanges between the railroad retirement account and the disability insurance trust fund are similar to those referred to in the preceding section relating to the old-age and survivors insurance trust fund. The determination made as of June 30, 1970, required that a transfer of \$12,600,000 be made from the disability insurance trust fund to the railroad retirement account. This amount was transferred to the railroad retirement account in June 1971, together with interest to the date of transfer amounting to \$640,000.

The remaining disbursements amounted to \$190 million for net administrative expenses and \$21 million for the net cost of vocational rehabilitation services furnished to disabled-worker beneficiaries and to those dependents of disabled workers who are receiving benefits on the basis of disabilities that have continued since childhood.

Section 222(d) of the Social Security Act provides that the total amount of funds that may be made available for payment for the costs of vocational rehabilitation services, including applicable administrative expenses of State agencies, in a fiscal year may not exceed 1 percent of the benefits certified for payment in the preceding year from the old-age and survivors insurance trust fund and the disability insurance trust fund to disabled persons receiving benefits because of their disability. The following table shows the relationship between the total amount of payment for the costs of such rehabilitation services for each fiscal year, 1968-71, and the corresponding amount of benefits paid in the prior fiscal year from the trust funds to disabled beneficiaries (amounts in thousands):

Fiscal year—	Estimated amount of benefit payments in preceding fiscal year to disabled beneficiaries	Payment for costs of rehabilitation services ¹	
		Total	As percent of preceding year's benefit payments
1968.....	\$1,600,682	\$15,981	1.00
1969.....	1,803,680	16,677	.92
1970.....	2,158,331	20,145	.93
1971.....	2,473,144	21,108	.85

¹ The amounts shown represent the expenditures for a fiscal year and differ from amounts expended in a fiscal year as shown in accounting statements of the trust funds on a cash basis. The amount for a fiscal year is subject to further change, but not to an amount that exceeds 1 percent of estimated benefit payments in preceding fiscal year to disabled beneficiaries.

The assets of this fund at the end of fiscal year 1971 totaled \$6,408 million, consisting of \$6,076 million in the form of obligations of the U.S. Government or of federally-sponsored agency obligations and \$332 million in undisbursed balances. Table 7 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1970 and 1971.

The net increase in the par value of the investments owned by the fund during the fiscal year amounted to \$1,243 million. New securities at a total par value of \$6,228 million were acquired during the fiscal year through the investment of receipts of the fund, the reinvestment of funds made available from the maturity of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the year was \$4,985 million.

The effective annual rate of interest earned by the assets of the disability insurance trust fund during fiscal year 1971 was 5.8 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1971 was 6½ percent, compounded semiannually.

TABLE 7.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT END OF FISCAL YEARS 1970 AND 1971

	June 30, 1970		June 30, 1971	
	Par value	Book value ¹	Par value	Book value ¹
INVESTMENTS IN PUBLIC-DEBT OBLIGATIONS				
Public issues:				
Treasury notes:				
5¼-percent, 1975	\$10,000,000	\$10,065,476.37	\$10,000,000	\$10,051,190.73
6-percent, 1975	3,750,000	3,750,000.00	3,750,000	3,750,000.00
6½-percent, 1976			2,000,000	2,006,731.69
7½-percent, 1976	26,000,000	25,884,268.33	26,000,000	25,903,292.77
7¾-percent, 1977			14,000,000	13,969,216.87
8-percent, 1977	10,000,000	10,000,000.00	10,000,000	10,000,000.00
Treasury bonds:				
3½-percent, 1990	10,500,000	9,958,178.18	10,500,000	9,985,845.74
3½-percent, 1998	5,000,000	4,705,134.80	5,000,000	4,715,541.80
3½-percent, 1974	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4-percent, 1970	14,000,000	13,998,624.06		
4-percent, 1972	4,000,000	3,990,886.44	2,000,000	1,997,600.84
4-percent, 1973	16,500,000	16,426,329.48	16,500,000	16,450,222.56
4-percent, 1980	30,250,000	30,242,006.93	30,250,000	30,242,840.81
4½-percent, 1974	10,000,000	10,009,862.24	10,000,000	10,007,109.92
4½-percent, 1989-94	68,400,000	67,606,185.48	68,400,000	67,639,492.32
4½-percent, 1975-85	20,795,000	20,776,672.30	20,795,000	20,777,415.58
4½-percent, 1987-92	80,800,000	80,954,220.51	80,800,000	80,945,193.03
Total investments in public issues	314,995,000	313,367,845.12	314,995,000	313,441,694.66
Obligations sold only to this fund (special issues):				
Notes:				
4½-percent, 1974	309,178,000	309,178,000.00	309,178,000	309,178,000.00
4½-percent, 1971	4,486,000	4,486,000.00		
5½-percent, 1975	583,612,000	583,612,000.00	583,612,000	583,612,000.00
6½-percent, 1978			1,284,249,000	1,284,249,000.00
6½-percent, 1976	1,151,608,000	1,151,608,000.00	1,151,608,000	1,151,608,000.00
7½-percent, 1977	1,394,466,000	1,394,466,000.00	1,394,466,000	1,394,466,000.00
Bonds:				
2½-percent, 1974	77,006,000	77,006,000.00		
2½-percent, 1975	132,894,000	132,894,000.00	75,144,000	75,144,000.00
3½-percent, 1974	20,738,000	20,738,000.00	132,894,000	132,894,000.00
3½-percent, 1975	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3½-percent, 1976	153,632,000	153,632,000.00	20,738,000	20,738,000.00
3½-percent, 1977	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3½-percent, 1978	153,632,000	153,632,000.00	153,632,000	153,632,000.00
4½-percent, 1979	153,632,000	153,632,000.00	153,632,000	153,632,000.00
4½-percent, 1980	125,606,000	125,606,000.00	153,632,000	153,632,000.00
125,606,000	125,606,000.00	125,606,000	125,606,000.00	
Total obligations sold only to this fund (special issues)	4,434,860,000	4,434,860,000.00	5,712,761,000	5,712,761,000.00
Total investments in public-debt obligations	4,749,855,000	4,748,227,845.12	6,027,756,000	6,026,202,694.66

See footnotes at end of table, p. 15.

TABLE 7.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT END OF FISCAL YEARS 1970 AND 1971—
Continued

	June 30, 1970		June 30, 1971	
	Par value	Book value ¹	Par value	Book value ¹
INVESTMENTS IN FEDERALLY SPONSORED AGENCY OBLIGATIONS				
Agency securities: Federal National Mortgage Association debentures: 5¼-percent, 1970.....	\$20,000,000	\$19,996,666.63	-----	-----
Participation certificates:				
Federal Assets Liquidation Trust—Government National Mortgage Association: 5½ percent, 1972.....	50,000,000	50,000,000.00	\$50,000,000	\$50,000,000.00
Federal Assets Financing Trust—Government National Mortgage Association: 6.30-percent, 1971.....	15,000,000	15,000,000.00	-----	-----
Total investments in federally sponsored agency obligations.....	85,000,000	84,996,666.63	50,000,000	50,000,000.00
Total investments.....	4,834,855,000	4,833,224,511.75	6,077,756,000	6,076,202,694.66
Undisbursed balances.....	-----	270,371,660.59	-----	332,125,938.04
Total assets.....	-----	5,103,596,172.34	-----	6,408,328,632.70

¹ Par value, plus unamortized premiums, less discount outstanding.

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1971, TO DECEMBER 31, 1976

In the following statement of the expected operations and status of the trust funds during the period July 1, 1971, to December 31, 1976, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Because it is difficult to foresee economic developments, the assumptions and the resulting estimates here presented are subject to some uncertainty. 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.

Table 8 presents data on the actual operations of the old-age and survivors insurance trust fund for selected fiscal years during the period 1940-71¹ and also estimates of the expected operations of the trust fund in fiscal years 1972-76. The estimates are based on the assumption that employment and earnings will increase each year through 1976. The earnings increase assumptions are those derived for the Federal budget. Under these assumptions, the estimated number of persons with taxable earnings under the old-age, survivors, and disability insurance program is expected to increase from 96.0 million during calendar year 1972 to 106.2 million during calendar year 1976; their taxable earnings are estimated to increase from \$490 billion in 1972 to \$612 billion in 1976. The increase in estimated total taxable

¹ Data relating to the operations of the old-age and survivors insurance trust fund for years not shown in tables 8 and 9 are contained in the 1967 Annual Report of the Board of Trustees.

earnings and income from contributions in fiscal years 1972-76 reflects the assumed upward trend in the levels of employment and earnings, as well as the effects of the increase in the maximum amount of earnings taxable and creditable under the program, effective January 1, 1972, and the scheduled increases in contribution rates effective on January 1, 1973, and January 1, 1976. Benefit disbursements increase because of the long-range upward trend in the numbers of beneficiaries and in the average monthly amounts of benefits payable under the program. Aggregate income of the old-age and survivors insurance trust fund is estimated to exceed aggregate outgo in the 5-year period covering fiscal years 1972-76. During this period, there is an estimated net increase in the old-age and survivors insurance trust fund of \$47.9 billion.

Estimates consistent with those shown on a fiscal-year basis in table 8 are presented in table 9 to show the progress of the old-age and survivors insurance trust fund on a calendar-year basis. The trust fund is estimated to increase in each of the calendar years 1972-76, reaching \$86.7 billion on December 31, 1976.

The growth in the number of beneficiaries in the past and the expected growth in the future are attributable in large measure to the rising number of workers who are eligible for and receiving old-age (primary) benefits. The growth in the number of eligible workers since 1940 has been uninterrupted. This growth results partly from the increase in the population at these ages and partly from two other factors—(1) in each passing year a larger proportion of the persons attaining age 65 has had fully insured status and (2) the amendments during the period 1950-67 liberalized the eligibility provisions and extended coverage to new categories of employment.

In addition, there has been a growth in the proportion of eligible workers who receive benefits. In the early years of the program, a considerable proportion of the workers who were eligible for old-age (primary) benefits remained in, or returned to, covered employment and therefore did not receive benefits. Since 1945, however, the proportion of eligible workers receiving retirement benefits has been increasing, except for temporary halts due to special circumstances resulting from the amendments of 1950 and 1954. In general, due to the increasing percentage of eligible aged 72 or over, who receive benefits regardless of earnings, the upward trend in this proportion is expected to continue, although at a slower rate than in the past.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in table 10, together with the figures on actual experience in earlier years. Contribution income will continue to increase during fiscal years 1972-76 because of the same factors, insofar as they apply to contributions to the disability insurance trust fund, that account for the increase in contributions to the old-age and survivors insurance trust fund, during the same period. Benefit payments will continue to increase as the numbers of beneficiaries and the average monthly benefit amounts payable increase. Aggregate income of the disability insurance trust fund is expected to exceed aggregate outgo in the 5-year period covering fiscal years 1972-76. During this period there is an estimated net increase in the trust fund of \$8.0 billion.

TABLE 8.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, SELECTED FISCAL YEARS 1940-76

[In millions]

Fiscal year—	Transactions during period										
	Income					Disbursements					
	Total	Contributions, less refunds	Reimbursements from General Fund of Treasury for costs of—		Interest on investments ²	Total	Benefit payments ²	Administrative expenses ²	Transfers to railroad retirement account	Net increase in fund	Fund at end of period
			Noncontributory credits for military service	Payments to noninsured persons aged 72 and over ¹							
1940	\$592	\$550			\$42	\$28	\$16	\$12		\$564	\$1,745
1945	1,434	1,310			124	267	240	27		1,167	6,613
1950	2,367	2,106	\$4		257	784	727	57		1,583	12,893
1955	5,525	5,087			438	4,427	4,333	103	-\$10	1,098	21,141
1960	10,360	9,843			517	11,073	10,270	202	600	-713	20,869
1961	11,824	11,293			531	11,752	11,185	236	332	-72	20,900
1962	11,996	11,455			541	13,270	12,658	251	361	-1,274	19,626
1963	13,843	13,328			515	14,530	13,845	263	423	-687	18,939
1964	16,044	15,503			542	15,285	14,579	303	403	760	19,699
1965	16,443	15,857			586	15,962	15,226	300	436	482	20,180
1966	18,461	17,866			595	18,769	18,071	254	444	-308	19,872
1967	23,371	22,567	78		726	19,728	18,886	334	508	3,643	23,515
1968	23,640	22,662	78		899	21,622	20,737	447	438	2,018	25,533
1969	27,348	25,953	156	\$226	1,014	24,690	23,734	465	491	2,658	28,191
1970	31,746	29,955	78	364	1,350	27,321	26,268	474	579	4,425	32,616
1971	33,982	31,915	78	371	1,618	32,268	31,103	552	613	1,714	34,331
Estimated future experience:											
1972	37,967	35,760	137	351	1,719	35,835	34,543	583	709	2,132	36,463
1973	44,586	42,162	138	337	1,949	37,537	36,173	618	746	7,049	43,512
1974	50,119	47,252	139	301	2,427	39,083	37,770	642	671	11,036	54,548
1975	53,540	50,046	140	263	3,091	40,762	39,451	671	640	12,778	67,326
1976	57,441	53,234	141	231	3,835	42,525	41,196	700	629	14,916	82,242

¹ Under section 228 of the Social Security Act, the trust fund is reimbursed from the general fund of the Treasury for the cost of payments to beneficiaries with less than 3 quarters of coverage.

² Interest on investments includes net profits on marketable investments. Total administrative expenses exclude expenses for the period ending Dec. 31, 1939; for that period, appropriations to the old-age and survivors insurance trust fund (designated as the old-age reserve account prior to Jan. 1, 1940) were approximately equivalent to tax contributions collected by the Treasury Department less administrative expenses. Beginning in 1954, administrative expenses include costs of construction of office space for the Social Security Administration. Beginning in 1967, administrative expenses incurred under each of the 4 programs, old-age and survivors insurance, disability insurance, hospital insurance, and supplementary medical insurance, are charged currently to the appropriate trust

fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on investments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 annual report of the Board of Trustees.

³ Beginning in 1967, includes relatively small amounts of payments for vocational rehabilitation services furnished to disabled persons receiving benefits from the trust fund because of their disability.

Note: In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in January 1972.

TABLE 9.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, SELECTED CALENDAR YEARS 1940-76

[In millions]

Calendar year—	Transactions during period										Fund at end of period
	Income					Disbursements					
	Total	Reimbursements from General Fund of Treasury for costs of—			Interest on investments	Total	Benefit payments	Administrative expenses	Transfers to railroad retirement account	Net increase in fund	
		Contributions, less refunds	Noncontributory credits for military service	Payments to noninsured persons aged 72 and over							
1940	\$368	\$325			\$43	\$62	\$35	\$26			
1945	1,420	1,285			134	304	274	30		\$306	\$2,031
1950	2,928	2,667			257	1,022	961	61		1,116	7,121
1955	6,167	5,713	\$4		454	5,079	4,968	119		1,905	13,721
1960	11,382	10,866			516	11,198	10,677	203		1,087	21,663
1961	11,833	11,285			548	12,432	11,862	239		184	20,324
1962	12,585	12,059			526	13,973	13,356	256		—599	19,725
1963	15,063	14,541			521	14,920	14,217	281		361	18,337
1964	16,258	15,689			569	15,613	14,914	296		423	18,480
1965	16,610	16,017			593	17,501	16,737	328		463	19,125
1966	21,302	20,580	78		644	18,967	18,267	256		444	18,235
1967	24,034	23,138	78		818	20,382	19,468	406		508	20,570
1968	25,040	23,719	156	\$226	939	23,557	22,643	476		438	24,222
1969	29,554	27,947	78	364	1,165	25,176	24,210	474		491	25,704
1970	32,220	30,256	78	371	1,515	29,848	28,798	471		579	30,082
1971	35,877	33,723	137	351	1,667	34,542	33,414	514		613	32,454
Estimated future experience:											
1972	40,519	38,210	138	337	1,834	36,676	35,358	609		709	3,843
1973	47,529	44,901	139	301	2,188	38,346	36,972	628		746	9,183
1974	51,286	48,124	140	263	2,759	39,937	38,611	655		671	11,349
1975	54,470	50,635	141	231	3,463	41,646	40,322	684		640	12,824
1976	59,144	54,543	142	199	4,260	43,447	42,104	714		629	15,697

Note: In interpreting the above, reference should be made to the footnotes in table 8.

TABLE 10.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND, FISCAL YEARS 1957-76

(In millions)

	Transactions during period									Fund at end of period	
	Income				Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for cost of noncontributory credits for military service	Interest on investments ¹	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses ¹	Transfers to railroad retirement account		Net increase in fund
Fiscal year:											
1957	\$339	\$337		\$1	\$1			\$1		\$337	\$337
1958	942	926		16	181	\$168		12		762	1,099
1959	928	895		33	361	339		21		568	1,667
1960	1,034	987		47	523	528		32	-\$27	501	2,167
1961	1,083	1,022		61	745	704		36	5	337	2,504
1962	1,089	1,021		68	1,086	1,011		64	11	2	2,507
1963	1,144	1,077		67	1,257	1,171		67	20	-113	2,394
1964	1,208	1,143		65	1,338	1,251		68	19	-130	2,264
1965	1,237	1,175		62	1,495	1,392		79	24	-257	2,007
1966	1,611	1,557		54	1,931	1,721	\$1	183	25	-321	1,686
1967	2,332	2,249	\$16	67	1,997	1,861	7	99	31	335	2,022
1968	2,800	2,699	16	85	2,236	2,088	15	112	20	564	2,585
1969	3,705	3,532	32	141	2,613	2,443	15	133	21	1,092	3,678
1970	4,380	4,141	16	223	2,954	2,778	16	149	10	1,426	5,104
1971	4,911	4,569	16	325	3,606	3,381	21	190	13	1,305	6,408
Estimated future experience:											
1972	5,298	4,856	50	392	4,217	3,961	28	217	11	1,081	7,489
1973	5,969	5,461	51	457	4,505	4,236	33	218	18	1,464	8,953
1974	6,454	5,860	52	542	4,796	4,511	35	236	14	1,658	10,611
1975	6,898	6,206	52	640	5,079	4,778	38	249	14	1,819	12,430
1976	7,281	6,486	53	742	5,344	5,029	40	262	13	1,937	14,367

¹ Interest on investments include net profits on marketable investments. Beginning in 1967, administrative expenses incurred under the disability insurance program are charged directly to the trust fund on a current (preliminary) basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on invest-

ments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 annual report of the Board of Trustees.

Note: In interpreting the estimate, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in January 1972.

Estimates consistent with those shown on a fiscal-year basis in table 10 are presented in table 11 to show the progress of the disability insurance trust fund on a calendar-year basis. The trust fund is expected to increase in each of the calendar years 1972-76, reaching about \$14.9 billion on December 31, 1976.

For each trust fund, the ratio of the assets at the beginning of the year to the expenditures during the year is shown in table 12, for calendar years 1960-76. For the old-age and survivors insurance trust fund, the ratio was 0.94 for calendar year 1971. During the next 5 calendar years, the ratio is estimated to increase from 0.92 for 1972 to 1.63 for 1976.

For the disability insurance trust fund, the ratio was 1.40 for calendar year 1971. During the next 5 calendar years, the ratio will increase from 1.53 for 1972 to 2.36 for 1976.

Reference has been made in earlier sections to the financial interchanges between the railroad retirement account and the two trust funds, under the provisions of the Railroad Retirement Act. The estimates shown in the various tables in this section reflect the effect of future financial interchanges.

Reference has also been made previously to the provisions of section 228 of the Social Security Act under which benefits are paid initially from the old-age and survivors insurance trust fund to certain noninsured persons aged 72 and over, with later reimbursement from the general fund of the Treasury for the costs of payments to those in this group who have less than three quarters of coverage. The estimates in the tables in this section reflect the effect of these provisions.

The estimates in the tables in this section also reflect the effect of the provisions in section 222(d) of the Social Security Act authorizing expenditures from the old-age and survivors insurance and disability insurance trust funds for the cost of vocational rehabilitation services furnished to disabled beneficiaries.

Reference has also been made previously to sections 217(g) and 229(b) of the Social Security Act authorizing annual reimbursements from the general fund of the Treasury to the old-age and survivors insurance and disability insurance trust funds for costs of granting noncontributory credits for military service. In accordance with section 217(g), the Secretary of Health, Education, and Welfare made a determination in 1970 of the level annual appropriations to the trust funds necessary to amortize over a 44-year period, beginning in fiscal year 1972, the estimated total additional costs arising from payments that have been made after August 1950 and that will be made in future years, taking into account the amounts of annual appropriations in fiscal years 1966-71 that have been deposited into the trust funds. (The annual amount of this determination for the old-age and survivors insurance trust fund was \$136 million, and for the disability insurance trust fund, \$49 million.) The estimates shown in the various tables in this section reflect the effect of past and expected future reimbursements under both sections, 217(g) and 229(b).

TABLE 11.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND, CALENDAR YEARS 1957-76

(In millions)

	Transactions during period										
	Income				Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for cost of noncontributory credits for military service	Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account	Net increase in fund	Fund at end of period
Calendar year:											
1957	\$709	\$702	-----	\$7	\$59	\$57	-----	\$3	-----	\$649	\$649
1958	991	966	-----	25	261	249	-----	12	-----	729	1,379
1959	931	891	-----	40	485	457	-----	50	\$22	447	1,825
1960	1,063	1,010	-----	53	600	568	-----	36	5	464	2,289
1961	1,104	1,038	-----	66	956	887	-----	64	5	148	2,437
1962	1,114	1,046	-----	68	1,183	1,105	-----	66	11	69	2,368
1963	1,165	1,099	-----	66	1,297	1,210	-----	68	20	133	2,235
1964	1,218	1,154	-----	64	1,407	1,309	-----	79	19	188	2,047
1965	1,247	1,188	-----	59	1,687	1,573	-----	90	24	440	1,606
1966	2,079	2,006	\$16	58	1,947	1,781	-----	137	25	133	1,739
1967	2,379	2,286	16	78	2,089	1,939	11	109	31	290	2,029
1968	3,454	3,316	32	106	2,458	2,294	16	127	20	996	3,025
1969	3,792	3,599	16	177	2,716	2,542	15	138	21	1,075	4,100
1970	4,774	4,481	16	277	3,259	3,067	18	164	10	1,514	5,614
1971	5,031	4,620	50	361	4,000	3,758	24	205	13	1,031	6,645
Estimated future experience:											
1972	5,664	5,189	51	424	4,335	4,076	30	218	11	1,329	7,974
1973	6,142	5,590	52	500	4,650	4,372	33	227	18	1,492	9,466
1974	6,610	5,967	52	591	4,940	4,648	36	242	14	1,670	11,136
1975	7,022	6,278	53	691	5,214	4,905	39	256	14	1,808	12,944
1976	7,401	6,556	54	791	5,477	5,154	41	269	13	1,924	14,868

Note: In interpreting the above, reference should be made to the footnotes in table 10.

TABLE 12.—ASSETS, AT THE BEGINNING OF THE YEAR, RELATED TO EXPENDITURES DURING THE YEAR, FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM, BY TRUST FUND, CALENDAR YEARS 1960-76

Calendar year	Ratio of assets, at beginning of year, to expenditures during year		
	Old-age and survivors in- surance and disability insurance trust funds, combined	Old-age and survivors insurance trust fund	Disability insurance trust fund
Past experience:			
1960.....	1.86	1.80	3.04
1961.....	1.69	1.63	2.39
1962.....	1.46	1.41	2.06
1963.....	1.28	1.23	1.83
1964.....	1.22	1.18	1.59
1965.....	1.10	1.09	1.21
1966.....	.95	.96	.82
1967.....	.99	1.01	.83
1968.....	1.01	1.03	.83
1969.....	1.03	1.02	1.11
1970.....	1.03	1.01	1.26
1971.....	.99	.94	1.40
Estimated future experience:			
1972.....	.99	.92	1.53
1973.....	1.06	.98	1.71
1974.....	1.25	1.17	1.92
1975.....	1.48	1.40	2.14
1976.....	1.72	1.63	2.36

ACTUARIAL ANALYSIS OF BENEFIT DISBURSEMENTS FROM THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES

(Specifically required by Sec. 201(c) of the Social Security Act)

Effective January 1957, monthly benefits have been payable from the old-age and survivors insurance trust fund to disabled adult children aged 18 and over—sons and daughters of retired and deceased workers—with respect to disabilities that have continued since childhood. Effective February 1968, reduced monthly benefits have been payable from this trust fund to disabled widows and widowers beginning at age 50.

On December 31, 1971, about 355,000 persons were receiving monthly benefits from the old-age and survivors insurance trust fund with respect to disability. In addition to disabled beneficiaries, this total includes 28,000 mothers. These mothers—wives under age 65 of retired-worker beneficiaries and widows of deceased insured workers—met all other qualifying requirements and were receiving benefits solely because they had at least one disabled-child beneficiary in their care. Benefits paid from this trust fund to this class of beneficiaries totaled \$381 million in calendar year 1971, or 0.090 percent of taxable earnings for that year. Similar figures are presented in table 13 to show the past experience in each of the calendar years 1957-71.

Table 13 also shows the expected future experience in calendar years 1972-76. Total benefit payments from the old-age and survivors insurance trust fund with respect to disabled beneficiaries will increase from \$406 million in calendar year 1972 to \$498 million in 1976.

In calendar year 1971, benefit payments (including expenditures for vocational rehabilitation services) with respect to disabled persons from the old-age and survivors insurance trust fund and from the