

The net increase in the par value of the investments owned by the fund during the fiscal year amounted to \$1,230 million. New securities at a total par value of \$17,769 million were acquired during the fiscal year through the investment of receipts and the reinvestment of funds made available from the redemption of securities. The par value of securities redeemed during the year was \$16,538 million. Included in these amounts are \$15,233 million in certificates of indebtedness that were acquired, and \$14,933 million in certificates of indebtedness that were redeemed, within the fiscal year.

The effective annual rate of interest earned by the assets of the DI trust fund during the 12 months ending on June 30, 1979 was 7.9 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1979 was 8¼ percent, payable semiannually.

The investment policy and practices described in the preceding section concerning the OASI trust fund apply equally to investments of the assets of the DI trust fund.

## VII. ACTUARIAL COST PROJECTIONS

The actuarial cost projections that appear in this report are based on the assumption that the present statutory provisions and regulations affecting the OASDI program will not change during the projection period. The projections include the effect of the Disability Amendments of 1980 which were enacted in June.

Section 201(c) of the Social Security Act requires that the Board of Trustees report annually to the Congress on the operations and status of the OASI and DI trust funds during preceding fiscal year and on the expected operations and status of those trust funds during the ensuing 5 fiscal years. Such information for the fiscal year that ended September 30, 1979 is presented in the preceding section of this report. Such information for fiscal years 1980-84 is presented later in this section.

Section 201(c) of the Social Security Act also requires that the annual report of the Board of Trustees include "a statement of the actuarial status of the trust funds." Such statements have customarily been made for the medium-range period (25 years) and the long-range period (75 years), each period commencing with the year of the issuance of the report.

Basic to the discussion of the medium-range or long-range actuarial status of either trust fund is the concept of expenditures as a percentage of taxable payroll. The expenditures include benefit payments, administrative expenses, net transfers under the financial interchange between the OASDI trust funds and the railroad retirement account and payments for vocational rehabilitation services for disabled beneficiaries. The taxable payroll consists of the total earnings which are subject to social security taxes. These earnings are adjusted to reflect the lower effective contribution rates which apply to self-employment income, tips and multiple-employer "excess wages." With this adjustment, the expenditures divided by the taxable payroll and expressed as a percentage can be compared directly to the combined employer-employee tax rate in the law.

Over the medium-range and long-range periods, the actuarial status of the trust funds is measured by the actuarial balance, which is the difference between the average of the tax rates scheduled in the law

and the estimated average of the future expenditures expressed as a percentage of taxable payroll. If the actuarial balance is positive, the system is said to have an actuarial surplus, and if negative, to have an actuarial deficit. Such a deficit, if it exists, is a warning that, unless the projected trends turn out to be too pessimistic, changes in the system will be needed to make it viable in the future.

Related to the concept of actuarial balance is that of "close actuarial balance." In recent years, the system has been said to be in "close actuarial balance" over the long-range period if the average of the scheduled tax rates over the 75-year period is between 95 and 105 percent of the estimated average expenditure as a percentage of taxable payroll.

Statements of the current actuarial status are presented later in this section. The methods used to estimate the actuarial status are described in Appendix A.

In recent years, the general philosophy of financing the OASDI program has been that the annual tax revenues should approximately equal the annual expenditures, and the trust funds have been intended only to absorb temporary excesses of expenditures over income. Under this "current-cost" method of financing, the trust funds should not grow too large (through continued annual surpluses) nor too small (through continued annual deficits). Although there is no general agreement regarding the optimum trust fund size, it should be sufficient to allow time for executive and legislative action to prevent exhaustion of the trust fund during a period of continued annual deficits. The 1979 Advisory Council on Social Security found that a trust fund balance of 75 percent of annual expenditures is sufficient for such a contingency.

Projections of trust fund assets at the beginning of the year as a percentage of trust fund expenditures during the year (called trust fund ratios) are presented in a later section.

#### A. ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS

The future income and expenditures of the OASDI system will depend upon many economic and demographic factors, including fertility, mortality, net immigration, labor force participation, marriage, divorce, productivity, unemployment, inflation, prevalence of retirement and prevalence of disability. The income of the system will

depend upon how these factors affect the size and composition of the working population and the general level of earnings. Similarly, expenditures will depend upon how these factors affect the size and composition of the beneficiary population and the general level of benefits. Of course, the precise forecasting of the behavior of these various factors is impossible.

The cost projections presented in this report result from using the best available knowledge of economic and demographic factors and their interrelationships to make objective assumptions about future developments. These projections are a meaningful indicator of the trend and range of future income and expenditures. Although, as with all projections, they cannot be considered exact predictions of emerging experience, they do provide insights which are essential for making informed policy decisions.

Because future income and expenditures will depend upon uncertain economic and demographic developments, three sets of projections are presented in this report—designated as alternatives I, II and III. Alternative II is also referred to in this report as the intermediate set of assumptions (or, more briefly, the intermediate assumptions). Alternatives I and III may be characterized, respectively, as more “optimistic” and more “pessimistic” than alternative II. For ease of reference, alternatives I and III are sometimes referred to as the optimistic and pessimistic assumptions, respectively. A set of assumptions is characterized as optimistic or pessimistic according to its effect on the status of the trust funds relative to the intermediate assumptions.

The three alternative sets of economic assumptions<sup>1</sup> are summarized in table 10. Under the intermediate assumptions (alternative II), it is assumed that the recession which began early in 1980 will continue for about a year before a period of recovery begins. Under the optimistic assumptions (alternative I), the downturn in economic activity is assumed to be shorter, with increasing economic growth beginning in the last half of 1980. Under the pessimistic assumptions (alternative III), economic activity is assumed to be substantially lower in 1980 and 1981 than under the intermediate assumptions, with a severe recession that is followed by a period of recovery beginning in the first half of 1981.

---

<sup>1</sup> The economic assumptions under each of the three alternative sets differ from the assumptions underlying the March 1980 revisions of the President's 1981 budget. The assumptions in this report reflect significant changes in economic indicators and trends that have occurred since the assumptions for the March revisions of the budget were prepared.

TABLE 10.—SELECTED ECONOMIC ASSUMPTIONS UNDER ALTERNATIVES I, II, AND III, CALENDAR YEARS 1960-2055

Calendar year	Average annual percentage increase in—					Average annual unemployment rate (percent)
	Real GNP <sup>1</sup>	Average wages in covered employment	Consumer price index	Real wage differential <sup>2</sup> (percent)	Average annual interest rate <sup>3</sup> (percent)	
1960-64.....	4.0	3.4	1.3	2.1	3.7	5.7
1965-69.....	4.3	5.4	3.4	1.9	5.2	3.8
1970-74.....	2.5	6.3	6.1	.2	6.7	5.4
1975.....	-1.3	6.6	9.1	-2.5	7.4	8.5
1976.....	5.9	8.4	5.8	2.5	7.1	7.7
1977.....	5.3	7.1	6.5	.4	7.1	7.0
1978.....	4.4	8.1	7.6	.5	8.2	6.0
1979.....	2.3	8.4	11.5	-3.1	9.1	5.8
Alternative I:						
1980.....	.0	10.0	14.3	-4.3	10.8	7.0
1981.....	2.2	11.3	10.4	.9	10.5	7.3
1982.....	4.8	11.0	8.6	2.4	9.4	6.6
1983.....	5.0	9.3	7.3	2.0	8.1	6.0
1984.....	4.9	8.5	6.5	2.0	7.5	5.3
1985.....	4.8	7.7	5.7	2.0	6.8	4.6
1990.....	3.4	5.8	3.0	2.8	5.6	4.0
1995.....	3.0	5.25	3.0	2.25	5.6	4.0
2000.....	2.9	5.25	3.0	2.25	5.6	4.0
2005 and later.....	4 3.4	5.25	3.0	2.25	5.6	4.0
Alternative II:						
1980.....	-4.	9.6	14.2	-4.6	10.5	7.2
1981.....	.4	9.5	9.7	-.2	9.9	7.9
1982.....	4.6	10.9	9.0	1.9	9.5	7.3
1983.....	4.6	9.9	8.6	1.3	9.2	6.6
1984.....	3.9	9.4	8.2	1.2	8.9	6.2
1985.....	3.6	9.1	7.8	1.3	8.5	5.9
1990.....	2.7	8.3	6.5	1.8	8.5	5.0
1995.....	2.4	7.3	5.5	1.8	7.6	5.0
2000.....	2.5	6.3	4.5	1.8	6.6	5.0
2005 and later.....	4 2.8	5.75	4.0	1.75	6.1	5.0
Alternative III:						
1980.....	-1.7	9.9	16.6	-6.7	10.5	7.4
1981.....	-1.0	11.7	13.7	-2.0	10.0	9.1
1982.....	5.5	11.9	11.0	.9	10.0	8.0
1983.....	3.9	10.9	10.6	.3	10.0	7.3
1984.....	3.0	10.4	10.2	.2	10.0	7.0
1985.....	3.0	10.3	9.8	.5	10.0	6.8
1990.....	2.1	9.0	8.0	1.0	9.5	6.0
1995.....	2.3	8.3	7.0	1.3	8.6	6.0
2000.....	2.2	7.25	6.0	1.25	7.6	6.0
2005 and later.....	4 2.1	7.25	6.0	1.25	7.6	6.0

<sup>1</sup> The total output of goods and services expressed in constant dollars.

<sup>2</sup> The difference between the percentage increase in average annual wages in covered employment and the percentage increase in the average annual CPI.

<sup>3</sup> The average of the interest rates determined in each of the 12 months of the year for special public-debt obligations issuable to the trust funds.

<sup>4</sup> The annual percentage increase in real GNP is projected to continue to change after the year 2005 under each alternative. The value for the year 2055 is 3.4, 2.3 and 0.9 for alternatives I, II and III, respectively.

Table 11 presents the demographic assumptions under the three alternatives. Under the intermediate assumptions, the ultimate total fertility rate is assumed to be which, in the absence of net migration and changes in mortality, would approximately maintain a constant population. Under the optimistic assumptions, fertility is assumed to be higher than under the intermediate assumptions, while under the pessimistic assumptions, it is assumed to be lower. Under all three sets of assumptions, mortality rates are projected to decrease through time, but the rate of decline varies for each set. Additional detail on mortality assumptions for alternative II can be found in table A of Appendix A.

Under the optimistic assumptions, disability incidence rates are assumed to remain constant at a level slightly below the average observed during 1978-79 after increasing from the lower level observed

during 1979. Under both the intermediate and pessimistic assumptions, disability incidence rates are assumed to increase above the level observed during 1978-79 before becoming constant. The amount of increase is larger under the pessimistic assumptions than under the intermediate assumptions.

TABLE 11.—SELECTED DEMOGRAPHIC ASSUMPTIONS UNDER ALTERNATIVES I, II, AND III, CALENDAR YEARS 1960-2055

Calendar year	Total fertility rate <sup>1</sup>	Age-adjusted mortality rate <sup>2</sup>		Adjusted gross disability incidence rate <sup>3</sup>	
		Male	Female	Male	Female
1960.....	3,608	11.19	9.16	4.73	3.37
1965.....	2,885	11.09	8.68	4.99	3.56
1970.....	2,434	10.78	8.00	5.10	3.63
1975.....	1,770	9.87	7.13	7.59	6.11
1976.....	1,745	9.73	7.07	7.02	5.49
1977.....	1,795	9.51	6.85	7.18	5.47
1978.....	1,775	9.35	6.70	5.70	4.34
1979.....	1,789	9.19	6.56	5.02	3.82
Alternative I:					
1980.....	1,833	9.12	6.49	4.95	3.77
1981.....	1,866	9.05	6.42	4.92	3.75
1982.....	1,900	8.98	6.36	4.92	3.75
1983.....	1,934	8.92	6.30	4.93	3.76
1984.....	1,968	8.85	6.23	4.95	3.77
1985.....	2,001	8.78	6.17	5.01	3.81
1990.....	2,171	8.61	6.01	5.21	3.97
1995.....	2,346	8.45	5.85	5.33	4.05
2000.....	2,464	8.30	5.71	5.35	4.07
2005 and later.....	2,500	† 8.22	† 5.65	5.35	4.07
Alternative II:					
1980.....	1,803	9.04	6.42	4.97	3.79
1981.....	1,816	8.91	6.29	5.00	3.81
1982.....	1,830	8.78	6.16	5.11	3.89
1983.....	1,844	8.65	6.04	5.22	3.97
1984.....	1,858	8.52	5.92	5.40	4.12
1985.....	1,872	8.39	5.80	5.56	4.24
1990.....	1,942	8.07	5.50	5.98	4.55
1995.....	2,026	7.77	5.22	6.22	4.73
2000.....	2,086	7.50	4.97	6.28	4.78
2005 and later.....	2,100	† 7.36	† 4.87	6.28	4.78
Alternative III:					
1980.....	1,758	8.90	6.28	5.02	3.82
1981.....	1,742	8.64	6.03	5.09	3.88
1982.....	1,726	8.38	5.79	5.28	4.03
1983.....	1,709	8.14	5.56	5.53	4.21
1984.....	1,693	7.90	5.33	5.86	4.46
1985.....	1,677	7.66	5.12	6.12	4.66
1990.....	1,598	7.09	4.60	6.75	5.14
1995.....	1,546	6.58	4.15	7.10	5.41
2000.....	1,519	6.13	3.76	7.21	5.48
2005 and later.....	1,500	† 5.90	† 3.61	7.21	5.48

<sup>1</sup> The number of children who would be born to 1,000 women in their lifetime if they were to experience the observed age-specific birth rates and were to survive the entire child-bearing period.

<sup>2</sup> The annual number of deaths per 1,000 persons in the enumerated male or female population, respectively, as of Apr. 1, 1970.

<sup>3</sup> The number of awards per 1,000 persons exposed to disability, adjusted for changes from the 1977 age distribution.

<sup>4</sup> This value is for the year 2005. Mortality rates are assumed to continue declining during the remainder of the projection period.

The values assumed for the economic and demographic factors after the early years are intended to represent the average experience for those years and are not intended to be predictions of year-by-year values, which are expected to vary because of possible future economic cycles and demographic patterns. Although the assumptions may appear to be reasonable, based on current understanding, they may in some instances imply conditions so different from the current situation that it is important to recognize their overall socioeconomic implications and not just their effect on the OASDI program. For example, because the demographic assumptions imply a future com-

position of the U.S. population which is significantly different from the present composition, many of the Nation's social and economic arrangements may change substantially.

Under alternative II, the annual rate of growth in real GNP rises to 4.6 percent during the assumed recovery period in 1982 and 1983, then slows to 2.7 percent by 1990. At the same time, the average annual unemployment rate declines to an assumed ultimate rate of 5.0 percent by 1990. The annual rate of increase in average wages in covered employment is assumed to fall to an ultimate rate of  $5\frac{1}{4}$  percent by 2005, with an accompanying decline in the annual rate of increase in the average CPI to an ultimate rate of 4.0 percent by 2005. The real wage differential, i.e., the difference between annual rates of increase in the average wage and the average CPI, is assumed to reach an ultimate rate of  $1\frac{1}{4}$  percent per year. The annual interest rate is assumed to reach its ultimate value of 6.1 percent by 2005. The assumed ultimate real interest rate, i.e., the interest rate after adjusting for inflation, is 2 percent. The total fertility rate under alternative II is projected to rise slowly from its 1978 level to an assumed ultimate level of 2.1 children per woman by the year 2005. Mortality rates are expected to decrease gradually during the entire 75-year projection period, with an overall reduction from 1979 levels of about one-third by the year 2050. Disability incidence rates, which declined in 1978 and 1979, are projected to rise again by 1981 and continue to increase gradually through 1999, when they reach an ultimate level that is 16 percent higher than the average incidence rate for 1978 and 1979. This ultimate level is slightly less than the average disability incidence rate experienced during 1970-79.

Under alternative I, the assumed annual percentage increase in real GNP is higher than under alternative II, and the average annual unemployment rate is lower in each year. The assumed annual percentage increase in the CPI is lower in each year after 1981, declining to an ultimate rate of 3 percent per year by 1990. The assumed real wage differential is higher in each year than under alternative II, reaching an ultimate rate of  $2\frac{1}{4}$  percent per year by the year 1995. The resulting ultimate annual rate of increase in average wages in covered employment is  $5\frac{1}{4}$  percent under alternative I. Although the ultimate interest rate of 5.6 percent is lower under alternative I than under alternative II, the ultimate real interest rate of  $2\frac{1}{2}$  percent is higher. The total fertility rate is projected to be higher under alternative I than under alternative II, reaching its ultimate level of 2.5 children per woman in the year 2005. The average annual reduction in mortality rates during the 75-year projection period is assumed to be one-half the annual reduction assumed under alternative II. Disability incidence rates are assumed to increase from their 1979 level to a level near the higher average for 1978-79.

The projections under alternative III presume less favorable economic and demographic conditions. As a result of the assumed economic recession in 1980-81 and the following period of recovery, the average annual unemployment rate is assumed to rise to 9.1 percent in 1981, decline to 7.3 percent by 1983 and reach its ultimate level of 6 percent by 1990. Increases in average real wages are assumed to be lower than the increases assumed under alternative II, with an ultimate rate of  $1\frac{1}{4}$  percent attained by the year 2000. Although the

ultimate interest rate of 7.6 percent is higher under alternative III than under alternative II, the real interest rate of 1½ percent is lower. The total fertility rate is projected to be lower under alternative III than under alternative II, reaching its ultimate level of 1.5 children per woman in the year 2005. The average annual reduction in mortality rates during the 75-year projection is assumed to be twice that of alternative II. Disability incidence rates are assumed to increase during the next 20 years to a level about 34 percent above the average 1978-79 incidence rate.

## B. AUTOMATIC ADJUSTMENTS

Under the automatic increase provisions of the law, benefits are adjusted to reflect increases in the CPI. For people becoming eligible for benefits in 1979 and later, the automatic cost-of-living benefit increases begin with the year a worker reaches age 62, becomes disabled, or dies. An automatic cost-of-living benefit increase of 9.9 percent effective for June 1979, was established in April 1979, as described in Appendix B. Another automatic benefit increase, effective for June 1980, has been determined to be 14.3 percent.

With the exception of predetermined amounts provided under the 1977 amendments, the contribution and benefit base, and the amount of earnings exempted from the withholding of benefits under the retirement test, automatically increase in the year following each year in which an automatic cost-of-living benefit increase becomes effective. The automatic increases in the contribution and benefit base and in the exempt amount under the retirement test are proportionate to the increase in average wages.

The 1977 amendments provided specific amounts for the contribution and benefit base for each year 1978-81 and the exempt amount under the retirement test in 1978-82, for beneficiaries aged 65 and over. As a result of these provisions, the contribution and benefit base increased from \$22,900 in 1979 to \$25,900 in 1980. Similarly, the annual exempt amount under the retirement test, for beneficiaries aged 65 and over, increased from \$4,500 in 1979 to \$5,000 in 1980.

Following the cost-of-living benefit increase that became effective for June 1979, an automatic increase in the annual exempt amount under the retirement test from \$3,480 in 1979 to \$3,720 in 1980 was established in November 1979 for beneficiaries under age 65, as described in Appendix C. Appendix C also describes the determinations of several other social security program amounts for 1980. These amounts are:

1. The amount of earnings a worker must have to be credited with quarters of coverage in 1980;
2. The dollar amounts (or bend points) in the formulas used to compute benefits payable on the earnings of workers who first become eligible for old-age or disability insurance benefits, or die before becoming eligible for such benefits, in 1980; and
3. The average of total wages reported for calendar year 1978, to be used for indexing earnings of workers who first become eligible for benefits, or die before first eligibility, in 1980 or later.

An historical summary of the social security program amounts determined under the automatic provisions, and the average-wage

series used for indexing earnings, is shown in Appendix D. A projection of the corresponding amounts resulting from the intermediate set of assumptions, through 1985, is also shown in Appendix D.

The law as amended in 1977 further provides for the determination of the contribution and benefit base that would have been in effect in each year after 1978 under the automatic provisions of the law as in effect before the enactment of the 1977 amendments. This "old-law" base is used in determining special minimum benefits for certain workers who have many years of low earnings in covered employment. It is also used for certain purposes under the railroad retirement program and the Employee Retirement Income Security Act of 1974. For 1979 the old-law base was \$18,900. The corresponding old-law base for 1980 was determined to be \$20,400.

The three different sets of economic assumptions described previously result in the following general benefit increases in each year 1981 through 1985 and the following contribution and benefit bases for each year 1982 through 1985 (amounts for 1979 and 1980, and the contribution and benefit base scheduled for 1981 under present law, are also shown as a basis for comparison):

Year	General benefit increase <sup>1</sup> (percent) under alternative—			Contribution and benefit base <sup>2</sup> under alternative—		
	I	II	III	I	II	III
1979	9.9	9.9	9.9	\$22,900	\$22,900	\$22,900
1980	14.3	14.3	14.3	25,900	25,900	25,900
1981	11.8	11.3	16.8	29,700	29,700	29,700
1982	9.4	9.0	11.1	32,700	32,700	32,700
1983	7.5	8.8	10.7	36,300	35,700	36,600
1984	6.8	8.3	10.3	40,800	39,600	40,800
1985	6.0	7.9	9.9	45,300	43,500	45,300

<sup>1</sup> Effective with benefits for June of the stated year. General benefit increases are assumed to continue to decline gradually after 1985, reaching ultimate values by the year 2005 of 3 percent, 4 percent and 6 percent, respectively, under alternatives I, II and III.

<sup>2</sup> The amounts, effective on January 1 of the stated year, are specified in the law for the years 1979–81. After 1981 the amount increases under the automatic provisions.

Under the automatic provisions of the law, the three different sets of economic assumptions result in the following annual exempt amounts under the retirement test, both for beneficiaries under age 65 and for beneficiaries aged 65 and over (the amounts for 1979 and 1980, and the amounts scheduled for 1981 and 1982 under present law for beneficiaries aged 65 and over, are also shown as a basis for comparison):

#### ANNUAL EXEMPT AMOUNTS UNDER THE RETIREMENT TEST<sup>1</sup>

Year	Annual exempt amount for beneficiaries under age 65 under alternative—			Annual exempt amount for beneficiaries aged 65 and over <sup>2</sup> under alternative—		
	I	II	III	I	II	III
1979	\$3,480	\$3,480	\$3,480	\$4,500	\$4,500	\$4,500
1980	3,720	3,720	3,720	5,000	5,000	5,000
1981	4,080	4,080	4,080	5,500	5,500	5,500
1982	4,440	4,440	4,440	6,000	6,000	6,000
1983	4,920	4,920	4,920	6,720	6,600	6,720
1984	5,520	5,400	5,520	7,440	7,320	7,560
1985	6,000	5,880	6,120	8,160	8,040	8,400

<sup>1</sup> Effective on January 1 of the stated year.

<sup>2</sup> The amounts are specified in the law for the years 1979–82. After 1982, the amount increases automatically. Through the year 1981, the retirement test does not apply to beneficiaries aged 72 and over. After 1981 the retirement test will not apply to beneficiaries aged 70 and over.

### C. EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD OCTOBER 1, 1979 TO DECEMBER 31, 1984

The following statement of the expected operations and status of the trust funds during the period October 1, 1979 to December 31, 1984 is based on the assumptions described in the preceding sections. As previously stated, it is assumed that present statutory provisions and regulations affecting the old-age, survivors and disability insurance program will remain unchanged in the period 1980–84. Thus, the estimates reflect the effects of (1) the recently enacted Social Security Disability Amendments of 1980 and (2) recent changes in the regulations governing the frequency and timing of payments of employer and employee contributions from private employers, which will become effective in two stages on January 1, 1981 and January 1, 1982.

Estimates of the operations and status of the OASI trust fund during calendar years 1980–84 are shown in table 12 for each of the three alternative sets of assumptions that were described in the preceding sections. Actual data for calendar year 1979 are also shown in the table. Under each alternative, it is assumed that employment and earnings will increase in every year through 1984, except that employment is assumed to decline in 1981 under alternative III. The number of persons with taxable earnings under the OASDI program is expected to increase from 114 million with such earnings during calendar year 1979 to about 124 million during calendar year 1984 under the intermediate assumptions. Under alternatives I and III, the number of persons with taxable earnings is estimated to reach 126 million and 122 million, respectively, by 1984. The total annual amount of taxable earnings is expected to increase from \$1,066 billion in 1979 to \$1,867 billion in 1984 under the intermediate assumptions. Under alternatives I and III, taxable earnings in 1984 are estimated to be \$1,913 billion and \$1,929 billion, respectively. (In 1979 dollars—taking account of assumed increases in the CPI from 1979 to 1984 under each alternative—the estimated amounts of taxable earnings in 1984 are \$1,221 billion, \$1,163 billion and \$1,076 billion under alternatives I, II and III, respectively.) These increases are due in part to the remaining ad hoc increases in the contribution and benefit base scheduled for 1980 and 1981 under present law, and the increases in the base assumed to occur in 1982–84 under the automatic provisions. The increases in taxable earnings are also due to projected increases in (1) employment levels and (2) average earnings in covered employment.

TABLE 12.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING CALENDAR YEARS 1979-84 UNDER THREE ALTERNATIVE SETS OF ASSUMPTIONS

[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
<b>Alternative I:</b>					
1979 <sup>1</sup> .....	\$90.3	\$93.1	-\$2.9	\$24.7	30
1980.....	103.2	108.6	-5.3	19.3	23
1981.....	119.2	127.1	-7.9	11.4	15
1982 <sup>2</sup> .....	136.4	145.1	-8.7	2.7	8
1983 <sup>2</sup> .....	152.2	161.7	-9.5	-6.8	2
1984 <sup>2</sup> .....	169.7	177.9	-8.1	-14.9	-4
<b>Alternative II:</b>					
1979 <sup>1</sup> .....	90.3	93.1	-2.9	24.7	30
1980.....	102.8	108.6	-5.8	18.9	23
1981 <sup>2</sup> .....	116.5	126.9	-10.4	8.5	15
1982 <sup>2</sup> .....	132.0	144.4	-12.4	-3.9	6
1983 <sup>2</sup> .....	147.5	161.8	-14.2	-18.2	-2
1984 <sup>2</sup> .....	164.1	180.3	-16.2	-34.4	-10
<b>Alternative III:</b>					
1979 <sup>1</sup> .....	90.3	93.1	-2.9	24.7	30
1980.....	102.7	108.6	-5.9	18.7	23
1981 <sup>2</sup> .....	116.2	130.3	-14.1	4.7	14
1982 <sup>2</sup> .....	132.7	153.1	-20.3	-15.7	3
1983 <sup>2</sup> .....	149.4	174.7	-25.3	-41.0	-9
1984 <sup>2</sup> .....	165.9	198.4	-32.4	-73.4	-21

<sup>1</sup> Figures for 1979 represent actual experience.

<sup>2</sup> Under alternative I, the fund is depleted early in 1982 when assets become insufficient to pay benefits when due. Under both alternatives II and III, the fund is depleted late in 1981. Figures for these and later years are therefore theoretical. See text for details.

Note: Totals do not necessarily equal the sum of rounded components. The major assumptions underlying the estimates are described in the preceding sections and are shown in tables 10 and 11.

The rise in estimated income shown in table 12 under each set of assumptions reflects the increases in estimated taxable earnings under the different alternatives, as described above. In addition, the estimated income to the fund is affected by the scheduled changes in contribution rates.

Rising disbursements during calendar years 1980-84 reflect the effects of the assumed future automatic benefit increases previously shown, as well as the long-range upward trend in the numbers of beneficiaries and in the amounts of average monthly earnings underlying benefits payable under the program. The growth in the number of beneficiaries in the past and the expected growth in the future results partly from the increase in the aged population and partly from two other factors—(1) in each succeeding year a larger proportion of the persons attaining age 65 are eligible for benefits and (2) the amendments during the period 1950-77 liberalized the eligibility provisions and extended coverage to additional categories of employment.

In addition, there has been a growth in the proportion of eligible persons who receive benefits. This growth is due to several factors, among which are (1) the amendments enacted during the period 1950-77 which affect the conditions governing the receipt of benefits and (2) the increasing percentage of eligible persons who are aged 72 and over and who therefore receive benefits regardless of earnings. As indicated in the previous section, the age at which eligible persons may begin to receive full benefits regardless of earnings will be reduced from 72 to 70 beginning in 1982.

Under all three sets of assumptions, disbursements are projected to exceed income in every year until the OASI trust fund is reduced to the level where assets are insufficient to pay benefits when due.

This condition becomes imminent if, at the end of any month, the trust fund falls to less than about 9 percent of the following 12 months of disbursements. Below this level, assets are not large enough to pay benefits when due because of the difference in the cash flow of income and outgo during a month. Almost all of the benefits for a given month are usually payable on the third day of the following month. Contribution income, on the other hand, is received more or less uniformly through the month, on a daily basis. For example, the benefits for November 1981—estimated to be about \$11 billion under alternative II—are payable on December 3, 1981, before enough income can be added to the fund's estimated assets of about \$10 billion at the end of November to pay the benefits due on December 3.

This point is first reached early in 1982 under alternative I and late in 1981 under alternatives II and III. Projections representing the theoretical operations of the trust fund in these and later years are shown in table 12 for informational purposes. In order to calculate the figures representing these theoretical trust fund operations, it was assumed that the OASI trust fund could borrow money, to be repaid with interest, on the same terms that it normally would invest positive trust fund balances.

The assets of the OASI trust fund at the beginning of 1979 were equal to about 30 percent of the disbursements in 1979. By the beginning of 1980, the fund had declined to 23 percent of estimated disbursements in 1980. Under all three alternative sets of assumptions, the fund is expected to continue to decline, reaching 15 percent of disbursements under alternatives I and II and 14 percent under alternative III, by the beginning of 1981. By the beginning of 1982, the percentage is 8 percent under alternative I. All of the other percentages for 1982 and later that are shown in table 12 are theoretical, for the reasons discussed in the preceding paragraph.

The expected operations and status of the disability insurance trust fund during calendar years 1980–84 under the three sets of assumptions are shown in table 13, together with figures on actual experience in 1979. Income will increase during calendar years 1980–84, under each alternative, reflecting the same factors, insofar as they apply to income to the DI trust fund, that are reflected in the increase in income to the OASI trust fund during the same period. Income will also rise as a result of the scheduled increases in the combined employee-employer contribution rate allocated for disability insurance, and accompanying increases in contribution rates for self-employed persons.

Disbursements will increase because of automatic benefit increases and because of projected increases in the numbers of beneficiaries and in the amounts of average monthly earnings on which benefits are based. Projected increases in the numbers of beneficiaries reflect the effects of the assumed increases in disability incidence rates under each set of assumptions, as previously described. Increases in annual disbursements also reflect the effects of estimated net reductions in outlays resulting from the Social Security Disability Amendments of 1980.

The assets of the DI trust fund, as a percentage of annual expenditures, increase throughout the 5-year period under all three sets of assumptions—from 30 percent at the beginning of 1979 to 126 percent, 111 percent and 88 percent at the beginning of 1984 under alternatives I, II and III, respectively.

TABLE 13.—ESTIMATED OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING CALENDAR YEARS 1979-84 UNDER THREE ALTERNATIVE SETS OF ASSUMPTIONS

(Amounts in billions)

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
<b>Alternative I:</b>					
1979 <sup>1</sup> .....	\$15.6	\$14.2	\$1.4	\$5.6	30
1980.....	18.2	15.9	2.3	8.0	36
1981.....	22.4	17.8	4.7	12.6	45
1982.....	26.1	19.5	6.6	19.2	65
1983.....	29.7	20.9	8.9	28.1	92
1984.....	33.8	22.2	11.6	39.7	126
<b>Alternative II:</b>					
1979 <sup>1</sup> .....	15.6	14.2	1.4	5.6	30
1980.....	18.1	15.9	2.2	7.9	35
1981.....	21.9	17.8	4.1	12.0	44
1982.....	25.3	19.5	5.7	17.7	61
1983.....	28.9	21.1	7.8	25.5	84
1984.....	33.0	23.0	10.0	35.5	111
<b>Alternative III:</b>					
1979 <sup>1</sup> .....	15.6	14.2	1.4	5.6	30
1980.....	18.1	15.9	2.2	7.8	35
1981.....	21.8	18.3	3.5	11.4	43
1982.....	25.5	20.8	4.7	16.1	55
1983.....	29.5	23.0	6.5	22.6	70
1984.....	33.8	25.5	8.2	30.8	88

<sup>1</sup> Figures for 1979 represent actual experience.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the preceding sections and are shown in tables 10 and 11.

The expected operations and status of the OASI and DI trust funds, combined, during calendar years 1980-84, under the three alternatives, are shown in table 14, together with figures on actual experience in 1979. As explained above, the OASI trust fund is projected to be depleted in the near future under all three alternative sets of assumptions. Since under present law, none of the income to one trust fund can be allocated to the other trust fund, the projections of the combined OASI and DI trust fund operations for 1982-84 under alternative I, and 1981-84 under alternatives II and III, are theoretical. These figures represent the arithmetical addition of the figures shown in tables 12 and 13.

TABLE 14.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, COMBINED, DURING CALENDAR YEARS 1979-84 UNDER THREE ALTERNATIVE SETS OF ASSUMPTIONS

[Amounts in billions]

Calendar year	Income	Disbursements	Net increase in funds	Funds at end of year	Funds at beginning of year as a percentage of disbursements during year
<b>Alternative I:</b>					
1979 <sup>1</sup> .....	\$105.9	\$107.3	-\$1.5	\$30.3	30
1980.....	121.4	124.4	-3.0	27.3	24
1981.....	141.6	144.9	-3.3	24.0	19
1982.....	162.5	164.6	-2.1	21.9	15
1983 <sup>2</sup> .....	182.0	182.6	-.6	21.3	12
1984 <sup>2</sup> .....	203.6	200.1	3.5	24.8	11
<b>Alternative II:</b>					
1979 <sup>1</sup> .....	105.9	107.3	-1.5	30.3	30
1980.....	120.9	124.4	-3.5	26.8	24
1981 <sup>2</sup> .....	138.4	144.7	-6.3	20.4	18
1982 <sup>2</sup> .....	157.3	163.9	-6.6	13.8	12
1983 <sup>2</sup> .....	176.4	182.9	-6.5	7.3	8
1984 <sup>2</sup> .....	197.1	203.3	-6.2	1.1	4
<b>Alternative III:</b>					
1979 <sup>1</sup> .....	105.9	107.3	-1.5	30.3	30
1980.....	120.8	124.5	-3.7	26.6	24
1981 <sup>2</sup> .....	138.0	148.6	-10.5	16.0	18
1982.....	158.2	173.8	-15.6	.4	9
1983 <sup>2</sup> .....	178.8	197.7	-18.8	-18.4	(*)
1984 <sup>2</sup> .....	199.7	223.9	-24.2	-42.6	-8

<sup>1</sup> Figures for 1979 represent actual experience.

<sup>2</sup> Figures are theoretical. See accompanying text and footnote 2 in table 12 for details.

<sup>3</sup> Less than 0.5 percent.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the preceding sections and are shown in tables 10 and 11.

At the beginning of 1979 the assets of the combined OASI and DI trust funds were equal to 30 percent of the disbursements in 1979, as shown in table 14. By the beginning of 1980 the assets had declined to 24 percent of the estimated expenditures in 1980 under each of the three alternatives. Under alternative I, the combined funds are projected to continue to decline reaching a low point of 11 percent of annual expenditures at the beginning of 1984. On the basis of the intermediate assumptions the combined funds decline more rapidly and are depleted early in 1983 when the assets of the combined funds would be insufficient to pay combined benefits when due. Under alternative III, the assets of the combined funds drop sharply and are depleted in the latter half of 1982.

Assets as a percentage of annual expenditures for selected years prior to 1980 are shown in table 15 for both funds combined and for each fund separately. The corresponding figures projected for 1980-84 under the intermediate assumptions that were shown in tables 12-14 are repeated in table 15 for comparison with past experience.

TABLE 15.—ASSETS AT THE BEGINNING OF THE YEAR AS A PERCENTAGE OF EXPENDITURES DURING THE YEAR FOR THE OLD-AGE, SURVIVORS AND DISABILITY INSURANCE PROGRAM, BY TRUST FUND, FOR SELECTED CALENDAR YEARS 1950-79, AND ESTIMATED FUTURE PERCENTAGES FOR CALENDAR YEARS 1980-84 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

Calendar year	Assets at the beginning of the year as a percentage of expenditures during the year		
	Old-age and survivors insurance and disability insurance trust funds, combined	Old-age and survivors insurance trust fund	Disability insurance trust fund
<b>Past experience:</b>			
1950.....	1,156	1,156	
1955.....	405	405	
1960.....	186	180	304
1965.....	110	109	121
1970.....	103	101	126
1971.....	99	94	140
1972.....	93	88	140
1973.....	80	75	125
1974.....	73	68	110
1975.....	66	63	92
1976.....	57	54	71
1977.....	47	47	48
1978.....	37	39	26
1979.....	30	30	30
<b>Estimated future experience:<sup>1</sup></b>			
1980.....	24	23	35
1981.....	18	15	44
1982.....	12	6	61
1983.....	8	-2	84
1984.....	4	-10	111

<sup>1</sup> In interpreting the estimates, reference should be made to the preceding section which describes the underlying assumptions.

<sup>2</sup> The OASI trust fund is depleted in late 1981 when assets become insufficient to pay benefits when due under alternative II. Since none of the income to one trust fund can be allocated to the other trust fund under present law, the figures for 1982-84 for the OASI trust fund and for the combined OASI and DI trust funds are theoretical.

Expenditures in calendar year 1979 from both trust funds, combined, were 10.32 percent of taxable earnings for the year—0.16 percent more than the combined employee-employer contribution rate of 10.16 percent. Expenditures from both trust funds, combined, are estimated to increase in 1980 and 1981, reaching 11.33 percent of taxable earnings in 1981 and declining slowly thereafter to 11.11 percent of taxable earnings in 1984, under the intermediate set of assumptions. These percentages, as well as the percentages under alternatives I and III, are shown in table 16 for both trust funds, combined, and for each trust fund separately. Table 16 also shows a comparison of each of the percentages with the corresponding combined employee-employer contribution rate.

TABLE 16.—EXPENDITURES FROM THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS AS A PERCENTAGE OF TAXABLE PAYROLL COMPARED WITH COMBINED EMPLOYEE-EMPLOYER CONTRIBUTION RATES, FOR CALENDAR YEARS 1979-84 UNDER THREE ALTERNATIVE SETS OF ASSUMPTIONS

Calendar year	Old-age and survivors insurance trust fund			Disability insurance trust fund			Old-age and survivors insurance and disability insurance trust funds, combined		
	Expenditures as a percentage of taxable payroll <sup>1</sup>	Combined employee-employer contribution rate	Difference <sup>2</sup>	Expenditures as a percentage of taxable payroll <sup>1</sup>	Combined employee-employer contribution rate	Difference <sup>2</sup>	Expenditures as a percentage of taxable payroll <sup>1</sup>	Combined employee-employer contribution rate	Difference <sup>2</sup>
<b>Alternative I:</b>									
1979 <sup>3</sup>	8.96	8.66	-0.30	1.36	1.50	0.14	10.32	10.16	-0.16
1980	9.43	8.66	-.77	1.38	1.50	.12	10.81	10.16	-.65
1981	9.71	9.05	-.66	1.36	1.65	.29	11.07	10.70	-.37
1982	9.74	9.15	-.59	1.31	1.65	.34	11.05	10.80	-.25
1983	9.65	9.15	-.50	1.25	1.65	.40	10.90	10.80	-.10
1984	9.49	9.15	-.34	1.19	1.65	.46	10.68	10.80	.12
<b>Alternative II:</b>									
1979 <sup>3</sup>	8.96	8.66	-.30	1.36	1.50	.14	10.32	10.16	-.16
1980	9.48	8.66	-.82	1.39	1.50	.11	10.87	10.16	-.71
1981	9.94	9.05	-.89	1.39	1.65	.26	11.33	10.70	-.63
1982	9.97	9.15	-.82	1.35	1.65	.30	11.32	10.80	-.52
1983	9.91	9.15	-.76	1.29	1.65	.36	11.21	10.80	-.41
1984	9.86	9.15	-.71	1.26	1.65	.39	11.11	10.80	-.31
<b>Alternative III:</b>									
1979 <sup>3</sup>	8.96	8.66	-.30	1.36	1.50	.14	10.32	10.16	-.16
1980	9.50	8.66	-.84	1.39	1.50	.11	10.89	10.16	-.73
1981	10.22	9.05	-1.17	1.44	1.65	.21	11.65	10.70	-.95
1982	10.44	9.15	-1.29	1.42	1.65	.23	11.86	10.80	-1.06
1983	10.43	9.15	-1.28	1.37	1.65	.28	11.80	10.80	-1.00
1984	10.49	9.15	-1.34	1.35	1.65	.30	11.84	10.80	-1.04

<sup>1</sup> Percentage takes into account (1) the lower contribution rate payable by the self-employed compared with combined employee-employer rate, (2) employee contributions subject to refund and (3) that the employer contribution is payable on only a portion of tips taxable as wages. For 1979, expenditures are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than three quarters of coverage, costs of which are financed from the general fund of the Treasury. Similar adjustments are not made in the projection period, 1980 and later, because such payments are relatively small.

<sup>2</sup> Represents difference between tax contribution income, and total outgo, as a percentage of taxable payroll, and therefore excludes the effects of other sources of income (principally interest income). Total income and outgo during 1979-84 are shown in tables 12-14.

<sup>3</sup> Percentages for 1979, though based on actual experience, are preliminary and subject to revision.

Expenditures as a percentage of taxable earnings for years prior to 1980 are shown in table 17. Corresponding estimates for 1980-84 under the intermediate assumptions, which were shown in table 16, are repeated in table 17 for comparison with past experience.

TABLE 17.—EXPENDITURES FROM THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS AS A PERCENTAGE OF TAXABLE PAYROLL FOR SELECTED CALENDAR YEARS 1950-79 AND ESTIMATED FUTURE PERCENTAGES FOR CALENDAR YEARS 1980-84 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

Calendar year	Expenditures as a percentage of taxable payroll <sup>1</sup>		
	Old-age and survivors insurance and disability insurance trust funds, combined	Old-age and survivors insurance trust fund	Disability insurance trust fund
Past experience: <sup>2</sup>			
1950.....	1.17	1.17	-----
1955.....	3.34	3.34	-----
1960.....	5.89	5.59	0.30
1965.....	7.93	7.23	.70
1970.....	8.12	7.32	.81
1971.....	9.23	8.27	.97
1972.....	9.13	8.12	1.01
1973.....	9.68	8.58	1.09
1974.....	9.73	8.57	1.16
1975.....	10.65	9.29	1.36
1976.....	10.86	9.42	1.44
1977.....	10.97	9.47	1.50
1978.....	10.75	9.30	1.45
1979.....	10.31	8.95	1.36
Estimated future experience: <sup>3</sup>			
1980.....	10.87	9.48	1.39
1981.....	11.33	9.94	1.39
1982.....	11.32	9.97	1.35
1983.....	11.21	9.91	1.29
1984.....	11.11	9.86	1.26

<sup>1</sup> See footnote 1, table 16. For 1975-79, percentages are preliminary and subject to revision.

<sup>2</sup> Expenditures in each year 1970-79 are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than three quarters of coverage, the costs of which are financed from the general fund of the Treasury. Because of the relatively small amount of such payments, similar adjustments are not made for future years.

<sup>3</sup> In interpreting the estimates, reference should be made to the preceding section which describes the underlying assumptions.

As stated previously, estimates of the operations of the trust funds during calendar years 1980-84 have been presented in the preceding tables of this section under three different sets of economic assumptions because of the uncertainty of future economic developments. Under the provisions of the Social Security Act, it is required that estimates of the expected operations and status of the trust funds during the next 5 fiscal years be shown in this report. In accordance with these statutory provisions, detailed estimates of the expected operations and status of the trust funds during each fiscal year 1980-84 are shown in the remaining tables of this section for the intermediate set of assumptions (alternative II) only. Similar detailed estimates under the intermediate assumptions are also shown, as in previous annual reports, on a calendar year basis for the period 1980-84.

Data on the actual operations of the OASI trust fund for selected years during the period 1940-79, and estimates of the expected operations of the trust fund during 1980-84 under the intermediate set of assumptions, are shown in tables 18 and 19 on a fiscal year basis and a calendar year basis, respectively. Corresponding figures on the operations of the DI trust fund during the period 1960-84 are shown in tables 20 and 21. Operations of both trust funds combined are shown in tables 22 and 23.<sup>2</sup>

<sup>3</sup> Data relating to the operations of the two trust funds for years not shown in tables 18-23 are contained in earlier annual reports.

TABLE 18.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING SELECTED FISCAL YEARS 1940-79 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1980-84 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

(In millions)

Fiscal year <sup>1</sup>	Transactions during period										Net increase in fund	Fund at end of period
	Income					Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments <sup>2</sup>	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account		
			Noncontributory credits for military service	Payments to non-insured persons aged 72 and over								
<b>Past experience:</b>												
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	20,829
1965	16,443	15,857			586	15,962	15,226		300	436	482	20,180
1970	31,746	29,955	78	\$364	1,350	27,321	26,267	\$1	474	579	4,425	32,616
1971	33,982	31,915	78	371	1,618	32,268	31,101	2	552	613	1,714	34,331
1972	37,917	35,711	137	351	1,719	35,849	34,541	2	582	724	2,068	36,399
1973	43,639	41,318	138	337	1,847	43,623	42,170	2	667	783	17	36,416
1974	50,936	48,455	139	303	2,039	49,485	47,849	4	723	909	1,451	37,867
1975	58,757	56,017	140	307	2,292	56,676	54,839	8	848	982	2,081	39,948
1976	62,327	59,555	157	268	2,347	64,295	62,140	7	935	1,212	1,968	37,980
July-September 1976	16,186	16,106			80	17,111	16,876	2	234		925	37,055
1977	71,796	68,895	378	236	2,287	73,479	71,271	8	993	1,208	1,683	35,372
1978	76,811	74,047	385	228	2,151	81,205	78,524	6	1,086	1,589	4,394	30,978
1979	86,893	84,358	384	230	1,920	90,128	87,592	17	1,072	1,448	3,235	27,743
<b>Estimated future experience:<sup>4</sup></b>												
1980	100,580	98,274	393	164	1,749	103,866	101,208	17	1,199	1,442	-3,286	24,457
1981	112,216	110,290	390	150	1,386	122,478	119,639	15	1,264	1,560	-10,262	14,195
1982 <sup>5</sup>	128,879	127,838	606	142	293	140,232	137,038	16	1,429	1,749	-11,353	2,842
1983 <sup>5</sup>	144,695	145,036	611	133	-1,085	157,295	153,833	18	1,544	1,900	-12,600	-9,758
1984 <sup>5</sup>	160,735	162,468	615	120	-2,468	175,680	171,864	19	1,756	2,041	-14,945	-24,703

<sup>1</sup> Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consists of the 12 months ending on September 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ended on June 30, 1976, to fiscal year 1977, which began on October 1, 1976.

<sup>2</sup> Interest on investments includes net profits on marketable investments. Beginning in 1967, administrative expenses incurred under the old-age and survivors insurance program 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.

<sup>3</sup> Includes \$2,700,000 as a single reimbursement for the estimated total costs of granting non-contributory wage credits to individuals who were interned during World War II at a place within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

<sup>4</sup> In interpreting the estimates, reference should be made to the underlying assumptions described in the preceding section and shown in tables 10 and 11.

<sup>5</sup> Figures are theoretical. See text and footnote 2 in table 12 for details.

TABLE 19.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING SELECTED CALENDAR YEARS 1940-79 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1980-84 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[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	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account		Net increase in fund	
		Contributions, less refunds	Noncontributory credits for military service	Payments to non-insured persons aged 72 and over									
<b>Past experience:</b>													
1940	\$368	\$325			\$43	\$62	\$35		\$26		\$306	\$2,031	
1945	1,420	1,285			134	304	274		30		1,116	7,121	
1950	2,928	2,667		\$4	257	1,022	961		61		1,905	13,721	
1955	6,167	5,713			454	5,079	4,968		119		1,087	21,663	
1960	11,382	10,866			516	11,198	10,677		203	\$18	318	20,324	
1965	16,610	16,017			593	17,501	16,737		328	436	-890	18,235	
1970	32,220	30,256		78	\$371	1,515	29,848	28,796	\$2	471	579	2,371	32,454
1971	35,877	33,723		137	351	1,667	34,542	33,413	2	514	613	1,335	33,789
1972	40,050	37,781		138	337	1,794	38,522	37,122	2	674	724	1,528	35,318
1973	48,344	45,975		139	303	1,928	47,175	45,741	3	647	783	1,169	36,487
1974	54,688	52,081		140	307	2,159	53,397	51,618	5	865	909	1,291	37,777
1975	59,605	56,816		157	268	2,364	60,395	58,509	9	896	982	-790	36,987
1976	66,276	63,362		378	236	2,301	67,876	65,699	6	959	1,212	-1,600	35,388
1977	72,412	69,572		385	228	2,227	75,309	73,113	8	981	1,208	-2,897	32,491
1978	78,094	75,471		384	230	2,008	83,064	80,352	9	1,115	1,589	-4,971	27,520
1979	90,274	87,919		393	164	1,797	93,133	90,556	18	1,113	1,448	-2,860	24,660
<b>Estimated future experience:</b>													
1980	102,809	100,654		390	150	1,615	108,577	105,884	17	1,234	1,442	-5,768	18,892
1981	116,504	114,717		606	142	1,039	126,932	124,057	15	1,300	1,560	-10,428	8,464
1982	132,019	131,729		611	133	-454	144,396	141,160	17	1,470	1,749	-12,377	-3,913
1983	147,526	148,545		615	120	-1,754	161,772	158,265	18	1,589	1,900	-14,246	-18,159
1984	164,127	166,612		620	107	-3,212	180,344	176,562	19	1,722	2,041	-16,217	-34,376

Note: In interpreting the above, reference should be made to the footnotes in table 18.

TABLE 20.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING SELECTED FISCAL YEARS 1960-79 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1980-84 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

(In millions)

Fiscal year <sup>1</sup>	Transactions during period										Fund at end of period
	Income				Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of non-contributory credits for military service	Interest on investments <sup>2</sup>	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses <sup>3</sup>	Transfers to railroad retirement account	Net increase in fund	
<b>Past experience: <sup>3</sup></b>											
1960	\$1,034	\$987		\$47	\$533	\$528		\$32	-\$27	\$501	\$2,167
1965	1,237	1,175		62	1,495	1,392		79	24	-257	2,007
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
1972	5,291	4,853	50	388	4,309	4,046	28	212	24	982	7,390
1973	5,947	5,461	51	435	5,467	5,162	39	247	20	479	7,869
1974	6,768	6,234	52	482	6,385	6,159	50	154	22	383	8,253
1975	7,920	7,356	52	512	7,982	7,630	71	253	29	-62	8,191
1976	8,355	7,797	90	468	9,606	9,222	92	266	26	-1,251	6,939
July-September 1976	2,172	2,159		13	2,653	2,555	27	71		-481	6,459
1977	9,374	8,900	103	372	11,590	11,135	77	378	( <sup>4</sup> )	-2,215	4,243
1978	12,784	12,404	128	251	12,655	12,214	84	327	30	129	4,372
1979	15,196	14,750	142	305	13,944	13,428	79	407	30	1,252	5,624
<b>Estimated future experience: <sup>5</sup></b>											
1980	17,501	16,932	118	451	15,358	14,864	95	411	-12	2,143	7,767
1981	20,670	19,846	130	694	17,310	16,764	72	483	-9	3,360	11,127
1982	24,379	23,129	176	1,074	19,131	18,527	80	542	-18	5,248	16,375
1983	27,957	26,164	182	1,611	20,708	20,070	88	574	-24	7,249	23,624
1984	31,806	29,307	188	2,311	22,480	21,822	95	584	-21	9,326	32,950

<sup>1</sup> Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consist of the 12 months ending on September 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ended on June 30, 1976, to fiscal year 1977, which began on October 1, 1976.

<sup>2</sup> Interest on investments includes net profits on marketable investments. Beginning in 1967, administrative expenses incurred under the disability insurance program are charged currently to the 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.

<sup>3</sup> The financial operations of the disability insurance trust fund began in the latter half of fiscal year 1957.

<sup>4</sup> Less than \$500,000 was transferred from the railroad retirement account to the disability insurance trust fund.

<sup>5</sup> In interpreting the estimates, reference should be made to the underlying assumptions described in the preceding section and shown in tables 10 and 11.

TABLE 21.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING SELECTED CALENDAR YEARS 1960-79 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1980-84 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

(In millions)

Calendar year	Transactions during period										
	Income				Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of non-contributory 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
<b>Past experience:</b>											
1960 .....	\$1,063	\$1,010		\$53	\$600	\$568		\$36	-\$5	\$464	\$2,289
1965 .....	1,247	1,188		59	1,687	1,573		90	24	-440	1,606
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
1972 .....	5,572	5,107	51	414	4,759	4,473	29	233	24	813	7,457
1973 .....	6,443	5,932	52	458	5,973	5,718	46	190	22	470	7,927
1974 .....	7,378	6,826	52	500	7,196	6,903	54	217	22	182	8,109
1975 .....	8,035	7,444	90	502	8,790	8,414	91	256	29	-754	7,354
1976 .....	8,757	8,233	103	422	10,366	9,966	89	285	26	-1,609	5,745
1977 .....	9,570	9,138	128	304	11,945	11,463	84	399	( <sup>1</sup> )	-2,375	3,370
1978 .....	13,810	13,413	142	256	12,954	12,513	86	325	30	856	4,226
1979 .....	15,590	15,114	118	358	14,186	13,708	78	371	30	1,404	5,630
<b>Estimated future experience:</b>											
1980 .....	18,123	17,427	130	566	15,873	15,379	89	417	-12	2,250	7,880
1981 .....	21,893	20,854	176	863	17,800	17,227	74	508	-9	4,093	11,973
1982 .....	25,283	23,778	182	1,323	19,537	18,916	82	557	-18	5,746	17,719
1983 .....	28,921	26,795	188	1,938	21,135	20,486	90	583	-24	7,786	25,505
1984 .....	32,969	30,055	195	2,719	23,000	22,295	97	629	-21	9,969	35,474

<sup>1</sup> Less than \$500,000 was transferred from the railroad retirement account to the disability insurance trust fund.

Note: In interpreting the above, reference should be made to the footnotes in table 20.

TABLE 22.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, COMBINED, DURING SELECTED FISCAL YEARS 1960-79 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1980-84 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions]

Fiscal year	Transactions during period										Net increase in funds	Funds at end of period
	Income					Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account		
			Noncontributory credits for military service	Payments to non-insured persons aged 72 and over								
<b>Past experience:</b>												
1960	\$11,394	\$10,830			\$564	\$11,606	\$10,798		\$234	\$574	-\$212	\$22,996
1965	17,681	17,032			648	17,456	16,618		379	459	224	22,187
1970	36,127	34,096			1,572	30,275	29,045	\$18	623	589	5,852	37,720
1971	38,893	36,485	\$94	\$371	1,943	35,874	34,482	23	742	626	3,019	40,739
1972	43,208	40,564	187	351	2,107	40,158	38,587	29	794	749	3,050	43,789
1973	49,586	46,779	189	337	2,281	49,090	47,332	42	914	802	496	44,285
1974	57,704	54,689	191	303	2,521	55,869	54,007	54	878	931	1,835	46,120
1975	66,677	63,374	192	307	2,804	64,658	62,469	79	1,101	1,010	2,018	48,138
1976	70,682	67,352	247	268	2,815	73,901	71,363	100	1,200	1,239	-3,219	44,919
1976 July-September 1976	18,359	18,265			94	19,764	19,431	29	304		-1,405	43,514
1977	81,170	77,794	481	236	2,659	85,068	82,406	85	1,370	1,208	-3,898	39,615
1978	89,595	86,451	513	228	2,403	93,860	90,738	91	1,413	1,618	-4,265	35,350
1979	102,089	99,108	526	230	2,225	104,072	101,020	96	1,479	1,477	-1,983	33,367
<b>Estimated future experience:</b>												
1980	118,081	115,206	511	164	2,200	119,224	116,072	112	1,610	1,430	-1,143	32,224
1981	132,886	130,136	520	150	2,080	139,788	136,403	87	1,747	1,551	-6,902	25,322
1982	153,258	150,967	782	142	1,367	159,363	155,565	96	1,971	1,731	-6,105	19,217
1983	172,652	171,200	793	133	526	178,003	173,903	106	2,118	1,876	-5,351	13,866
1984	192,541	191,775	803	120	-157	198,160	193,686	114	2,340	2,020	-5,619	8,247

Note: In interpreting the above, reference should be made to the footnotes in table 18.

TABLE 23.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, COMBINED, DURING SELECTED CALENDAR YEARS 1960-79 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1980-84 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions]

Calendar year	Transactions during period										Funds at end of period	
	Income					Disbursements						
	Total	Reimbursements from general fund of Treasury for costs of—			Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account		Net increase in funds
		Contributions, less refunds	Noncontributory credits for military service	Payments to non-insured persons aged 72 and over								
<b>Past experience:</b>												
1960	\$12,445	\$11,876			\$569	\$11,798	\$11,245		\$240	\$314	\$647	\$22,613
1965	17,857	17,205			651	19,187	18,311		418	459	-1,331	19,841
1970	36,993	34,737	\$94	\$371	1,791	33,108	31,863	\$20	635	589	3,886	38,068
1971	40,908	38,343	187	351	2,027	38,542	37,171	26	719	626	2,366	40,434
1972	45,622	42,888	189	337	2,208	43,281	41,595	30	907	749	2,341	42,775
1973	54,787	51,907	191	303	2,386	53,148	51,459	49	837	802	1,639	44,414
1974	62,066	58,907	192	307	2,660	60,593	58,521	59	1,082	931	1,472	45,886
1975	67,640	64,259	247	268	2,866	69,184	66,923	99	1,152	1,010	-1,544	44,342
1976	75,034	71,595	481	236	2,722	78,242	75,665	95	1,244	1,239	-3,209	41,133
1977	81,982	78,710	513	228	2,531	87,254	84,576	92	1,379	1,208	-5,272	35,861
1978	91,904	88,883	526	230	2,264	96,018	92,865	95	1,439	1,618	-4,115	31,746
1979	105,864	103,034	511	164	2,155	107,320	104,263	96	1,483	1,477	-1,456	30,291
<b>Estimated future experience:</b>												
1980	120,932	118,081	520	150	2,181	124,450	121,263	106	1,651	1,430	-3,518	26,772
1981	138,397	135,571	782	142	1,902	144,732	141,284	89	1,808	1,551	-6,335	20,437
1982	157,302	155,507	793	133	869	163,933	160,076	99	2,027	1,731	-6,631	13,806
1983	176,447	175,340	803	120	184	182,907	178,751	108	2,172	1,876	-6,460	7,346
1984	197,096	196,667	815	107	-493	203,344	198,857	116	2,351	2,020	-6,248	1,098

Note: In interpreting the above, reference should be made to the footnotes in table 18.

The estimates in the tables in this section include the effects of various provisions to which reference has been made in earlier sections, namely, the provisions for (1) reimbursements to the trust funds from the general fund of the Treasury for the costs of granting noncontributory credits for military service and for the costs of monthly payments to certain noninsured persons aged 72 and over and (2) financial interchanges between the railroad retirement account and the trust funds.

State and local government systems may terminate the agreements under which social security coverage is provided for their public employees. Such coverage is available only on a group voluntary basis through agreements between the Secretary of Health and Human Services and the individual States. After coverage of the employees of a State, or of a political subdivision of the State, has been in effect for at least 5 years, the State may give notice of its intention to terminate the coverage of such employees. The termination of coverage becomes effective 2 years after such notice is given, unless the State withdraws the notice of termination within the 2-year period. However, once the termination becomes effective, it is irrevocable and the same group cannot be covered under social security again.

In the past few years there has been some increase in the number of terminations of coverage among State and local government employees. The total number of employees becoming covered under new agreements in each year through 1976 was larger than the number of employees for whom coverage was terminated during the year. However, in each of the last 3 years, the number of State and local government employees for whom coverage was terminated was somewhat larger than the number of employees becoming covered under new agreements. Notices have also been given of the intention to terminate coverage on the part of a larger number of State and local government employees in each of the next 2 years than the number of employees becoming covered under new agreements each year. The filing of such a notice by a State does not necessarily mean that coverage will be terminated because, as noted above, the State may withdraw the notice during the 2-year period before the termination becomes effective.

The termination of coverage for any large number of State or local government employees would have an adverse effect on the status of the trust funds, especially in the short range. In fiscal year 1979, tax contributions received by the combined OASI and DI trust funds from workers employed by State and local governments and from such employers, under all of the coverage agreements in effect, amounted to \$10.2 billion, or about 10 percent of total contributions in the year. The estimates presented in this section, and in the following sections of this report, do not reflect the effects of (1) future terminations of coverage which may become effective as a result of such notices that have been filed and that are still pending, or that may be filed in the future, or (2) future agreements that would bring additional groups of public employees under covered employment.

Under the Social Security Amendments of 1977, the Congress directed the Secretary of Health and Human Services to undertake a study of the feasibility and desirability of covering Federal employees, State and local government employees and employees of

nonprofit organizations under the OASDI and HI programs on a mandatory basis. The study was conducted in consultation with the Secretary of the Treasury, the Director of the Office of Management and Budget and the Director of the Office of Personnel Management. The results of the study were contained in a report released in March 1980. The report describes and evaluates various policy options concerning universal coverage, but does not advocate a particular alternative.

**D. 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 OASI trust fund to disabled sons and daughters aged 18 and over of retired and deceased workers in those cases in which the disability of the son or daughter has 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, 1979, about 507,000 persons were receiving monthly benefits with respect to disability from the OASI trust fund. In addition to disabled beneficiaries, this total includes 42,000 mothers and fathers. These mothers and fathers—wives under age 65 of retired-worker beneficiaries and widows or widowers of deceased insured workers—met all other qualifying requirements and were receiving full-rate (i.e., not reduced for age) benefits solely because they had at least one disabled-child beneficiary in their care. Benefits paid from this trust fund to persons receiving benefits with respect to disability totaled \$1,071 million in calendar year 1979. Similar figures are presented in table 24 to show the experience in selected calendar years 1960–79. Figures relating to past experience for years not shown in table 24 are contained in the 1976 annual report.

TABLE 24.—BENEFITS PAYABLE FROM THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES, SELECTED CALENDAR YEARS 1960-84

[Beneficiaries in thousands; benefit payments in millions]

Calendar year	Disabled beneficiaries, end of year			Amount of benefit payments <sup>1</sup>		
	Total	Children <sup>2</sup>	Widows and widowers	Total	Children <sup>2</sup>	Widows and widowers <sup>3</sup>
<b>Past experience:</b>						
1960.....	117	117	-----	\$59	\$59	-----
1965.....	214	214	-----	134	134	-----
1970.....	316	281	36	301	260	\$41
1971.....	338	298	40	363	307	56
1972.....	360	314	46	409	343	66
1973.....	381	331	51	492	417	75
1974.....	409	355	53	567	479	88
1975.....	435	376	59	664	560	104
1976.....	457	395	62	748	637	111
1977.....	480	414	65	868	748	120
1978.....	494	430	64	950	823	127
1979.....	507	445	62	1,071	946	125
<b>Estimated future experience: <sup>4</sup></b>						
1980.....	523	458	64	1,249	1,117	132
1981.....	535	471	64	1,461	1,314	147
1982.....	546	482	63	1,656	1,504	152
1983.....	555	492	62	1,849	1,695	154
1984.....	562	500	62	2,046	1,892	154

<sup>1</sup> Beginning in 1966, includes payments for vocational rehabilitation services.<sup>2</sup> Reflects effect of including certain mothers and fathers. (See text.)<sup>3</sup> Reflects the offsetting effect of lower benefits payable to disabled widows and widowers who continue to receive benefits past age 60 (62, for disabled widowers, prior to 1973) as compared to the higher nondisabled widow's (and widower's) benefits that would otherwise be payable.<sup>4</sup> The estimates are based on the intermediate set of assumptions and reflect the resulting assumed changes under the automatic increase provisions, as described in an earlier section.

Table 24 also shows the expected future experience in calendar years 1980-84, under the intermediate set of economic assumptions described in an earlier section. Total benefit payments from the OASI trust fund with respect to disabled beneficiaries are estimated to increase from \$1,249 million in calendar year 1980 to \$2,046 million in calendar year 1984, under the intermediate assumptions.

In calendar year 1979, benefit payments (including expenditures for vocational rehabilitation services) with respect to disabled persons from the OASI trust fund and from the DI trust fund (including payments from the latter fund to all dependents of disabled-worker beneficiaries) totaled \$14,857 million, of which \$1,071 million, or 7.2 percent, represented payments from the OASI trust fund. Similar figures for selected calendar years 1960-79 and estimates for calendar years 1980-84, under the intermediate set of assumptions, are presented in table 25. Figures relating to past experience for years not shown in table 25 are contained in the 1976 annual report.

TABLE 25.—BENEFIT PAYMENTS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM WITH RESPECT TO DISABLED BENEFICIARIES, BY TRUST FUND, SELECTED CALENDAR YEARS 1960-84

[Amounts in millions]

Calendar year	Benefit payments <sup>1</sup> from—			
	Total <sup>1</sup>	Disability insurance trust fund <sup>2</sup>	Old-age and survivors insurance trust fund	
			Amount <sup>3</sup>	As a percentage of total benefit payments with respect to disabled beneficiaries
<b>Past experience:</b>				
1960.....	\$627	\$568	\$59	9.4
1965.....	1,707	1,573	134	7.9
1970.....	3,386	3,085	301	8.9
1971.....	4,146	3,783	363	8.8
1972.....	4,911	4,502	409	8.3
1973.....	6,256	5,764	492	7.9
1974.....	7,524	6,957	567	7.5
1975.....	9,169	8,505	664	7.2
1976.....	10,803	10,055	748	6.9
1977.....	12,415	11,547	868	7.0
1978.....	13,549	12,599	950	7.0
1979.....	14,857	13,786	1,071	7.2
<b>Estimated future experience:<sup>4</sup></b>				
1980.....	16,717	15,468	1,249	7.5
1981.....	18,762	17,301	1,461	7.8
1982.....	20,654	18,998	1,656	8.0
1983.....	22,425	20,576	1,849	8.2
1984.....	24,438	22,392	2,046	8.4

<sup>1</sup> Beginning in 1966, includes payments for vocational rehabilitation services.<sup>2</sup> Benefit payments to disabled workers and their dependents.<sup>3</sup> Benefit payments to disabled children aged 18 and over, to certain mothers and fathers (see text), and to disabled widows and widowers. (See footnote 3, table 24.)<sup>4</sup> The estimates are based on the intermediate set of assumptions and reflect the resulting assumed changes under the automatic increase provisions, as described in an earlier section.

## E. ACTUARIAL STATUS OF THE TRUST FUNDS

In recent reports, the financial status of the OASDI program over the medium range and long range has been measured by the actuarial balance, computed over the 25-year and 75-year periods beginning with the calendar year of issuance of the report. In accordance with this practice, the statements of the medium-range and long-range actuarial status contained in this report pertain to the periods 1980-2004 and 1980-2054, respectively. In addition to the medium-range and long-range actuarial balances, two other indicators of the financial condition of the trust funds are shown in this report. One is the time series of projected trust fund ratios (assets at the beginning of the year expressed as a percentage of expenditures during the year), and the other is the time series of projected annual expenditures (expressed as a percentage of taxable payroll). These indicators are described earlier in this section and are analyzed later in this section.

The annual expenditures as a percentage of taxable payroll are useful in establishing tax rate schedules according to the current-cost method of financing described earlier. However, these cost estimates