

Of the new securities acquired, the \$21,979 million were in the form of special certificates of indebtedness, \$3,740 million of which were redeemed during the year and \$18,239 million of which mature on June 30, 1956. These certificates bear an interest rate of  $2\frac{1}{4}$  percent, this rate being determined by the average rate of interest on the interest-bearing public debt which prevailed at the end of the month preceding the date of issue of these securities.

The average rate of interest on the interest-bearing public debt at the end of the month varies with changes in the composition of the public debt and with changes in the particular rates of interest on different classes of securities. Because the average rate at the end of each month from June 1954 to May 1955, exceeded  $2\frac{1}{4}$  percent but remained less than  $2\frac{3}{8}$  percent, the interest rate on all special issues acquired during the fiscal year remained at  $2\frac{1}{4}$  percent.

**EXPECTED OPERATIONS AND STATUS OF THE TRUST FUND DURING FISCAL YEARS 1956-60**

The expected operations and status of the trust fund during the next 5 fiscal years are presented in summary in table 6, together with the figures on the actual experience in earlier fiscal years. The present statutory provisions relating to old-age and survivors insurance are assumed to remain unchanged throughout the period under consideration.

Both the income and disbursements of the trust fund not only depend on the legislative provisions but they are also affected by general economic conditions. Because it is difficult to foresee economic developments, the assumptions on which the estimates here presented are based are subject to many uncertainties. The statement of the expected operations of the trust fund should be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.

In table 6, single estimates are given for fiscal years 1956 and 1957, but for fiscal years 1958-60 2 sets of estimates are presented based on 2 different assumptions as to economic developments in those years. Estimates based on assumption I show the effect of continued high levels of economic activity. Estimates based on assumption II show the effects that a fairly sharp but temporary decline in economic activity would have on trust-fund operations.

TABLE 6.—Operations of the Federal old-age and survivors insurance trust fund, fiscal years 1937-60, subject to the assumptions and limitations stated in the text<sup>1</sup>

[In millions]

Fiscal year	Transactions during period				Net increase in fund <sup>5</sup>	Fund at end of period <sup>6</sup>
	Income		Disbursements			
	Appropriations <sup>2</sup>	Interest on investments <sup>3</sup>	Benefit payments	Administrative expenses <sup>4</sup>		
<b>Past experience:</b>						
1937-55.....	\$35,636	\$3,423	\$17,092	\$826	\$21,141	\$21,141
1941.....	688	56	64	27	653	2,398
1942.....	896	71	110	27	830	3,227
1943.....	1,130	87	149	27	1,041	4,268
1944.....	1,292	103	185	33	1,178	5,446
1945.....	1,310	124	240	27	1,167	6,613
1946.....	1,238	148	321	37	1,028	7,641
1947.....	1,460	163	426	41	1,157	8,798
1948.....	1,617	191	512	47	1,248	10,047
1949.....	1,694	230	607	53	1,263	11,310
1950.....	2,110	257	727	57	1,583	12,893
1951.....	3,124	287	1,498	70	1,843	14,736
1952.....	3,598	334	1,982	85	1,864	16,600
1953.....	4,097	387	2,627	89	1,766	18,366
1954.....	4,589	451	3,276	89	1,675	20,043
1955.....	5,087	448	4,333	103	1,098	21,141
<b>Estimated future experience:</b>						
1956.....	6,534	496	5,340	124	1,566	22,707
1957.....	6,697	570	6,050	132	1,086	23,793
1958—Assumption I.....	6,995	590	6,612	142	831	24,624
Assumption II.....	6,466	582	6,796	144	108	23,901
1959—Assumption I.....	7,202	607	7,144	129	536	25,160
Assumption II.....	6,410	576	7,487	127	-623	23,273
1960—Assumption I.....	8,117	627	7,678	129	937	26,097
Assumption II.....	6,956	555	8,030	125	-644	22,629

<sup>1</sup> In interpreting the estimates in this table, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1956.

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

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

<sup>4</sup> Include administrative expenses, less receipts for sale of surplus material, services, etc. For fiscal years 1944 and 1945, represent charges against trust fund; administrative expenses, after adjustment for bookkeeping transfers, were about \$30 million in fiscal year 1944 and \$29 million in fiscal year 1945. For fiscal years 1954-59, including cost of construction of an office building for the Bureau of Old-Age and Survivors Insurance.

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

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

In assumption I employment and earnings remain at a high level through calendar year 1960. Hourly wage rates, and therefore weekly earnings and average annual taxable wages, increase not only in accordance with long-time trends but also because of steady improvements in economic conditions. The earnings of the self-employed follow a similar pattern. Unemployment remains at a low level. Benefit disbursements increase substantially, primarily because of the long-range upward trend in the number of beneficiaries, and partly because of the effect of the 1954 amendments which became effective in fiscal year 1955.

The other set of estimates for fiscal years 1958-60, based on assumption II, show the effects of a sharp contraction in industrial activity in the latter half of calendar year 1957 with a slow recovery beginning in the first half of calendar year 1960. As a result, estimated taxable payrolls and earnings of the self-employed in the periods affecting tax collections during fiscal years 1958-60, and therefore estimated contributions, are lower under assumption II than under assumption I.

Estimated benefit disbursements, on the other hand, are higher under assumption II than under assumption I because a larger number of older workers withdraw from or are unable to find jobs in covered employment.

Under assumption I, the trust fund at the beginning of fiscal year 1956 would amount to about 2.7 times, and under assumption II about 2.6 times, the highest expected annual disbursements during the succeeding 5 fiscal years. Under assumption I, income is estimated to exceed disbursements in each of the 5 fiscal years 1956-60. Under assumption II, income is estimated to exceed disbursements during the 3 years 1956-58; during each of the years 1959 and 1960, disbursements are estimated to exceed income. The net increase in the trust fund during the 5-year period is estimated at about \$5.0 billion under assumption I and about \$1.5 billion under assumption II.

Public Law 234, approved October 30, 1951, amended the Railroad Retirement Act to provide a new basis of coordinating the railroad retirement program with old-age and survivors insurance. A description of the legislative provisions governing the financial interchanges arising from the allocation of costs between the two systems is contained in appendix II. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determined that the addition of \$330.6 million to the trust fund would place it in the same position as of June 30, 1954, as it would have been if railroad employment had always been covered under the Social Security Act. There is no authority in the law to transfer the amount held in the railroad retirement account to the credit of the trust fund, but interest thereon is payable annually. For the fiscal year ending June 30, 1955, interest amounting to \$7.4 million was transferred to the trust fund in July 1955. Except for interest, the estimates shown in table 6 have not been adjusted to reflect the effect of future interchanges between the railroad retirement account and the trust fund.

As indicated in an earlier section of the report, the 1954 amendments contain provisions which will cause benefit disbursements during the 5 fiscal years 1956-60 to be on a much higher level than the disbursements made under the old law. Moreover, benefit disbursements during the next 5 years, like contributions, will be dependent to a considerable extent upon economic developments and so will have a considerable range of possible variation. The number of workers in covered employment, their distribution among different classes of workers (e. g., older workers, very young workers, women workers not previously engaged in covered employment, etc.), and the level of earnings will all have a decided effect upon the amount of benefit payments to be anticipated. However, under both assumptions benefit payments as a percentage of taxable earnings will continue to rise. Benefit payments were 2.79 percent of taxable earnings for calendar year 1954. By 1960, benefit expenditures under assumption I are estimated at 4.16 percent, and under assumption II at 5.17 percent, of taxable earnings. Figures for each of the calendar years 1940-60 are shown in table 7.

TABLE 7.—Benefit payments as percentage of taxable earnings, calendar years 1940-60 subject to the assumptions and limitations stated in the text<sup>1</sup>

Calendar year	Benefit payments as percentage of taxable earnings	Calendar year	Benefit payments as percentage of taxable earnings
Past experience:		Estimated future experience:	
1940.....	0.11	1955.....	3.16
1941.....	.21	1956.....	3.39
1942.....	.25	1957—Assumption I.....	3.62
1943.....	.27	Assumption II.....	3.81
1944.....	.32	1958—Assumption I.....	3.82
1945.....	.44	Assumption II.....	4.38
1946.....	.55	1959—Assumption I.....	3.99
1947.....	.59	Assumption II.....	4.87
1948.....	.66	1960—Assumption I.....	4.16
1949.....	.82	Assumption II.....	5.17
1950.....	1.10		
1951.....	1.59		
1952.....	2 1.74		
1953.....	2 2.25		
1954.....	2 2.79		

<sup>1</sup> In interpreting the estimates in this table reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1956. For years 1951 and later, percentage takes into account lower contribution rate payable by the self-employed compared with combined employer-employee rate.

<sup>2</sup> Preliminary, subject to revision based on complete tabulation of taxable self-employment earnings for 1952-54 and of taxable wages for 1954.

In general, the larger the volume of employment the larger will be the number of workers who are insured under the program, and therefore the larger will be the number of deaths which will give rise to valid claims for survivors' benefits. However, over the short range the amount paid out for survivors' benefits will not be affected significantly by variations in economic conditions. While favorable opportunities for employment will operate to increase the number of insured persons, and hence increase the number of new death claims, such a high employment situation will tend to have counterbalancing effects such as that of inducing many of the widows and older children eligible for survivors' benefits to forego them by working. On balance, the amount paid out for survivors' benefits over the next few years will differ so little whether the economic conditions of assumption I or assumption II are assumed that a single set of estimates is deemed appropriate for both assumptions (table 8).

TABLE 8.—*Treasury disbursements for benefit payments, distributed by classification of beneficiaries, fiscal years 1941-60, subject to the assumptions and limitations stated in the text*<sup>1</sup>

[In millions]

Fiscal year	Total benefit disbursements <sup>2</sup>	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers			
				Monthly benefits			Lump-sum payments
				Total <sup>3</sup>	Aged widows, dependent widowers, and dependent parents	Widowed mothers, dependent divorced wives, and children	
<b>Past disbursements:<sup>3</sup></b>							
1941.....	\$64.3	\$31.4	\$5.3	\$15.3	\$1.5	\$13.8	\$12.3
1942.....	110.3	54.9	9.6	31.6	4.1	27.5	14.1
1943.....	149.3	72.4	12.7	47.5	7.9	39.6	16.7
1944.....	184.6	86.8	15.2	63.6	12.1	51.5	19.0
1945.....	239.8	109.1	19.2	85.8	17.7	68.1	25.7
1946.....	320.5	153.9	27.2	113.4	24.7	88.7	26.0
1947.....	425.6	219.2	38.4	139.4	33.8	105.6	28.5
1948.....	511.7	272.4	47.5	160.5	43.7	116.8	31.3
1949.....	607.0	333.0	57.7	184.0	55.6	128.4	32.2
1950.....	727.3	412.6	71.2	209.4	69.3	140.2	34.0
1951.....	1,498.1	891.1	148.0	413.5	134.3	279.2	45.5
1952.....	1,982.4	1,191.4	193.5	539.2	179.2	360.0	58.3
1953.....	2,627.5	1,624.6	253.0	673.6	232.7	441.0	76.3
1954.....	3,275.6	2,068.5	318.6	798.3	283.0	515.3	90.2
1955.....	4,333.1	2,803.0	428.8	1,000.8	367.9	632.9	100.5
<b>Estimated future disbursements:</b>							
1956.....	5,340	3,522	531	1,170	436	734	117
1957.....	6,050	4,024	602	1,304	501	803	120
1958—Assumption I.....	6,612	4,396	656	1,436	569	867	124
Assumption II.....	6,796	4,557	679				
1959—Assumption I.....	7,144	4,747	705	1,563	639	924	129
Assumption II.....	7,487	5,046	749				
1960—Assumption I.....	7,678	5,105	755	1,684	712	972	134
Assumption II.....	8,030	5,411	801				

<sup>1</sup> In interpreting the estimates in this table, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1956.

<sup>2</sup> Totals do not necessarily equal the sum of rounded components.

<sup>3</sup> Partly estimated.

On the other hand, the lower the level of employment during the next 5 years, the larger will be the volume of benefit payments to retired workers who have attained age 65 and to their eligible dependents. As is indicated in table 9, a considerable proportion of the workers aged 65 and over who were eligible for old-age (primary) benefits in the past remained in covered employment (or, if they left covered employment, later returned to it) and did not receive benefits. Since January 1, 1945, however, this proportion has decreased as the number of retired workers receiving benefits increased relatively more rapidly than the number eligible for old-age benefits. The proportion of eligible workers receiving benefits on January 1, 1951 (table 9), would not have declined but for the fact that, for a large number of workers newly eligible as a result of the liberalized insured-status provisions of the 1950 amendments, claims for benefits had been received but had not yet been completely processed.

TABLE 9.—Workers eligible for and receiving old-age (primary) benefits by attained age, fiscal years 1941-60, subject to the assumptions and limitations stated in the text <sup>1</sup>

[Numbers in thousands]

Middle of fiscal year (Jan. 1)	All workers aged 65 and over			Workers aged 65-69			Workers aged 70 and over		
	Number eligible for benefits <sup>2</sup>	Persons receiving benefits		Number eligible for benefits <sup>2</sup>	Persons receiving benefits		Number eligible for benefits <sup>2</sup>	Persons receiving benefits	
		Number	Percent of number eligible		Number	Percent of number eligible		Number	Percent of number eligible
<b>Past experience:</b>									
1941.....	548	112	20	376	85	23	172	28	16
1942.....	680	200	29	445	134	30	235	66	28
1943.....	831	260	31	522	153	29	309	107	35
1944.....	1,016	306	30	608	156	26	408	151	37
1945.....	1,244	378	30	708	167	24	536	211	39
1946.....	1,469	518	35	805	212	26	664	306	46
1947.....	1,637	702	43	868	271	31	769	430	56
1948.....	1,813	875	48	930	325	35	883	550	62
1949.....	1,990	1,048	53	1,000	380	38	990	668	67
1950.....	2,164	1,286	59	1,069	474	44	1,095	812	74
1951.....	3,139	1,771	56	1,663	721	43	1,476	1,050	71
1952.....	3,504	2,278	65	1,825	942	52	1,679	1,337	80
1953.....	4,366	2,644	61	2,260	1,055	47	2,106	1,589	75
1954.....	4,797	3,222	67	2,429	1,300	54	2,368	1,922	81
1955.....	5,209	3,775	72	2,569	1,518	59	2,640	2,257	85
<b>Estimated future experience:</b>									
1956.....	5,686	4,474	79	2,685	1,744	65	3,001	2,730	91
1957.....	6,336	5,010	79	2,857	1,820	64	3,479	3,190	92
1958—Assumption I.....	6,732	5,407	80	2,919	1,870	64	3,813	3,537	93
Assumption II.....	6,726	5,546	82	2,915	1,983	68	3,811	3,563	93
1959—Assumption I.....	7,109	5,774	81	2,979	1,922	65	4,130	3,852	93
Assumption II.....	7,052	6,044	86	2,942	2,152	73	4,110	3,892	95
1960—Assumption I.....	7,469	6,134	82	3,044	1,991	65	4,425	4,143	94
Assumption II.....	7,343	6,422	87	2,954	2,239	76	4,389	4,183	95

<sup>1</sup> In interpreting the estimates in this table reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared February 1956. No adjustments have been made to reflect changes arising from (1) provisions that coordinate the old-age and survivors and railroad retirement programs, and (2) wage credits for military service.

<sup>2</sup> Figures for 1941-55 are partly estimated.

The drop in the proportion of eligible workers receiving benefits on January 1, 1953, was caused by the fact that many persons in occupations newly covered by the 1950 amendments became fully insured for the first time in 1952. Since these newly insured persons were fairly regularly employed, relatively few filed applications for old-age (primary) benefits. This depressed the proportion of all eligible persons in receipt of such benefits on January 1, 1953, to a lower level. A similar situation is expected on January 1, 1957, when many persons fairly regularly employed in occupations newly covered by the 1954 amendments will be insured. In general, however, the past upward trend in this proportion is expected to continue even under the favorable employment conditions assumed in assumption I. Contributing to this expected increase are the changes in the retirement test contained in the 1954 amendments—notably the reduction from 75 to 72 in the age at which benefits are paid without regard to earnings—which became effective in calendar year 1955.

If the lower employment conditions assumed in assumption II should materialize, it is expected that larger proportions of eligible workers will be obliged to leave employment especially at ages 65-69. Hence, despite a slightly smaller number of eligible workers, the number receiving old-age (primary) benefits under assumption II

would considerably exceed that under assumption I. Moreover, it is expected that the average old-age (primary) benefit amount payable under assumption II would exceed the average under assumption I, inasmuch as many of the more steadily employed, and therefore higher paid, older workers who would not withdraw from employment under the conditions of assumption I would not be employed under the conditions of assumption II. In consequence, assumption II would result in a substantially higher volume of benefit payments to old-age (primary) beneficiaries and their dependents.

Table 9 contains an analysis of workers eligible for old-age (primary) benefits by age attained as of the middle (January 1) of each of the fiscal years 1941 through 1960. The growth in the number of eligible workers aged 65-69 was gradual but uninterrupted during the calendar years 1941 to 1949, inclusive. This growth resulted partly from the increase in the population at these attained ages, but primarily from the fact that each passing year a larger proportion of the persons attaining age 65 had fully insured status. In the calendar year 1940, a worker attaining age 65 would not have been fully insured if he had left covered employment more than 1½ or 2 years previous to his attainment of age 65—for example due to a permanent disability—but in the calendar year 1949 numerous persons attaining age 65 were fully insured even though they left covered employment after reaching age 59.

The marked increase in the number of workers eligible for benefits in 1951 is due to the liberalized insured-status provisions of the 1950 amendments to the Social Security Act. The number of quarters of coverage needed to be eligible for old-age benefits just prior to the passage of these amendments ranged from 27 for persons then attaining age 65 down to 6 for persons then aged 76 and over. As a result of the 1950 amendments all persons who attained age 65 before July 1954 are fully insured if they have the minimum number of 6 quarters of coverage. Consequently, the increase in the number of eligible persons on January 1, 1951, was greatest for the persons in the 65-69 age group. Although the same factors which contributed to the growth in the number of eligible persons before 1951 will continue to be operative after 1950, the amendments in 1950 and 1954 which liberalized the insured-status provisions and extended coverage to new areas of employment will have an even greater effect.

#### ACTUARIAL STATUS OF THE TRUST FUND

On June 30, 1955, there were about 14,200,000 persons aged 65 and over in the United States, a number equivalent to 8.4 percent of the total population. It is estimated that by the end of the century the number of persons aged 65 and over may be nearly double that on June 30, 1955, and represent from 10 to 13 percent of the population.

The effect on the finances of the old-age and survivors insurance system of this expected change in the number of aged persons will be even greater than may at first appear, because 50 years hence a much larger proportion of aged persons is expected to be eligible to receive benefits under the program than at present. The future financial soundness of this system, with its rising rate of disbursements, is of the utmost importance to the millions of persons who are already within its scope and to the Nation as a whole.

Table 10 shows the estimated cost of benefits as a percentage of payroll through the year 2050 and also the level-premium cost of the program—that is, the level percentage of payroll which, in perpetuity, would be sufficient to meet the cost of the benefits. This level-premium cost ranges from 6.55 to 8.74 percent of payroll, depending upon the combination of assumptions selected. Table 11 shows the estimated contributions, benefit payments, administrative expenses, interest accumulations, and assets of the trust fund through the year 2000, under alternative combinations of assumptions with respect to benefit costs and levels of employment. A discussion of the assumptions upon which these tables have been calculated is presented in appendix I.

TABLE 10.—*Estimated costs of old-age and survivors insurance system as percent of payroll<sup>1</sup>, 1965-2050*

[In percent]

Calendar year	Low-cost estimate	High-cost estimate	Intermediate-cost estimate <sup>2</sup>
Benefit cost in year			
1965.....	4.84	5.61	5.22
1970.....	5.57	6.38	5.97
1980.....	6.80	7.89	7.34
1990.....	7.55	9.20	8.35
2000.....	7.24	9.40	8.26
2025.....	8.05	12.40	9.93
2050.....	7.89	12.03	9.52
Level-premium cost <sup>3</sup>			
2¼ percent interest.....	6.69	8.74	7.63
2.4 percent interest.....	6.61	8.57	7.51
2½ percent interest.....	6.55	8.47	7.44

<sup>1</sup> Taking into account lower contribution rate for the self-employed, as compared with combined employer-employee rate.

<sup>2</sup> Based on the average of the dollar costs under the low-cost and high-cost estimates.

<sup>3</sup> Level-premium contribution rate for benefit payments after 1955, taking into account interest on the trust fund on Dec. 31, 1955, future administrative expenses, and the lower contribution rates payable by the self-employed.

NOTE.—The figures in this table are based on high-employment assumptions.



TABLE 11.—*Estimated progress of old-age and survivors insurance trust fund, 2.4 percent interest*

[In millions]

Calendar year	Contributions <sup>1</sup>	Benefit payments	Administrative expenses	Interest on fund	Fund at end of year
Actual data (excluding effect of railroad coverage)					
1953.....	\$3,945	\$3,006	\$88	\$414	\$18,707
1954.....	5,163	3,670	92	<sup>3</sup> 468	20,576
1955.....	5,713	4,968	119	<sup>3</sup> 461	21,663
Actual data (including effect of railroad coverage)					
1953.....	\$4,099	\$3,246	\$91	\$424	\$19,084
1954 <sup>2</sup> .....	5,323	3,920	96	<sup>3</sup> 477	20,896
Low-cost estimate					
1965.....	\$10,928	\$9,108	\$135	\$887	\$38,706
1970.....	13,671	11,180	151	1,189	51,910
1980.....	17,730	15,066	181	2,223	96,108
1990.....	19,355	18,270	208	3,252	139,208
2000.....	21,543	19,494	226	4,442	190,443
High-cost estimate					
1965.....	\$10,794	\$10,419	\$171	\$605	\$25,923
1970.....	13,526	12,681	192	673	29,036
1980.....	17,265	17,034	232	1,026	43,763
1990.....	18,133	20,856	268	919	37,269
2000.....	19,375	22,762	289	226	7,810
Intermediate-cost estimate					
1965.....	\$10,861	\$9,763	\$153	\$746	\$32,314
1970.....	13,598	11,931	172	931	40,473
1980.....	17,498	16,050	216	1,624	69,936
1990.....	18,744	19,565	238	2,080	88,239
2000.....	20,459	21,129	258	2,334	99,126

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

<sup>2</sup> Preliminary; partially estimated.

<sup>3</sup> Includes interest transfer from Railroad Retirement Account to OASI trust fund (\$11.6 million in 1954 and \$7.4 million in 1955).

NOTE.—The estimated figures in this table are based on high-employment assumptions.

## SUMMARY AND RECOMMENDATIONS

During the past 5 fiscal years, the contribution income of the trust fund has increased substantially for a number of reasons. In addition to a rise in earnings levels and the normal uptrend in the labor force, contribution rates increased in 1950 and 1954; moreover, coverage was extended to additional employments and the maximum limit on taxable earnings was raised in 1951 and 1955. With the growth of the trust fund, interest received on investments has also increased.

Trust-fund disbursements have risen even more sharply than contribution income. Basic factors in this increase are the long-term growth in the aged population and, more significantly, the lengthening period during which workers have had an opportunity to earn the quarters of coverage required to be insured. More immediate causes have been the amendments to the Social Security Act during 1950-54,

which have extended the program's coverage; lowered the requirements for eligibility to benefits for individuals who attain age 65, and for the survivors of individuals who die in the early years of the program; increased the benefits payable; and liberalized the retirement test.

It is estimated that aggregate income from contributions and interest on investments of the trust fund during the 5-year period immediately ahead will be wholly sufficient to meet aggregate disbursements of the old-age and survivors insurance program during this period. Long-range actuarial studies show that, on the basis of high employment assumptions, the level-premium cost at 2.4-percent interest ranges from 6.61 to 8.57 percent of payroll, depending on the combination of cost assumptions selected.

Under legislation enacted in 1946, the trust fund was reimbursed out of general revenues for noncontributory benefit payments arising from credit for military service. As a result of legislation enacted in 1950, 1952, 1953, and 1955, all noncontributory benefit payments after August 1950 on account of credit for military service have been made from the trust fund with no provision for reimbursement. The Board of Trustees believes that these additional costs, including the administrative expenses involved, should not be borne by the trust fund out of the regular social security tax collections. Instead, it believes that they are a proper charge against the general fund of the Treasury, just as are other costs of maintaining the Armed Forces.

Under present statutory provisions, the interest rate on special obligations purchased by the trust fund is based on the average interest rate on all outstanding Federal securities, including short-term obligations. The fund's assets, however, are available for long-term investment. The Board of Trustees therefore believes that section 201 (c) of the Social Security Act should be amended so as to permit the trust fund to earn the higher interest rate paid by long-term securities, thereby increasing the assets of the fund and affording greater protection to the workers of America and their families who are insured in the trust fund. The Board believes that obligations of less than 5 years should be eliminated in computing the interest rate for special Government issues acquired by the trust fund.