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86TH CONGRESS 1st Session } HOUSE OF REPRESENTATIVES { DOCUMENT No. 181

19TH ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

LETTER

FROM

SECRETARY OF THE TREASURY, AND MANAGING TRUSTEE, BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS

TRANSMITTING

THE 19TH ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND FOR THE FISCAL YEAR ENDING JUNE 30, 1958, PURSUANT TO SECTION 201(C) OF THE SOCIAL SECURITY ACT, AS AMENDED

JUNE 22, 1959.—Referred to the Committee on Ways and Means and ordered to be printed

84011°—59——1

LETTER OF TRANSMITTAL

BOARD OF TRUSTEES OF THE FEDERAL
OLD-AGE AND SURVIVORS INSURANCE AND
DISABILITY INSURANCE TRUST FUNDS,
Washington, D.C., March 1, 1959.

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

Sirs: We have the honor to transmit to you the 19th Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, in compliance with the provisions of section 201(c) of the Social Security Act, as amended.

Respectfully,

ROBERT B. ANDERSON,
Secretary of the Treasury, and Managing Trustee of the Trust Funds.

JAMES P. MITCHELL,
Secretary of Labor.

ARTHUR S. FLEMMING
Secretary of Health, Education, and Welfare.

W. L. MITCHELL,
Commissioner of Social Security and Secretary, Board of Trustees.

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19TH ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

Fiscal Year Ending June 30, 1958

THE BOARD OF TRUSTEES

The Federal old-age and survivors insurance trust fund, established on January 1, 1940, and the Federal disability insurance trust fund, established on August 1, 1956, are held by the Board of Trustees under the authority of section 201(c) of the Social Security Act, as amended. The Board is comprised of three members who serve in an ex officio capacity. The members of the Board are the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare. The Secretary of the Treasury is designated by law as the managing trustee. The Commissioner of Social Security is secretary of the Board.

FISCAL YEAR HIGHLIGHTS

Disability benefits were paid from the Federal disability insurance trust fund for the first time in August 1957. Total payments of disability benefits in the fiscal year amounted to $168 million, and at the end of the fiscal year benefits were being paid to 200,000 beneficiaries.

Shortly after the close of fiscal year 1958, Congress made extensive amendments to the Social Security Act and related sections of the Internal Revenue Code. Monthly benefit amounts under old-age, survivors, and disability insurance were increased, eligibility requirements for the payment of benefits to certain classes of beneficiaries were liberalized, and monthly benefits for dependents of disabled workers were provided. The maximum amount of earnings taxable and creditable toward benefits was raised to $4,800 a year beginning January 1959. The schedule of contribution rates was revised to provide an increase of one-fourth of 1 percent each for employees and employers beginning January 1, 1959. Further increases in contribution rates under the revised schedule will occur in 1960 and at 3-year (instead of 5-year) intervals thereafter until 1969. Several technical amendments, including changes in the retirement test provisions, were adopted. These amendments are described more fully in another section of this report, and their effects are taken into account in the actuarial cost estimates presented in this report.

In June 1958, the total number of old-age and survivors insurance beneficiaries was 11,705,000, or 13 percent more than in June 1957. There were 8,785,000 retirement beneficiaries (old-age beneficiaries and their entitled wives, dependent husbands, and young children), an increase of 14 percent, and 2,920,000 survivor beneficiaries, an increase of 11 percent, over a year earlier. The estimated number of persons with taxable earnings under old-age, survivors, and disability insurance in calendar year 1958 was about 75 million.

Benefit payments under the old-age, survivors, and disability insurance program were a material factor helping to maintain personal incomes and consumer purchasing power during the business recession that occurred in fiscal 1958. Disbursements of the old-age and survivors insurance trust fund in fiscal year 1958 were $8,041 million, not including $75 million representing overpayments of employee contributions subject to refund. Receipts net of these refunds were $7,824 million. The excess of outgo over income, amounting to $216 million, decreased the total assets of the trust fund from $23,029 million on June 30, 1957, to $22,813 million on June 30, 1958. The disbursements in fiscal year 1958 included $7,875 million for benefits and $166 million for administrative expenses. The receipts included $7,267 million in net contributions and $557 million in interest on investments.

Both disbursements and receipts of the old-age and survivors insurance trust fund showed an increase over fiscal year 1957. Disbursements rose $1,376 million or 21 percent, and receipts rose $724 million or 11 percent. The increase in disbursements was the combined result of the coverage extensions and liberalized eligibility and benefit provisions included in the amendments adopted during 1950–56 and the long-term growth of the aged population and the proportion of the aged eligible for benefits. The rise in receipts is accounted for chiefly by a rise in the amount of employment and earnings covered under the program.

Estimates for the 5 fiscal years 1959–63 show a further increase in the receipts and disbursements of the old-age and survivors insurance trust fund. The estimates indicate that during fiscal 1959 total outgo of the fund will exceed its total income, and during fiscal 1960 the income and outgo of the fund will be almost equal. The fund's assets will increase during the remainder of the 5-year period.

According to these estimates, at the end of fiscal year 1963 the old-age and survivors insurance trust fund will amount to $23.9 billion, with income of $13.2 billion and outgo of $12.0 billion in that fiscal year. During the 5 fiscal years 1959–63, it is estimated that the trust fund will not exceed two times the highest expected annual outgo during the 5-year period.

Long-range cost estimates for the old-age and survivors insurance program, as amended in 1958, indicate that for practical purposes the program is in approximate actuarial balance. Under high employment assumptions, the level-premium cost of the benefit payments and administrative expenses, at 3-percent interest, ranges from 7.29 to 9.42 percent of payroll, depending on the combination of cost assumptions selected. On an intermediate basis, such level-premium cost is 8.27 percent of payroll as compared with the level-premium equivalent of the contributions of 8.02 percent of payroll.

Disbursements of the disability insurance trust fund in fiscal year 1958 were $181 million, consisting of $168 million for benefits and $12 million for administrative expenses. Receipts were $942 million, consisting of $926 million in net contributions and $16 million in interest on investments. The net addition of $762 million raised the total assets of the trust fund to $1,099 million on June 30, 1958.

Estimates of the expected operations of the disability insurance trust fund during the 5 fiscal years 1959–63 show that this trust fund at the end of fiscal year 1963 will amount to $3.8 billion, with receipts of $1.2 billion and disbursements of $630 million in that fiscal year. On June 30, 1963, the trust fund will amount to about six times the highest expected annual disbursements during the 5-year period 1959–63.

The long-range cost estimates for the disability insurance program show that under high employment assumptions the level-premium cost of the benefit payments and administrative expenses, at 3-percent interest, ranges from 0.33 to 0.67 percent of payroll, depending on the combination of assumptions used. The intermediate-cost estimate is 0.49 percent of payroll, as compared with the level-premium equivalent of the contributions of 0.50 percent of payroll.

The Advisory Council on Social Security Financing, appointed by the Secretary of Health, Education, and Welfare on October 24, 1957, submitted its report in December 1958. In accordance with the law providing for its appointment, the Council's findings, recommendations, and conclusions, which were unanimous, are included in this report as appendix IV.

SOCIAL SECURITY AMENDMENTS IN 1958

Amendments to the Social Security Act and related sections of the Internal Revenue Code enacted shortly after the end of fiscal year 1958 (Public Law 85–840, approved August 28, 1958 [1]) will have significant effects on both the immediate and long-range future levels of income and disbursements under the system. Benefit amounts were increased. Provision was made for the payment of monthly benefits to the dependents of disabled workers. Eligibility requirements for the payment of benefits to certain classes of beneficiaries were liberalized. The schedule of contribution rates was substantially revised to continue to reflect the intent that the program be self-supporting.

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

1. Larger benefits were made payable to future beneficiaries as well as to persons on the rolls. The primary insurance amounts on which the new benefit rates are based are shown in a benefit table which replaces the benefit formulas and conversion table of prior law.

(*a*) The maximum amount of earnings taxable and creditable toward benefits was raised to $4,800 a year, beginning with 1959.

(*b*) Benefit amounts were increased, beginning January 1959, by about 7 percent. The minimum primary insurance amount is $33 and the maximum primary insurance amount for beneficiaries on the rolls in January 1959 is $116. For workers coming on the rolls in the future, benefits will range as high as $127, because of the higher earnings base. However, the maximum benefit of $127, based on the maximum possible average monthly wage of $400, will not become generally payable until many years have elapsed.

[1] Several other laws enacted since June 30, 1957, make minor changes in the Social Security Act which would have no measurable cost effects.

(*c*) The minimum benefit for a family containing only one survivor beneficiary is $33.

(*d*) The maximum monthly amount of family benefits payable with respect to each amount of average monthly earnings is set forth in the benefit table. In general, as in prior law, family benefits are limited to the larger of 1½ times the primary insurance amount and 80 percent of average monthly earnings. The dollar maximum on family benefits is raised from $200 to $254.

2. Beginning October 1958, benefits are provided for wives, dependent husbands, and children of disability insurance beneficiaries similar to those previously provided only for dependents of old-age insurance beneficiaries. These benefits are payable from the Federal disability insurance trust fund.

3. The disability benefits offset provision was repealed effective with disability insurance benefits and childhood disability benefits payable for August 1958. This provision had required that the monthly social security benefits payable to disabled workers (and those payable to persons disabled in childhood) be reduced by the amount of any periodic benefit payable on account of disability under other Federal programs (other than veteran's compensation) or a State workmen's compensation system.

4. The requirement of currently insured status for the disability "freeze" or for disability insurance benefits is removed. Fully insured status was added as a requirement for the freeze, so that work requirements for the freeze and for cash benefits are alike.

5. Disability insurance benefits may be paid for as many as 12 months before the month in which the application is filed if all other requirements have been met for such prior months.

6. The June 30, 1958, deadline for filing fully retroactive disability freeze applications is postponed through June 30, 1961. Disability freeze applicants who file after June 30, 1961, may establish a freeze period beginning as early as 18 months before the month of filing application.

7. Dependent parents of a deceased worker can become eligible for benefits even though a widow, a dependent widower, or a dependent child survives the worker.

8. Disabled children, aged 18 or over, are now presumed dependent on their parents under the same rules as younger children. Under previous law, a disabled child who was 18 or over at the time he applied for a child's insurance benefit or at the time his parent died, was required to show that he had been receiving at least one-half of his support from his parent.

9. Retirement test provisions are amended to raise from $80 to $100 the amount of wages a beneficiary may have in a month without losing benefits for that month even though during the year he earns above $1,200, the annual exempt amount.

10. Changes relating to the financing of the system are made with the intent of assuring that it will continue to be self-supporting.

The employee and employer contribution rates for old-age and survivors insurance are each increased, as of January 1, 1959, by one-fourth of 1 percent above the previously scheduled rates, with a corresponding increase for the self-employed. Future increases in tax rates are scheduled at 3-year intervals (rather than at 5-year intervals) beginning with 1960. The new schedule is as follows: 1959, 2½ percent each for employees and employers; 1960–62, 3 percent; 1963–65, 3½ percent; 1966–68, 4 percent; 1969 and thereafter, 4½ percent each. The scheduled rates include the employee and employer contribution rate of one-fourth of 1 percent each for disability insurance. The contribution rates on self-employment income continue to equal 1½ times the employee rates.

Table 1 presents an estimate of the effect, expressed as a level-premium percent of payroll, of the changes in the program in 1958.

TABLE 1.—*Changes in estimated level-premium costs as percent of taxable payroll, by type of change, intermediate cost estimate, 3 percent interest*

[In percent]

Item	Old-age and survivors insurance	Disability insurance
Benefit cost under 1956 amendments [1]	7.90	0.35
Effect of changes:		
Additional income, less additional benefits, resulting from higher earnings base	–.22	–.01
Increase in level of benefits	.57	.03
Liberalization of retirement test	.01	
Liberalization of eligibility requirements for parent's benefits	.01	
Benefits to dependents of disability beneficiaries		.06
Elimination of disability benefit offset provision		.03
Modification of disability insured status requirements		.03
Benefit cost under 1958 amendments [1]	8.27	.49
Level premium equivalent of graded tax schedule under 1956 amendments	7.33	.50
Effect of changes:		
Increase of ½ percent in tax schedule	.50	
Future increases in rates scheduled at 3-year, rather than 5-year, intervals	.19	
Level premium equivalent of graded tax schedule under 1958 amendments	8.02	.50

[1] Taking into account (*a*) lower contribution rate for the self-employed as compared with employer-employee rate, (*b*) interest on the trust fund on Dec. 31, 1957, and (*c*) administrative expenses.

NATURE OF THE TRUST FUNDS

The Federal old-age and survivors insurance trust fund was established on January 1, 1940, as a separate account in the U.S. Treasury to hold the amounts accumulated under the old-age and survivors insurance program. All the financial operations of the program through July 31, 1956, were handled through this fund. The Social Security Amendments of 1956, which became law August 1, 1956, provided for the creation of the Federal disability insurance trust fund—a fund entirely separate from the old-age and survivors insurance trust fund—through which are handled all financial operations in connection with the system of monthly disability benefits payable to insured workers aged 50 to 64 and to their dependents. The financial operations of the old-age, survivors, and disability insurance program which relate to the system of old-age and survivors insurance benefits continue to be handled through the old-age and survivors insurance trust fund.

The primary source of receipts of the two funds is amounts deposited in or appropriated to each of them under permanent appropriation on the basis of contributions paid by workers and their employers, and by individuals with self-employment income, in employments covered by the old-age, survivors, and disability insurance program. All employees and their employers in employments covered by the program are required to pay contributions with respect to the wages of individual workers. All covered self-employed persons are required to pay contributions with respect to their self-employment income. In general, beginning with calendar year 1959, an individual's contributions are computed on annual wages or self-employment income, or both wages and self-employment income combined, up to a maximum of $4,800, with the contributions being determined first on the wages and then on any self-employment income necessary to make up the $4,800.

The Internal Revenue Code, as amended, provides that the contribution rate for employees and their employers shall be 2½ percent each for the calendar year 1959, and that the rates shall rise to 3 percent each on January 1, 1960, to 3½ percent each on January 1, 1963, to 4 percent each on January 1, 1966, and to 4½ percent each on January 1, 1969. The contribution rates on self-employment income are equal to 1½ times the corresponding employee rate. The Social Security Act, as amended in 1956, provides that beginning January 1, 1957, of the total contribution income based on these rates, contributions at the rate of one-fourth of 1 percent each for employees and employers, and three-eighths of 1 percent for the self-employed shall be allocated to the disability insurance trust fund.

Except for amounts received by the Secretary of the Treasury under State agreements and deposited directly in the trust funds, all contributions are collected by the Internal Revenue Service and are paid into the Treasury as internal-revenue collections. However, sums equivalent to 100 percent of these taxes are transferred to the trust funds from time to time. Such transfers are first made on the basis of estimated tax receipts. The exact amount is not known since old-age, survivors, and disability insurance and income taxes withheld are not separately identified in tax collection reports received by the Treasury Department. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable on the basis of reported earnings.

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

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

The income and expenditures of the trust funds are also affected by Public Law 234, approved October 30, 1951, which amended the Railroad Retirement Act to provide a system of coordination and financial interchange between the railroad retirement and old-age and survivors insurance programs. Public Law 880, approved August 1, 1956, amended Public Law 234 to include financial interchanges between the railroad retirement and the disability insurance programs. A description of the legislative provisions governing the allocation of costs between the two programs appears in appendix II.

Under a decision of the Comptroller General of the United States (B-4906) dated October 11, 1951, receipts derived from the sale of miscellaneous supplies and reimbursable services are credited to and form a part of the trust funds, where the initial outlays therefor were paid from the trust funds. Formerly, these moneys were credited to the general fund of the Treasury as miscellaneous receipts.

Under Public Law 85–840 approved August 28, 1958, the Secretary of Health, Education, and Welfare is authorized to charge for providing certain services not directly related to the old-age, survivors, and disability insurance programs. The Bureau of Old-Age and Survivors Insurance has accumulated a unique body of information in the course of the administration of the program. Situations arise when it is in the public interest to utilize this information to perform certain services, such as forwarding letters for health research purposes to holders of social security account numbers, when such services can be performed without interfering unduly with the administration of the program. Such services could not properly be provided at the expense of the trust funds. Receipts derived from performance of these services are credited to and form a part of the trust funds.

Public Law 719, approved August 10, 1946, provided noncontributory survivor protection to certain veterans of World War II. The legislation provided, and the old-age and survivors insurance trust fund received, reimbursement from the general fund of the Treasury for the additional costs arising from these provisions. Under Public Law 734, approved August 28, 1950, these additional costs arising after August 31, 1950, were borne by the trust fund. Public Law 881, approved August 1, 1956, provides that the old-age and survivors insurance trust fund shall be reimbursed for all additional costs arising after August 31, 1950, from the 1946 provisions. Public Law 881 also provides that (1) the old-age and survivors insurance trust fund shall be reimbursed for all past and future additional expenditures resulting from the provisions that granted noncontributory $160 monthly wage credits to persons who served in the Armed Forces from September 16, 1940, through December 31, 1956; and (2) the disability insurance trust fund shall be reimbursed for all additional expenditures after July 31, 1956, resulting from these provisions. Public Law 85–840 broadened the provisions of prior law dealing with noncontributory wage credits of $160 for each month of active military service for the United States to provide such credits for certain American citizens who served in the armed forces of our allies during World War II. As in the case of the other noncontributory credit for military service, the trust funds will be reimbursed for the additional costs arising from the new provisions. A summary of the legislative history of the financing of credit for military service appears in appendix II.

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

Congress has authorized expenditures from the trust funds for construction of an office building and related facilities for the Bureau of Old-Age and Survivors Insurance.

The managing trustee invests that portion of each trust fund which, in his judgment, is not required to meet current expenditures for benefits and administration. The Social Security Act restricts permissible investments of the trust funds to interest-bearing obligations of the U.S. Government or to obligations guaranteed as to both principal and interest by the United States. Obligations of these types may be acquired on original issue at par or by purchase of outstanding obligations at their market price. In addition, the Social Security Act authorizes the issuance of public-debt obligations for purchase by the trust funds. The law requires that such public-debt obligations shall have maturities fixed with due regard for the needs of the trust funds and bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of their issue, borne by all marketable interest-bearing obligations of the United States forming a part of the public debt that are not due or callable until after the expiration of 5 years from the date of original issue (where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest on such special obligations is required to be the multiple of one-eighth of 1 percent nearest such average rate).

Interest on public issues held by the trust funds is received by the funds at the time the interest is paid on the particular issues held. Interest on public-debt obligations issued specifically for purchase by the trust funds is payable semiannually or at redemption.

Public issues acquired by the funds may be sold at any time by the managing trustee at their market price. Public-debt obligations issued for purchase by the trust funds may be redeemed at par plus accrued interest. Interest receipts and proceeds from the sale or redemption of obligations held in the trust funds are available for investment in the same manner as other receipts of the funds. Interest earned by the invested assets of the trust funds will provide income to meet a portion of future benefit disburesments. The role of interest in meeting future benefit payments is indicated in tables 17 and 18.

In addition, the assets of the trust funds assure the continued payment of benefits without sharp changes in contribution rates during periods of shortrun fluctuations in total income and expenditures.

REALITY OF THE TRUST FUNDS

Public discussion of the investment aspects of the old-age and survivors insurance program has sometimes revealed a serious misunderstanding of the nature and significance of the trust fund operations. The board of trustees believes that it is important to correct any misapprehensions that may exist among persons who look to the old-age and survivors insurance and disability insurance programs for basic protection against income loss because of retirement, death, or prolonged total disability.

The board therefore is pleased to note that in its findings the Advisory Council on Social Security Financing states that—

> The investment of the trust funds in U.S. Government obligations is a proper use of the excess of income over outgo for the benefit of the contributors to the funds. The trust funds are properly kept separate from the general funds of the Treasury and have the same lender status as other investors in Federal securities.

The council states further that its members are in unanimous agreement with the advisory councils of 1938 and 1948—

> that the present provisions regarding the investment of the moneys in these trust funds do not involve any misuse of these moneys or endanger the funds in any way, nor is there any "double taxation" for social security purposes by reason of the investment of these funds in Government obligations.

Through the investment of their assets in interest-bearing obligations of the United States, the trust funds constitute a source of income which helps reduce the contribution rates required to finance the program as compared with what they would have to be if there were no such income. In this respect, the operation of trust fund investment is similar to the investment of premiums collected by a private insurance company. A private company uses part of its current premium receipts for payments to beneficiaries and for operating expenses. The balance of its receipts is invested in income-producing assets. Such investments are commonly limited by State law to the safest forms of investment so that policyholders will be assured that their claims against the company will be satisfied when they become due. Government securities ordinarily represent a significant portion of these investments. The purpose of investing these receipts is, of course, to obtain interest earnings that will help meet the future costs of the insurance and thus reduce the premiums the policyholders would otherwise have to pay.

Social security tax collections are handled in much the same way. Investments of the trust funds, however, are limited by law to only one type—securities issued by, or guaranteed as to principal and interest by, the Federal Government. The securities held by the trust funds perform the same function as those held by a private insurance company. They can be readily converted into cash when needed to meet disbursements, and the earnings on these investments make possible lower rates of contributions than would otherwise be required.

SUMMARY OF THE OPERATIONS OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, FISCAL YEAR 1958

A statement of the income and disbursements of the Federal old-age and survivors insurance trust fund in the fiscal year which began on July 1, 1957, and ended on June 30, 1958, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 2.

TABLE 2.—*Statement of operations of the Federal old-age and survivors insurance trust fund during the fiscal year 1958*

Total assets of the trust fund, June 30, 1957			$23,028,877,904.19
Receipts, fiscal year 1958:			
Insurance contributions:			
Appropriations	$6,870,361,660.00		
Deposits arising from State agreements	472,088,770.96		
Gross insurance contributions	7,342,450,430.96		
Less payment into the Treasury for taxes subject to refund	75,465,000.00		
Net insurance contributions		$7,266,985,430.96	
Interest and profit:			
On investments	$555,397,668.48		
On amount held in railroad retirement account to credit of trust fund	1,588,000.00		
On administrative expenses reimbursed by disability insurance trust fund	287,882.00		
Total interest		557,273,550.48	
Total receipts		7,824,258,981.44	
Disbursements, fiscal year 1958:			
Benefit payments		7,874,932,413.01	
Administrative expenses:			
Department of Health, Education, and Welfare	$140,604,244.50		
Treasury Department	32,731,315.83		
Preparation and construction of building for Bureau of Old-Age and Survivors Insurance	1,586,697.01		
Gross administrative expenses	174,922,257.34		
Less receipts for sale of surplus material, supplies, etc.	169,275.42		
Less reimbursement for administrative expenses by disability insurance trust fund	9,148,680.00		
Net administrative expenses		165,604,301.92	
Total disbursements		8,040,536,714.93	
Net addition to trust fund			−216,277,733.49
Total assets of the trust fund, June 30, 1958			22,812,600,170.70

The total assets of the old-age and survivors insurance trust fund amounted to $23,029 million on June 30, 1957. These assets decreased to $22,813 million by the end of the fiscal year 1958, as a result of an excess of disbursements over receipts amounting to $216 million.

Net receipts of the trust fund during the fiscal year 1958 amounted to $7,824.3 million. Of this total, $6,870.4 million represented tax collections appropriated to the fund and $472.1 million represented amounts received by the Secretary of the Treasury in accordance with State agreements and deposited in the trust fund. However, $75.5 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum. Net contributions amounted to $7,267 million and represented an increase of 11 percent over the amount for the preceding fiscal year, as a result of a rise in the amount of employment and earnings covered under the program and adjustments of estimated tax receipts appropriated in prior years. The other $557.3 million of receipts consisted of $555.4 million interest and profit on the investments of the fund, $0.3 million interest on administrative expenses reimbursed by the disability insurance trust fund, and $1.6 million interest on the amount held in the railroad retirement account to the credit of the trust fund under the financial interchange provisions of the Railroad Retirement Act. These provisions are described in appendix II.

Disbursements from the trust fund during the fiscal year 1958 totaled $8,040.5 million, of which $7,874.9 million was for benefit payments, and $165.6 million was for net administrative expenses. The total amount of benefits paid during the fiscal year exceeded benefits paid in the fiscal year 1957 by 21 percent. This increase was due in part to the expected increase in the number of beneficiaries as the program matures, and also to the fact that a substantial number of persons who qualified for benefits in fiscal year 1957 solely as a result of the amendments in 1954 and 1956 received benefits during the entire fiscal year 1958 but during only part of fiscal year 1957.

Administrative expenses of the fund were 2.3 percent of contribution income and 2.1 percent of benefit payments during fiscal year 1958. Figures for each of the last 10 fiscal years are shown in table 3:

TABLE 3.—*Relationship of net administrative charges* [1] *against old-age and survivors insurance trust fund to old-age and survivors insurance contribution income and benefit payments, fiscal years 1949–58*

Fiscal year	Administrative charges against the OASI trust fund as a percentage of—		Fiscal year	Administrative charges against the OASI trust fund as a percentage of—	
	Contribution income	Benefit payments		Contribution income	Benefit payments
1949	3.2	8.8	1954	1.9	2.7
1950	2.7	7.8	1955	2.0	2.4
1951	2.3	4.7	1956	1.9	2.3
1952	2.4	4.3	1957	2.3	2.3
1953	2.2	3.4	1958	2.3	2.1

[1] Include administrative expenses, less receipts for sale of surplus material, services, etc. For fiscal years 1954–58, include cost of construction of an office building for the Bureau of Old-Age and Survivors Insurance. Beginning fiscal year 1957, expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund. Reimbursements are then made from the disability insurance trust fund in the following fiscal year.

The distribution of benefit payments in fiscal years 1957 and 1958, by type of benefit, is shown in table 4. Approximately 86 percent of the total benefit payments from the old-age and survivors insurance trust fund in the fiscal year 1958 was accounted for by monthly benefits to aged persons—retired workers and their wives (including a relatively small number of wives under age 62) or dependent husbands, and aged widows, dependent widowers, and dependent parents of deceased workers. Approximately 12 percent of the benefit payments represented monthly benefits on behalf of children of deceased or retired workers and to mothers—practically all of them under age 65—who had children of deceased workers in their care. The balance of the benefits paid consisted of lump-sum death payments.

TABLE 4.—*Estimated distribution of benefit payments under the old-age and survivors insurance program, by type of benefit, fiscal years 1957 and 1958*

[Amounts in millions]

Type of benefit	1957		1958	
	Amount	Percent of total	Amount	Percent of total
Total	$6,514.6	100	$7,874.9	100
Monthly benefits [1]	6,391.7	[2] 98	7,732.2	[2] 98
Old-age (aged retired workers)	4,340.3	67	5,245.8	67
Wife's or husband's (aged wives or dependent husbands, of old-age beneficiaries, or their young wives if caring for child beneficiary)	643.3	10	810.0	10
Widow's or dependent widower's (aged widows or aged dependent widowers of workers)	557.6	9	706.2	9
Parent's (aged dependent parents of deceased workers)	17.9	(3)	19.6	(3)
Child's (children, under age 18 or disabled, of old-age beneficiaries)	36.0	1	50.5	1
Child's (children, under age 18 or disabled, of deceased workers)	610.1	9	689.1	9
Mother's (widows or dependent divorced wives of deceased workers caring for child beneficiaries)	186.5	3	211.0	3
Lump-sum benefits	122.9	2	142.7	2

1 Under the Social Security Amendments of 1956, (1) effective November 1956, the minimum retirement age for women was reduced from 65 to 62, and (2) effective January 1957, benefits became payable to disabled children age 18 or over whose disability began before they reached age 18.
2 Total does not necessarily equal the sum of rounded components.
3 Less than 0.5 percent.

At the end of fiscal year 1958, approximately 11.7 million old-age and survivors insurance beneficiaries in about 8.6 million families were receiving monthly benefits—exclusive of about 200,000 disabled workers under the disability insurance program (table 5). At the end of the preceding fiscal year, the monthly old-age and survivors insurance benefit rolls included 10.3 million beneficiaries in about 7.6 million families. Average monthly family benefits at the end of June 1958 showed moderate increases over the corresponding averages a year earlier. The higher averages reflected in part the greater proportion of benefits computed on the basis of earnings after 1950. Another factor increasing the average payments was the growth in the proportion of beneficiaries whose benefits were computed under the provision that permits up to 5 years of lowest earnings to be excluded in calculating the average monthly wage.

TABLE 5. *Estimated number of families and beneficiaries receiving benefits under the old-age, survivors, and disability insurance program, and average family amount, by family group, end of fiscal years 1957 and 1958*

Family classification of beneficiaries receiving benefits	June 30, 1957			June 30, 1958		
	Number of families	Number of beneficiaries	Average monthly amount per family	Number of families	Number of beneficiaries	Average monthly amount per family
	Thousands	*Thousands*		*Thousands*	*Thousands*	
Total	7,580.8	10,342.1	----------	8,794.4	11,905.3	----------
Retired worker families	5,832.3	7,710.1	----------	6,638.5	8,785.1	----------
Worker only	4,092.2	4,092.2	$60.30	4,661.2	4,661.2	$61.80
Male	2,273.0	2,273.0	67.10	2,498.9	2,498.9	69.50
Female	1,819.2	1,819.2	51.70	2,162.3	2,162.3	53.00
Worker and aged wife	1,628.4	3,256.8	107.70	1,835.4	3,670.8	109.90
Worker and young wife [1]	.7	1.4	100.00	1.0	2.0	107.00
Worker and aged dependent husband	12.8	25.6	91.80	13.7	27.4	94.00
Worker and 1 or more children	21.1	52.9	101.00	29.9	70.8	104.00
Worker, wife aged 65 or over, and 1 or more children	3.0	9.2	135.50	7.8	23.8	138.00
Worker, young wife, and 1 or more children	74.1	272.0	125.30	89.4	328.8	128.00
Worker, husband, and 1 or more children	0	0	0	.1	.3	132.00
Survivor families	1,748.5	2,632.0	----------	1,955.5	2,919.8	----------
Aged widow	1,017.7	1,017.7	50.70	1,165.5	1,165.5	51.60
Aged dependent widower	1.3	1.3	47.30	1.5	1.5	48.50
Widowed mother only [1]	1.5	1.5	49.00	1.0	1.0	49.00
Widowed mother and 1 child	134.6	269.2	111.70	149.6	299.2	116.60
Widowed mother and 2 children	92.6	277.7	143.70	102.6	307.8	148.70
Widowed mother and 3 or more children	87.4	414.6	141.70	97.2	461.4	147.90
Divorced wife and 1 or more children	.3	.7	135.00	.3	.7	133.00
1 child only	237.6	237.6	49.80	254.9	254.9	51.20
2 children	94.3	188.6	85.80	98.9	197.8	87.90
3 children	33.8	101.4	109.20	34.7	104.1	113.80
4 or more children	21.0	93.6	117.30	21.6	96.5	125.10
1 aged dependent parent	24.7	24.7	51.60	26.0	26.0	52.70
2 aged dependent parents	1.7	3.4	98.60	1.7	3.4	99.60
Disabled worker families [2]	----------	----------	----------	200.4	200.4	74.40
Male	----------	----------	----------	158.8	158.8	75.50
Female	----------	----------	----------	41.6	41.6	70.10

[1] Benefits of children were being withheld.
[2] Benefits to disabled insured workers aged 50 to 64 began July 1957.

During the fiscal year, a period of disability, i.e., a disability freeze, was established for almost 207,000 workers. By the end of December 1957, there were almost 51,000 persons receiving old-age benefits that had been increased, on the average, by $9.54 a month by the disability freeze. About 16,800 wives and young children of retired workers and about 11,100 widows, children, and dependent parents of workers who had established a period of disability before death were also receiving larger monthly benefits because of the freeze. For the same reason, during the calendar year 1957, lump-sum death payments based on the earnings records of 10,800 deceased workers were increased by an average amount of $24.90 per worker.

The assets of the trust fund at the end of fiscal year 1958 totaled $22,813 million, consisting of $21,764 million in the form of obligations of the U.S. Government, and $1,048 million in undisbursed balances. Table 6 shows a comparison of the total assets of the fund and their distribution at the end of the fiscal years 1957 and 1958.

The net decrease in the par value of the investments owned by the fund during the fiscal year 1958 amounted to $498 million. New securities at a total par value of $22,013 million were acquired through the investment of receipts of the fund, through the reinvestment of funds made available from the maturity or sale of securities during the year, and through the exchange of securities. The par value of securities redeemed or exchanged during the fiscal year was $22,393 million. In addition, $118 million of public issues were sold, providing additional income to the fund in the form of a profit amounting to $1,323,000. This profit represents the difference between proceeds received at time of sale, after deduction for accrued interest and investment expense, and the book value at time of sale.

TABLE 6.—*Assets of Federal old-age and survivors insurance trust fund, by type, at end of fiscal years 1957 and 1958*

	June 30, 1957		June 30, 1958	
	Par value	Book value [1]	Par value	Book value [1]
Investments:				
Public issues:				
Certificates of indebtedness: 3¼-percent series D 1957	$49,000,000.00	$48,996,875.00		
Treasury notes:				
2⅝-percent series A 1963			$30,000,000.00	$30,000,000.00
2⅞-percent series A 1958	131,000,000.00	130,988,984.38		
3½-percent series A 1960	54,100,000.00	54,095,453.12	47,500,000.00	47,405,203.22
3⅝-percent series A 1962	174,000,000.00	173,981,406.27	176,000,000.00	175,958,906.27
3¾-percent series C 1962			20,000,000.00	20,000,000.00
4-percent series A 1961			119,100,000.00	119,102,017.81
4-percent series B 1962			15,000,000.00	15,000,000.00
Treasury bonds:				
2¼-percent bonds of 1959–62	4,205,000.00	4,208,609.73	4,205,000.00	4,207,097.61
2⅜-percent bonds of 1958	500,000.00	493,437.50		
2½-percent bonds of 1961	4,950,000.00	4,793,312.50	10,450,000.00	9,960,343.75
2½-percent bonds of 1962–67	58,650,000.00	58,739,334.59	58,650,000.00	58,721,467.67
2½-percent bonds of 1963	500,000.00	485,000.00	4,500,000.00	4,155,625.00
2½-percent bonds of 1963–68	116,480,000.00	116,601,797.43	116,480,000.00	116,583,059.39
2½-percent bonds of 1964–69	96,004,000.00	95,288,058.52	96,004,000.00	95,260,209.28
2½-percent bonds of 1965–70	456,547,500.00	456,739,040.66	456,547,500.00	456,703,664.50
2½-percent bonds of 1966–71	308,077,500.00	307,964,965.26	308,077,500.00	307,955,448.28
2½-percent bonds of 1967–72	150,593,250.00	150,658,854.48	150,593,250.00	150,613,203.36
2⅝-percent bonds of 1965			211,900,000.00	211,584,140.63

See footnotes at end of table, p. 15.

TABLE 6.—*Assets of Federal old-age and survivors insurance trust fund, by type, at end of fiscal years 1957 and 1958*—Continued

	June 30, 1957		June 30, 1958	
	Par value	Book value [1]	Par value	Book value [1]
Investments—Continued				
Public issues—Continued				
Treasury bonds—Con.				
2¾-percent bonds of 1961			$2,000,000.00	$1,907,187.50
2¾-percent bonds, investment series B 1975–80	$1,081,902,000.00	$1,083,133,456.06	1,064,902,000.00	1,065,998,780.00
3-percent bonds of 1966			25,000,000.00	25,000,000.00
3-percent bonds of 1995	68,170,000.00	68,219,588.41	85,170,000.00	85,125,776.37
3¼-percent bonds of 1978–83	45,100,000.00	44,910,656.26	45,100,000.00	44,910,656.26
3½-percent bonds of 1990			56,500,000.00	56,683,705.32
3⅞-percent bonds of 1974			25,000,000.00	25,000,000.00
4-percent bonds of 1969			26,500,000.00	26,500,000.00
Total public issues	2,799,779,250.00	2,800,298,830.17	3,155,179,250.00	3,154,336,492.22
Accrued interest purchased		133,956.56		67,297.32
Total investments in public issues	2,799,779,250.00	2,800,432,786.73	3,155,179,250.00	3,154,403,789.54
Public-debt obligations (special issues):				
Certificates of indebtedness:				
2½-percent maturing June 30, 1958	14,962,885,000.00	14,962,885,000.00		
2½-percent maturing June 30, 1959			9,924,785,000.00	9,924,785,000.00
Notes:				
2½-percent maturing June 30, 1959	500,000,000.00	500,000,000.00	500,000,000.00	500,000,000.00
2½-percent maturing June 30, 1960	500,000,000.00	500,000,000.00	965,000,000.00	965,000,000.00
2½-percent maturing June 30, 1961	500,000,000.00	500,000,000.00	965,000,000.00	965,000,000.00
2½-percent maturing June 30, 1962	500,000,000.00	500,000,000.00	965,000,000.00	965,000,000.00
2½-percent maturing June 30, 1963			465,000,000.00	465,000,000.00
Bonds:				
2½-percent maturing June 30, 1963	500,000,000.00	500,000,000.00	500,000,000.00	500,000,000.00
2½-percent maturing June 30, 1964	500,000,000.00	500,000,000.00	965,000,000.00	965,000,000.00
2½-percent maturing June 30, 1965	500,000,000.00	500,000,000.00	965,000,000.00	965,000,000.00
2½-percent maturing June 30, 1966	500,000,000.00	500,000,000.00	965,000,000.00	965,000,0000.0
2½-percent maturing June 30, 1967	500,000,000.00	500,000,000.00	965,000,000.00	965,000,000.00
2½-percent maturing June 30, 1968			465,000,000.00	465,000,000.00
Total public-debt obligations	19,462,885,000.00	19,462,885,000.00	18,609,785,000.00	18,609,785,000.00
Total investments	22,262,664,250.00	22,263,317,786.73	21,764,964,250.00	21,764,188,789.54
Undisbursed balances		765,560,117.46		1,048,411,381.16
Total assets		23,028,877,904.19		22,812,600,170.70

[1] Par value plus unamortized premium less discount outstanding.

Of the new securities acquired, $21,182 million were 2½-percent public-debt obligations specially issued to the fund, $7,072 million of which were redeemed during the year. The remaining $832 million acquired were public issues—$34 million of Treasury bills, $135 million of certificates of indebtedness, $279 million of Treasury notes, and $384 million of Treasury bonds.

The 1956 amendments provided that the public-debt obligations issued for purchase by the old-age and survivors insurance and the disability insurance trust funds shall have maturities fixed with due regard for the needs of the funds. In recognition of the long-term character of the commitments of the trust funds, the maturities of the public-debt obligations issued for purchase by the funds are to be lengthened gradually over a period of several years. Thus, of the $14,110 million of public-debt obligations held by the old-age and survivors insurance trust fund that matured on June 30, 1958, and the proceeds of which were reinvested, approximately one-third was reinvested in public-debt obligations (special issue) distributed equally among maturities ranging from 1 year to 10 years. The remaining two-thirds was invested in issues maturing on June 30, 1959.

Since the average rate of interest, as of May 31, 1958, borne by all marketable Government obligations with maturity dates exceeding 5 years from date of issue was 2.555 percent, the rate of interest (rounded to the nearest one-eighth of 1 percent) on the public-debt obligations (special issues) acquired on June 30, 1958, was 2½ percent.

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1958

A statement of the income and disbursements of the Federal disability insurance trust fund for fiscal year 1958 and of the assets of the fund at the end of the fiscal year is presented in table 7.

TABLE 7.—*Statement of operations of the Federal disability insurance trust fund during the fiscal year 1958*

Total assets of the trust fund, June 30, 1957			$337,257,728.51
Receipts, fiscal year 1958:			
Insurance contributions:			
Appropriations	$862,861,610.23		
Deposits arising from State agreements	63,541,704.56		
Net insurance contributions		$926,403,314.79	
Interest and profit:			
On investments	$16,130,769.43		
Less transfer to old-age and survivors insurance trust fund with reimbursed administrative expenses	287,882.00		
Net interest		15,842,887.43	
Total receipts		942,246,202.22	
Disbursements, fiscal year 1958:			
Benefit payments		168,419,534.12	
Administrative expenses:			
Department of Health, Education, and Welfare	$9,148,680.00		
Treasury Department	2,962,897.09		
Total administrative expenses		12,111,577.09	
Total disbursements		180,531,111.21	
Net addition to trust fund			761,715,091.01
Total assets of the trust fund, June 30, 1958			1,098,972,819.52

The total receipts of the fund amounted to $942.2 million. Of this total, $862.9 million represented tax collections appropriated to the fund, and $63.5 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. The remaining $15.8 million of receipts consisted of interest on investments.

Disbursements from the fund totaled $180.5 million, of which $168.4 million was for benefit payments, which were first made in