

20 THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

TABLE 7.—Statement of transactions in public-debt securities for the old-age and survivors insurance trust fund during the fiscal year 1966

[All amounts represent par values]

	Acquisitions	Dispositions
Obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
4¼-percent, 1966	\$3,084,282,000	\$3,225,302,000
4¼-percent, 1966	1,178,967,000	1,178,967,000
4¾-percent, 1966	3,287,265,000	3,287,265,000
4¾-percent, 1966	286,205,000	286,205,000
4¾-percent, 1966	7,122,363,000	7,122,363,000
4¾-percent, 1966	2,104,074,000	2,104,074,000
5-percent, 1966	1,530,785,000	1,530,785,000
Notes:		
4½-percent, 1967	0	1,032,019,000
4½-percent, 1968	363,207,000	0
4½-percent, 1969	1,080,011,000	0
4½-percent, 1970	296,526,000	0
4½-percent, 1971	1,080,011,000	0
Bonds:		
2½-percent, 1968	0	412,011,000
2½-percent, 1967	0	47,992,000
2½-percent, 1968	0	668,000,000
2½-percent, 1969	0	1,080,011,000
2½-percent, 1970	0	296,526,000
Total transactions	21,413,696,000	22,271,520,000

SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1966

A statement of the income and disbursements of the Federal disability insurance trust fund during fiscal year 1966 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 8.

The total assets of the disability insurance trust fund amounted to \$2,007 million on June 30, 1965. These assets decreased by \$321 million during the fiscal year, to \$1,686 million at the end of the year.

Net receipts of the fund amounted to \$1,611 million. Of this total, \$1,458 million represented tax collections appropriated to the fund, and \$114 million represented amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$16 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum earnings base. Net contributions amounted to \$1,557 million, representing an increase of 32 percent over the amount for the preceding fiscal year.

TABLE 8.—Statement of operations of the disability insurance trust fund during the fiscal year 1966

Total assets of the trust fund, June 30, 1965.....		\$2,006,699,121.38
Receipts, fiscal year 1966:		
Tax contributions:		
Appropriations.....	\$1,457,892,986.07	
Deposits arising from State agreements.....	114,354,574.56	
Gross tax contributions.....	1,572,247,560.63	
Less payment into the Treasury for taxes subject to refund.....	15,595,625.00	
Net tax contributions.....	1,556,651,935.63	
Interest:		
On investments.....	59,547,093.50	
Less interest on amounts transferred to old-age and survivors insurance trust fund for reimbursed administrative expenses.....	5,670,570.00	
Net interest.....	53,876,523.50	
Total receipts.....	1,610,528,459.13	
Disbursements, fiscal year 1966:		
Benefit payments.....	1,721,133,198.90	
Transfers to railroad retirement account.....	24,962,000.00	
Payments for cost of vocational rehabilitation services for beneficiaries, excluding administrative expenses of the Department of Health, Education, and Welfare.....	1,493,049.00	
Administrative expenses:		
Reimbursement to old-age and survivors insurance trust fund:		
For administrative expenses of the Department of Health, Education, and Welfare.....	178,429,911.00	
For construction of facilities for Social Security Administration.....	357,682.00	
Treasury Department.....	4,602,561.09	
Expenses of Department of Health, Education, and Welfare for administration of vocational rehabilitation program for beneficiaries.....	115,000.00	
Gross administrative expenses.....	183,505,154.09	
Less receipts from sales of surplus supplies, materials, etc.....	26,459.56	
Net administrative expenses.....	183,478,694.53	
Total disbursements.....	1,931,066,942.43	
Net addition to the trust fund.....		-320,538,483.30
Total assets of the trust fund, June 30, 1966.....		1,686,160,638.08

This increase is accounted for, in part, by the same factors, described in the preceding section, that contributed to the increase in tax receipts of the old-age and survivors insurance trust fund and in part by the provision in the 1965 amendments that increased the portion of the contribution rate allocated to finance benefits from the disability insurance trust fund. Effective January 1, 1966, the allocated rate was increased from 0.25 percent each of taxable earnings to 0.35 percent each for employees and employers. For the self-employed, the allocated rate was increased from 0.375 percent to 0.525 percent. An additional \$54 million of receipts consisted of net interest on the investments of the fund.

Disbursements from the fund during the fiscal year 1966 totaled \$1,931 million. Of this total, \$1,721 million was for benefit payments, an increase of 24 percent over the corresponding amount paid in the fiscal year 1965. This increase was due in part to provisions of the 1965 amendments and in part to the maturing of the disability program.

Public Law 880, approved August 1, 1956, provided for financial interchanges between the railroad retirement account and the disability insurance trust fund similar to those described in the preceding section relating to the old-age and survivors insurance trust fund.

The determination made as of June 30, 1965, required that a transfer of \$24,100,000 be made from the disability insurance trust fund to the railroad retirement account. This amount, together with interest thereon for fiscal year 1966, amounting to \$862,000, was transferred to the railroad retirement account in June 1966.

The remaining disbursements amounted to \$183 million for administrative expenses and \$1.5 million for the cost of vocational rehabilitation services furnished to disabled beneficiaries.

At the end of fiscal year 1966, some 1,887,000 persons were receiving monthly benefits from the disability insurance trust fund. The distribution of benefit payments in fiscal years 1965 and 1966, by type of benefit, is shown in table 9.

The assets of this fund at the end of fiscal year 1966 totaled \$1,686 million, consisting of \$1,463 million in the form of obligations of the U.S. Government, and \$224 million in undisbursed balances. Table 10 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1965 and 1966.

The net decrease in the par value of the investments owned by the fund during the fiscal year amounted to \$413 million. New securities at a total par value of \$1,811 million were acquired during the fiscal year through the investment of receipts of the fund, the reinvestment of funds made available from the maturity of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the year was \$2,224 million. A summary of transactions for the fiscal year, by type of security, is presented in table 11.

TABLE 9.—*Estimated distribution of benefit payments from the disability insurance trust fund, by type of beneficiary, fiscal years 1965 and 1966*

[Amounts in millions]

	1965		1966	
	Amount	Percent of total	Amount	Percent of total
Total.....	\$1,392.2	100	\$1,721.1	100
Disabled workers.....	1,111.2	80	1,350.3	78
Wives and husbands.....	84.0	6	104.4	6
Children.....	197.1	14	266.4	15

TABLE 10.—Assets of the disability insurance trust fund, by type, at end of fiscal years 1965 and 1966

	June 30, 1965		June 30, 1966	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury bonds:				
3½-percent, 1990	\$10,500,000	\$9,819,840.38	\$10,500,000	\$9,847,507.94
3½-percent, 1998	5,000,000	4,853,099.80	5,000,000	4,663,506.80
3¾-percent, 1968	5,000,000	5,000,000.00	5,000,000	5,000,000.00
3¾-percent, 1968	8,750,000	8,721,874.90	8,750,000	8,730,312.34
3¾-percent, 1974	5,000,000	5,000,000.00	5,000,000	5,000,000.00
4-percent, 1969	26,000,000	25,985,068.39	26,000,000	25,988,581.75
4-percent, 1970	24,000,000	23,868,809.81	24,000,000	23,895,631.97
4-percent, 1972	4,000,000	3,965,604.84	4,000,000	3,970,661.16
4-percent, 1973	16,500,000	16,306,864.08	16,500,000	16,330,757.16
4-percent, 1980	30,250,000	30,237,837.53	30,250,000	30,238,671.41
4½-percent, 1974	10,000,000	10,023,623.84	10,000,000	10,020,871.52
4½-percent, 1980-94	68,400,000	67,439,651.28	68,400,000	67,472,958.12
4¼-percent, 1975-85	20,795,000	20,772,955.90	20,795,000	20,773,669.18
4¼-percent, 1987-92	80,800,000	80,999,357.80	80,800,000	80,990,330.36
Total public issues	314,995,000	312,794,588.55	314,995,000	312,923,489.71
Accrued interest purchased		7,608.70		
Total investments in public issues	314,995,000	312,802,197.25	314,995,000	312,923,489.71
Obligations sold only to this fund (special issues):				
Notes: 4¾-percent, 1971			158,195,000	158,195,000.00
Bonds:				
2½-percent, 1970	33,732,000	33,732,000.00		
2½-percent, 1971	132,894,000	132,894,000.00		
2½-percent, 1972	132,894,000	132,894,000.00		
2½-percent, 1973	132,894,000	132,894,000.00		
2½-percent, 1974	132,894,000	132,894,000.00	77,006,000	77,006,000.00
2½-percent, 1975	132,894,000	132,894,000.00	132,894,000	132,894,000.00
3¼-percent, 1970	20,738,000	20,738,000.00		
3¼-percent, 1971	20,738,000	20,738,000.00		
3¼-percent, 1972	20,738,000	20,738,000.00		
3¼-percent, 1973	20,738,000	20,738,000.00		
3¼-percent, 1974	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3¼-percent, 1975	20,738,000	20,738,000.00	20,738,000	20,738,000.00
3¼-percent, 1976	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3¼-percent, 1977	153,632,000	153,632,000.00	153,632,000	153,632,000.00
3¼-percent, 1978	153,632,000	153,632,000.00	153,632,000	153,632,000.00
4½-percent, 1979	153,632,000	153,632,000.00	153,632,000	153,632,000.00
4½-percent, 1980	125,606,000	125,606,000.00	125,606,000	125,606,000.00
Total obligations sold only to this fund (special issues)	1,562,764,000	1,562,764,000.00	1,149,705,000	1,149,705,000.00
Total investments in public-debt obligations	1,877,759,000	1,875,566,197.25	1,464,700,000	1,462,628,489.71
Undisbursed balances		131,132,924.13		223,532,148.37
Total assets		2,006,699,121.38		1,686,160,638.08

¹ Par value plus unamortized premium, less discount outstanding.

24 THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

TABLE 11.—Statement of transactions in public-debt securities for the disability insurance trust fund during the fiscal year 1966

[All amounts represent par values]

	Acquisitions	Dispositions
Obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
4½-percent, 1966	\$207,884,000	\$207,884,000
4¼-percent, 1966	125,053,000	125,053,000
4½-percent, 1966	269,746,000	269,746,000
4½-percent, 1966	34,777,000	34,777,000
4½-percent, 1966	625,616,000	625,616,000
4¼-percent, 1966	234,023,000	234,023,000
4½-percent, 1966	155,752,000	155,752,000
5-percent, 1966		0
Notes: 4½-percent, 1971	158,195,000	
Bonds:		
2½-percent, 1970	0	33,732,000
2½-percent, 1971	0	132,894,000
2½-percent, 1972	0	132,894,000
2½-percent, 1973	0	132,894,000
2½-percent, 1974	0	55,888,000
3¼-percent, 1970	0	20,738,000
3¼-percent, 1971	0	20,738,000
3¼-percent, 1972	0	20,738,000
3¼-percent, 1973	0	20,738,000
Total transactions	1,811,046,000	2,224,105,000

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1966, TO DECEMBER 31, 1971

In the following statement of the expected operations and status of the trust funds during the period July 1, 1966 to December 31, 1971, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program remain unchanged throughout the period. The estimates shown in the various tables in this section reflect the effect of the 1966 amendments to the Social Security Act, as described in a previous section. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Because it is difficult to foresee economic developments, the assumptions and the resulting estimates here presented are subject to some uncertainty. This statement of the expected operations of the trust funds should therefore be read with full recognition of the difficulties of estimating future trust fund income and disbursements under changing economic conditions.

TABLE 12.—Operations of the old-age and survivors insurance trust fund, fiscal years 1937-71

[In millions]

Fiscal year	Transactions during period							Fund at end of period ⁵	
	Income			Disbursements					
	Tax contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments ²	Benefit payments ³	Administrative expenses ⁴	Transfers to railroad retirement account		Net increase in fund
		Noncontributory credits for military service	Payments to noninsured persons aged 72 and over ¹						
Past experience:									
1937-66.....	\$158,578	\$15		\$9,371	\$141,725	\$3,281	\$3,087	\$19,872	\$19,872
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.....	1,459	(⁶)		163	426	41		1,157	8,798
1948.....	1,616	1		191	512	47		1,248	10,047
1949.....	1,690	3		230	607	53		1,263	11,310
1950.....	2,106	4		257	727	57		1,583	12,893
1951.....	3,120	4		287	1,498	70		1,843	14,736
1952.....	3,594	4		334	1,982	85		1,864	16,600
1953.....	4,097	4		439	2,627	89		1,766	18,366
1954.....	4,589			438	3,276	89	-12	1,676	20,043
1955.....	5,087			437	4,333	103	-10	1,098	21,141
1956.....	6,442			457	5,361	124	-7	1,452	22,593
1957.....	6,540			555	6,515	150	-5	486	23,029
1958.....	7,267			556	7,875	166	-2	216	23,813
1959.....	7,565			543	9,049	206	124	-1,271	25,541
1960.....	9,843			517	10,270	202	600	-713	26,829
1961.....	11,293			531	11,185	236	332	72	28,900
1962.....	11,455			541	12,658	251	361	-1,274	19,626
1963.....	13,328			515	13,845	263	423	-687	18,939
1964.....	15,503			542	14,579	303	403	760	19,699
1965.....	15,857			586	15,226	300	436	482	20,180
1966.....	17,866			595	18,071	284	444	-308	19,872

See footnotes at end of table, p. 26.

TABLE 12.—Operations of the old-age and survivors insurance trust fund, fiscal years 1937-71—Continued
[In millions]

Fiscal year	Transactions during period							Net increase in fund	Fund at end of period ⁵
	Income				Disbursements				
	Tax contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments ²	Benefit payments ³	Administrative expenses ⁴	Transfers to railroad retirement account		
		Noncontributory credits for military service	Payments to noninsured persons aged 72 and over ¹						
Estimated future experience:				\$713	\$18,964	\$348	\$532	\$3,199	\$23,071
1967.....	\$22,173	\$156	-----	874	19,929	373	477	3,530	26,601
1968.....	23,357	78	-----	1,047	20,645	385	492	5,379	31,980
1969.....	25,541	78	\$235	1,337	21,491	398	483	7,863	39,843
1970.....	28,474	78	346	1,708	22,358	410	460	8,208	48,051
1971.....	29,340	78	310						

¹ Under Public Law 89-368, the trust fund is reimbursed from the general fund of the Treasury for the cost of payments to beneficiaries with less than 3 quarters of coverage.

² Includes net profits on marketable investments and, for 1958-67, interest on administrative expenses reimbursed by other social security trust funds (see footnote 4 below).

³ Beginning in 1967, includes relatively small amounts of payments for vocational rehabilitation services for disabled beneficiaries aged 18 and over who are entitled to child's benefits.

⁴ Receipts from sale of surplus supplies and materials are deducted from gross administrative expenses. Beginning in 1954, includes costs of construction of office space for the Social Security Administration. For years 1957-65, expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program were initially charged to the old-age and survivors insurance trust fund; reimbursements, including interest, were then made from the disability insurance trust fund in the following fiscal year. For 1966, expenses incurred under the disability insurance program,

the hospital insurance program, and the supplementary medical insurance program were initially charged to the old-age and survivors insurance trust fund; reimbursements, including interest, were made from the disability insurance trust fund and the hospital insurance trust fund in June 1966, and from the supplementary medical insurance trust fund in December 1966. Beginning in 1967, expenses incurred under each of the 4 programs are charged directly to the appropriate trust fund on a current basis.

⁵ Beginning with 1967, includes \$100 million of investments in participation certificates (issued by the Federal National Mortgage Association).

⁶ Less than \$500,000.

NOTE.—In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions. Estimates were prepared in January 1967.

Estimates are presented in table 12 to show the expected operations of the old-age and survivors insurance trust fund in fiscal years 1967-71. They are based on the assumption that economic activity will expand throughout the period, with employment and earnings increasing steadily through 1971. Under this assumption, the estimated number of persons with taxable earnings under the old-age, survivors, and disability insurance program is expected to increase from 83.6 million during calendar year 1966 to 94.2 million during calendar year 1971; their taxable earnings are estimated to increase from \$314 billion in 1966 to \$379 billion in 1971. The increase in estimated income from contributions in fiscal years 1967-71 reflects the assumed upward trend in the levels of employment and earnings as well as the effect of the scheduled increases in contribution rates, effective on January 1, 1967 and January 1, 1969. Benefit disbursements increase because of the long-range upward trend in the number of beneficiaries and in the average monthly amount of benefits under the program. Aggregate income of the old-age and survivors insurance trust fund is expected to exceed aggregate outgo in the 5-year period covering fiscal years 1967-71. During this period, there is an estimated net increase in the trust fund of \$28.2 billion.

Estimates consistent with those shown on a fiscal-year basis in table 12 are presented in table 13 to show the progress of the old-age and survivors insurance trust fund on a calendar-year basis. The trust fund is expected to increase in each of the 5 calendar years 1967-71, reaching about \$51.5 billion on December 31, 1971.

TABLE 13.—Operations of the old-age and survivors insurance trust fund, calendar years 1937-71

[In millions]

Calendar year	Transactions during period							Fund at end of period	
	Income			Disbursements					
	Tax contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments	Benefit payments	Administrative expenses	Transfers to railroad retirement account		Net increase in fund
		Noncontributory credits for military service	Payments to noninsured persons aged 72 and over						
Past experience:									
1937-66	\$168,199	\$93		\$9,724	\$150,941	\$3,419	\$3,087	\$20,570	\$20,570
1941	789			56	88	26		731	2,762
1942	1,012			72	131	28		926	3,688
1943	1,239			88	166	29		1,132	4,820
1944	1,316			107	209	29		1,184	6,005
1945	1,285			134	274	30		1,116	7,121
1946	1,295			152	378	40		1,029	8,150
1947	1,557	1		164	466	46		1,210	9,360
1948	1,685	3		281	556	51		1,362	10,722
1949	1,666	4		146	667	54		1,094	11,816
1950	2,667	4		257	961	61		1,905	13,721
1951	3,363	4		417	1,885	81		1,818	15,540
1952	3,819			365	2,194	88		1,902	17,442
1953	3,945			414	3,006	88		1,265	18,707
1954	5,163			447	3,670	88		1,869	20,576
1955	5,713			454	4,968	119	-21	1,087	21,663
1956	6,172			526	5,715	132	-5	856	22,519
1957	6,825			556	7,347	162	-2	-126	22,393
1958	7,566			552	8,327	194	124	-528	21,864
1959	8,052			532	9,842	184	282	-1,724	20,141
1960	10,866			516	10,677	203	318	184	20,324
1961	11,285			548	11,862	239	332	-599	19,725
1962	12,059			526	13,356	256	361	-1,388	18,337
1963	14,541			521	14,217	281	423	143	18,480
1964	15,689			569	14,914	296	403	645	19,125
1965	16,017			593	16,737	328	436	-890	18,235
1966	20,580	78		644	18,267	256	444	2,335	20,570

Estimated future experience:									
1967.....	23,054	156		794	19,644	393	532	3,435	24,005
1968.....	23,776	78	\$235	960	20,276	378	477	3,918	27,923
1969.....	27,598	78	346	1,192	21,095	393	492	7,234	35,157
1970.....	28,923	78	310	1,522	21,950	404	483	7,996	43,153
1971.....	29,752	78	276	1,902	22,829	416	460	8,303	51,456

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 12.

TABLE 14.—Old-age and survivors insurance benefit payments, distributed by classification of beneficiaries, calendar years 1940-71

[In millions]

Calendar year	Total benefit disbursements	Disbursed to old-age beneficiaries	Disbursed to dependents of old-age beneficiaries	Disbursed to survivors of deceased insured workers				Disbursed to noninsured persons aged 72 and over ¹
				Monthly benefits			Lump-sum payments	
				Total	Aged widows, dependent widowers, and dependent parents	Widowed mothers, dependent divorced wives, and dependent children		
Past experience: ²								
1940.....	\$35	\$15	\$2	\$6	(³)	\$6	\$12	
1941.....	88	44	8	24	\$3	21	13	
1942.....	131	65	11	40	6	34	15	
1943.....	166	79	14	55	10	45	18	
1944.....	209	97	17	73	15	59	22	
1945.....	274	126	22	100	21	79	26	
1946.....	378	189	33	128	29	99	28	
1947.....	466	245	43	149	38	111	29	
1948.....	556	300	52	172	49	122	32	
1949.....	667	373	64	197	62	134	33	
1950.....	961	557	95	277	92	185	33	
1951.....	1,885	1,135	186	507	165	342	57	
1952.....	2,194	1,328	212	592	201	390	63	
1953.....	3,006	1,884	291	744	260	483	87	
1954.....	3,670	2,340	358	880	317	563	92	
1955.....	4,968	3,253	495	1,108	412	695	113	
1956.....	5,715	3,793	568	1,244	486	758	109	
1957.....	7,347	4,888	799	1,521	672	849	139	
1958.....	8,327	5,567	907	1,720	777	943	133	
1959.....	9,842	6,548	1,059	2,063	946	1,117	171	
1960.....	10,677	7,053	1,143	2,316	1,085	1,231	164	
1961.....	11,862	7,802	1,230	2,659	1,262	1,396	171	
1962.....	13,356	8,813	1,349	3,011	1,504	1,507	183	
1963.....	14,217	9,391	1,403	3,216	1,645	1,571	206	
1964.....	14,914	9,854	1,427	3,416	1,787	1,629	216	
1965.....	16,737	10,984	1,558	3,979	2,076	1,903	217	
1966.....	18,267	11,728	1,645	4,613	2,386	2,227	237	\$44

Estimated future experience:

1967	19,643	12,549	1,683	4,840	2,581	2,259	241	330
1968	20,275	12,984	1,671	5,067	2,748	2,319	247	306
1969	21,094	13,609	1,684	5,275	2,901	2,374	253	273
1970	21,949	14,244	1,700	5,504	3,071	2,433	259	242
1971	22,828	14,901	1,716	5,735	3,241	2,494	265	211

¹ Total benefit expenditures under Public Law 89-368; the trust fund is reimbursed from the general fund of the Treasury for the cost of payments to beneficiaries with less than 3 quarters of coverage.

² Partly estimated.

³ Less than \$500,000.

Table 14 shows the annual amount of benefit payments distributed by classification of beneficiaries for each of the calendar years 1940-71.

Benefit payments were 6.0 percent of taxable earnings for calendar year 1966, compared with 6.86 percent for calendar year 1965. This decline in the percentage occurred because total taxable earnings in 1966 under the newly-increased earnings base rose more rapidly than total benefit payments. Following a temporary period during which some one-time effects of the 1965 amendments will affect this percentage, the upward trend will be resumed beginning in 1969. It is estimated that, in 1971, benefit expenditures will be 6.17 percent of taxable earnings. Figures for all of the calendar years 1940-71 are shown in table 15.

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

TABLE 15.—*Old-age and survivors insurance benefit payments as a percentage of taxable earnings,¹ calendar years, 1940-71*

Calendar year	Benefit payments as a percentage of taxable earnings ²	Calendar year	Benefit payments as a percentage of taxable earnings ²
Past experience:		Past experience—Continued	
1940.....	0.11	1957.....	4.20
1941.....	.21	1958.....	4.77
1942.....	.25	1959.....	5.03
1943.....	.27	1960.....	5.33
1944.....	.32	1961.....	5.85
1945.....	.44	1962.....	6.31
1946.....	.55	1963.....	6.52
1947.....	.59	1964.....	6.53
1948.....	.66	1965.....	6.86
1949.....	.82	1966.....	6.00
1950.....	1.10	Estimated future experience:	
1951.....	1.61	1967.....	6.02
1952.....	1.76	1968.....	5.98
1953.....	2.28	1969.....	6.02
1954.....	2.83	1970.....	6.09
1955.....	3.27	1971.....	6.17
1956.....	3.48		

¹ Percentage takes into account, for 1951 and later, (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, and (2) employee contributions subject to refund, and for 1966 and later, that only the employee tax is payable on tips taxable as wages.

² For 1963-66, percentages are preliminary and subject to revision when complete tabulation of taxable earnings is available. For 1966-71, percentages are based on sum of payments for benefits (excluding payments under Public Law 89-368 to certain noninsured persons aged 72 and over with less than 3 quarters of coverage, costs of which are financed from the general fund of the Treasury) and for vocational rehabilitation services.

In addition, there has been a growth in the proportion of eligible workers who receive benefits. In the early years of the program, a considerable proportion of the workers aged 65 and over who were eligible for old-age (primary) benefits remained in covered employment (or, if they had left covered employment, later returned to it) and therefore did not receive benefits. Since 1945, however, the proportion of eligible workers receiving retirement benefits has been increasing, except for temporary halts due to special circumstances resulting from the amendments of 1950 and 1954. In general, due to the increasing percentage of eligibles aged 72 or over, who receive benefits regardless of earnings, the upward trend in this proportion is expected to continue, although at a slower rate than in the past.

The expected operations and status of the disability insurance trust fund during the next 5 fiscal years are presented in table 16, together with the figures on actual experience in earlier years. Aggregate income of the disability insurance trust fund is expected to exceed aggregate outgo in the 5-year period covering fiscal years 1967-71. During this period there is an estimated net increase in the trust fund of \$1.3 billion.

Estimates consistent with those shown on a fiscal-year basis in table 16 are presented in table 17 to show the progress of the disability insurance trust fund on a calendar-year basis. The trust fund is expected to increase in each of the 5 calendar years 1967-71, reaching about \$3.0 billion on December 31, 1971.

The total amount of disability benefit payments will continue to increase over the next 5 calendar years as the number of beneficiaries and the average monthly benefit amount increase. Disability benefit expenditures as a percentage of taxable payroll will also increase—from 0.59 percent of taxable earnings for calendar year 1966 to an estimated 0.64 percent of taxable earnings in 1971, as shown in table 18.

TABLE 16.—Operations of the disability insurance trust fund, fiscal years 1957-71

[In millions]

Fiscal year	Transactions during period							Net increase in fund	Fund at end of period
	Income			Disbursements					
	Tax contributions, less refunds	Reimbursements from general fund of Treasury for cost of non-contributory credits for military service	Interest on investments ¹	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses ²	Transfers to railroad retirement account		
Past experience:									
1957-66.....	\$10,140		\$474	\$8,287	\$1	\$564	\$77	\$1,696	\$1,696
1957.....	337		1			1		337	337
1958.....	926		16	168		12		762	1,099
1959.....	895		33	339		21		568	1,667
1960.....	987		47	528		32	-27	501	2,167
1961.....	1,022		61	704		36	5	337	2,504
1962.....	1,021		68	1,011		64	11	2	2,507
1963.....	1,077		67	1,171		67	20	-113	2,394
1964.....	1,143		65	1,251		68	19	-130	2,264
1965.....	1,175		62	1,392		79	24	-257	2,007
1966.....	1,557		54	1,721	1	183	25	-321	1,686
Estimated future experience:									
1967.....	2,210	\$32	66	1,845	15	94	28	326	2,012
1968.....	2,301	16	81	1,965	15	112	21	286	2,298
1969.....	2,379	16	91	2,081	15	116	24	250	2,548
1970.....	2,457	16	101	2,190	16	117	26	225	2,773
1971.....	2,536	16	111	2,291	17	121	29	205	2,978

¹ Includes net profits on marketable investments and, for years 1958-66, adjustment for interest on administrative expenses reimbursed to the old-age and survivors insurance trust fund.

² For years 1957-65, expenses of the Department of Health, Education, and Welfare under the disability insurance program were initially charged to the old-age and survivors insurance trust fund; reimbursements, including interest, were then made from the disability insurance trust fund in the following fiscal year. For 1966, expenses in-

currred under the disability insurance program were initially charged to the old-age and survivors insurance trust fund; reimbursement, including interest, was made from the disability insurance trust fund in June 1966. Beginning in 1967, expenses incurred under the disability insurance program are charged directly to the trust fund on a current basis.

NOTE.—Reference should be made to the text which describes the underlying assumptions and limitations. Estimates were prepared in January 1967.

TABLE 17.—Operations of the disability insurance trust fund, calendar years 1957-71
[In millions]

Calendar year	Transactions during period							Net increase in fund	Fund at end of period
	Income			Disbursements					
	Tax contributions, less refunds	Reimbursements from general fund of Treasury for cost of non-contributory credits for military service	Interest on investments	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account		
Past experience:									
1957-66.....	\$11,099	\$16	\$506	\$9,196	\$3	\$605	\$77	\$1,739	\$1,739
1957.....	702		7	57		3		649	649
1958.....	966		25	249		12		729	1,379
1959.....	891		40	457		50	-22	447	1,825
1960.....	1,010		53	568		36	-5	464	2,289
1961.....	1,033		66	887		64	5	148	2,437
1962.....	1,046		68	1,105		66	11	-69	2,368
1963.....	1,099		66	1,210		68	20	-133	2,235
1964.....	1,154		64	1,309		79	19	-188	2,047
1965.....	1,188		59	1,573		90	24	-440	1,606
1966.....	2,006	16	58	1,781	3	137	25	133	1,739
Estimated future experience:									
1967.....	2,281	32	73	1,905	15	107	28	331	2,070
1968.....	2,343	16	86	2,024	15	114	21	271	2,341
1969.....	2,420	16	96	2,139	16	116	24	237	2,578
1970.....	2,496	16	106	2,243	17	119	26	213	2,791
1971.....	2,572	16	115	2,339	18	123	29	194	2,985

NOTE.—In interpreting the above experience, reference should be made to the footnotes in table 16.

TABLE 18.—*Disability insurance benefit payments as a percentage of taxable earnings,¹ calendar years 1957-71*

Calendar year	Benefit payments as a percentage of taxable earnings ²	Calendar year	Benefit payments as a percentage of taxable earnings ²
Past experience:		Past experience—Continued	
1957.....	0.03	1965.....	0.64
1958.....	.14	1966.....	.59
1959.....	.23	Estimated future experience:	
1960.....	.28	1967.....	.60
1961.....	.44	1968.....	.61
1962.....	.52	1969.....	.62
1963.....	.56	1970.....	.63
1964.....	.57	1971.....	.64

¹ Take into account (1) lower contribution rate payable by the self-employed compared with combined employer-employee rate, (2) employee contributions subject to refund, and (3) for 1966 and later, that only the employee tax is payable on tips taxable as wages.

² For 1963-66, percentages are preliminary and subject to revision when complete tabulation of taxable earnings is available. For 1966-71, percentages are based on sum of payments for benefits and for vocational rehabilitation services.

Reference has been made in earlier sections to the financial interchanges between the railroad retirement account and the two trust funds, under the provisions of the Railroad Retirement Act. The estimates shown in tables 12, 13, 16, and 17 reflect the effect of future financial interchanges.

Reference has also been made previously to the provisions in Public Law 89-368, under which benefits are paid initially from the old-age and survivors insurance trust fund to certain noninsured persons aged 72 and over, with later reimbursement from the general fund of the Treasury for the costs of payments to those in this group who have less than 3 quarters of coverage. The estimates in tables 12-15 reflect the effect of these provisions.

The estimates in tables 12-18 reflect the effect of the provision in the 1965 amendments authorizing expenditures from the old-age and survivors insurance and disability insurance trust funds for the cost of vocational rehabilitation services furnished to disabled beneficiaries.

Section 217(g) of the Social Security Act, as amended by the 1965 amendments, provides that the old-age and survivors insurance trust fund and the disability insurance trust fund shall be reimbursed from general revenues for past and future expenditures resulting from the provisions that granted noncontributory \$160 monthly wage credits to persons who served in the Armed Forces at some time during the period September 16, 1940, through December 31, 1956, and from the provisions enacted in 1946 that granted survivor protection to certain World War II veterans for a period of 3 years after leaving service. A description of the legislative history of provisions relating to credit for military service, including the provisions for reimbursement for the additional costs arising from payments made before September 1950, is contained in appendix II.

The estimated total additional costs arising from payments that have been made after August 1950 as a result of noncontributory credits for military service, and that will be made in future years, are intended to be amortized by level annual appropriations to the trust funds over a 50-year period beginning with fiscal year 1966, according

to a determination made by the Secretary of Health, Education, and Welfare in September 1965. (The annual amount of this determination for the old-age and survivors insurance trust fund was \$87.4 million, and for the disability insurance trust fund, \$18.4 million.) Periodically, the estimated amounts of annual payments will be refigured to reflect actual costs already incurred and revision in the estimates of future costs.

The first annual reimbursement, for fiscal year 1966 and amounting to \$78 million for the old-age and survivors insurance trust fund and \$16 million for the disability insurance trust fund, was received in July 1966. Like amounts have been appropriated by Congress for fiscal year 1967 and will be received by the trust funds in the early part of calendar year 1967. Moreover, the Budget Document of the United States for the fiscal year 1968 makes similar provision for the third such annual reimbursement. The estimates shown in the various tables in this section reflect the effect of past and future reimbursements.

ACTUARIAL STATUS OF THE TRUST FUNDS

Old-age, survivors, and disability insurance benefit payments will increase for many years—not only in dollars but also as a percentage of taxable payroll. Long-range estimates are needed, therefore, to show how much the cost is likely to increase and to indicate whether the scheduled tax rates are adequate.

The cost of benefits to aged persons, which constitute more than 80 percent of the total cost, will rise for several reasons. The U.S. population will, in the long run, almost certainly become relatively much older on the average. A relatively older population will tend to result from the fact that the present aged population is made up of the survivors from past periods when death rates were much higher than they are now. Another such factor is that, after the turn of the century, the larger birth cohorts of the 1940's, 1950's, and 1960's will be attaining retirement age. Thus, in the future, relatively more persons, both in total and in each cohort, will attain age 65 and older ages.

The cost of the program is closely related to the ratio of the population aged 65 and over (potential beneficiaries) to the population aged 20 to 64 (potential contributors). On June 30, 1966, this ratio was 18.3 percent. In a stationary population that would result if the death rates of the U.S. Life Tables for 1959-61 were applied to a constant annual number of births the ratio would be 25.4 percent, but such a situation is not likely to occur within the next century. Ultimately this ratio may become even greater than 25 percent because decreases in mortality below present rates would, in a stationary population, have the effect of increasing the proportion at the oldest ages.

Another reason for the increasing cost is that the proportion of the aged population eligible for and receiving benefits will increase. Some of the present persons aged 65 and over were not in covered employment long enough to obtain benefits, or, in the case of widows, their husbands were not sufficiently long in covered employment. Although the system began in 1937, many jobs were not covered until 1951 or 1955. It is estimated that the proportion of the aged popula-