

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

(Required by sec. 201(c) of the Social Security Act)

Effective January 1957, monthly benefits have been payable from the OASI Trust Fund to disabled children aged 18 and over of retired and deceased workers in those cases in which the disability of the child has continued since childhood. Effective February 1968, reduced monthly benefits have been payable from this trust fund to disabled widows and widowers beginning at age 50.

On December 31, 1980, about 519,000 persons were receiving monthly benefits with respect to disability from the OASI Trust Fund. In addition to disabled beneficiaries, this total includes 43,000 mothers and fathers. These mothers and fathers (wives or husbands under age 65 of retired-worker beneficiaries and widows or widowers of deceased insured workers) met all other qualifying requirements and were receiving full-rate (i.e., not reduced-for-age) benefits solely because they had at least one disabled-child beneficiary in their care. Benefits paid from this trust fund to persons receiving benefits with respect to disability totaled \$1,223 million in calendar year 1980. Similar figures are presented in Table 24 to show the experience in selected calendar years during 1960-80. Figures relating to past experience for years not shown are contained in the 1976 Annual Report.

TABLE 24.—BENEFITS PAYABLE FROM THE OASI TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES, SELECTED CALENDAR YEARS 1960-85
[Beneficiaries in thousands; benefit payments in millions]

Calendar year	Disabled beneficiaries, end of year			Amount of benefit payments ¹		
	Total	Children ²	Widows and widowers	Total	Children ²	Widows and widowers ³
Past experience:						
1960.....	117	117	—	\$59	\$59	—
1965.....	214	214	—	134	134	—
1970.....	316	281	36	301	260	\$41
1971.....	338	298	40	363	307	56
1972.....	360	314	46	409	343	66
1973.....	381	331	51	492	417	75
1974.....	409	355	53	567	479	88
1975.....	435	376	59	664	560	104
1976.....	457	395	62	748	637	111
1977.....	480	414	65	868	748	120
1978.....	494	430	64	950	823	127
1979.....	507	445	62	1,071	946	125
1980.....	519	460	59	1,223	1,097	126
Estimated future experience:⁴						
Alternative II-A:						
1981.....	528	470	58	1,436	1,306	130
1982.....	535	479	56	1,525	1,489	136
1983.....	541	486	55	1,798	1,660	139
1984.....	546	493	54	1,953	1,814	139
1985.....	551	498	52	2,099	1,960	139

TABLE 24.—BENEFITS PAYABLE FROM THE OASI TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES, SELECTED CALENDAR YEARS 1960-85 (Cont.)
[Beneficiaries in thousands; benefit payments in millions]

Calendar year	Disabled beneficiaries, end of year			Amount of benefit payments ¹		
	Total	Children ²	Widows and widowers	Total	Children ²	Widows and widowers ³
Estimated future experience: ⁴ (Cont.)						
Alternative II-B:						
1981	528	470	58	1,436	1,306	130
1982	535	479	56	1,628	1,492	136
1983	541	486	55	1,828	1,687	141
1984	546	493	54	2,034	1,889	145
1985	551	498	52	2,241	2,092	149

¹Beginning in 1966, includes payments for vocational rehabilitation services.

²Reflects the effect of including certain mothers and fathers. (See text.)

³Reflects the offsetting effect of lower benefits payable to disabled widows and widowers who continue to receive benefits past age 60 (62, for disabled widowers, prior to 1973) as compared to the higher nondisabled widow's (and widower's) benefits that would otherwise be payable.

⁴The estimates are based on the alternative II-A and II-B economic assumptions and reflect the resulting assumed changes under the automatic increase provisions, as described in an earlier section.

Table 24 also shows the estimated future experience in calendar years 1981-85, under the alternative II-A and II-B assumptions described in an earlier section. Total benefit payments from the OASI Trust Fund with respect to disabled beneficiaries are estimated to increase from \$1,436 million in calendar year 1981 to \$2,099 million in calendar year 1985, under the alternative II-A assumptions, and to \$2,241 million in calendar year 1985 under the alternative II-B assumptions.

In calendar year 1980, benefit payments (including expenditures for vocational rehabilitation services) with respect to disabled persons from the OASI Trust Fund and from the DI Trust Fund (including payments from the latter fund to all children and spouses of disabled-worker beneficiaries) totaled \$16,738 million, of which \$1,223 million, or 7.3 percent, represented payments from the OASI Trust Fund. Similar figures for selected calendar years during 1960-80 and estimates for calendar years 1981-85, under alternative II-A and II-B economic assumptions, are presented in Table 25. Figures relating to past experience for years not shown in Table 25 are contained in the 1976 Annual Report.

TABLE 25.—BENEFIT PAYMENTS UNDER THE OASDI PROGRAM WITH RESPECT TO DISABLED BENEFICIARIES, BY TRUST FUND, SELECTED CALENDAR YEARS 1960-85
[Amounts in millions]

Calendar year	Benefit payments ¹ from —			
	Total ¹	DI Trust Fund ²	Amount ³	OASI Trust Fund As a percentage of total benefit pay- ments with respect to disabled beneficiaries
Past experience:				
1960	\$627	\$568	\$59	9.4
1965	1,707	1,573	134	7.9
1970	3,386	3,085	301	8.9
1971	4,146	3,783	363	8.8
1972	4,911	4,502	409	8.3
1973	6,256	5,764	492	7.9
1974	7,524	6,957	567	7.5
1975	9,169	8,505	664	7.2
1976	10,803	10,055	748	6.9
1977	12,415	11,547	868	7.0
1978	13,549	12,599	950	7.0
1979	14,857	13,786	1,071	7.2
1980	16,738	15,515	1,223	7.3
Estimated future experience:⁴				
Alternative II-A:				
1981	18,862	17,426	1,436	7.6
1982	20,440	18,815	1,625	8.0
1983	21,777	19,979	1,798	8.3
1984	23,109	21,156	1,953	8.5
1985	24,452	22,353	2,099	8.6
Alternative II-B:				
1981	18,862	17,426	1,436	7.6
1982	20,480	18,852	1,628	7.9
1983	22,135	20,307	1,828	8.3
1984	24,032	21,998	2,034	8.5
1985	25,980	23,739	2,241	8.6

¹Beginning in 1966, includes payments for vocational rehabilitation services.

²Benefit payments to disabled workers and their children and spouses.

³Benefit payments to disabled children aged 18 and over, to certain mothers and fathers (see text), and to disabled widows and widowers (see footnote 3, Table 24).

⁴The estimates are based on the alternative II-A and II-B assumptions and reflect the resulting assumed changes under the automatic increase provisions, as described in an earlier section.

E. ACTUARIAL STATUS OF THE TRUST FUNDS

Historically, the actuarial status of the OASDI program has been measured by the actuarial balance, as described earlier in this section. In recent reports, medium-range and long-range actuarial balances have been shown. They have been computed, respectively, over the 25-year and 75-year periods beginning with the calendar year of issuance of the report. In accordance with this practice, the statements of the medium-range and long-range actuarial statuses contained in this report pertain to the periods 1981-2005 and 1981-2055, respectively. Also presented are actuarial balances for the second and third 25-year periods within the 75-year period. As described earlier in this section, year-by-year time series or 25-year averages may reveal patterns or problems which would be masked by a single 75-year average.

In addition to the medium-range and long-range actuarial balances, two other indicators of the financial condition of the trust funds are shown in this report. One is the time series of projected cost rates (annual cost, or outgo, expressed as a percentage of taxable payroll), and the other is the time series of projected trust fund ratios (assets at the beginning of the year expressed as a percentage of outgo during the year). These indicators were discussed in concept earlier in this section, and estimates of their numerical values are discussed later.

The cost rates are useful in establishing tax rate schedules according to the current-cost method of financing described earlier. However, the cost rates do not reflect the cost of increasing the trust fund ratio from its current level, or even maintaining it at that level. Therefore, any consideration of alternative financing provisions must also take into account the desired level of the trust fund ratio and the time by which that level is to be attained. The tax schedule can then be designed so that the projected annual tax income not only covers the projected annual outgo, but also produces the desired trust fund ratios. For example, if it were considered appropriate to increase the combined OASI and DI Trust Funds ratio to 50 percent of the projected annual outgo by the end of the 75-year period, under either alternative II-A or II-B, it would be necessary to raise the tax rate (the combined employee-employer rate, as discussed earlier) by an additional 0.07 percent of taxable payroll per year above the amount needed to cover the outgo.

As discussed earlier, the cost estimates are sensitive to changes in many economic and demographic assumptions upon which they are based. However, the degree of sensitivity to change varies considerably among the various assumptions. For example, variations in projected fertility rates have little effect on the medium-range cost estimates, because almost all covered workers and beneficiaries projected for this period were born prior to the start of the projection period. However, variations in economic factors such as wage and price increases have significant effects on the estimates, even in the medium-range period. In general, the degree of confidence that can be placed in the assumptions and estimates is greater for the medium-range period than for the long-range period. Nonetheless, even over the medium-range period, the cost projections are only an indication of the trend and general range of the actual cost of the program. Appendix B contains a more detailed

discussion of the effects on the cost estimates of varying selected economic and demographic assumptions.

Table 26 presents a comparison of the estimated cost rates under alternatives II-A and II-B with the OASDI tax rates. The table shows that, under alternative II-A, after 1984, the OASDI system is projected to have a surplus of tax income over outgo in each year of the medium-range period and then beyond to about 2015, after which the system is projected to have annual deficits. These deficits are projected to grow rapidly to a peak of 3.64 percent of taxable payroll in 2035, after which they level off at approximately 3.3 percent during the last 15 years of the long-range projection period. This pattern of annual surpluses and deficits produces a medium-range actuarial surplus of 1.27 percent of taxable payroll and a long-range actuarial deficit of 0.93 percent. Notwithstanding the medium-range surplus, the deficits in the early years are sufficient to exhaust the OASI Trust Fund near the end of 1982 and the combined OASI and DI funds around the beginning of 1983, as shown elsewhere in this section.

TABLE 26.—ESTIMATED COST RATES OF THE OASDI SYSTEM UNDER ALTERNATIVES II-A AND II-B AND COMPARISON WITH TAX RATES, CALENDAR YEARS 1981-2055
[As percent of taxable payroll]

Calendar year	Estimated cost rate			Tax rate	Difference ¹
	OASI	DI	Total		
Alternative II-A:					
1981	9.89	1.41	11.30	10.70	-0.60
1982	10.07	1.36	11.43	10.80	-.63
1983	10.04	1.29	11.33	10.80	-.53
1984	9.97	1.24	11.21	10.80	-.41
1985	9.90	1.20	11.10	11.40	.30
1986	9.78	1.16	10.94	11.40	.46
1987	9.69	1.14	10.83	11.40	.57
1988	9.66	1.14	10.80	11.40	.60
1989	9.59	1.14	10.73	11.40	.67
1990	9.55	1.14	10.69	12.40	1.71
1991	9.52	1.14	10.66	12.40	1.74
1992	9.50	1.15	10.64	12.40	1.76
1993	9.47	1.15	10.62	12.40	1.78
1994	9.44	1.15	10.59	12.40	1.81
1995	9.43	1.16	10.58	12.40	1.82
1996	9.33	1.19	10.52	12.40	1.88
1997	9.25	1.21	10.46	12.40	1.94
1998	9.17	1.24	10.40	12.40	2.00
1999	9.08	1.26	10.34	12.40	2.06
2000	8.99	1.28	10.27	12.40	2.13
2001	8.94	1.31	10.25	12.40	2.15
2002	8.91	1.34	10.25	12.40	2.15
2003	8.89	1.37	10.26	12.40	2.14
2004	8.87	1.40	10.27	12.40	2.13
2005	8.87	1.42	10.29	12.40	2.11
2010	9.32	1.56	10.87	12.40	1.53
2015	10.47	1.65	12.12	12.40	.28
2020	11.96	1.68	13.64	12.40	-1.24
2025	13.41	1.63	15.05	12.40	-2.65
2030	14.29	1.56	15.85	12.40	-3.45
2035	14.51	1.53	16.04	12.40	-3.64
2040	14.25	1.55	15.80	12.40	-3.40
2045	14.06	1.58	15.64	12.40	-3.24
2050	14.11	1.58	15.68	12.40	-3.28
2055	14.22	1.56	15.77	12.40	-3.37
25-year averages:					
1981-2005	9.43	1.24	10.67	11.94	1.27
2006-2030	11.46	1.61	13.07	12.40	-.67
2031-2055	14.23	1.56	15.79	12.40	-3.39
75-year average:					
1981-2055	11.71	1.47	13.17	12.25	-.93

TABLE 26.—ESTIMATED COST RATES OF THE OASDI SYSTEM UNDER ALTERNATIVES II-A AND II-B AND COMPARISON WITH TAX RATES, CALENDAR YEARS 1981-2055 (Cont.)
[As percent of taxable payroll]

Calendar year	Estimated cost rate			Tax rate	Difference ¹
	OASI	DI	Total		
Alternative II-B:					
1981	9.89	1.41	11.30	10.70	-.60
1982	10.08	1.36	11.45	10.80	-.65
1983	10.15	1.31	11.45	10.80	-.65
1984	10.29	1.28	11.57	10.80	-.77
1985	10.38	1.25	11.63	11.40	-.23
1986	10.49	1.23	11.73	11.40	-.33
1987	10.57	1.22	11.79	11.40	-.39
1988	10.63	1.23	11.86	11.40	-.46
1989	10.65	1.23	11.88	11.40	-.48
1990	10.64	1.23	11.86	12.40	.54
1991	10.61	1.22	11.83	12.40	.57
1992	10.57	1.22	11.80	12.40	.60
1993	10.53	1.22	11.75	12.40	.65
1994	10.48	1.23	11.71	12.40	.69
1995	10.47	1.23	11.70	12.40	.70
1996	10.35	1.26	11.61	12.40	.79
1997	10.22	1.28	11.50	12.40	.90
1998	10.09	1.30	11.39	12.40	1.01
1999	9.95	1.32	11.27	12.40	1.13
2000	9.85	1.34	11.19	12.40	1.21
2001	9.80	1.37	11.16	12.40	1.24
2002	9.74	1.39	11.13	12.40	1.27
2003	9.68	1.42	11.10	12.40	1.30
2004	9.64	1.45	11.09	12.40	1.31
2005	9.61	1.48	11.09	12.40	1.31
2010	10.00	1.61	11.62	12.40	.78
2015	11.16	1.71	12.87	12.40	-.47
2020	12.69	1.74	14.43	12.40	-2.03
2025	14.23	1.69	15.92	12.40	-3.52
2030	15.18	1.61	16.79	12.40	-4.39
2035	15.45	1.58	17.03	12.40	-4.63
2040	15.22	1.60	16.82	12.40	-4.42
2045	15.05	1.64	16.68	12.40	-4.28
2050	15.11	1.63	16.74	12.40	-4.34
2055	15.21	1.61	16.82	12.40	-4.42
25-year averages:					
1981-2005	10.21	1.30	11.51	11.94	.43
2006-2030	12.21	1.66	13.87	12.40	-1.47
2031-2055	15.20	1.61	16.81	12.40	-4.41
75-year average:					
1981-2055	12.54	1.52	14.07	12.25	-1.82

¹The tax rate minus the OASDI cost rate. Positive differences are referred to as surpluses, and negative differences, as deficits.

Note: The definitions of alternatives II-A and II-B, cost rate, tax rate, and taxable payroll are presented in the text.

This table also shows that, under alternative II-B, annual OASDI surpluses are not projected until 1990. Annual surpluses are projected thereafter until about 2015, after which deficits are projected for each year. These projected deficits grow more rapidly than under alternative II-A—to a peak of 4.63 percent of taxable payroll in 2035, after which they level off at around 4.4 percent during the last 15 years of the long-range projection period. This pattern of annual surpluses and deficits produces a medium-range actuarial surplus of 0.43 percent of taxable payroll and a long-range actuarial deficit of 1.82 percent. The deficits projected under alternative II-B in the early years are sufficient to exhaust the OASI Trust Fund and the combined OASI and DI Trust Funds near the end of 1982 (again, as shown elsewhere in this section).

The long-range actuarial deficits under alternatives II-A and II-B are about 7 and 13 percent of the estimated average long-range cost rates (of 13.17 and 14.07 percent of taxable payroll), respectively. Because the deficit in each case exceeds 5 percent of the estimated average cost rate

(that is, exceeds 0.66 and 0.70 percent of taxable payroll, respectively), the system is not regarded as being in close actuarial balance over the long-range period under either alternative.

The reason for the rapid increase in the estimated cost rates after the medium-range period (under either alternative) is that, at that time, the projected number of beneficiaries is increasing faster than the projected number of covered workers. This occurs because the relatively large number of persons born during the period from the end of World War II through the early 1960's (when fertility rates were high) will reach retirement age, and begin to receive benefits, while the relatively small number of persons born during the recent past, current, and projected periods of low fertility rates will comprise the labor force. During the last years of the projection period, the projected OASI cost rates generally stabilize at a fairly high level, thereby reflecting, in part, a stabilization in the relationship between the number of beneficiaries and the number of covered workers. Such stabilization results from the relatively smooth pattern of the assumed fertility rates. A comparison of the numbers of beneficiaries and covered workers, both historically and as projected under all four long-range alternatives, is shown in Table 27.

TABLE 27.—COMPARISON OF OASDI BENEFICIARIES AND COVERED WORKERS UNDER ALTERNATIVES I, II-A, II-B, AND III, CALENDAR YEARS 1945-2055

Calendar year	Covered workers ¹ (in thousands)	Beneficiaries ² (in thousands)			Covered workers per OASDI beneficiary	Beneficiaries per 100 covered workers
		OASI	DI	Total		
1945.....	46,390	1,106	—	1,106	41.9	2
1950.....	48,280	2,930	—	2,930	16.5	6
1955.....	65,200	7,563	—	7,563	8.6	12
1960.....	72,530	13,740	522	14,262	5.1	20
1965.....	80,680	18,509	1,648	20,157	4.0	25
1970.....	93,090	23,185	2,568	25,753	3.6	28
1975.....	100,200	27,244	4,125	31,369	3.2	31
1980.....	115,110	30,384	4,734	35,118	3.3	31
Alternative I:						
1981.....	115,962	31,072	4,697	35,769	3.2	31
1985.....	127,820	33,697	4,475	38,172	3.3	30
1990.....	137,654	36,886	4,538	41,424	3.3	30
1995.....	140,702	38,281	4,603	42,884	3.3	30
2000.....	146,317	39,280	5,122	44,402	3.3	30
2005.....	151,773	40,814	5,394	46,208	3.3	30
2010.....	156,133	44,061	5,974	50,035	3.1	32
2015.....	158,994	49,322	6,356	55,678	2.9	35
2020.....	161,418	55,549	6,527	62,076	2.6	38
2025.....	164,581	61,716	6,431	68,147	2.4	41
2030.....	169,142	65,608	6,217	71,825	2.4	42
2035.....	174,339	67,055	6,216	73,271	2.4	42
2040.....	180,178	66,564	6,470	73,034	2.5	41
2045.....	186,370	66,457	6,852	73,309	2.5	39
2050.....	192,869	67,627	7,105	74,732	2.6	39
2055.....	199,652	69,365	7,257	76,622	2.6	38
Alternative II-A:						
1981.....	115,748	31,072	4,697	35,769	3.2	31
1985.....	125,838	33,786	4,519	38,305	3.3	30
1990.....	134,556	37,260	4,750	42,010	3.2	31
1995.....	138,153	39,076	5,014	44,090	3.1	32
2000.....	143,732	40,504	5,690	46,194	3.1	32
2005.....	148,714	42,449	6,353	48,802	3.0	33
2010.....	152,055	46,109	7,057	53,166	2.9	35
2015.....	153,475	51,834	7,509	59,343	2.6	39
2020.....	153,940	58,624	7,703	66,327	2.3	43
2025.....	154,550	65,470	7,561	73,031	2.1	47
2030.....	155,730	70,062	7,250	77,312	2.0	50
2035.....	157,554	72,222	7,173	79,395	2.0	50
2040.....	159,683	72,368	7,352	79,720	2.0	50
2045.....	161,755	72,796	7,628	80,424	2.0	50
2050.....	163,708	74,016	7,721	81,737	2.0	50
2055.....	165,682	75,305	7,697	83,002	2.0	50

TABLE 27.—COMPARISON OF OASDI BENEFICIARIES AND COVERED WORKERS UNDER ALTERNATIVES I, II-A, II-B, AND III, CALENDAR YEARS 1945-2055 (Cont.)

Calendar year	Covered workers ¹ (in thousands)	Beneficiaries ² (in thousands)			Covered workers per OASDI beneficiary	Beneficiaries per 100 covered workers
		OASI	DI	Total		
Alternative II-B:						
1981	115,738	31,072	4,697	35,769	3.2	31
1985	124,998	33,724	4,519	38,243	3.3	31
1990	133,873	37,067	4,750	41,817	3.2	31
1995	137,438	39,073	5,014	44,087	3.1	32
2000	143,481	40,502	5,686	46,188	3.1	32
2005	148,446	42,440	6,349	48,789	3.0	33
2010	151,784	46,102	7,056	53,158	2.9	35
2015	153,207	51,824	7,506	59,330	2.6	39
2020	153,679	58,604	7,697	66,301	2.3	43
2025	154,287	65,468	7,558	73,026	2.1	47
2030	155,465	70,046	7,247	77,293	2.0	50
2035	157,284	72,214	7,170	79,384	2.0	50
2040	159,410	72,368	7,350	79,718	2.0	50
2045	161,483	72,780	7,626	80,406	2.0	50
2050	163,429	74,011	7,720	81,731	2.0	50
2055	165,399	75,307	7,696	83,003	2.0	50
Alternative III:						
1981	115,599	31,072	4,696	35,768	3.2	31
1985	123,181	33,827	4,560	38,387	3.2	31
1990	131,608	37,699	4,958	42,657	3.1	32
1995	135,537	40,694	5,355	46,049	2.9	34
2000	141,172	43,071	6,175	49,246	2.9	35
2005	145,630	45,978	7,433	53,411	2.7	37
2010	147,754	50,678	8,268	58,946	2.5	40
2015	147,402	57,516	8,797	66,313	2.2	45
2020	145,415	65,573	9,005	74,578	1.9	51
2025	142,871	73,945	8,794	82,739	1.7	58
2030	140,452	80,118	8,344	88,462	1.6	63
2035	138,390	83,941	8,135	92,076	1.5	67
2040	136,364	85,739	8,168	93,907	1.5	69
2045	133,991	87,671	8,240	95,911	1.4	72
2050	131,247	89,858	8,056	97,914	1.3	75
2055	128,446	91,238	7,739	98,977	1.3	77

¹Workers with taxable earnings at some time during the year.

²Beneficiaries with monthly benefits in current-payment status as of June 30.

Note: The definitions of alternatives I, II-A, II-B, and III are presented in the text.

Table 27 shows that, even under alternative I, which includes high fertility rates and low mortality improvement, the number of covered workers per beneficiary declines from the 1980 level of 3.3 to an ultimate level of 2.6. Under alternative III, which includes low fertility rates and high mortality improvement, the decline is far more dramatic, down to about 1.3 workers per beneficiary. Under alternatives II-A and II-B, the decline is to about 2.0 workers per beneficiary. The implication of this is that in the future there will be relatively fewer workers paying taxes and more retired persons receiving benefits. The impact that this will have on OASDI financing can be readily assessed by looking at the projected number of beneficiaries per hundred workers. Under alternatives I, II-A, II-B, and III, this rises to levels at the end of the long-range period of 38, 50, 50, and 77, respectively. These levels are, respectively, about 23, 61, 61, and 148 percent higher than the 1980 level of 31 beneficiaries per 100 covered workers. The implication of this result is that, in the absence of other program or financing changes, for the system to remain viable, the current OASDI tax rate would need to be increased to significantly higher levels simply because of the demographic shift.

Table 28 shows the OASDI cost rates estimated under each of the four long-range alternatives. For ease of comparison, it also shows the scheduled tax rates. Under alternatives I and II-A, after 1982, the cost rates generally decline slowly throughout the medium-range period. Under alternative II-B, the cost rates follow a similar pattern, except that the early peak occurs in 1989 instead of 1982. Under alternative III, the cost rates peak at 12.98 percent in 1996 and decline to 12.82 percent in 1999 before beginning to rise again. After the medium-range period, under each alternative, the cost rates increase rapidly (because of the demographic shift discussed earlier). Under alternatives I, II-A, and II-B, the cost rates peak around 2035, while under alternative III, they are still increasing at the end of the long-range projection period.

The OASDI cost rates under alternatives I and III differ by about 16 percentage points toward the end of the long-range period, although by only about 4 percentage points near the end of the medium-range period. The highest cost rate occurring in the long-range period varies from 12.84 percent under alternative I to 27.78 percent under alternative III, whereas the highest during the medium-range period varies within a much narrower band—from 11.28 to 13.09 percent. The average long-range cost rate for the OASDI program varies from 10.99 percent of taxable payroll under alternative I to 18.50 percent under alternative III, while the average medium-range cost rate varies much less—from 9.99 to 12.55 percent.

TABLE 28.—TAX RATES AND ESTIMATED COST RATES OF THE OASDI SYSTEM UNDER ALTERNATIVES I, II-A, II-B, AND III, CALENDAR YEARS 1981-2055
[As percent of taxable payroll]

Calendar year	Tax rate	Cost rate by alternative			
		I	II-A	II-B	III
1981	10.70	11.24	11.30	11.30	11.21
1982	10.80	11.28	11.43	11.45	11.54
1983	10.80	11.13	11.33	11.45	11.90
1984	10.80	11.01	11.21	11.57	11.93
1985	11.40	10.85	11.10	11.63	12.04
1986	11.40	10.69	10.94	11.73	12.17
1987	11.40	10.40	10.83	11.79	12.28
1988	11.40	10.37	10.80	11.86	12.39
1989	11.40	10.15	10.73	11.88	12.47
1990	12.40	10.12	10.69	11.86	12.57
1991	12.40	10.11	10.66	11.83	12.67
1992	12.40	10.02	10.64	11.80	12.74
1993	12.40	9.92	10.62	11.75	12.79
1994	12.40	9.84	10.59	11.71	12.84
1995	12.40	9.76	10.58	11.70	12.95
1996	12.40	9.64	10.52	11.61	12.98
1997	12.40	9.55	10.46	11.50	12.94
1998	12.40	9.45	10.40	11.39	12.89
1999	12.40	9.36	10.34	11.27	12.82
2000	12.40	9.26	10.27	11.19	12.82
2001	12.40	9.19	10.25	11.16	12.89
2002	12.40	9.15	10.25	11.13	12.92
2003	12.40	9.11	10.26	11.10	12.96
2004	12.40	9.09	10.27	11.09	13.01
2005	12.40	9.08	10.29	11.09	13.09
2010	12.40	9.45	10.87	11.62	14.01
2015	12.40	10.42	12.12	12.87	15.82
2020	12.40	11.56	13.64	14.43	18.17
2025	12.40	12.52	15.05	15.92	20.70
2030	12.40	12.84	15.85	16.79	22.65
2035	12.40	12.63	16.04	17.03	23.98
2040	12.40	12.07	15.80	16.82	24.84
2045	12.40	11.62	15.64	16.68	25.78
2050	12.40	11.42	15.68	16.74	26.86
2055	12.40	11.34	15.77	16.82	27.78
25-year averages:					
1981-2005	11.94	9.99	10.67	11.51	12.55
2006-2030	12.40	11.07	13.07	13.87	17.50
2031-2055	12.40	11.92	15.79	16.81	25.43
75-year average:					
1981-2055	12.25	10.99	13.17	14.07	18.50

Note: The definitions of alternatives I, II-A, II-B, and III, cost rate, tax rate, and taxable payroll are presented in the text.

It is important to recognize that actual future OASDI costs may not necessarily fall within the range resulting under alternatives I and III. Nonetheless, since alternatives I and III constitute a reasonably wide range of economic and demographic conditions, the resulting cost estimates delineate a reasonable range of possibilities for future program costs.

Table 29 shows a comparison of the cost as a percentage of Gross National Product (GNP) estimated under alternatives I, II-A, II-B, and III. There are various similarities between the patterns of these cost percentages and the cost rates shown in the previous table. Under alternatives I, II-A, and II-B, the percentages, after reaching peaks at different points in the early years, generally decline slowly throughout the medium-range period to levels of 3.73 to 4.38 percent. Under alternative III, the percentages peak at 5.27 percent in 1995 and decline to about 5.10 in 2000-04 before beginning to rise again. After the medium-range period, under each alternative, the percentages increase rapidly (because of the demographic shift discussed earlier) and peak around 2030 under alternatives I, II-A, and II-B, while continuing to increase to the end of the projection period under alternative III.

Another similarity is that the costs as percentages of GNP projected under the various alternatives differ by a relatively large amount at the end of the long-range period (4.63 percentage points), although differing by a much smaller amount at the end of the medium-range period (1.38 percentage points). Also, the highest percentage occurring in the medium-range period varies within a much narrower band (4.94 percent under alternative I versus 5.27 under alternative III) than does the highest occurring during the long-range period (4.91 versus 8.96 percent). In addition, the average long-range cost as a percentage of GNP projected under the various alternatives varies by a relatively large amount (from 4.33 percent under alternative I to 6.73 percent under alternative III), while the average medium-range cost varies by a much smaller amount (from 4.23 to 5.15 percent).

TABLE 29.—ESTIMATED COST OF THE OASDI SYSTEM AS PERCENT OF GNP UNDER ALTERNATIVES I, II-A, II-B, AND III, CALENDAR YEARS 1981-2055

Calendar year	I	II-A	II-B	III
1981	4.94	4.97	4.97	4.93
1982	4.90	4.98	4.98	5.03
1983	4.80	4.91	4.95	5.12
1984	4.74	4.84	4.97	5.08
1985	4.67	4.77	4.98	5.10
1986	4.60	4.69	4.99	5.13
1987	4.47	4.63	5.00	5.15
1988	4.41	4.61	5.01	5.16
1989	4.35	4.59	5.01	5.17
1990	4.30	4.56	4.98	5.19
1991	4.30	4.54	4.95	5.22
1992	4.26	4.52	4.92	5.24
1993	4.21	4.49	4.88	5.25
1994	4.16	4.47	4.84	5.24
1995	4.12	4.45	4.81	5.27
1996	4.06	4.41	4.76	5.25
1997	4.01	4.37	4.69	5.21
1998	3.96	4.34	4.63	5.17
1999	3.91	4.30	4.56	5.12
2000	3.85	4.25	4.51	5.10
2001	3.81	4.23	4.48	5.11
2002	3.79	4.22	4.45	5.10
2003	3.76	4.21	4.42	5.10
2004	3.74	4.21	4.40	5.10
2005	3.73	4.20	4.38	5.11
2010	3.82	4.38	4.50	5.36
2015	4.16	4.81	4.90	5.94
2020	4.55	5.33	5.39	6.70
2025	4.85	5.80	5.83	7.48
2030	4.91	6.02	6.03	8.03
2035	4.76	6.01	6.00	8.35
2040	4.48	5.84	5.82	8.48
2045	4.25	5.70	5.66	8.64
2050	4.12	5.63	5.57	8.83
2055	4.04	5.58	5.50	8.96
25-year averages:				
1981-2005	4.23	4.51	4.78	5.15
2006-2030	4.37	5.13	5.20	6.47
2031-2055	4.40	5.78	5.75	8.58
75-year average:				
1981-2055	4.33	5.14	5.24	6.73

Note: The definitions of alternatives I, II-A, II-B, and III are presented in the text.

Table 30 presents a comparison, by trust fund, of the average cost rates estimated under the four alternatives, with the average tax rates. The OASI and DI programs are estimated to have medium-range actuarial surpluses under all alternatives, except that, under alternatives II-B and III, a medium-range deficit is projected for the OASI program. Although the OASI program has a medium-range actuarial surplus under alternatives I and II-A, the pattern of the projected cost rates is

such that the OASI Trust Fund is exhausted in 1982 under all four alternatives (as shown elsewhere in this section).

In the long range, a deficit is projected for the OASI program under alternatives II-A, II-B, and III, as against a surplus under alternative I; for the DI program, a surplus is projected under all alternatives. The combined OASDI long-range actuarial balance ranges from a surplus of 1.25 percent of taxable payroll under alternative I to a deficit of 6.25 percent under alternative III.

TABLE 30.—ESTIMATED AVERAGE COST RATE OF THE OASDI SYSTEM UNDER ALTERNATIVES I, II-A, II-B, AND III AND COMPARISON WITH AVERAGE TAX RATE
[As percent of taxable payroll]

Calendar years	Average tax rate	Estimated average cost rate by alternative				Difference by alternative			
		I	II-A	II-B	III	I	II-A	II-B	III
OASI:									
1981-2005.....	9.90	8.88	9.43	10.21	11.12	1.03	0.47	-0.31	-1.22
2006-30.....	10.20	9.78	11.46	12.21	15.43	.42	-1.26	-2.01	-5.23
2031-55.....	10.20	10.73	14.23	15.20	23.30	-.53	-4.03	-5.00	-13.10
1981-2055.....	10.10	9.80	11.71	12.54	16.62	.30	-1.61	-2.44	-6.51
DI:									
1981-2005.....	2.04	1.12	1.24	1.30	1.43	.92	.80	.74	.61
2006-30.....	2.20	1.28	1.61	1.66	2.08	.92	.59	.54	.12
2031-55.....	2.20	1.19	1.56	1.61	2.14	1.01	.64	.59	.06
1981-2055.....	2.15	1.20	1.47	1.52	1.88	.95	.68	.62	.26
Total:									
1981-2005.....	11.94	9.99	10.67	11.51	12.55	1.95	1.27	.43	-.61
2006-30.....	12.40	11.07	13.07	13.87	17.50	1.33	-.67	-1.47	-5.10
2031-55.....	12.40	11.93	15.79	16.81	25.43	.48	-3.39	-4.41	-13.03
1981-2055.....	12.25	10.99	13.17	14.07	18.50	1.25	-.93	-1.82	-6.25

Note: The definitions of alternatives I, II-A, II-B, and III, cost rate, tax rate, and taxable payroll are presented in the text.

Table 31 shows the trust fund ratios for the OASI and DI programs under all four alternatives. In each case, the OASI Trust Fund is projected to become exhausted near the end of 1982. By contrast, after 1982, the DI Trust Fund is projected to grow steadily throughout the long-range, as well as the medium-range, period. Even if authority for interfund borrowing between the OASI and DI Trust Funds were provided, additional financing would be required. This can be inferred from the fact that the combined OASI and DI Trust Funds are projected to be exhausted early in 1983 under alternatives I and II-A and near the end of 1982 under alternatives II-B and III.

The fund ratios shown after a trust fund is projected to be exhausted are theoretical in that they are calculated on the assumption that the payment of benefits will continue by allowing the fund to borrow money (although no such borrowing authority exists in present law). The theoretical ratios are derived by assuming that money is borrowed and repaid as necessary in a manner analogous to that in which positive trust fund balances are invested. Under alternative I, the OASI ratio is projected to become positive by 1991 and to increase to fairly high levels, reaching 470 percent in 2015, and then steadily decreasing. Under alternative II-A, the OASI ratio is projected to become positive by 1995 and to increase to 183 percent in 2015, before decreasing rapidly so that, by 2030, the fund is again projected to be exhausted. Under alternatives II-B and III, the OASI Trust Fund does not recover at all within the projection period after becoming exhausted near the end of 1982.

TABLE 31.—ESTIMATED TRUST FUND RATIOS OF THE OASDI SYSTEM UNDER ALTERNATIVES I, II-A, II-B, AND III, CALENDAR YEARS 1981-2055

Calendar year	Alternative I			Alternative II-A			Alternative II-B			Alternative III		
	OASI	DI	Total	OASI	DI	Total	OASI	DI	Total	OASI	DI	Total
1981.....	18	20	18	18	20	18	18	20	18	18	20	18
1982.....	14	13	14	13	13	13	13	13	13	13	13	13
1983.....	6	35	9	5	33	8	4	32	7	4	31	7
1984.....	-1	66	6	-4	62	3	(¹)	58	2	(¹)	52	(¹)
1985.....	-8	104	4	-13	96	-1	(¹)	87	-5	(¹)	75	(¹)
1986.....	-11	169	8	-18	155	1	(¹)	138	-8	(¹)	118	(¹)
1987.....	-12	246	14	-21	219	4	(¹)	191	-11	(¹)	163	(¹)
1988.....	-11	325	24	-24	285	9	(¹)	244	-15	(¹)	206	(¹)
1989.....	-9	405	33	-26	352	14	(¹)	299	-19	(¹)	248	(¹)
1990.....	-6	487	45	-28	418	20	(¹)	354	-24	(¹)	288	(¹)
1991.....	6	597	67	-22	510	35	(¹)	434	-20	(¹)	349	(¹)
1992.....	18	713	90	-16	602	51	(¹)	515	-16	(¹)	409	(¹)
1993.....	31	833	114	-9	693	67	(¹)	594	-11	(¹)	468	(¹)
1994.....	46	953	140	-1	781	84	(¹)	672	-6	(¹)	525	(¹)
1995.....	61	1,070	166	6	863	100	(¹)	744	-1	(¹)	578	(¹)
1996.....	78	1,161	194	14	926	117	(¹)	802	5	(¹)	620	(¹)
1997.....	97	1,249	223	23	985	135	(¹)	857	11	(¹)	658	(¹)
1998.....	118	1,334	254	33	1,042	153	(¹)	910	19	(¹)	692	(¹)
1999.....	140	1,418	287	44	1,097	172	(¹)	961	27	(¹)	723	(¹)
2000.....	164	1,498	321	57	1,147	192	(¹)	1,008	37	(¹)	750	(¹)
2001.....	190	1,568	356	70	1,187	212	(¹)	1,046	47	(¹)	766	(¹)
2002.....	216	1,635	391	83	1,224	232	(¹)	1,081	58	(¹)	780	(¹)
2003.....	244	1,699	426	97	1,258	252	(¹)	1,113	69	(¹)	790	(¹)
2004.....	271	1,757	461	111	1,287	271	(¹)	1,140	80	(¹)	796	(¹)
2005.....	300	1,816	496	125	1,315	290	(¹)	1,166	91	(¹)	801	(¹)
2010.....	420	2,058	640	180	1,436	360	(¹)	1,276	133	(¹)	822	(¹)
2015.....	470	2,306	705	183	1,558	370	(¹)	1,381	132	(¹)	829	(¹)
2020.....	452	2,636	705	127	1,722	324	(¹)	1,526	82	(¹)	846	(¹)
2025.....	394	3,107	672	28	1,976	240	(¹)	1,747	(¹)	(¹)	896	(¹)
2030.....	327	3,687	643	(¹)	2,304	138	(¹)	2,035	(¹)	(¹)	981	(¹)
2035.....	272	4,190	636	(¹)	2,590	29	(¹)	2,290	(¹)	(¹)	1,052	(¹)
2040.....	237	4,547	660	(¹)	2,799	(¹)	(¹)	2,475	(¹)	(¹)	1,093	(¹)
2045.....	223	4,823	702	(¹)	2,974	(¹)	(¹)	2,630	(¹)	(¹)	1,126	(¹)
2050.....	219	5,188	745	(¹)	3,219	(¹)	(¹)	2,846	(¹)	(¹)	1,191	(¹)
2055.....	218	5,619	786	(¹)	3,514	(¹)	(¹)	3,106	(¹)	(¹)	1,284	(¹)

Trust fund is projected to be first exhausted in:.....

	1982	(¹)	1983	1982	(¹)	1983	1982	(¹)	1982	1982	(¹)	1982
--	------	------------------	------	------	------------------	------	------	------------------	------	------	------------------	------

¹The fund is projected to be exhausted and not to recover before the end of the projection period.

²The fund is not projected to be exhausted within the projection period.

Note: The definitions of alternatives I, II-A, II-B, and III, and trust fund ratio are presented in the text. The ratios shown after the year a given fund is projected to be exhausted are theoretical, because they are calculated on the assumption that the exhaustion of the fund will be avoided by allowing the fund to borrow money (see text).

The cost estimates and actuarial balances shown in this report are different from those published in last year's report. Table 32 itemizes the reasons for the differences—together with their estimated cost effects—between the estimates under alternative II in last year's report and those under alternatives II-A and II-B in this report.

TABLE 32.—CHANGE IN ESTIMATED AVERAGE ANNUAL COST RATE OF THE OASDI SYSTEM UNDER ALTERNATIVES II-A AND II-B BY REASON FOR CHANGE
[As percent of taxable payroll]

Item	Medium range			Long range		
	OASI	DI	Total	OASI	DI	Total
Shown in 1980 report:¹						
Actuarial balance.....	+0.41	+0.78	+1.19	-2.16	+0.64	-1.52
Average tax rate.....	9.83	2.02	11.85	10.08	2.14	12.22
Estimated average cost rate.....	9.42	1.24	10.66	12.24	1.50	13.74
Alternative II-A:						
Changes in estimated average cost rate due to changes in: ²						
Social Security Act.....	-01	-00	-01	-01	-00	-01
Valuation date.....	-02	+00	-02	+08	+00	+08
Demographic assumptions.....	+06	+00	+06	-01	+00	-01
Economic assumptions.....	-34	-04	-38	-47	-04	-51
Disability assumptions.....	-00	-07	-07	-00	-12	-12
All other factors.....	+32	+11	+43	-12	+13	+01
Total change in estimated average cost rate.....	+01	-00	+01	-53	-03	-56
Shown in this report:³						
Estimated average cost rate.....	9.43	1.24	10.67	11.71	1.47	13.17
Average tax rate.....	9.90	2.04	11.94	10.10	2.15	12.25
Actuarial balance.....	+47	+80	+1.27	-1.61	+68	-93
Alternative II-B:						
Changes in estimated average cost rate due to changes in: ²						
Social Security Act.....	-01	-00	-01	-01	-00	-01
Valuation date.....	-02	+00	-02	+08	+00	+08
Demographic assumptions.....	+06	+00	+06	-01	+00	-01
Economic assumptions.....	+36	+03	+39	+27	+02	+29
Disability assumptions.....	-00	-07	-07	-00	-12	-12
All other factors.....	+40	+10	+50	-03	+13	+10
Total change in estimated average cost rate.....	+79	+06	+85	+30	+03	+33
Shown in this report:³						
Estimated average cost rate.....	10.21	1.30	11.51	12.54	1.52	14.07
Average tax rate.....	9.90	2.04	11.94	10.10	2.15	12.25
Actuarial balance.....	-31	+74	+43	-2.44	+62	-1.82

¹Cost rates (expenditures as percent of taxable payroll) and taxable payroll are calculated under the intermediate set of assumptions (alternative II) described in last year's report, which incorporates ultimate annual increases of 5½ percent in average wages in covered employment and 4 percent in the CPI, an ultimate annual unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. The averages are computed over projection periods commencing with 1980.

²See the text for a discussion of the items shown.

³The definitions of alternatives II-A and II-B are presented in the text. The averages are computed over projection periods commencing with 1981.

Note: The definitions of cost rate, tax rate, and taxable payroll are presented in the text.

The cost estimates and actuarial balances shown in this report differ from those published in last year's report. Table 32 shows the differences between the estimates under the intermediate assumptions (alternative II) in last year's report and those under both alternatives II-A and II-B in this report.

Three amendments to the Social Security Act were enacted since the last report, as described in a preceding section. The net effect on the OASDI program is a minor decrease in the estimated medium-range and long-range cost rates.

In changing from the valuation periods of last year's report, which were 1980-2004 and 1980-2054 for the medium-range and long-range periods, respectively, to the valuation periods of this report, 1981-2005 and 1981-2055, the year 1980 is replaced by 2005 in the medium range and 2055 in the long range. The estimated cost rate in the replacement year is higher than that in the year being replaced (except in the OASI medium-range period), thereby increasing the estimated average cost rate, even in the absence of other changes.

The demographic assumptions include only minor changes from those in last year's report. The ultimate total fertility rate has not been changed, although the fertility rates by age have been modified to conform more closely with recent experience. Also, the ultimate rate of improvement in the age-adjusted death rates by sex is about the same. However, this year's report assumes more improvement for the young and the aged, and less for those of middle age. The net effect of the changes in demographic assumptions is a slight increase in the estimated average medium-range cost rate and a small decrease in the long-range rate.

The economic assumptions in both alternatives II-A and II-B differ substantially from those in alternative II in last year's report. Under alternative II-A, there generally are larger real-wage increases, both for the early years and ultimately (when the assumed real-wage differential is 2.00 percent as compared with 1.75 percent). This results in significant reductions in both the estimated average medium-range and long-range cost rates. By contrast, under alternative II-B, there generally are smaller real-wage increases, both for the early years and ultimately (when the assumed real-wage differential is 1.50 percent, which is 0.25 percentage points lower). This results in significant increases in both the estimated average medium-range and long-range cost rates.

Changes in the assumed disability incidence and termination rates were made to reflect more recent experience. These changes result in decreases in both the estimated average medium-range and long-range cost rates. Slightly more than half of the decrease results from changes in the incidence assumptions, and slightly less than half from the termination assumptions.

Numerous changes were made in other factors and in methods used to project the costs of the OASDI program. Two major changes were made this year in the method for projecting the level of average benefits. First, average benefit levels are now projected separately for male and female workers, thereby better reflecting the differences in their work patterns. Second, average benefit levels are now adjusted to reflect projected changes in the age at which workers choose to take retirement benefits. Another major change was in the method of projecting the percentages of persons (by age and sex) who are fully insured. This year, these percentages reflect more precisely both the proportion of all workers who are in covered employment and the number of calendar quarters in covered employment required to be fully insured. For the OASDI program, the net effect of these changes is to increase the estimated average medium-range cost rate and to decrease the long-range rate. For the DI program, the net effect is to increase both the estimated average medium-range and long-range cost rates.

VII. CONCLUSION

The actuarial cost estimates presented in this report are based upon economic assumptions which are subject to considerable uncertainty. Nevertheless, it is virtually certain that, unless legislation to strengthen the financial status of the OASI Trust Fund is enacted soon, that fund will be exhausted in the latter half of 1982. The DI Trust Fund, on the other hand, is projected to increase rapidly. The enactment of legislation to reallocate tax rates from the DI Trust Fund to the OASI Trust Fund or to permit interfund borrowing between the two funds would not, however, postpone the latter's exhaustion by more than a few months. Furthermore, as indicated by the projections shown in Appendix G, there is a strong likelihood that, if additional financing were provided to the OASI Trust Fund by legislation reallocating tax rates from both the DI and Hospital Insurance Trust Funds, or by legislation permitting interfund borrowing among the three funds, the OASI Trust Fund would still become exhausted at some time during the 1980's—perhaps as early as 1984 under alternative III or even 1983 under "worst-case" assumptions.

Long-range estimates are presented on the basis of four sets of economic and demographic assumptions, which are characterized as optimistic (alternative I), intermediate (alternatives II-A and II-B), and pessimistic (alternative III). Of the two intermediate sets, alternative II-A assumes future economic performance resembling that of more robust recent economic expansions which result from policies to stimulate growth and lower inflation. Alternative II-B assumes the adoption of policies which would result in an economic performance resembling less robust recent economic expansions. A fifth projection, which is applicable only to the short range, is based on the so-called "worst-case" economic assumptions.

The economic and demographic assumptions which underlie the projections traditionally have been treated as outside factors acting upon the OASDI system while being largely unaffected by it. We have continued to follow that procedure. However, because of the size and nature of the OASDI system, it is becoming increasingly apparent that interaction of OASDI and the economy as a whole deserves attention. As has been shown earlier in the report, higher real growth, real wages, and labor-force participation increase tax revenues, thereby reducing the relative burden on workers to support OASDI benefits. OASDI may well impact labor force participation, savings and investment, and growth, which, in turn, affect the economy's performance. The Board therefore recommends that attention be given to the long-run interaction of the OASDI system and the economy in future research and policy deliberations on the role and structure of the system.

Long-run projections are traditionally made for a 75-year period. Information is supplied for the period as a whole, for the three 25-year periods contained within the 75-year span, for each year in the first 25-year period, and for every fifth year thereafter.

The long-run projections show that the immediate short-run financing crisis is followed by a period of rising trust fund balances during the remainder of the first 25-year period. For this period as a whole, the

average annual income from OASDI taxes is estimated to exceed the average annual outgo by 1.27 percent of taxable payroll under alternative II-A and by 0.43 percent under alternative II-B.

Although the average financial status of the OASDI program is favorable for the next 25 years, the estimated average annual tax income for the entire 75-year projection period falls below the estimated average annual outgo for the period under both sets of intermediate assumptions—by 0.93 percent of taxable payroll under alternative II-A and 1.82 percent under alternative II-B. This is due to tax receipts falling below outgo at an increasing rate in the second and third 25-year periods, in which shortfalls average 0.67 percent of payroll and 3.39 percent of payroll, respectively, under alternative II-A, and 1.47 percent of payroll and 4.41 percent of payroll, respectively, under alternative II-B. Data for individual years confirm the pattern of early annual net inflows followed by continual annual net outflows.

When the expected net outflows of the HI Trust Fund beginning in the late 1980's are considered in conjunction with the OASDI Trust Funds, the situation of the combined-OASDI-HI Trust Fund looks even worse. The initial 25-year net inflow of the OASDI Trust Funds is then turned into a net outflow under both sets of intermediate assumptions. This emphasizes the need to do more than rely on interfund borrowing to restore the financial strength of the combined system.

The Board strongly urges prompt action by the Congress to prevent the exhaustion of the OASI Trust Fund in the short range and thus permit the timely payment of the current financial obligations of the OASDI program, to build the balances of the OASI and DI Trust Funds to satisfactory levels, and to restore the OASDI system to financial health over the long range. Decisions on actions to strengthen the short-range financing of the system should be made on a basis which minimizes the risk that a possible downturn in economic conditions will require additional action in the short term, thereby further weakening public confidence in the Social Security system.

The Administration has recommended a package of financing proposals that would restore soundness to the OASDI program in the short range and well into the next century. The Board recommends the enactment of these proposals or of similar ones which will accomplish the same objectives within the basic principles set forth by the Administration.