

Notes and Brief Reports

Trust Fund Operations, 1953

Financial operations under the old-age and survivors insurance program are managed through the Federal old-age and survivors insurance trust fund. Sums equivalent to 100 percent of current collections under the Federal Insurance Contributions Act and under subchapter E of chapter 1 of the Internal Revenue Code are transferred under permanent appropriation to the trust fund from time to time on the basis of estimates made by the Secretary of the Treasury. Adjustments are made periodically to the extent that the estimates are found to differ from the amounts of contributions actually payable on the basis of reported earnings. Contributions received under voluntary agreements with States for the coverage of State and local government employees are deposited directly into the trust fund.

In the calendar year 1953, contributions amounting to \$3,945 million,

(excluding amounts reimbursed to the Treasury for refunds) were appropriated to and deposited in the Federal old-age and survivors insurance trust fund. The trust fund also received \$414 million in interest on investments. Expenditures for old-age and survivors insurance benefits in 1953 totaled \$3,006 million, and administrative expenses amounted to \$88 million. The fund's assets showed a net increase of \$1,265 million for 1953 and totaled \$18,707 million at the end of the year. The effects of the financial interchange provisions of the 1951 amendments to the Railroad Retirement Act were not reflected in the 1953 operations of the fund; no transfer of funds took place during the year.

The unemployment trust fund is composed of the 51 accounts for the State unemployment insurance programs and the railroad unemployment insurance account. In 1953, deposits in the State accounts amounted to \$1,357 million, and interest credited was \$198 million. Withdrawals for benefit payments totaled \$980 million, and the net balance increased \$574 million. Deposits in the railroad unemployment insurance account amounted to \$15 million, interest amounted to \$20 million, and transfers from the railroad unemployment insurance administration fund were \$4 million. Benefit payments totaled \$92 million. The net balance in the railroad unemployment insurance account decreased \$53 million.

Investments.—Under the provisions of the Social Security Act, as amended, the Federal old-age and survivors insurance trust fund is held by a Board of Trustees, which is composed of the Secretary of the Treasury, who is the Managing Trustee; the Secretary of Labor; and the Secretary of Health, Education, and Welfare. The Commissioner of Social Security is Secretary of the Board.

The Secretary of the Treasury invests the portion of the trust fund that, in his judgment, is not needed to meet current expenditures for benefit payments and administrative expenses. The act restricts the per-

missible investments of the trust fund to interest-bearing obligations of the United States Government or to obligations guaranteed as to principal and interest by the United States. Regular 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 act authorizes the issuance of special obligations exclusively to the trust fund. Regular obligations acquired by the trust fund may be sold at market price. Special obligations are to be redeemed at par plus accrued interest.

Investments are made by the Secretary of the Treasury for the unemployment trust fund as a unit, although the fund is composed of the separate State accounts and the railroad unemployment insurance account. Interest earned on the fund's investments is distributed quarterly among all accounts on the basis of the average daily balance of each account. Permissible types of investments are the same for this fund as for the Federal old-age and survivors insurance trust fund.

Net investments made during 1953 for the old-age and survivors insurance trust fund amounted to \$1,331

Table 1.—Investments of social security trust funds and interest-bearing public debt at end of specified period, 1936–53

At end of—	Interest-bearing public debt	Social security trust fund investments		
		Total amount	Percent of public debt	Old-age and survivors insurance trust fund
1936.....	\$33,699	\$64	0.2	\$64
1937.....	36,715	1,138	3.1	\$513
1938.....	38,899	1,926	5.0	862
1939.....	41,445	2,944	7.1	1,435
1940.....	44,458	3,942	8.9	2,016
1941.....	57,451	5,468	9.5	2,736
1942.....	107,308	7,342	6.8	3,655
1943.....	164,508	9,874	6.0	4,779
1944.....	228,891	12,546	5.5	5,907
1945.....	276,694	14,963	5.3	7,054
1946.....	287,649	16,943	6.1	8,079
1947.....	254,205	17,371	6.8	9,268
1948.....	250,579	19,052	7.6	10,556
1949.....	255,019	19,424	7.6	11,738
1950.....	254,233	20,970	8.2	13,321
1951.....	257,070	23,444	9.1	15,017
1952.....	265,293	25,983	9.8	16,960
1953:				
June.....	263,946	27,055	10.3	17,818
December	272,881	27,836	10.2	18,291

Source: Daily Statement of the U. S. Treasury and other Treasury Department releases.

Table 2.—Average interest rate on social security trust fund investments and interest-bearing public debt at end of specified period, 1936–53

At end of—	Computed average interest rate (percent)		
	Interest-bearing public debt	Old-age and survivors insurance trust fund investments	Unemployment trust fund investments
1936.....	2.570	2.50
1937.....	2.588	3.00	2.50
1938.....	2.586	3.00	2.50
1939.....	2.598	3.00	2.50
1940.....	2.566	2.84	2.50
1941.....	2.409	2.66	2.49
1942.....	2.059	2.44	2.24
1943.....	1.966	2.22	1.89
1944.....	1.919	2.20	1.91
1945.....	1.965	2.14	1.96
1946.....	2.067	2.04	1.94
1947.....	2.144	2.09	2.05
1948.....	2.216	2.20	2.16
1949.....	2.208	2.20	2.16
1950.....	2.209	2.19	2.16
1951.....	2.308	2.20	2.18
1952.....	2.363	2.30	2.30
1953:			
June.....	2.438	2.41	2.41
December	2.414	2.41	2.41

Source: Daily Statement of the U. S. Treasury and other Treasury Department releases.

million. At the end of 1953 the investments of the fund totaled \$18,291 million. The investments of the unemployment trust fund increased by \$522 million; by the end of 1953 they totaled \$9,545 million (table 1).

The net acquisitions of the two social security trust funds amounted to \$1,853 million in Government securities—less than in the two preceding years. At the end of 1953 the investments of the two trust funds amounted to \$27,836 million, about 10 percent of the total Federal interest-bearing debt (table 1).

Interest rates.—The Social Security Act of 1935 had required that the investments of the old-age reserve account (now the old-age and survivors insurance trust fund) must earn at least 3 percent. The 1939 amendments removed all reference to a minimum yield except on special obligations issued to the fund. These special obligations are required to bear the average rate of interest on the interest-bearing public debt, computed as of the end of the month next preceding the date of issue. If, however, this average is not a multiple of $\frac{1}{8}$ of 1 percent, the rate of interest is to be the multiple next lower than the average rate.

The interest provisions governing the investments of the unemployment trust fund have remained unchanged since the fund's establishment in 1936, and the rates for special obligations issued to it are determined in the same manner as for those issued to the old-age and survivors insurance trust fund. Investments in other issues must bear rates at least equal to those of special obligations.

Thus the interest earnings of the unemployment trust fund and, from 1940 on, of the old-age and survivors insurance trust fund have been directly affected by Federal debt financing (table 2). During the war years, when the computed average rate on the Federal interest-bearing debt declined, the rate of earnings of the two social security trust funds also declined. Since the end of World War II, the computed average Federal interest rate has risen gradually, and the rise was reflected later in the interest rates earned by the two funds. After several years of relative stability, their earnings rates went up again during 1952 and 1953 as the result of an increase in average Federal interest rates and of purchases of public issues at higher rates. The computed rate for the funds was 2.30 percent and 2.41 percent, respectively, at the end of 1952 and 1953.

Early in 1953, the two social security trust funds began to acquire new special certificates bearing $2\frac{3}{8}$ -percent interest; on June 30, 1953, when the special certificates outstanding matured, they were all replaced by new issues bearing $2\frac{3}{8}$ -percent interest. In addition, both funds acquired public issues bearing $3\frac{1}{4}$ -percent interest; the old-age and survivors insurance trust fund also acquired additional public issues bearing $2\frac{1}{2}$ -percent interest, and the unemployment trust fund acquired additional public issues bearing $2\frac{3}{4}$ -percent interest (table 3). At the end of the year the two social security trust funds held investments totaling \$27,836 million, of which \$24,586 million, or 88 percent, was in special

Table 3.—Investments of the social security trust funds, by type and earnings, end of December 1952 and 1953

[In millions]

Type of investment	Old-age and survivors insurance trust fund at end of December		Unemployment trust fund at end of December	
	1953	1952	1953	1952
Total.....	\$18,291.2	\$16,960.3	\$9,545.0	\$9,023.1
Public issues:				
$2\frac{3}{4}$ percent.....	4.2	4.2	4.0	4.0
$2\frac{1}{2}$ percent.....	1,151.5	1,135.0	150.0	150.0
$2\frac{3}{8}$ percent.....	1,081.9	1,081.9	760.0	745.0
$3\frac{1}{4}$ percent.....	45.1	-----	60.0	-----
Net unamortized premiums and discount.....	2.9	4.8	1.0	1.1
Special issues:				
$2\frac{3}{4}$ percent.....	-----	14,734.4	-----	8,123.0
$2\frac{1}{2}$ percent.....	16,006.6	-----	8,580.0	-----

Source: *Daily Statement of the U. S. Treasury* and other Treasury Department releases.

obligations bearing $2\frac{3}{8}$ -percent interest.

In addition to the old-age and survivors insurance trust fund and the unemployment trust fund, the Treasury manages 10 other social insurance and related trust funds. Interest rates on investments of these funds are higher than those for the two large social security funds, and all rates are determined administratively rather than by statute.

All types of special Government securities outstanding at the end of 1953 totaled \$41 billion, of which the two social security trust funds held 60 percent. Other trust funds held most of the remainder. Among them, the civil-service retirement fund held 14 percent, the national service life insurance fund 13 percent, and the railroad retirement account 8 percent.