

TABLE 3.—Number of States with specified change in personal income and in expenditures for public assistance from State and local funds, 1960-61 from 1959-60

Percentage change	Increase		Decrease	
	Personal income	State and local funds	Personal income	State and local funds
Total number of States.....	51	46		5
0-2.4.....	2	8		4
2.5-4.9.....	18	12		1
5.0-7.4.....	23	4		
7.5-9.9.....	5	6		
10.0-12.4.....	1	4		
12.5-14.9.....		3		
15.0 or more.....	2	9		

because each State defines the scope of its basic assistance program by deciding who will be eligible and the amount of assistance he is to receive. Fluctuations in economic conditions affect caseloads in aid to families with dependent children and general assistance and, to a lesser extent, aid to the permanently and totally disabled. Total expenditures from State and local funds are determined by the amount the State legislature is willing and able to appropriate for public assistance. During recession periods the legislature may be asked for a supplemental appropriation; if it refuses, assistance payments are reduced and the agency has to live within the original appropriation.

In States with higher-than-average per capita income, relatively large assistance expenditures per inhabitant result primarily from high assistance standards, which are reflected in comparatively high average payments. Relatively large expenditures per inhabitant in low-income States, however, occur mainly because a comparatively large proportion of the population receives aid. In contrast, relatively small per capita expenditures in high-income States result primarily from comparatively low recipient rates and in low-income States from relatively low average payments.

Per Capita Income and Fiscal Effort

If all States met need at the same level of living, low-income States would have high fiscal effort and high-income States would have low fiscal effort. The difference in effort would occur for two reasons. First, low-income States have relatively more needy persons than high-income States and therefore would probably have higher expenditures per inhabitant from State and local funds. Second, to raise even the same amount per inhabitant from

State-local funds as that raised by a high-income State, a low-income State would have to use a larger proportion of its smaller per capita income. An expenditure of \$12 per inhabitant, for example, when related to each \$1,000 of personal income amounts to \$3.33 in a State with a per capita income of \$3,600 but to \$10.00 in a State with income of \$1,200 per capita.

Actually, there does not seem to be much relationship between per capita income and fiscal effort, as is evident from the following tabulation.

Fiscal effort	Per capita income		
	High	Middle	Low
High.....	7	6	4
Middle.....	5	3	9
Low.....	5	8	4

The low-income States generally have relatively low average monthly payments and comparatively high recipient rates, with the result that their fiscal effort is in the middle range in nine of them and in the upper third in only four. In contrast, the high-income States generally have relatively high average monthly payments; fiscal effort is comparatively high in seven and in the middle range in five. A few of the high-income States have comparatively high recipient rates for old-age assistance, and one of them has a high recipient rate for aid to families with dependent children.

A high-income State and a low-income State, making approximately the same fiscal effort, will differ significantly in the amount spent per inhabitant. Thus a low-income State, Mississippi, with fiscal effort (\$4.18 per \$1,000 of personal income) almost equal to that of the high-income State, Connecticut (\$4.22 per \$1,000), had only \$5.05 per capita to spend while Connecticut had \$11.89—more than twice as much.

Trust Fund Operations, 1962*

The three "social security" trust funds account for what is by far the largest portion of the total assets of all the social insurance and related trust funds managed in whole or in part by the Treasury Department. These three funds, established by

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the Social Security Act, are the old-age and survivors insurance trust fund, the disability insurance trust fund, and the unemployment trust fund. Related trust funds include the railroad retirement account, the civil-service retirement and disability fund, and the three veterans' life insurance funds.

OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

The schedule established by the 1961 amendments to the Social Security Act raised the 1962 tax rates for old-age and survivors insurance, for employers and employees combined, by $\frac{1}{4}$ of 1 percent of payroll to $5\frac{3}{4}$ percent. (The increase ($\frac{1}{5}$ of 1 percent) in the rate on self-employment earnings will not affect trust fund receipts significantly until the tax on such earnings is paid with Federal income taxes for 1962 in the following year).

Income-Outgo

Contributions paid into the trust fund at the increased rate amounted to \$12,059 million, or about 7 percent more than 1961 contributions. Without the continuing adjustments made in the total for under- and over-appropriation of tax collections, the increase was almost 8 percent. Income, disbursements, and assets for 1961 and 1962 appear in table 1. Not all the contribution increase is the result of the additional tax; continued improvement in the employment picture during 1962 also played its role.

Earnings of the invested assets of the trust fund decreased 4 percent in 1962, as the size of the fund itself decreased slightly. The total of \$524 million includes \$1 million earned in noncash form as amortization of discount on public issues acquired in the open market. Two interfund transfers of interest had the net effect of reducing the trust fund's total interest and profit in 1962 by \$8 million: (1) almost \$11 million transferred with the payment to the railroad retirement account under the financial interchange provision of the Railroad Retirement Act, and (2) slightly more than \$2 million received from the disability insurance trust fund with reimbursed administrative expenses. Total receipts—contributions and interest—amounted to \$12,574 million, 6 percent more than in 1961.

Old-age and survivors insurance benefits rose almost 13 percent in 1962 to a total of \$13,356 million. Under the financial interchange, a payment of \$350 million for the fiscal year 1960-61 was made from the trust fund to the railroad retirement account to place the fund in the same position in which it would have been had railroad employment always been covered employment for old-age and survivors insurance purposes. Comparable payments were \$322 million in 1961 and \$308 million in 1960.

Administrative expenses paid from the old-age and survivors insurance trust fund in 1962 totaled

TABLE 1.—Operations of the old-age and survivors insurance trust fund, calendar years 1961 and 1962

(In thousands)

Item	1962	1961
Total assets, January 1.....	\$19,725,311	\$20,324,499
Receipts, calendar year:		
Contributions:		
Appropriations (taxes).....	11,254,172	10,589,087
Deposits arising from State agreements.....	934,397	782,104
Gross contributions.....	12,188,569	11,371,191
Less payments to Treasury for taxes subject to refunds.....	129,760	86,240
Net contributions.....	12,058,809	11,284,951
Interest and profit:		
On investments.....	523,813	545,847
On administrative expenses reimbursed from DI trust fund.....	2,414	2,205
Gross interest received.....	526,228	548,052
Less interest transferred to railroad retirement account.....	10,788	9,534
Net interest received.....	515,440	538,518
Total net receipts.....	12,574,249	11,823,469
Disbursements, calendar year:		
Benefit payments.....	13,356,411	11,861,589
Payments to railroad retirement account under the financial interchange.....	350,000	322,200
Total benefit payments and transfers with respect to benefits.....	13,706,411	12,183,789
Administrative expenses:		
Department of Health, Education, and Welfare.....	273,665	254,600
Treasury Department.....	42,648	42,338
Construction of headquarters building for Bureau of Old-Age and Survivors Insurance.....	2,572	2,309
Gross administrative expenses.....	318,886	299,247
Less receipts for sale of services, etc.....	67	106
Less reimbursements of administrative expenses from DI trust fund.....	62,935	60,273
Net administrative expenses.....	255,883	238,868
Total net disbursements.....	13,962,294	12,422,658
Net addition to trust fund.....	-1,388,046	-599,189
Total assets, December 31.....	18,337,265	19,725,311

\$319 million. Reimbursement of \$63 million from the disability insurance trust fund for the allocated cost of disability insurance operations brought net administrative expenses down to \$256 million, 7 percent more than in 1961.

At the close of 1962 assets of the trust fund totaled \$18,337 million, reflecting a 7-percent decrease during the year from the starting balance

of \$19,725 million. Of the year-end assets, \$17,060 million (book value) was invested in United States Government securities (table 2), and the remainder was held in cash balances.

On January 1, 1963, the scheduled increase in the contribution rate became effective. The combined employer-employee tax rate was raised by 1 percent of payroll and that for the self-employed by 7/10 of 1 percent of earnings. The resulting rise in contribution income will, it is estimated, halt the decline in the old-age and survivors insurance trust fund and reinstitute the growth that characterized the fund in its first 2 decades of operation.

Investments and Interest Rates

The drop in the total assets of the trust fund was limited to the invested assets portfolio; the cash balance of \$1.3 billion was approximately the same at the year's end as at its beginning. The portfolio itself totaled \$17,081 million (face value), 7 percent less than the \$18,430 million of a year earlier. Investments reached the high point of the year—\$18,797 million—in May.

As shown in table 2, the total amount invested in public issues (face value, excluding net unamortized premium and discount) increased \$58 million or 2 percent. This rise was accompanied by a shift of nearly \$500 million from 2½ percent and 2⅝ percent bonds to bonds with coupon rates of 3½ percent. Public issues now constitute 20 percent of the portfolio, the highest they have ever been. The special-issue sector, which constituted 82 percent of the portfolio at the end of 1961 and 1960, decreased \$1,407 million or more than 9 percent during 1962.

The total investments of the old-age and survivors insurance trust fund at the end of each year since its inception, together with the computed average interest rate of the whole portfolio, are shown in table 3. The face value of the public-issue holdings has been used for purposes of comparison with the public debt and also because the average interest rate is computed from the face value and the coupon rate of the securities. At the end of 1961 the average rate was 2.78 percent. After the June "rollover"—the reinvestment of matured securities—it rose to 2.87 percent, and at the end of 1962 it stood at 2.84 percent.

The interest rate on new special public-debt obligations issued to the trust fund, however, is

based on the current market yield of the longer-term Government securities. During 1962 this formula produced interest rates of 3¾, 3⅜, and 4 percent. The midyear rollover was accomplished at 3¾ percent.

The average interest rate on the entire portfolio has shown only fractional increases and occasionally even small decreases, because the formula applies only to new investments. The greatest part of the special obligations has been frozen by maturities of up to 15 years at the lower rates under a previous formula. Unless redeemed before maturity, the last of the 2½-percent special bonds will not disap-

TABLE 2.—Investments of the social security trust funds, by type and earnings, end of December 1961 and 1962

[In millions]

Type of investment	Old-age and survivors insurance trust fund		Disability insurance trust fund		Unemployment trust fund	
	1962	1961	1962	1961	1962	1961
Total portfolio ¹	\$17,060	\$18,404	\$2,256	\$2,324	\$6,265	\$5,823
Public issues ¹	3,391	3,328	112	87	1,157	1,116
Treasury bonds.....	3,333	3,275	102	78	1,140	1,075
Marketable.....	2,268	2,210	102	78	395	330
2½ percent.....	55	301	—	2	—	7
2⅝ percent.....	—	206	—	18	—	10
3 percent.....	110	110	10	10	10	10
3¼ percent.....	86	86	—	—	65	65
3½ percent.....	4	4	—	—	—	—
3⅝ percent.....	1,558	1,310	12	11	203	196
3¾ percent.....	34	34	10	10	14	14
3⅞ percent.....	35	28	5	5	5	5
4 percent.....	30	50	9	9	8	8
4¼ percent.....	301	56	46	13	75	15
4½ percent.....	35	25	10	5	15	5
Nonmarketable.....	1,065	1,065	—	—	745	745
2½ percent.....	1,065	1,065	—	—	745	745
Treasury notes.....	78	78	10	10	20	45
3½ percent.....	—	—	—	—	25	25
4½ percent.....	38	38	—	—	10	10
4¾ percent.....	15	15	5	5	—	—
5 percent.....	25	25	5	5	10	10
Net unamortized premium and discount ¹	-21	-26	-1	-1	-3	-4
Accrued interest purchased.....	—	1	—	—	—	—
Public-debt obligations (special issues).....	13,669	15,076	2,145	2,237	5,108	4,707
Treasury bonds.....	13,157	14,372	1,953	1,801	—	—
2½ percent.....	3,345	4,560	174	188	—	—
2⅝ percent.....	8,572	8,572	1,287	1,287	—	—
3 percent.....	1,240	1,240	493	327	—	—
Treasury notes.....	257	436	191	331	—	—
2½ percent.....	—	100	—	30	—	—
2⅝ percent.....	168	336	128	223	—	—
3 percent.....	89	—	64	78	—	—
Treasury certificates of indebtedness.....	254	268	—	105	5,108	4,707
3 percent.....	—	—	—	—	4,353	4,707
3¼ percent.....	—	—	—	—	755	—
3½ percent.....	—	—	—	—	—	—
3¾ percent.....	254	—	—	—	—	—
4 percent.....	—	268	—	105	—	—

¹ Represents book value, including "net unamortized premium and discount," which refers to investments acquired above or below par values in open-market operations. "Premium" is the excess of the price paid in the open market over par value; "discount" is the amount by which the price is less than par value. The Treasury Department amortizes this positive or negative difference over the remaining life of the obligations. At any given time, the "net unamortized" figure represents a subtraction of the amount remaining to be written off between that time and maturity on issues bought at a premium from the amount still to be "written on" for issues bought at a discount.

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

pear from the portfolio until June 1968 and the last 2⁵/₈-percent bonds until June 1975.

DISABILITY INSURANCE TRUST FUND

The disability insurance trust fund has received contributions from its start (January 1957) at the rate of 1/4 of 1 percent of payroll each for employers and employees and of 3/8 of 1 percent for the self-employed. Disability benefits were first paid in August 1957.

Income-Outgo

The net contribution income of the trust fund in 1962 was \$1,046 million—a drop of 1 percent from the 1961 amount. Refunds for tax overpayment were \$12 million in 1962 and \$10 million in 1961. Net interest received during the year amounted to \$67 million. Total net receipts of \$1,113 million

were a scant 1 percent larger than receipts in the preceding year. Details of this fund's financial operations in 1961 and 1962 are shown in table 4.

Disability benefit payments rose to \$1,105 million, 25 percent more than the \$887 million in 1961. The 1961 total had represented a jump of 56 percent from the amount paid in 1960. These increases are mainly the result of the 1960 amendments making benefits payable to disabled workers under age 50 and their dependents.

A total of \$63 million was reimbursed to the old-age and survivors insurance trust fund in 1962, compared with \$60 million the year before, for administrative expenses incurred in the Department of Health, Education, and Welfare. Treasury Department expenses in connection with disability insurance, which have totaled about \$3 million a year, are transferred from the trust fund to general funds as they are incurred.

Expenditures for benefit payments and administrative costs together amounted to \$1,171 million, or 23 percent more than in 1961. With the

TABLE 3.—Social security trust funds and interest-bearing public debt: Total investments and computed average interest rate (percent) ¹ at end of specified periods, 1936-62

[Amounts in millions]

At end of—	Interest-bearing public debt		Social security trust fund investment portfolio (face value) ²							
			Total amount	Percent of public debt	Old-age and survivors insurance trust fund		Disability insurance trust fund		Unemployment trust fund	
	Amount	Average interest rate			Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate
1936	\$33,699	2.570	\$64	0.2	-----	-----	-----	-----	\$64	2.50
1937	36,715	2.568	1,138	3.1	\$513	3.00	-----	-----	625	2.50
1938	38,899	2.586	1,926	5.0	862	3.00	-----	-----	1,064	2.50
1939	41,445	2.598	2,944	7.1	1,435	3.00	-----	-----	1,509	2.50
1940	44,458	2.566	3,962	8.9	2,016	2.84	-----	-----	1,945	2.50
1941	57,451	2.409	5,468	9.5	2,736	2.66	-----	-----	2,732	2.49
1942	107,308	2.059	7,342	6.8	3,655	2.44	-----	-----	3,687	2.24
1943	164,508	1.956	9,874	6.0	4,779	2.22	-----	-----	5,095	1.89
1944	228,891	1.919	12,546	5.5	5,967	2.20	-----	-----	6,579	1.91
1945	275,694	1.965	14,562	5.3	7,054	2.14	-----	-----	7,508	1.93
1946	257,649	2.057	15,643	6.1	8,079	2.04	-----	-----	7,564	1.94
1947	254,205	2.144	17,363	6.8	9,262	2.09	-----	-----	8,101	2.05
1948	250,579	2.216	19,044	7.6	10,549	2.20	-----	-----	8,495	2.16
1949	255,019	2.208	19,417	7.6	11,722	2.20	-----	-----	7,695	2.16
1950	254,283	2.209	20,963	8.2	12,325	2.19	-----	-----	7,638	2.16
1951	257,070	2.308	23,438	9.1	15,012	2.20	-----	-----	8,426	2.18
1952	265,293	2.353	25,977	9.8	16,956	2.30	-----	-----	9,022	2.30
1953	272,881	2.414	27,832	10.2	18,288	2.41	-----	-----	9,544	2.41
1954	275,731	2.291	28,598	10.4	19,860	2.29	-----	-----	8,739	2.30
1955	277,799	2.490	29,853	10.7	21,101	2.31	-----	-----	8,753	2.31
1956	274,219	2.671	30,890	11.3	21,830	2.52	-----	-----	9,060	2.53
1957	272,874	2.889	31,276	11.5	21,566	2.55	\$612	2.57	9,097	2.66
1958	280,839	2.689	29,390	10.5	20,956	2.57	1,321	2.57	7,114	2.65
1959	287,704	3.300	27,830	9.7	19,159	2.62	1,794	2.64	6,878	2.79
1960	286,820	3.137	27,954	9.7	19,134	2.66	2,180	2.77	6,639	3.20
1961	292,689	3.135	20,581	9.1	18,430	2.78	2,325	2.91	5,827	3.00
1962:										
June	294,442	3.239	26,655	9.1	18,456	2.87	2,407	2.94	5,792	3.11
December	299,209	3.297	25,606	8.6	17,081	2.84	2,257	2.96	6,268	3.13

¹ Beginning Dec. 31, 1958, the computed average interest rates on the public debt as reported in the *Daily Statement of the U. S. Treasury* are based on the rate of effective yield for issues sold at premiums or discounts. Before that date the computed rate was based on the coupon rates of the securities. The computed rates for the social security trust funds are based on

coupon rates of all securities composing the portfolio.

² Includes public and special Government obligations.

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

transfer of \$11 million to the railroad retirement account under the financial interchange, expenditures totaled \$1,182 million, 24 percent more than in the preceding year.

Total receipts advanced only \$10 million in

TABLE 4.—Operations of the disability insurance trust fund, calendar years 1961 and 1962

[In thousands]

Item	1962	1961
Total assets, January 1.....	\$2,436,617	\$2,288,839
Receipts, calendar year:		
Contributions and transfers:		
Appropriations (taxes).....	976,403	976,743
Deposits arising from State agreements.....	81,697	70,777
Gross contributions.....	1,058,100	1,047,520
Less payments to Treasury for taxes subject to refund.....	11,908	9,500
Net contributions.....	1,046,192	1,038,020
Interest and profit:		
On investments.....	70,036	67,933
Gross interest received.....	70,036	67,933
Less interest transferred to OASI trust fund with administrative expenses.....	2,414	2,205
Less interest transferred to railroad retirement account.....	330	148
Net interest received.....	67,292	65,581
Total net receipts.....	1,113,484	1,103,600
Disbursements, calendar year:		
Benefit payments.....	1,105,050	887,137
Payments to railroad retirement account under the financial interchange.....	10,700	5,000
Total benefit payments and transfers with respect to benefits.....	1,115,750	892,137
Administrative expenses:		
Department of Health, Education, and Welfare.....	62,935	60,273
Treasury Department.....	3,514	3,413
Total administrative expenses.....	66,449	63,686
Total disbursements.....	1,182,199	955,822
Net addition to trust fund.....	-68,714	147,779
Total assets, December 31.....	2,367,903	2,436,617

1962, while total expenditures increased more than \$226 million. As a result, assets held by the trust fund declined by \$69 million (3 percent) to \$2,368 million. In 1961 total assets had increased 6 percent, and in 1960, 25 percent. In all 3 years, 95 percent of the assets was invested and 5 percent was held in cash for benefit payments.

Investments and Interest Rate

The interest rate on special obligations issued to the disability insurance trust fund is controlled by the same statutory provision that governs the old-age and survivors insurance trust fund. There was a 3-percent decrease in the portfolio of the disability insurance trust fund during 1962 (table 2). Holdings of public issues, which continue to form about 5 percent of the portfolio, increased by nearly a third.

The entire decrease occurred in the special public-debt obligation sector.

Among the special public-debt obligations, the proportion invested in the longest-term issues continues to increase. During 1962 the shortest-term certificates of indebtedness declined from 5 percent of all special public-debt obligations to none at all as the last of these 1-year obligations were "used up" (redeemed for benefit payments) in December.¹ The medium-maturity special notes dropped from 15 percent to 9 percent of all special issues. The difference was absorbed in the long-term special bonds, which increased from 80 percent to 91 percent of all special public-debt obligations held at the end of the year. After the June 30 rollover almost half the dollar amount invested in the special bonds had maturities of 10-15 years still to run, and of these almost three-fifths are frozen at a 2 $\frac{5}{8}$ -percent interest rate.

UNEMPLOYMENT TRUST FUND

Total assets held by the unemployment trust fund on December 31, 1962, amounted to \$6,287 million, reflecting an increase of 8 percent in the course of the year. Assets had declined at an annual rate of about 3 percent in 1959 and 1960 and 12 percent in 1961.

The 52 State accounts, taken together, represent more than 99 percent of the total trust fund and held assets of \$6,252 million at the year's end. Their 1962 operations reflect the general improvement in the Nation's economy during the year. The State unemployment insurance programs deposited \$2,963 million in their respective accounts, 18 percent more than in 1961. Transfers, loans, and interest increased the receipts to \$3,161 million. The State programs withdrew \$2,726 million, or 22 percent less than their 1961 withdrawals.²

The Federal unemployment account, established for the purpose of extending loans to State accounts in temporary financial difficulty, began the year

¹ Contributions come in to the trust fund every month and are invested in certificates maturing the next June 30. Between December 31, 1962, and the rollover of June 30, 1963, 1-year certificates will undoubtedly again become part of the portfolio.

² Withdrawals from the State accounts do not represent actual benefit payments but rather sums transferred by the States from these accounts for deposit in their own local accounts, from which the benefits are paid.

with a balance of \$4 million and ended it with \$11 million. Alaska's continued inability to repay its loan resulted in a statutory reduction of the Federal unemployment tax credit for Alaska employers. The increased revenue (\$167,560) was transferred to the loan account to reduce the State's indebtedness. The account received \$7 million in interest earned by its present funds and by the loans outstanding to the State accounts. There were no withdrawals in 1962.

The employment security administration account had completed its second full year of operation by the end of 1962.³ The account received \$454 million in net tax receipts in 1962, earned more than \$1 million in interest, and paid out \$412 million for Federal (\$15 million) and State employment security administrative expenses. The account ended the year with assets of about \$1 million.

The railroad unemployment insurance account had a balance of \$20 million at the end of 1962, 12 percent more than the 1961 year-end balance and more than double the amount in 1960. Once again the balance was achieved by borrowing from the railroad retirement account and repaying only a small proportion of the loans—in 1962 less than one-fifth. Deposits of employer tax collections again dropped—from \$147 million in 1961 to \$143 million. Benefit payments, however, also dropped and totaled less than \$200 million for the first time since 1947. The \$178 million paid in 1962 was less than three-fourths of 1961 benefits. The account earned \$283,000 in interest. The outstanding loan balance at the end of 1961 amounted to \$300 million, more than fifteen times total assets.

The balance in the railroad unemployment insurance administration fund averaged slightly less than \$4 million each quarter of 1961. Since the combined balance of the railroad unemployment insurance account and the administration fund was less than \$300 million on September 30, 1962, the employer tax rate remains at the maximum of 3¾ percent for 1963.

Non-interest-bearing advances continued to be made in 1962 to reimburse the States and the railroad accounts for temporary extended unemployment benefits paid for weeks of unemployment through March 1962 (June 1962 in some cases). The Federal extended compensation account received and immediately disbursed advances of

\$683 million. Additional tax collections to repay these advances are scheduled for 1963 and 1964.⁴

Investments and Interest Rate

The Secretary of the Treasury invests, as a unit, the assets of all the accounts in the unemployment trust fund. The invested assets rose in 1962 by \$442 million to \$6,265 million. This 8-percent increase halted the decline that began in 1957. Holdings of public issues increased \$24 million in 1961 and \$40 million in 1962 and totaled \$1,160 million at the end of 1962. Nevertheless, as a proportion of the total portfolio, they dropped from 19 percent to 18 percent during the year.

At the end of 1962 the three social security trust funds held Government securities totaling \$25,606 million, almost 9 percent of the total public debt and fractionally lower than the proportion a year earlier (table 3). On December 31, 1962, special obligations amounted to \$22,092 million—82 percent of the total investments of the three funds.

All the special obligations of the unemployment trust fund—and special obligations constitute about 80 percent of its total investments—are 1-year maturities because of the nature of the risk this social insurance guards against. The interest-rate formula governing issuance to the unemployment trust fund of special public-debt obligations also differs from the formula now applicable to the other two funds; it is based on the average coupon interest rate on the total interest-bearing debt.

The special-issue sector was larger by \$401 million at the end of 1962 than at the beginning of the year. At the midyear rollover, 3-percent certificates were exchanged for certificates with a 3½-percent coupon rate, and by the end of the year \$755 million had also been invested at 3¼ percent. The average rate on the entire interest-bearing public debt at the end of December 1962 was 3.297 percent; any special obligations issued to the trust fund in January 1963 would therefore continue to bear interest at the 3¼-percent rate.

RELATED TRUST FUNDS

During 1962 the railroad retirement account received a total of \$1,044 million—4 percent more

³ For a description of the account, see the *Social Security Bulletin*, May 1962, page 21.

⁴ For a discussion of the extended benefit accounts, see the *Social Security Bulletin*, May 1962, page 22.

than in 1961. Of this amount \$557 million was contribution income, \$127 million was interest, and \$361 million came from the financial interchange with the old-age, survivors, and disability insurance trust funds. Railroad retirement benefit payments of \$1,050 million (also 4 percent more than in 1961) and administrative expenses of \$9 million reduced the total assets of the account from \$3,725 million to \$3,709 million.

The greatest part of the assets was invested in U.S. Government securities: \$2,996 million in 3-percent special Treasury notes (the statutory interest rate for special issues for this fund) and \$412 million in public issues. Eight percent (\$300 million) of the fund's assets was in outstanding loans, bearing 3-percent interest, to the railroad unemployment insurance account at the end of the year. The remaining \$2 million was in cash balances.

The civil-service retirement and disability fund received contributions from employees and the Government totaling \$1,820 million in 1962, and its invested assets earned interest amounting to \$323 million. Benefits during the year totaled \$1 billion, 10 percent more than in 1961, and \$111 million was refunded to persons leaving Federal employment. Invested assets amounted to \$12,415 million at the end of 1962, and cash balances of \$99 million brought total assets to \$12,514 million. In its first year of investment operations under the same "current yield" formula applicable to the old-age, survivors, and disability insurance system, the civil-service fund also acquired special obligations bearing interest of $3\frac{3}{4}$ -4 percent.

Special public-debt obligations of all types totaled \$43,426 million at the end of 1962 and again represented about 15 percent of the outstanding interest-bearing public debt. The three social security funds together hold about 48 percent of all special obligations—a lower proportion than in any of the 7 preceding years. Most of the remaining special obligations are held by the related trust funds. The civil-service fund held 27 percent in 1962, 25 percent in 1961, and 22 percent in 1960. For the past few years the three veterans' life insurance funds have held 15-16 percent of the special obligations (which constitute their total portfolio), and the railroad retirement account has held about 7-8 percent of these obligations.

Developments in Foreign Social Security Plans*

In recent months a number of countries have changed some provisions in their social security programs. Some of the more important revisions are summarized in the following pages.

AUSTRALIA

Effective January 1, 1963, the Commonwealth Department of Health provides a hospital benefit amounting to £1 16s. (\$4) for each day an old-age, invalidity, or widow pensioner enrolled under its medical service program for pensioners, or a dependent of such a pensioner, is a patient in a public hospital. The benefit is three times the amount formerly available. The Department also provides £1 a day for every enrolled pensioner who is a patient in a State benevolent home for the convalescent and infirm.

These benefits are financed by the Commonwealth Government out of general revenues. In general they are paid directly to the State governments operating the institutions and are deducted from the patient's hospital account.

The medical benefits provided free under the program of medical service for pensioners are unchanged. They include general practitioner care and a full range of prescribed medicines.

CHAD

Several changes have been made in the 1958 law concerning work-injury benefits. Minimum earnings for the purpose of computing benefits are now fixed at 135 percent of the legal minimum wage—currently about 50,000 francs (\$200) a year. Only a third of a worker's earnings in excess of twice the minimum wage is used in the computation; maximum earnings considered for benefit purposes are eight times the minimum wage.

Pensions for permanent disability equal the percentage of average earnings corresponding to one-half the percentage rate of disability below 50 percent, plus one and one-half times the

* Prepared in the Division of Research and Statistics. The information presented is based on Foreign Service dispatches, the publications of foreign governments and international agencies, and other sources.