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FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

LETTER

FROM THE

BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

TRANSMITTING

PURSUANT TO LAW THE FIFTEENTH ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

APRIL 14, 1955.—Referred to the Committee on Finance and ordered to be printed

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LETTER OF TRANSMITTAL

BOARD OF TRUSTEES OF THE FEDERAL
OLD-AGE AND SURVIVORS INSURANCE TRUST FUND,
Washington, D. C., March 1, 1955.

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

SIRS: We have the honor to transmit to you the 15th Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, in compliance with the provisions of section 201 (b) of the Social Security Act, as amended.

Respectfully,

GEORGE M. HUMPHREY,
Secretary of the Treasury, and
Managing Trustee of the Trust Fund.

JAMES P. MITCHELL,
Secretary of Labor.

OVETA CULP HOBBY,
Secretary of Health, Education, and Welfare.

CHARLES I. SCHOTTLAND,
Commissioner of Social Security
and Secretary, Board of Trustees.

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FIFTEENTH ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

Fiscal Year Ending June 30, 1954

THE BOARD OF TRUSTEES

The Federal old-age and survivors insurance trust fund, established on January 1, 1940, is held by the Board of Trustees under the authority of section 201 (b) of the Social Security Act, as amended. The Board is comprised of three members who serve in an ex officio capacity. From January 1, 1940, through July 15, 1946, the three members of the Board were the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board. On July 16, 1946, under the Reorganization Plan No. 2 of 1946, the Federal Security Administrator became ex officio member of the Board of Trustees in place of the Chairman of the Social Security Board, which agency was abolished. On April 11, 1953, the Reorganization Plan No. 1 of 1953 creating the Department of Health, Education, and Welfare went into effect, and the Office of Federal Security Administrator was abolished. The functions of the Administrator as ex officio member of the Board of Trustees were taken over by the Secretary of Health, Education, and Welfare. The remaining membership of the Board has not changed since it was first established. The Secretary of the Treasury is designated by law as the Managing Trustee. The Commissioner of Social Security is Secretary of the Board.

FISCAL YEAR HIGHLIGHTS

Contribution rates under old-age and survivors insurance rose on January 1, 1954, from 1½ percent to 2 percent each on employers and employees and from 2¼ percent to 3 percent on self-employed persons, in accordance with the contribution schedule provided in the Federal Insurance Contributions Act. This rise was the second scheduled increase to go into effect, the first—from 1 percent to 1½ percent on employers and employees—having become effective on January 1, 1950. The next increase—from 2 percent to 2½ percent on employers and employees—is scheduled to occur on January 1, 1960.

Soon after the close of the fiscal year, Congress adopted amendments to the Social Security Act extending the coverage of the old-age and survivors insurance program, raising the benefits, liberalizing the work clause, increasing the maximum earnings creditable toward benefits, and otherwise modifying its provisions. These amendments materially affect the future income and disbursements of the old-age and survivors insurance trust fund and are taken into account in the estimates presented in this report.

In June 1954, the total number of beneficiaries under the program was 6,469,000, or 16 percent more than the number in June 1953. There were 4,578,000 retirement beneficiaries (old-age beneficiaries and their entitled wives, dependent husbands, and young children), an increase of 18 percent, and 1,891,000 survivor beneficiaries, an increase of 12 percent, from 1 year earlier. The estimated number of persons in covered employment during some or all of calendar year 1954 was about 61 million, or about the same number as in calendar year 1953.

Total disbursements of the old-age and survivors insurance trust fund in fiscal year 1954 were $3,364 million. Total receipts were $5,040 million. The net addition of $1,675 million raised the total assets of the trust fund on June 30, 1954, to $20 billion.

The disbursements of the fund in fiscal year 1954 included $3,276 million for benefits and $89 million for administrative expenses. The receipts included $4,589 million in contributions and $451 million in interest on investments.

Both disbursements and receipts showed an increase over fiscal year 1953. Disbursements rose $647 million or 24 percent, and receipts, $556 million or 12 percent. The increase in disbursements were the combined result of the coverage extensions and the liberalized eligibility and benefit provisions included in the 1950 amendments and the long-term growth of the aged population and the proportion of the aged eligible for benefits. The rise in trust fund receipts is accounted for chiefly by the increase in the contribution rate which went into effect on January 1, 1954.

Estimates for the 5 fiscal years 1955–59 show a further increase in the receipts and disbursements of the fund. According to these estimates, at the end of fiscal year 1959 the trust fund will amount to $22.3 to $26.1 billion, depending on the economic assumptions used, with receipts in that fiscal year of $6.8 to $8.2 billion, and disbursements of $7.1 to $7.4 billion. At the beginning of fiscal year 1955, the trust fund amounted to about 2⅔ times the highest expected annual disbursements during the 5 fiscal years 1955–59.

Long-range cost estimates for the old-age and survivors insurance program as amended in 1954 show that under high employment assumptions the level-premium cost at 2.4 percent interest ranges from 6.80 to 8.75 percent of payroll, depending on the combination of cost assumptions selected.

SOCIAL SECURITY ACT AMENDMENTS OF 1954

The 1954 amendments to the Social Security Act (Public Law 761, approved September 1, 1954) will have very substantial effects on both the immediate and long-range future levels of income and disbursements of the trust fund. The amendments afford coverage to virtually all employed persons not previously under the program and not protected under another Federal retirement system. Benefit amounts payable to both present and future beneficiaries were increased substantially. Provision was made to protect the benefit rights of insured workers during periods of prolonged total disability. The schedule of contribution rates was revised to continue to reflect the intent that the system be self-supporting.

The more important changes significant from an actuarial standpoint will now be presented in greater detail.

1. Coverage was extended to occupations in which nearly 10 million people are employed in the course of a year. About three-fifths of them were persons in the following groups who were covered on a compulsory basis: Self-employed farm operators; certain self-employed professional persons; additional farm, domestic, and Federal civilian employees; and some smaller groups. Coverage under the program was made possible on a group voluntary basis for State and local government employees who are members of retirement systems (except policemen and firemen) and for employees of foreign subsidiaries of American companies. Ministers and certain members of religious orders were permitted to participate in the program on the basis of individual election. About 9 of every 10 gainfully employed persons are now covered or eligible for coverage. The groups who continue to be excluded from old-age and survivors insurance are most Federal civilian employees; members of the Armed Forces; persons whose earnings are less than the amounts required for the coverage of self-employed persons, or of farm and domestic workers; self-employed lawyers; and self-employed persons in occupations related to medicine —physicians, dentists, osteopaths, and so forth. Table 1 presents estimates of the number of persons in the newly covered groups.

TABLE 1.—*Estimated increase in coverage under the 1954 amendments*

Coverage group	Number covered in the course of a year
Total increase	9,900,000
Increase under compulsory coverage	6,050,000
Agricultural employment	[1] 5,400,000
Self-employed farm operators	(3,600,000)
Hired farm workers	(2,100,000)
Self-employed professional groups	100,000
Domestic workers and others employed outside the employer's business	250,000
Federal civilian employees	150,000
Homeworkers	100,000
Fishermen	50,000
Increase in number eligible for voluntary coverage	3,850,000
State and local employees under retirement systems	3,500,000
Ministers and members of religious orders	250,000
Employees of foreign subsidiaries of American companies	100,000

[1] Total is less than sum of figures for self-employed farm operators and hired farm workers because some persons work in both employments during a year.

2. The conditions under which persons may become eligible for benefits were liberalized.

(*a*) Monthly benefits became payable to certain surviving dependents of individuals who died after 1939 and before September 1950 lacking fully insured status under the law then in effect, but who had at least six quarters of coverage.

(*b*) Persons who cannot meet the requirements of the 1950 amendments for fully insured status will nevertheless be fully insured if all quarters elapsing after 1954 and before July 1956 as well as all quarters thereafter up to but not including the quarter of death or attainment of age 65, whichever is earlier, are quarters of coverage. This transitional provision, intended principally for newly covered persons, will cease to be effective for persons who die or attain age 65 after the third quarter of 1958, when the normal requirements become easier to meet than the alternative.

(*c*) Periods of disability (see item 4, below) will not affect insured status.

(*d*) Monthly benefits were made payable retroactively for a period up to 12 months before the month in which an application was filed, provided the beneficiary was eligible therefor.

3. Larger benefits were made payable to future beneficiaries as well as to persons on the rolls.

(*a*) The maximum amount of annual taxable earnings was raised to $4, 200.

(*b*) In computing the average monthly wage of persons who become eligible for retirement benefits or die after August 1954, before becoming eligible for retirement benefits, up to 5 years of lowest or no earnings may be dropped. This "dropout" computation may also be used for persons who were eligible for retirement benefits before September 1954 and who have at least six quarters of coverage after June 1953.

(*c*) Periods of disability (see item 4, below) will not reduce the average monthly wage.

(*d*) For persons whose average monthly wage is calculated on the basis of earnings after 1950 and the "dropout," the primary insurance amount is 55 percent of the first $110 of average monthly wage plus 20 percent of the next $240. The minimum primary insurance amount is $30.

(*e*) For persons already on the benefit rolls, and for future beneficiaries whose benefits are computed through the 1939 or 1952 benefit formulas, benefits are increased by use of a revised conversion table which provides a guaranteed increase in primary insurance amount of at least $5 over the amount computed under the 1952 amendments.

(*f*) The minimum benefit for a single survivor beneficiary is $30.

(*g*) The maximum monthly amount of family benefits payable with respect to 1 wage record is the smaller of $200 or 80 percent of the average monthly wage, provided that the latter limit may not reduce benefits below the larger of $50 or 1½ times the primary insurance amount. The maximum lump-sum death payment is $255.

4. Benefit rights of persons regularly covered by the program can be "frozen" during periods of prolonged total disability. In order to qualify for the "freeze," an individual must have an illness, injury, or other physical or mental impairment which can be expected to be of long-continued and indefinite duration or to result in death, or the individual must be blind. He must also have at least 6 quarters of coverage during the 13-quarter period, and at least 20 quarters of coverage during the 40-quarter period, that ends with the quarter in which the period of disability begins. If an individual qualifies for a disability "freeze" his period of disability will be disregarded in determining his insured status and in computing benefits due him or his family.

5. The provisions governing the withholding of benefits because of work were changed.

(*a*) The retirement test was placed on an annual basis for both wages and self-employment income. If an individual's annual earnings are $1,200 or less, no benefits are withheld. Each $80 (or fraction thereof) in earnings above $1,200 may result in deduction of 1 month's benefits for the individual. Benefits are not withheld for any month for which the individual had $80 or less in wages and did not engage in substantial self-employment.

(b) Earnings in noncovered as well as in covered employment will be taken into account in determining if benefits shall be withheld.

(c) The age at which benefits may be paid without regard to earnings is reduced to 72.

6. Contribution rates for employees and employers were increased to 3½ percent each for calendar years 1970–74 and 4 percent each thereafter. The contribution rates on self-employment income are equal to 1½ times the corresponding employee rates.

Table 2 presents, on a level-premium basis, an estimate of the increases in cost, expressed as a percent of payroll, arising from the major changes in the program.

TABLE 2.—*Changes in estimated level-premium costs of benefit payments as percentage of payroll, by type of change, intermediate-cost estimate, 2.4 percent interest*

Item	Level-premium cost (percent)
Cost of system under 1952 amendments [1]	6.74
Effect of changes:	
Extension of coverage	−.17
Raising earnings base to $4,200	−.15
Increase in benefits [2]	+.86
Liberalization of retirement test	+.21
Putting test on annual basis	(+.04)
Increase in exempt amount	(+.08)
Decrease in exemption age	(+.16)
Making test applicable to all employment	(−.07)
Elimination of lowest years of earnings	+.14
"Disability freeze" provision	+.07
Cost of system under 1954 amendments [1]	7.70

[1] Includes adjustments for (a) lower contribution rate for self-employed compared with employer-employee rate; (b) interest on the trust fund existing on Dec. 31, 1954; and (c) administrative expenses.

[2] Primarily reflects effect of new benefit formula and conversion table, but also includes effect of revised minimum and maximum benefit provisions and the minor changes in insured status provisions.

NATURE OF THE TRUST FUND

Amounts accumulated under the old-age and survivors insurance program are held in the Federal old-age and survivors insurance trust fund, and financial operations under the program are handled through this fund. The primary source of the fund's receipts is amounts deposited in or appropriated to it under permanent appropriation on the basis of contributions paid by workers and their employers, and by individuals with self-employment income, in employments covered by the old-age and survivors insurance program. All employees and their employers in employments covered by the program are required to pay contributions with respect to the wages of individual workers. All covered self-employed persons are required to pay contributions with respect to their self-employment income. In general, an individual's contributions are computed on annual wages or self-employment income, or both wages and self-employment income combined, up to a maximum of $4,200 with the contributions being determined first on the wages and then on any self-employment income necessary to make up the $4,200.

Except for amounts received by the Secretary of the Treasury under State agreements and deposited in the trust fund, all contributions are collected by the Internal Revenue Service and are paid into the Treasury as internal-revenue collections. Sums equivalent to 100 percent of these taxes are transferred to the trust fund from time to time on the basis of estimates made by the Secretary of the Treasury. Proper adjustments are made periodically to the extent that the estimates are subsequently found to differ from the amounts of contributions actually payable on the basis of reported earnings.

The Social Security Act, as amended, provides that the contribution rate for employees and their employers shall be 2 percent each for the calendar years 1954 through 1959, and that the rates shall rise to 2½ percent each on January 1, 1960, to 3 percent each on January 1, 1965, to 3½ percent each on January 1, 1970, and to 4 percent each on January 1, 1975. The rates of tax on self-employment income are equal to 1½ times the corresponding employee rates. An employee who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum may receive a refund of the taxes he paid on such excess wages. The amount of taxes subject to refund is paid out of the trust fund.

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

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

The Comptroller General of the United States, in a decision (B–4906) dated October 11, 1951, held that receipts derived from the sale of miscellaneous supplies and services may be credited to and form a part of the trust fund, where the initial outlays therefor were paid from the trust fund. Formerly, these moneys were credited to the general fund of the Treasury as miscellaneous receipts.

Public Law 719, approved August 10, 1946, provided noncontributory survivor protection to certain veterans of World War II. The trust fund was reimbursed for the additional costs arising from these provisions before September 1, 1950. A summary of the legislative history of the financing of credit for military service appears in appendix II.

Expenditures for benefit payments and administrative expenses under the old-age and survivors insurance program are paid out of the trust fund. All expenses incurred by the Department of Health, Education, and Welfare and by the Treasury Department in carrying out the provisions of title II of the Social Security Act, as amended, and of the Internal Revenue Code relating to the collection of insurance contributions, are charged to the trust fund. The Secretary of Health, Education, and Welfare certifies benefit payments to the managing trustee who makes the payments from the trust fund in accordance therewith. Payments are made from an uninvested balance held in the fund to the account of the disbursing officer of the Treasury.

Congress has authorized expenditures from the trust fund of $21,500,000 for construction of an office building and related facilities for the Bureau of Old-Age and Survivors Insurance.

The managing trustee invests that portion of the trust fund which, in his judgment, is not required to meet current expenditures for benefits and administration. The Social Security Act restricts permissible investments of the trust fund to interest-bearing obligations of the United States Government or to obligations guaranteed as to both principal and interest by the United States. Obligations of these types may be acquired on original issue at par or by purchase of outstanding obligations at their market price. In addition, the Social Security Act authorizes the issuance of special obligations exclusively to the trust fund. Such special obligations are required to bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of their issue, borne by all interest-bearing obligations of the United States forming a part of the public debt (where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest on such special obligations is required to be the multiple of one-eighth of 1 percent next lower than such average rate).

Interest on public issues held by the trust fund is received by the fund at the time the interest becomes payable on the particular series held. Interest on special issues is received semiannually—generally on June 30 and December 31. Public issues acquired by the fund may be sold at any time by the managing trustee at their market price. Special issues may be redeemed at par plus accrued interest. Interest receipts and proceeds from the sale or redemption of obligations held in the trust fund are available for investment in the same manner as other receipts of the fund. Interest earned by the invested assets of the trust fund will provide income to meet a portion of future benefit disbursements. The role of interest in meeting future benefit payments is indicated in table 12.

The assets of the trust fund serve in part as a reserve against short-run fluctuations in total contributions and benefit amounts, providing a margin of safety against relatively short-term contingencies to insure the payment of benefits without sharp changes in rates paid by contributors.

REALITY OF THE TRUST FUND

Public discussion of the investment aspects of the old-age and survivors insurance program sometimes reveals a serious misunderstanding of the nature and significance of the trust fund operations. The Board of Trustees believes that it has a responsibility to correct any misapprehensions among persons who look to the old-age and survivors insurance program for basic protection against income loss because of retirement or death.

The charge has been made that the requirement of existing law that the receipts of the old-age and survivors insurance trust fund which are not currently needed for disbursements of the program shall be invested in Government securities constitutes a misuse of the funds. It is suggested that this type of investment permits the Government to use social security tax collections to finance ordinary Government expenditures, and that hence such collections will not be available to pay social security benefits in future years. It is said that the securities represent IOU's issued by the Government to itself and that the Government will have to tax people a second time for social security to redeem these IOU's.

The investment of the assets of the trust fund in Federal obligations, as required by law, is not a misuse of the money contributed under the insurance program by covered employees, employers, and self-employed persons. These contributions are permanently appropriated by law to the Federal old-age and survivors insurance trust fund which is separate from the general funds of the United States Treasury. All the assets of this fund are kept available and may be used only for the payment of the benefits and administrative expenses of the insurance program.

When the Treasury pays back money borrowed from the trust fund, the public will not be taxed a second time for social security. If taxes are levied to redeem the securities held by the trust fund, these taxes will not be levied for the purpose of paying social security benefits. Rather, they will be levied for the purposes for which the money was originally borrowed, such as the costs arising out of World War II. Taxes would have to be raised to pay back the money borrowed to cover the cost of the war, whether the obligations were held by the trust fund or by other investors. The fact that the trust fund, rather than other possible investors, holds part of the Federal debt does not change the purpose for which these taxes must be levied. Since all the social security contributions are permanently appropriated to the trust fund, they are not available to the Treasury to redeem Federal obligations held by the trust fund.

The operation of old-age and survivors insurance trust fund investment is similar to the investment of premiums collected by a private insurance company. A private company uses part of its current premium receipts for payments to beneficiaries and for operating expenses. The balance of its receipts is invested in income producing assets. Such investments are commonly limited by State law to the safest forms of investment so that policyholders will be assured that their claims against the company will be satisfied when they become due. Government securities ordinarily represent a considerable part of these investments. The purpose of investing these receipts is, of course, to obtain earnings that will help meet the future costs of the insurance and thus reduce the premiums the policyholders would otherwise have to pay for their insurance.

Social security tax collections are handled in much the same way. Investments of the trust fund, however, are limited by law to only one type—securities issued by the Federal Government. There are two principal reasons for such a restriction. One is similar to the motivation of State legislation dealing with investments of private insurance companies: it is designed to ensure the safety of the fund. Government securities constitute the safest form of investment. The second reason is that it keeps this publicly operated program from investing reserve funds in competitive business ventures. Such investments by the trust fund would be completely out of harmony with accepted concepts of the proper scope of a governmental activity. The securities held by the trust fund perform the same function as those held by a private insurance company. They can be readily converted into cash when needed to meet disbursements, and the earnings on these investments make possible a lower rate of contributions than would otherwise be required.

In investing its receipts in Government securities the trust fund, as a separate entity, is a lender and the United States Treasury is a borrower. The trustees of the fund receive and hold securities issued by the Treasury as evidence of these loans. These Government obligations are assets of the fund and liabilities of the United States Treasury which must pay interest on the money borrowed and repay the principal when the securities mature.

In other words, the Treasury borrows from a number of sources. It borrows from individuals, mutual savings banks, insurance companies, and various other classes of investors; and it borrows from the old-age and survivors insurance trust fund. The securities held by the fund are backed by the full faith and credit of the United States, as are all public debt securities; they are just as good as the public debt securities held by other investors.

The purchase of Federal obligations by the trust fund from the Treasury does not increase the national debt. The national debt is increased only when and to the extent to which the Federal Government's expenditures exceed receipts from taxes levied to meet those expenditures. When such a deficit occurs, the Treasury must borrow sufficient money to meet the deficit by selling Federal securities. The volume of the securities sold to meet a deficit is not increased by the purchase of such obligations by the trust fund. The purchase of Federal obligations by the trust fund in a period when the Treasury has no deficit to meet would result only in a direct or indirect transfer of Federal debt from other investors to the trust fund. The total amount of the public debt would remain unchanged.

SUMMARY OF THE OPERATIONS OF TRUST FUND, FISCAL YEAR 1954

A statement of the income and disbursements of the Federal old-age and survivors insurance trust fund in the fiscal year which began on July 1, 1953, and ended on June 30, 1954, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 3.

The total assets of the old-age and survivors insurance trust fund amounted to $18,366 million on June 30, 1953. These assets increased to $20,043 million by the end of the fiscal year 1954, as a result of an excess of receipts over disbursements amounting to $1,675 million and an adjustment of approximately $0.8 million which was allocable to prior fiscal years. This adjustment represented principally deposits (arising from State agreements) applicable to fiscal year 1953 which were not recorded until fiscal year 1954.

The total receipts of the trust fund during the fiscal year 1954 amounted to $5,039.7 million. Of this total, $4,537.3 million represented tax collections appropriated to the fund and $92.4 million represented amounts received by the Secretary of the Treasury in accordance with State agreements and deposited in the trust fund. The amount of contributions subject to refund to employees who worked for more than one employer during 1952 and paid contributions on 1952 wages in excess of $3,600 was estimated at $40.5 million. This amount was transferred from the trust fund as repayment into the Treasury. The net amount of $4,589.2 million represented a 12-percent increase over the amount for the preceding fiscal year. The other $450.5 million of receipts consisted of $438.9 million of interest on investments of the fund and of $11.6 million of interest on the amount held in the railroad retirement account to the credit of the trust fund under the financial interchange provisions of the Railroad

Retirement Act, as amended in 1951. These provisions are described in appendix II.

TABLE 3.—*Statement of operations of the Federal old-age and survivors insurance trust fund during the fiscal year 1954*

Total assets of the trust fund, June 30, 1953			$18,366,356,433.69
Net adjustment (+) during fiscal year 1954 applicable to prior fiscal years			766,050.56
Receipts, fiscal year 1954:			
Insurance contributions:			
Appropriations	$4,537,269,800.32		
Deposits arising from State agreements	92,411,873.89		
Gross insurance contributions	4,629,681,674.21		
Less payment into the Treasury for taxes subject to refund	40,500,000.00		
Net insurance contributions		$4,589,181,674.21	
Interest:			
On investments	438,908,882.68		
On amount held in railroad retirement account to credit of trust fund	11,595,000.00		
Total interest		450,503,882.68	
Total receipts		5,039,685,556.89	
Disbursements, fiscal year 1954:			
Benefit payments		3,275,556,451.89	
Administrative expenses:			
Department of Health, Education, and Welfare	63,766,123.88		
Treasury Department	24,930,286.78		
Preparations for construction of building for Bureau of Old-Age and Survivors Insurance	7,537.25		
Gross administrative expenses	88,703,947.91		
Less receipts for sale of surplus material, supplies, etc	67,701.04		
Net administrative expenses		88,636,246.87	
Total disbursements		3,364,192,698.76	
Net addition to trust fund			1,675,492,858.13
Total assets of the trust fund, June 30, 1954			20,042,615,342.38

Disbursements from the trust fund during the fiscal year 1954 totaled $3,364.2 million, of which $3,275.6 million were for benefit payments, and $88.6 million were for administrative expenses. The total amount of benefits paid during the fiscal year exceeded benefits paid in the fiscal year 1953 by 25 percent. This increase resulted chiefly from (1) the increase in the number of beneficiaries and (2) the fact that the higher benefit provisions of the Social Security Act amendments of 1952 were effective during the entire fiscal year 1954 but during only part of fiscal year 1953.

Administrative expenditures of the fund were 1.9 percent of contribution income and 2.7 percent of benefit payments during fiscal year 1954. Figures for each of the last 10 fiscal years are shown in table 4.

The distribution of benefit payments in fiscal years 1953 and 1954, by type of benefit, is shown in table 5. Approximately 80 percent of the total benefit payments from the fund in the fiscal year 1954 were accounted for by monthly benefits to aged persons—retired wage earners and their wives (including a relatively small number of wives under age 65) or dependent husbands, and aged widows, dependent widowers, and dependent parents of deceased wage earners. Approximately 17 percent of the 1954 benefit payments represented monthly benefits on behalf of children of deceased or retired workers and payments to mothers—practically all of them under age 65—who had children of deceased wage earners in their care. The balance of the benefits paid in the fiscal year 1954 consisted of lump-sum payments in cases (1) where the insured individual died after August 1950 or (2) where he died before September 1950 leaving no survivor immediately eligible for monthly benefits.

TABLE 4.—*Relationship of administrative charges against old-age and survivors insurance trust fund to old-age and survivors insurance contribution income and benefit payments, fiscal years 1945-54*

Fiscal year	Administrative charges against the OASI trust fund as a percentage of—		Fiscal year	Administrative charges against the OASI trust fund as a percentage of—	
	Contribution income	Benefit payments		Contribution income	Benefit payments
1945	2.1	11.2	1950	2.7	7.8
1946	3.0	11.7	1951	2.3	4.7
1947	2.8	9.6	1952	2.4	4.3
1948	2.9	9.3	1953	2.2	3.4
1949	3.2	8.8	1954	1.9	2.7

TABLE 5.—*Estimated distribution of benefit payments under the old-age and survivors insurance program, by type of benefit, fiscal years 1953 and 1954*

[Amounts in millions]

Type of benefit	1953		1954	
	Amount	Percent of total	Amount	Percent of total
Total	$2,627.5	100	$3,275.6	100
Monthly benefits	2,551.2	97	3,185.4	97
Old-age (retired workers 65 or over)	1,624.6	62	2,068.5	63
Wife's or husband's (wives or dependent husbands, 65 or over, of old-age beneficiaries, or their wives regardless of age if caring for child beneficiary)	239.2	9	300.6	9
Widow's or widower's (widows or dependent widowers 65 or over of workers)	221.4	8	270.5	8
Parent's (dependent parents 65 or over of deceased workers)	11.2	(1)	12.5	(1)
Child's (children under 18 of old-age beneficiaries)	13.8	1	18.1	1
Child's (children under 18 of deceased workers)	336.2	13	393.7	12
Mother's (widows or dependent divorced wives of deceased workers caring for child beneficiaries)	104.8	4	121.5	4
Lump-sum benefits (wage earner died after August 1950, or before September 1950 with no survivor immediately eligible for monthly benefits)	76.3	3	90.2	3

1 Less than 0.5 percent.

At the end of the fiscal year 1954, approximately 6.5 million beneficiares in about 4.7 million families were receiving monthly benefits at an annual rate of $3,344 million. At the end of the preceding fiscal year, the monthly benefit rolls included 5.6 million beneficiaries in about 4 million families to whom monthly benefits were being paid at an annual rate of $2,796 million. Average monthly family benefits at the end of June 1954 were somewhat higher than the corresponding averages a year earlier (table 6). Payments to retired workers with no dependents receiving benefits averaged $49.40, an increase of $1.20. The average for a retired worker and his aged wife, both of whom were drawing benefits, was $86.30, $2.60 greater than a year earlier. For survivor families, payments to aged widows averaged $41; families made up of a widowed mother and 1 child averaged $91; widowed mothers and 2 children averaged $112.70.

The assets of the fund at the end of the fiscal year 1954 totaled $20,043 million, consisting of $19,340 million in the form of obligations of the United States Government, $329 million in the fund account awaiting investment, and $373 million to the credit of the disbursing officer for current benefit payments and administrative expenses. Table 7 shows a comparison of the total assets of the trust fund and their distribution at the end of the fiscal years 1953 and 1954.

The assets of the trust fund may be invested only in direct obligations of the United States Government and in obligations guaranteed as to both principal and interest by the United States. These obligations may be acquired in the open market or on original issue at par. The investments of the trust fund consist of special certificates issued directly to the fund and bonds issued to the public. The asset value of the special certificates is their par value. As carried on the books of the Treasury Department, the asset value of bonds (exclusive of accrued interest purchased) is the book value, i. e., par value plus unamortized premium less discount outstanding.

TABLE 6.—*Estimated number of families and beneficiaries receiving benefits and average family amount, by family group, end of fiscal years 1953 and 1954*

Family classification of beneficiaries receiving benefits	June 30, 1953			June 30, 1954		
	Number of families (in thousands)	Number of beneficiaries (in thousands)	Average monthly amount per family	Number of families (in thousands)	Number of beneficiaries (in thousands)	Average monthly amount per family
Total	4,009.8	5,573.6		4,689.4	6,468.8	
Retired worker families	2,977.5	3,887.6		3,519.4	4,577.6	
Worker only	2,137.7	2,137.7	$48.20	2,545.4	2,545.4	$49.40
Male	1,443.1	1,443.1	52.10	1,669.9	1,669.9	53.80
Female	694.6	694.6	40.10	875.5	875.5	41.10
Worker and wife aged 65 or over	781.8	1,563.6	83.70	904.9	1,809.8	86.30
Worker and wife under age 65 [1]	.6	1.2	95.20	.6	1.2	95.60
Worker and aged dependent husband	5.5	11.0	74.20	7.3	14.6	75.20
Worker and 1 child	7.9	15.8	75.40	9.2	18.4	76.00
Worker and 2 or more children	5.3	18.5	81.20	5.8	20.4	79.40
Worker, wife aged 65 or over and 1 or more children	.9	2.9	97.70	.8	2.6	98.90
Worker, wife under age 65 and 1 child	24.1	72.3	94.00	28.5	85.5	100.70
Worker, wife under age 65 and 2 or more children	13.7	64.6	88.10	16.9	79.7	93.40
Survivor families	1,032.3	1,686.0		1,170.0	1,891.2	
Aged widow	498.1	498.1	40.80	585.2	585.2	41.00
Aged dependent widower	.6	.6	33.90	.9	.9	34.40
Widowed mother only [1]	2.4	2.4	43.30	2.1	2.1	45.20
Widowed mother and 1 child	109.4	218.8	88.50	118.2	236.4	91.00
Widowed mother and 2 children	72.0	216.0	107.90	78.6	235.8	112.70
Widowed mother and 3 or more children	61.1	283.3	105.50	68.8	323.4	112.20
Dependent divorced wife and 1 or more children	.2	.5	95.00	.2	.6	111.50
1 child only	159.3	159.3	41.40	174.8	174.8	42.20
2 children	65.5	131.0	70.70	73.3	146.6	72.20
3 children	23.4	70.2	86.20	26.0	78.0	88.30
4 or more children	19.4	83.3	90.10	19.1	83.0	92.60
1 aged dependent parent	19.3	19.3	41.90	21.2	21.2	42.60
2 aged dependent parents	1.6	3.2	80.70	1.6	3.2	81.40

[1] Benefits of children were being withheld.

NOTE.—Estimates were prepared November 1954.

The par value of the net increase in the investments owned by the fund during the fiscal year 1954 amounted to \$1,523 million. New securities whose gross purchase price totaled \$18,531 million were acquired through the investments of receipts of the fund and the reinvestment of funds made available from the maturity of securities during the year. The par value of securities redeemed during the fiscal year was \$17,008 million, consisting of \$324 million of 2¼-percent special certificates of indebtedness and \$16,684 million of 2⅜-percent special certificates of indebtedness.

All of the new securities acquired during the year were special certificates of indebtedness, \$1,477 million of which were redeemed during the year and \$17,054 million of which mature on June 30, 1955. These certificates were acquired at par, \$1,153 million bearing an interest rate of 2⅜ percent and the balance an interest rate of 2¼ percent, this rate being determined by the average rate of interest on the interest-bearing public debt which prevailed at the end of the month preceding the date of issue of these securities.

The average rate of interest on the interest-bearing public debt at the end of the month varies with changes in the composition of the public debt and with changes in the particular rates of interest on different classes of securities. The average rate of interest on the public debt was less than 2½ percent but exceeded 2⅜ percent at the end of each month in the period from June 30, 1953, through April 30, 1954, and was 2.347 percent on May 31, 1954. Because the end-of-the-month rate first fell below 2⅜ percent on May 31, 1954, special issues were acquired during June 1954 at 2¼ percent, whereas all special issues purchased before that date during the fiscal year were at 2⅜ percent interest.

TABLE 7.—*Assets of Federal old-age and survivors insurance trust fund, by type, at end of fiscal years 1953 and 1954*

	June 30, 1953		June 30, 1954	
	Par value	Book value [1]	Par value	Book value [1]
Investments:				
Public issues (Treasury bonds):				
2¼-percent bonds of 1959–62	\$4, 205, 000	\$4, 214, 658. 21	\$4, 205, 000	\$4, 213, 146. 09
2½-percent bonds of 1962–67	58, 650, 000	58, 810, 802. 27	58, 650, 000	58, 792, 935. 35
2½-percent bonds of 1963–68	116, 480, 000	116, 676, 749. 59	116, 480, 000	116, 658, 011. 55
2½-percent bonds of 1964–69	93, 704, 000	93, 203, 674. 23	93, 704, 000	93, 175, 824. 99
2½-percent bonds of 1965–70	456, 547, 500	456, 880, 545. 30	456, 547, 500	456, 845, 169. 14
2½-percent bonds of 1966–71	308, 077, 500	308, 003, 033. 18	308, 077, 500	307, 993, 516. 20
2½-percent bonds of 1967–72	118, 021, 250	119, 504, 793. 75	118, 021, 250	119, 384, 920. 05
2¾-percent bonds, investment series B–1975–80	1, 081, 902, 000	1, 083, 601, 614. 86	1, 081, 902, 000	1, 083, 484, 575. 16
3¼-percent bonds of 1978–83	45, 100, 000	44, 910, 656. 26	45, 100, 000	44, 910, 656. 26
Total public issues	2, 282, 687, 250	2, 285, 806, 527. 65	2, 282, 687, 250	2, 285, 458, 754. 79
Special issues (certificates of indebtedness):				
2¼-percent certificates: Maturing June 30, 1955			17, 054, 405, 000	17, 054, 405, 000. 00
2⅜-percent certificates: Maturing June 30, 1954	15, 531, 700, 000	15, 531, 700, 000. 00		
Total special issues	15, 531, 700, 000	15, 531, 700, 000. 00	17, 054, 405, 000	17, 054, 405, 000. 00
Accrued interest purchased		86, 826. 06		
Total investments	17, 814, 387, 250	17, 817, 593, 353. 71	19, 337, 092, 250	19, 339, 863, 754. 79
Uninvested balances:				
To credit of fund account		261, 885, 142. 37		329, 302, 842. 51
To credit of disbursing officer		286, 877, 937. 61		373, 448, 745. 08
Total assets		18, 366, 356, 433. 69		20, 042, 615, 342. 38

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