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THE 23D ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

LETTER

FROM

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

TRANSMITTING

THE 23D ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

PURSUANT TO

SECTION 201(c) OF THE SOCIAL SECURITY ACT, AS AMENDED

MARCH 6, 1963.—Referred to the Committee on Ways and Means and ordered to be printed

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LETTER OF TRANSMITTAL

BOARD OF TRUSTEES OF THE FEDERAL
OLD-AGE AND SURVIVORS INSURANCE AND
DISABILITY INSURANCE TRUST FUNDS,
February 28, 1963, Washington, D.C.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D.C.

SIR: We have the honor to transmit to you the 23d Annual Report of the Board of Trustees of the Federal old-age and survivors insurance trust fund and the Federal disability insurance trust fund, in compliance with the provisions of section 201(c) of the Social Security Act, as amended.

Respectfully,

C. DOUGLAS DILLON,
Secretary of the Treasury, and Managing Trustee of the Trust Funds.

W. WILLARD WIRTZ,
Secretary of Labor.

ANTHONY J. CELEBREZZE,
Secretary of Health, Education, and Welfare.

ROBERT M. BALL,
Commissioner of Social Security and Secretary, Board of Trustees.

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TWENTY-THIRD ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

Fiscal Year Ending June 30, 1962

THE BOARD OF TRUSTEES

The Federal old-age and survivors insurance trust fund, established on January 1, 1940, and the Federal disability insurance trust fund, established on August 1, 1956, are held by the Board of Trustees under the authority of section 201(c) of the Social Security Act, as amended. The Board is comprised of three members who serve in an ex officio capacity. The members of the Board are the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health, Education, and Welfare. 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

Both the income and the outgo of the old-age and survivors insurance trust fund and of the disability insurance trust fund reached all-time highs in the fiscal year 1962. The estimated number of workers with taxable earnings under the program in calendar year 1961 reached a record high of 74 million.

The increase in expenditures from the old-age and survivors insurance trust fund in fiscal year 1962 was substantial (12.9 percent), but the increase in receipts was relatively small (1.4 percent). Receipts of the trust fund totaled $11,985 million, while expenditures were $13,259 million. Since expenditures exceeded receipts by $1,274 million, total assets of this trust fund decreased from $20,900 million on June 30, 1961, to $19,626 million on June 30, 1962. The major portion of the expenditures was for benefit payments, totaling $12,658 million. Payments to the railroad retirement account under the financial interchange provisions were $361 million, including $11 million in interest. Administrative expenses were $251 million. The number of monthly beneficiaries as of the end of the year rose by about 10 percent, to 16,129,000, of whom 12,189,000 were retirement beneficiaries and 3,940,000 were survivor beneficiaries.

Under the 1961 amendments, monthly benefits for men aged 62–64 and their dependents first became payable for August 1961. During the last 11 months of fiscal year 1962, about 723,000 monthly benefits were awarded under this provision—527,000 old-age benefits to retired men aged 62–64, 195,000 wife's or child's benefits to dependents of these men, and 1,000 husband's, widower's, or parent's benefits. An additional 169,000 persons were awarded monthly benefits in fiscal year 1962 because of the liberalized insured-status provisions in the 1960 and 1961 amendments.

The two major income items of the old-age and survivors insurance program were net tax contributions and interest, which in the fiscal year 1962 totaled $11,455 million and $530 million, respectively.

Estimates for the 5 fiscal years 1963–67 show that although both receipts and disbursements will increase steadily, the receipts will rise somewhat more rapidly, due to the scheduled rise in contribution rates in the law. Consequently, at the end of fiscal year 1967, this trust fund will amount to an estimated $22.1 billion, or an increase of $2.5 billion in the 5-year period. Receipts during fiscal 1967 are estimated to total $19.5 billion, and expenditures, $17.4 billion.

Long-range cost estimates for the old-age and survivors insurance program indicate that the program is in approximate actuarial balance. The level-cost of the benefit payments and administrative expenses, based on 3.25 percent interest, ranges from 7.71 to 9.89 percent of taxable payroll, depending on the combination of cost assumptions chosen. On the basis of intermediate-cost assumptions, the level-cost is 8.69 percent of taxable payroll, as compared with the level-equivalent of the graded schedule of contributions of 8.52 percent of taxable payroll.

Total disbursements of the disability insurance trust fund were about 46 percent larger in fiscal year 1962 than in 1961. A large part of this increase was due to the fact that benefits for disabled workers under age 50 and for their dependents were payable during the entire year 1962 but during only about half of the preceding year. Total receipts of $1,088 million exceeded total expenditures of $1,086 million by $2 million. Total assets at the end of fiscal 1962 amounted to $2,507 million.

Total receipts of the disability insurance trust fund were composed of $1,021 million in net contributions and $67 million in net interest. Components of the total expenditures were $1,011 million in benefit payments, $11 million in payments to the railroad retirement account, and $64 million in administrative expenses.

At the end of fiscal 1962, the number of beneficiaries receiving monthly benefits from the disability insurance trust fund had risen to 1,152,000, 28 percent more than at the end of fiscal year 1961.

According to estimates for the 5 fiscal years 1963–67, income of the disability insurance trust fund will rise very slowly, since the scheduled contribution rate remains constant; expenditures, on the other hand, will rise more rapidly. Outgo is expected to exceed income in each year and the trust fund will decline slowly. At the end of fiscal year 1967, assets are estimated at $1.8 billion. The long-range cost estimates show a level-cost for benefit payments and administrative expenses, based on 3.25 percent interest, which ranges from 0.57 percent to 0.72 percent of taxable payroll, depending on the combination of assumptions used. On the basis of intermediate-cost assumptions, such level-cost is 0.64 percent of taxable payroll, as compared with the level-equivalent of the contributions of 0.50 percent of taxable payroll.

SOCIAL SECURITY AMENDMENTS OF 1960

The 1960 amendments to the Social Security Act and related sections of the Internal Revenue Code (Public Law 86–778, approved

September 13, 1960) will have effect on both the immediate and long-range future levels of income and disbursement of the system. The disability insurance part of the program was expanded considerably. The insured-status provisions were liberalized. The retirement test was made more liberal, flexible, and equitable. Benefits to children of deceased workers were increased in some cases. The basis for determining the interest rate on trust fund investments in special issues was revised. Long-range actuarial estimates of the program as amended in 1960 showed benefit costs very closely in balance with contribution income. Accordingly, the schedule of contribution rates contained in the law continued to reflect the intent that the program be self-supporting.

The more important changes, significant from an actuarial standpoint are presented below:

1. Beginning with November 1960, disability insurance benefits were provided for workers under the age of 50 and for their dependents, on the same basis as benefits under previous law were provided for disabled workers aged 50 to 64 and for their dependents.

2. The fully insured status provisions (applicable to all types of monthly benefits) were liberalized so that, beginning in October 1960, to be fully insured a person needs 1 quarter of coverage for every 3 calendar quarters elapsing after 1950 (or after the year in which he attained age 21, if that is later) and before the year in which he reached the minimum retirement age, or died, or became disabled, whichever first occurred (but requiring not less than 6 nor more than 40 quarters of coverage). Under prior law, the requirement was 1 quarter of coverage for every 2 elapsed quarters before the quarter in which the first of those events occurred.

3. The retirement test was amended, effective for taxable years beginning after 1960, by eliminating the requirement for withholding a month's benefit for each $80 of annual earnings above $1,200 and providing instead for withholding $1 in benefits for each $2 of the first $300 of earnings above $1,200 and for withholding $1 in benefits for each $1 of earnings above $1,500. There was no change in the provision which specifies that, regardless of the amount of annual earnings, no benefits will be withheld for any month in which the beneficiary neither earns wages of more than $100 nor renders substantial services in self-employment or for any month in which the beneficiary is aged 72 or over.

4. The benefit of each child of a deceased worker was changed, beginning December 1960, to three-fourths of the primary insurance amount of the deceased worker (retaining the effect of the family maximum), rather than one-half of the primary insurance amount plus one-fourth of the primary insurance amount divided by the number of entitled children.

5. The basis for determining the interest rate on future trust fund investments in public-debt obligations (special issues) was changed. Under the new law, these investments will bear a rate of interest equal to the average market yield of all marketable Government obligations not due or callable for 4 or more years from the time when the special obligations are issued, the average yield being rounded to the nearest one-eighth of 1 percent. Under prior law, this rate of interest was related to the average coupon rate on all outstanding marketable obligations of the United States not due or callable for at least 5

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years from the original issue date. Current cost estimates indicate that this change from average coupon rate to average market yield will increase somewhat the interest income to the trust funds over the long-range future. Also, the law was changed to allow the purchase of marketable securities only when such purchase would be in the public interest; prior law required that marketable securities always be purchased except when this would not be in the public interest, in which case special issues were to be purchased.

SOCIAL SECURITY AMENDMENTS OF 1961

The 1961 amendments to the Social Security Act and related sections of the Internal Revenue Code (Public Law 87–64, approved June 30, 1961) make significant improvements in the old-age, survivors, and disability insurance program. Eligibility requirements for the payment of benefits were liberalized. Benefit amounts payable to certain classes of present and future beneficiaries were increased. The schedule of contribution rates was revised to continue to reflect the intent that the program be self-supporting.

From an actuarial standpoint, the most important changes made by the 1961 amendments are the following:

1. The minimum age at which men may qualify for retirement benefits was reduced from 65 to 62. Full-rate benefits are payable at age 62 to dependent widowers and to dependent fathers of deceased insured workers. Men who elect to receive a retired worker's benefit or a dependent husband's benefit when they are between age 62 and age 65 will receive reduced benefits (both before and after age 65) which are, on an actuarial basis, virtually equivalent to the full-rate benefits that they would have received if they were aged 65 at the time they applied for benefits. In determining a male worker's fully insured status and in calculating his average monthly wage, the measuring period ends with the beginning of the year he reaches age 65 (for women workers, the measuring period ends at 62).

2. The fully insured status provisions (applicable to all types of monthly benefits) were liberalized so that, beginning August 1961, to be fully insured a person needs one quarter of coverage for each calendar year elapsing after 1950 (or after the year in which he attains age 21 if that is later) and before the year in which he reached age 65 (62 for women), or died, or became disabled, whichever first occurred (but requiring not less than 6 nor more than 40 quarters of coverage).

3. Effective August 1961, the minimum primary insurance amount was raised from $33 to $40. This provision affects all types of benefits since all retirement, disability, and survivor benefits (including lump-sum death payments) are figured on the basis of the primary insurance amount. For example, the minimum amount payable to a retired worker prior to actuarial reduction for retirement before age 65, to a disabled worker, and to the sole survivor of a deceased insured worker is equal to the minimum primary insurance amount.

4. The retirement test was amended, effective for taxable years ending after June 30, 1961. The provision for withholding benefits from beneficiaries whose earnings exceed $1,200 a year was changed so that $1 in benefits will be withheld for each $2 of earnings between $1,200 and $1,700 (and $1 in benefits for each $1 in earnings above

that amount), rather than between $1,200 and $1,500 as under the law as amended in 1960. There was no change in the provision which specifies that, regardless of the amount of annual earnings, no benefits are withheld for any month in which the beneficiary neither earns wages of more than $100 nor renders substantial services in self-employment or for any month in which the beneficiary is aged 72 or over.

5. Aged widow's benefits were increased, beginning August 1961, by 10 percent (from 75 to 82½ percent of the worker's primary insurance amount). Similar increases were granted for widower's and for parent's benefits (when only one parent is entitled).

6. In recognition of the increase in costs resulting from the changes in the program, the contribution rates payable by employees and employers are increased, beginning with 1962, by one-eighth of 1 percent each; the contribution rate for self-employed persons is increased by three-sixteenths of 1 percent and then rounded to the nearest one-tenth of 1 percent. In addition, the date when the ultimate scheduled tax rate becomes effective has been moved up from 1969 to 1968.

NATURE OF THE TRUST FUNDS

The Federal old-age and survivors insurance trust fund was established on January 1, 1940, as a separate account in the U.S. Treasury to hold the amounts accumulated under the old-age and survivors insurance program. All the financial operations of the program through July 31, 1956, were handled through this fund. The Social Security Amendments of 1956, which became law August 1, 1956, provided for the creation of the Federal disability insurance trust fund—a fund entirely separate from the old-age and survivors insurance trust fund—through which are handled all financial operations in connection with the system of monthly disability benefits payable to insured workers and to their dependents. The financial operations of the old-age, survivors, and disability insurance program which relate to the system of old-age and survivors insurance benefits continue to be handled through the old-age and survivors insurance trust fund.

The primary source of receipts of the two funds is amounts deposited in or appropriated to each of them under permanent appropriation on the basis of contributions paid by workers and their employers, and by individuals with self-employment income, in employment covered by the old-age, survivors, and disability insurance program. All employees and their employers in employment 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, beginning with calendar year 1959, 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 $4,800, with the contributions being determined first on the wages and then on any self-employment income necessary to make up the $4,800.

Under the Internal Revenue Code, as amended, the contribution rate for employees and their employers of 3 percent each that was in effect in calendar years 1960 and 1961 was increased to 3⅛ percent each on January 1, 1962; the contribution rate for the self-employed rose from 4.5 to 4.7 percent. The following table shows the scheduled increases in tax rates in the present law:

Calendar years	Percent of taxable earnings	
	Employees and employers, each	Self-employed
1962	3⅛	4.7
1963–65	3⅝	5.4
1966–67	4⅛	6.2
1968 and after	4⅝	6.9

The Social Security Act, as amended in 1956, provides that beginning January 1, 1957, from the total contribution income based on these rates, contributions at the rate of one-fourth of 1 percent each for employees and employers, and three-eighths of 1 percent for the self-employed shall be allocated to the disability insurance trust fund.

Except for amounts received by the Secretary of the Treasury under State agreements (to effect coverage under the program for State and local government employees) and deposited directly in the trust funds, all contributions are collected by the Internal Revenue Service and are paid into the Treasury as internal revenue collections. However, sums equivalent to 100 percent of these taxes are transferred to the trust funds from time to time. Such transfers are first made on the basis of estimated tax receipts. The exact amount is not known since old-age, survivors, and disability insurance and income taxes withheld are not separately identified in tax-collection reports received by the Treasury Department from the district offices of the Internal Revenue Service. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable on the basis of reported earnings.

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 can receive a refund of the taxes he paid on such excess wages. The amount of taxes subject to refund for any period is a charge against each of the trust funds in the ratio in which the amount was appropriated to or deposited in such trust funds for that period.

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

The income and expenditures of the trust funds are also affected by Public Law 234, approved October 30, 1951, which amended the Railroad Retirement Act to provide a system of coordination and financial interchange between the railroad retirement and old-age and survivors insurance programs. Public Law 880, approved August 1, 1956, amended Public Law 234 to include financial interchanges between the railroad retirement and the disability insurance programs. A description of the legislative provisions governing the allocation of costs between the two programs appears in appendix II.

Under a decision of the Comptroller General of the United States (B-4906) dated October 11, 1951, receipts derived from the sale of miscellaneous supplies and reimbursable services are credited to and form a part of the trust funds, where the initial outlays therefor were paid from the trust funds. Formerly, these moneys were credited to the general fund of the Treasury as miscellaneous receipts.

Under Public Law 85–840 approved August 28, 1958, the Secretary of Health, Education, and Welfare is authorized to charge for providing certain services not directly related to the old-age, survivors, and disability insurance programs. The Bureau of Old-Age and Survivors Insurance has accumulated a unique body of information in the course of the administration of the program. Situations arise when it is in the public interest to utilize this information to perform certain services, such as forwarding letters for health research purposes to holders of social security account numbers, when such services can be performed without interfering unduly with the administration of the program. Such services could not properly be provided at the expense of the trust funds. Receipts derived from performance of these services are credited to and form a part of the trust funds.

Public Law 719, approved August 10, 1946, provided noncontributory survivor protection to certain veterans of World War II. The legislation provided, and the old-age and survivors insurance trust fund received, reimbursement from the general fund of the Treasury for the additional costs arising from these provisions. Under Public Law 734, approved August 28, 1950, these additional costs arising after August 31, 1950, were borne by the trust fund. Public Law 881, approved August 1, 1956, provides that the old-age and survivors insurance trust fund shall be reimbursed for all additional costs arising after August 31, 1950, from the 1946 provisions. Public Law 881 also provides that (1) the old-age and survivors insurance trust fund shall be reimbursed for all past and future additional expenditures resulting from the provisions that granted noncontributory \$160 monthly wage credits to persons who served in the Armed Forces from September 16, 1940, through December 31, 1956; and (2) the disability insurance trust fund shall be reimbursed for all additional expenditures after July 31, 1956, resulting from these provisions. Public Law 85–840 broadened the provisions of prior law dealing with noncontributory wage credits of \$160 for each month of active military service for the United States to provide such credits for certain American citizens who served in the Armed Forces of our allies during World War II. As in the case of the other noncontributory credit for military service, the trust funds will be reimbursed for the additional costs arising from the new provisions. 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, survivors, and disability insurance program are paid out of the trust funds. All expenses incurred by the Department of Health, Education, and Welfare and by the Treasury Department in carrying out the provision 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 funds. The Secretary of Health, Education, and Welfare certifies benefit payments to the managing trustee who makes the payment from the respective trust funds in accordance therewith.

Congress has authorized expenditures from the trust funds 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 each 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 funds to interest-bearing obligations of the U.S. 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 the issue price or by purchase of outstanding obligations at their market price. In addition, the Social Security Act authorizes the issuance of public-debt obligations for purchase by the trust funds. The law requires that such public-debt obligations shall have maturities fixed with due regard for the needs of the trust funds and shall bear interest at a rate equal to the average market yield (computed by the managing trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month; where such average market yield 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 nearest such market yield.

Interest on public issues held by the trust funds is received by the funds at the time the interest is paid on the particular issues held. Interest on public-debt obligations issued specifically for purchase by the trust funds is payable semiannually or at redemption.

Public issues acquired by the funds may be sold at any time by the managing trustee at their market price. Public-debt obligations issued for purchase by the trust funds may be redeemed at par plus accrued interest. Interest receipts and proceeds from the sale or redemption of obligations held in the trust funds are available for investment in the same manner as other receipts of the funds. Interest earned by the invested assets of the trust funds will provide income to meet a portion of future benefit disbursements. The role of interest in meeting future benefit payments is indicated in tables B and C.

In addition, the assets of the trust funds assure the continued payment of benefits without sharp changes in contribution rates during periods of short-run fluctuations in total income and expenditures.

SUMMARY OF THE OPERATIONS OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, FISCAL YEAR 1962

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, 1961, and ended on June 30, 1962, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 1.

The total assets of the old-age and survivors insurance trust fund amounted to $20,900 million on June 30, 1961. These assets decreased to $19,626 million by the end of the fiscal year 1962, a decline of $1,274 million.

Net receipts of the trust fund during the fiscal year 1962 amounted to $11,985 million. Of this total, $10,715 million represented tax collections appropriated to the fund and $870 million represented amounts received by the Secretary of the Treasury in accordance with State agreements for coverage of State and local government employees and deposited in the trust fund. As an offset, $130 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum. Net contributions amounted to $11,455 million, representing an increase of 1 percent over the amount for the preceding fiscal year. The remaining $530 million of receipts consisted of net interest on the investments of the fund.

TABLE 1.—*Statement of operations of the old-age and survivors insurance trust fund during the fiscal year 1962*

Total assets of the trust fund, June 30, 1961			$20,900,349,854.25
Receipts, fiscal year 1962:			
Tax contributions:			
Appropriations	$10,714,781,548.49		
Deposits arising from State agreements	869,621,102.40		
Gross tax contributions	11,584,402,650.89		
Less payment into the Treasury for taxes subject to refund	129,760,000.00		
Net tax contributions		$11,454,642,650.89	
Interest:			
On investments	$539,048,987.03		
On administrative expenses reimbursed by disability insurance trust fund	2,204,658.00		
Gross interest	541,253,645.03		
Less interest on amounts transferred to railroad retirement account	10,788,000.00		
Net interest		530,465,645.03	
Total receipts		11,985,108,295.92	
Disbursements, fiscal year 1962:			
Benefit payments		12,657,835,048.49	
Transfers to railroad retirement account		350,000,000.00	
Administrative expenses:			
Department of Health, Education, and Welfare	$266,267,374.35		
Treasury Department	42,483,593.21		
Preparation and construction of building for Bureau of Old-Age and Survivors Insurance	3,081,941.44		
Gross administrative expenses	311,832,909.00		
Less receipts from sale of surplus materials, supplies, etc.	70,537.22		
Less reimbursement for administrative expenses by disability insurance trust fund	56,582,183.00		
Less reimbursement for construction by disability insurance trust fund	3,690,416.00		
Net administrative expenses		251,489,772.78	
Total disbursements		13,259,324,821.27	
Net addition to the trust fund			−1,274,216,525.35
Total assets of the trust fund, June 30, 1962			19,626,133,328.90

Disbursements from the trust fund during the fiscal year 1962 totaled $13,259 million. Of this total, $12,658 million was for benefit payments, an increase of 13 percent over the corresponding amount paid in the fiscal year 1961. This increase was due in part to the expected growth in the number of beneficiaries as the program gradually matures, and also to the liberalized eligibility conditions and higher benefit amounts resulting from the provisions of the 1960 and 1961 amendments.

Public Law 234, approved October 30, 1951, amended the Railroad Retirement Act to provide a new basis of coordinating the railroad retirement program with old-age and survivors insurance. A description of the legislative provisions governing the financial interchanges arising from the allocation of costs between the two systems is contained in appendix II. In accordance with these provisions, the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determined that a transfer of the principal sum of $350 million to the railroad retirement account from the old-age and survivors insurance trust fund would place the old-age and survivors insurance trust fund in the same position as of June 30, 1961, as it would have been if railroad employment had always been covered under the Social Security Act. This sum together with interest thereon for fiscal year 1962 amounting to $10,788,000 was transferred to the railroad retirement account in June 1962. The remaining $251 million of disbursements was for administrative expenses.

Net administrative expenses charged to both the old-age and survivors insurance trust fund and the disability insurance trust fund totaled $315 million and represented 2.5 percent of contribution income and 2.3 percent of benefit payments during fiscal year 1962. Similar figures for each of the last 5 years for the system as a whole, as well as for each trust fund separately, are shown in table 2.

TABLE 2.—*Relationship of net administrative expenses of the old-age, survivors, and disability insurance program to contribution income and benefit payments, by trust fund, fiscal years 1958–62*

Fiscal year	Total administrative expenses as a percentage of—		Old-age and survivors insurance trust fund, administrative expenses as a percentage of—		Disability insurance trust fund, administrative expenses as a percentage of—	
	Total contribution income	Total benefit payments	Contribution income	Benefit payments	Contribution income	Benefit payments
1958	2.2	2.2	2.3	2.1	1.3	7.2
1959	2.7	2.4	2.7	2.3	2.4	6.3
1960	2.2	2.2	2.1	2.0	3.2	6.0
1961	2.2	2.3	2.1	2.1	3.6	5.2
1962	2.5	2.3	2.2	2.0	6.3	6.3

NOTE.—Expenses incurred by the Department of Health, Education, and Welfare under the disability insurance program are initially charged to the old-age and survivors insurance trust fund; reimbursements are then made from the disability insurance trust fund in the following fiscal year.

The distribution of benefit payments in fiscal years 1961 and 1962, by type of benefit, is shown in table 3. Approximately 86 percent of the total benefit payments from the old-age and survivors insurance trust fund in fiscal year 1962 was accounted for by monthly benefits to persons aged 62 or over—retired workers and their wives (including a relatively small number of wives under age 62) or dependent husbands, and aged widows, dependent widowers, and dependent parents of deceased workers. Approximately 12 percent of the benefit payments represented monthly benefits on behalf of children of deceased or retired workers and to mothers—practically all of them under age 65—who had children of deceased workers in their care. The balance of the benefits paid consisted of lump-sum death payments.

TABLE 3.—*Estimated distribution of benefit payments from the old-age and survivors insurance trust fund, by type of benefit, fiscal years 1961 and 1962*

[Amounts in millions]

Type of benefit	1961		1962	
	Amount	Percent of total	Amount	Percent of total
Total [1]	$11,184.5	100	$12,657.8	100
Monthly benefits [1]	11,017.5	99	12,483.7	99
Old-age (retired workers)	7,371.2	66	8,339.9	66
Wife's or husband's (aged wives or dependent husbands of old-age beneficiaries or their young wives if caring for child beneficiary)	1,087.7	10	1,171.1	9
Widow's or dependent widower's (aged widows or aged dependent widowers of workers)	1,120.3	10	1,370.1	11
Parent's (aged dependent parents of deceased workers)	29.1	(2)	32.7	(2)
Child's (children, under age 18 or disabled, of old-age beneficiaries)	97.9	1	119.3	1
Child's (children, under age 18 or disabled, of deceased workers)	1,009.8	9	1,124.5	9
Mother's (widows or dependent divorced wives of deceased workers caring for child beneficiaries)	301.5	3	326.3	3
Lump-sum death payments	167.0	1	174.1	1

[1] Totals do not necessarily equal the sum of rounded components.
[2] Less than 0.5 percent.

On June 30, 1962, about 17.3 million persons in some 12.8 million families were receiving monthly benefits under the old-age, survivors, and disability insurance program (table 4). Generally, average monthly family benefits on that date showed moderate increases over the corresponding averages a year earlier. The higher averages reflected in part the 1961 legislation which raised the minimum primary insurance amount and the sole survivor's benefit from $33 to $40 and increased widow's widower's, and—when only one parent is entitled—parent's benefits by 10 percent.

TABLE 4.—*Estimated number of families and beneficiaries receiving benefits under the old-age, survivors, and disability insurance program, and average family amount, by family group, end of fiscal years 1961 and 1962*

[Numbers in thousands]

Family classification of beneficiaries receiving benefits	June 30, 1961			June 30, 1962		
	Number of families	Number of beneficiaries	Average monthly amount per family	Number of families	Number of beneficiaries	Average monthly amount per family
Total [1]	11,514.0	15,624.2		12,757.5	17,280.4	
Retired-worker families [1]	8,414.0	11,028.4		9,347.6	12,188.6	
Worker only	6,029.9	6,029.9	$70.40	6,813.3	6,813.3	$72.40
Male	3,043.0	3,043.0	80.60	3,522.5	3,522.5	81.70
Female	2,986.9	2,986.9	60.00	3,290.8	3,290.8	62.40
Worker and aged wife	2,173.0	4,346.0	125.10	2,268.0	4,536.0	127.10
Worker and young wife [2]	1.0	2.0	112.60	.9	1.8	108.90
Worker and aged dependent husband	14.0	28.0	106.20	13.4	26.8	108.20
Worker and 1 or more children	54.2	121.7	120.70	70.5	160.0	121.50
Worker, aged wife, and 1 or more children	23.8	73.0	158.40	26.3	81.0	159.50
Worker, young wife, and 1 or more children	117.9	427.1	152.70	155.1	569.2	149.70
Worker, husband, and 1 or more children	.2	.6	117.70	.2	.5	125.20
Survivor families [1]	2,541.9	3,698.1		2,730.6	3,940.0	
Aged widow	1,603.7	1,603.7	58.20	1,756.5	1,756.5	65.40
Aged widow and 1 or more children	15.8	32.4	113.90	18.9	38.6	123.50
Aged widow and 1 or 2 aged dependent parents	.3	.6	131.20	.3	.6	155.30
Aged dependent widower	2.1	2.1	54.00	2.4	2.4	62.80
Widower and 1 or more children	.1	.1	84.20	.1	.1	91.00
Widowed mother [2]	1.3	1.3	62.70	1.1	1.1	61.50
Widowed mother and 1 or 2 aged dependent parents [2]	(3)	(3)	(3)	(3)	(3)	(3)
Widowed mother and 1 child	180.9	361.8	132.70	187.7	375.4	136.20
Widowed mother and 2 children	118.4	355.2	186.50	121.9	365.7	191.40
Widowed mother and 3 or more children	118.6	571.1	181.70	123.0	601.5	183.00
Widowed mother, 1 or more children, and 1 or 2 aged dependent parents	.4	1.5	215.80	.4	1.5	232.10
Widowed mother, divorced wife, and children	(3)	(3)	(3)	(3)	(3)	(3)
Divorced wife and 1 or more children	.3	.9	164.90	.5	1.1	170.40
1 child only	298.2	298.2	59.40	310.2	310.2	61.40
2 children	105.3	210.6	123.70	106.9	213.8	125.50
3 children	39.4	118.2	157.20	42.3	126.9	161.80
4 or more children	22.9	104.0	161.00	23.8	108.0	170.70
1 or more children and 1 or 2 aged dependent parents	.6	1.3	138.00	.5	1.0	145.60
1 aged dependent parent	32.1	32.1	61.40	32.6	32.6	68.10
2 aged dependent parents	1.5	3.0	108.90	1.5	3.0	111.00
Disabled-worker families [1]	558.1	897.7		679.3	1,151.8	
Worker only	423.2	423.2	87.90	498.8	498.8	87.60
Male	308.1	308.1	91.80	356.7	356.7	91.40
Female	115.1	115.1	77.40	142.1	142.1	77.90
Worker and aged wife	24.3	48.6	135.80	24.9	49.8	137.20
Worker and young wife [2]	.1	.3	148.50	.1	.1	162.20
Worker and aged dependent husband	.2	.5	120.80	.3	.6	116.60
Worker and 1 or more children	32.3	84.7	154.60	47.8	126.4	155.00
Worker, aged wife, and 1 or more children	.1	.4	186.20	.2	.7	187.00
Worker, young wife, and 1 or more children	77.8	340.1	190.10	107.2	475.5	191.70

[1] Totals do not necessarily equal the sum of rounded components.
[2] Benefits of children were being withheld.
[3] Less than 50 families.

The assets of the old-age and survivors insurance trust fund at the end of fiscal year 1962 totaled $19,626 million, consisting of $18,435 million in the form of obligations of the U.S. Government, and $1,191 million in undisbursed balances. Table 5 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1961 and 1962.

TABLE 5.—*Assets of the old-age and survivors insurance trust fund, by type, at end of fiscal years 1961 and 1962*

	June 30, 1961		June 30, 1962	
	Par value	Book value [1]	Par value	Book value [1]
Investments in public-debt obligations:				
Public issues:				
Treasury notes:				
4⅝-percent, series A, 1965	$47,500,000	$47,500,000.00	$38,500,000	$38,500,000.00
4⅞ percent, series C, 1963	15,000,000	15,000,000.00	15,000,000	15,000,000.00
5-percent, series B, 1964	25,000,000	25,000,000.00	25,000,000	25,000,000.00
Treasury bonds:				
2½-percent, 1964–69	46,500,000	42,307,632.59	55,180,000	50,734,921.92
2½-percent, 1965–70	463,297,500	462,749,460.44	-	-
2½-percent, 1966–71	315,077,500	314,213,517.27	-	-
2½-percent, 1967–72	239,578,250	229,227,928.70	250	250.00
2⅝-percent, 1965	225,400,000	224,607,839.29	-	-
2¾-percent, 1961	2,000,000	1,992,860.54	-	-
2¾-percent, investment series B, 1975–80	1,064,902,000	1,065,645,431.40	1,064,902,000	1,065,526,482.36
3-percent, 1966	25,000,000	25,000,000.00	25,000,000	25,000,000.00
3-percent, 1995	85,170,000	85,128,262.05	85,170,000	85,129,504.89
3¼-percent, 1978–83	60,200,000	58,902,857.12	60,200,000	58,962,042.32
3¼-percent, 1985	25,700,000	23,627,999.15	25,700,000	23,714,936.27
3⅜-percent, 1966	4,500,000	4,327,542.16	4,500,000	4,421,610.04
3½-percent, 1980	67,450,000	67,111,298.17	449,450,000	457,447,033.47
3½-percent, 1990	283,130,000	277,399,870.03	556,250,000	544,568,842.52
3½-percent, 1998	174,454,000	169,955,315.25	552,037,000	540,343,519.75
3⅝-percent, 1967	34,205,000	34,214,310.96	34,205,000	34,212,840.84
3¾-percent, 1966	27,729,000	27,757,022.55	27,729,000	27,751,224.75
3¾-percent, 1968	-	-	7,000,000	7,000,000.00
3⅞-percent, 1968	15,450,000	15,380,049.06	17,450,000	17,450,000.00
3⅞-percent, 1974	25,000,000	25,000,000.00	32,500,000	32,396,953 84
4-percent, 1969	37,500,000	37,514,850.00	57,500,000	57,465,756.09
4-percent, 1971	-	-	100,000,000	101,652,844.57
4-percent, 1980	18,000,000	17,849,278.94	123,600,000	123,419,562.00
4¼-percent, 1975–85	25,000,000	25,000,000.00	25,000,000	25,000,000.00
Total public issues	3,352,743,250	3,322,413,325.67	3,381,873,250	3,360,698,325.63
Accrued interest purchased	-	932,355.11	-	329,850.53
Total investments in public issues	3,352,743,250	3,323,345,680.78	3,381,873,250	3,361,028,176.16
Obligations sold only to this fund (special issues): [2]				
Certificates of indebtedness:				
3¾-percent, 1962	440,698,000	440,698,000.00	-	-
3¾-percent, 1963	-	-	1,080,011,000	1,080,011,000.00
Notes:				
2½-percent, 1962	471,319,000	471,319,000.00	-	-
2½-percent, 1963	412,011,000	412,011,000.00	-	-
2⅝-percent, 1962	168,000,000	168,000,000.00	-	-
2⅝-percent, 1963	168,000,000	168,000,000.00	-	-
2⅝-percent, 1964	168,000,000	168,000,000.00	168,000,000	168,000,000.00
3¾-percent, 1964	-	-	88,796,000	88,796,000.00
Bonds:				
2½-percent, 1963	500,000,000	500,000,000.00	-	-
2½-percent, 1964	912,011,000	912,011,000.00	776,698,000	776,698,000.00
2½-percent, 1965	912,011,000	912,011,000.00	912,011,000	912,011,000.00
2½-percent, 1966	912,011,000	912,011,000.00	912,011,000	912,011,000.00
2½-percent, 1967	912,011,000	912,011,000.00	912,011,000	912,011,000.00
2½-percent, 1968	412,011,000	412,011,000.00	412,011,000	412,011,000.00
2⅝-percent, 1965	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2⅝-percent, 1966	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2⅝-percent, 1967	168,000,000	168,000,000.00	168,000,000	168,000,000.00
2⅝-percent, 1968	668,000,000	668,000,000.00	668,000,000	668,000,000.00
2⅝-percent, 1969	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1970	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1971	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1972	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1973	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1974	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
2⅝-percent, 1975	919,934,000	919,934,000.00	919,934,000	919,934,000.00
3¾-percent, 1975	160,077,000	160,077,000.00	160,077,000	160,077,000.00
3¾-percent, 1976	1,080,011,000	1,080,011,000.00	1,080,011,000	1,080,011,000.00
Total obligations sold only to this fund (special issues)	16,200,171,000	16,200,171,000.00	15,073,637,000	15,073,637,000.00
Total investments in public-debt obligations	19,552,914,250	19,523,516,680.78	18,455,510,250	18,434,665,176.16
Undisbursed balances	-	1,376,833,173.47	-	1,191,468,152.74
Total assets	-	20,900,349,854.25	-	19,626,133,328.90

[1] Par value, plus unamortized premium, less discount outstanding.
[2] All special issues—certificates, notes, and bonds—mature June 30 of the year shown.

The net decrease in the par value of the investments owned by the fund during the fiscal year 1962 amounted to $1,097 million. New securities at a total par value of $15,175 million were acquired during the fiscal year through the investment of receipts, the reinvestment of funds made available from the maturity of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the fiscal year was $16,272 million, including $1,261 million of public issues. A summary of transactions for the fiscal year, by type of security, is presented in table 6.

TABLE 6.—*Statement of transactions in public-debt securities for the old-age and survivors insurance trust fund during the fiscal year 1962*

[All amounts represent par values]

	Acquisitions	Dispositions
Public issues:		
Treasury notes:		
4⅝-percent, series A, 1965	0	$9,000,000
Treasury bonds:		
2½-percent, 1964–69	$8,680,000	0
2½-percent, 1965–70	0	463,297,500
2½-percent, 1966–71	0	315,077,500
2½-percent, 1967–72	6,500,000	246,078,000
2⅝-percent, 1965	0	225,400,000
2¾-percent, 1961	0	2,000,000
3½-percent, 1980	382,000,000	0
3½-percent, 1990	273,120,000	0
3½-percent, 1998	377,583,000	0
3¾-percent, 1968	7,000,000	0
3⅞-percent, 1968	2,000,000	0
4⅞-percent, 1974	7,500,000	0
4-percent, 1969	20,000,000	0
4-percent, 1971	100,000,000	0
4-percent, 1980	105,600,000	0
Total, public issues	1,289,983,000	1,260,853,000
Obligations sold only to this fund (special issues): [1]		
Certificates of indebtedness:		
3¾-percent, 1962	4,128,119,000	4,568,817,000
3¾-percent, 1963	1,080,011,000	0
3⅞-percent, 1962	5,251,594,000	5,251,594,000
4-percent, 1962	3,336,189,000	3,336,189,000
Notes:		
2½-percent, 1962	0	471,319,000
2½-percent, 1963	0	412,011,000
2⅝-percent, 1962	0	168,000,000
2⅝-percent, 1963	0	168,000,000
3¾-percent, 1964	88,796,000	0
Bonds:		
2½-percent, 1963	0	500,000,000
2½-percent, 1964	0	135,313,000
Total obligations sold only to this fund (special issues)	13,884,709,000	15,011,243,000
Total transactions	15,174,692,000	16,272,096,000

[1] All special issues—certificates, notes, and bonds—mature June 30 of the year shown.

The 1956 amendments provided that the public-debt obligations issued for purchase by the old-age and survivors insurance trust fund and the disability insurance trust fund shall have maturities fixed with due regard for the needs of the funds. Under this provision, the special issues held by the old-age and survivors insurance trust fund on June 30, 1962, were distributed in approximately equal amounts of $1,080 million among maturities ranging from 1 to 14 years (table 5).