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COMPARISON OF ACTUAL EXPERIENCE UNDER OASDI SYSTEM WITH SHORT-RANGE COST ESTIMATES

by Robert J. Myers and Margaret A. Lannen
Office of the Actuary

This is the second in a semi-annual series of notes comparing actual experience under the Old-Age, Survivors, and Disability Insurance system with the short-range cost estimates, which are generally contained in the annual Trustees Reports (for both fiscal and calendar years). These short-range estimates are based on the assumptions that no legislative changes will be made in the period under consideration and that economic activity will expand, with increases occurring in employment and in earnings rates. Therefore, it should be recognized that these estimates may vary from actual experi-

ence to some extent because of changing economic conditions. Statutory changes, changes in reporting and appropriating procedures, and over- or under-appropriation of taxes to the trust funds (which are adjusted subsequently) also may account for some of the differences between actual and estimated experience.

Because of the major legislative changes made during 1965, it is meaningless to compare actual experience during calendar year 1965 with the estimates contained in the past Trustees Reports. However, the actual experi-

Table 1

COMPARISON OF PROGRESS OF OASDI TRUST FUNDS, CALENDAR YEAR 1965

Item	Amount (in millions)		Estimated as Percent of Actual
	Actual	Estimated	
OASI Trust Fund			
Contributions	\$16,017	\$16,014	100.0%
Benefit Payments	16,737	16,986	101.5
Administrative Expenses	328	351	107.0
Interest Income	593	570	96.1
Transfer to Railroad Retirement	436	436	100.0
Fund at End of Year	18,235	17,936	98.4
DI Trust Fund			
Contributions	\$1,188	\$1,187	99.9%
Benefit Payments	1,573	1,600	101.7
Administrative Expenses	90	85	94.4
Interest Income	59	51	86.4
Transfer to Railroad Retirement	24	24	100.0
Fund at End of Year	1,606	1,576	98.1

ence can reasonably be compared with the estimates prepared for the use of the House Committee on Ways and Means¹ that were based on the new legislative provisions. Table 1 presents this comparison. For the OASI Trust Fund, the income items were underestimated by only \$26 million, or 0.2%, and the outgo items were overestimated by \$272 million, or 1.6%, with the result that the fund at the end of the calendar year exceeded the estimate by almost \$299 million. The underestimate of income resulted from more interest income being received than expected, while the overestimate of benefit payments and administrative expenses was primarily due to a greater lag in filing claims under the amended provisions than was expected. For the DI Trust Fund, a similar sit-

uation is shown. Income was underestimated by only \$9 million, or 0.7%, and outgo was overestimated by \$22 million, or 1.3%, so that the fund at the end of the calendar year was slightly more than \$30 million in excess of the estimate.

Table 2 presents a summary of comparisons of the balance in the fund at the end of calendar years 1960-65 with the estimates made during each of the same years. In each year, the estimates have been very close to the actual experience, with the greatest variation being in the DI Trust Fund at the end of calendar year 1962—an overestimate of 4.1%. Since these estimates are generally made at the beginning of each calendar year (with the exception of the 1961 and 1965 estimates), it is to be expected that there would be greater variation in a calendar-year comparison than in a fiscal-year comparison (where the estimates project only about 6 months into the future).

¹Robert J. Myers, Actuarial Cost Estimates and Summary of Provisions of the Old-Age, Survivors, and Disability Insurance system as modified by the Social Security Amendments of 1965, July 30, 1965.

Table 2

COMPARISON OF BALANCES IN FUND AT END OF
CALENDAR YEAR, 1960-65

Calendar Year	Amount (in millions)		Estimated as Percent of Actual
	Actual	Estimated	
OASI Trust Fund			
1960	\$20,324	\$20,203	99.4%
1961	19,725	20,001	101.4
1962	18,337	18,713	102.1
1963	18,480	18,426	99.7
1964	19,125	18,615	97.3
1965	18,235	17,936	98.4
DI Trust Fund			
1960	\$2,289	\$2,303	100.6%
1961	2,437	2,494	102.3
1962	2,368	2,466	104.1
1963	2,235	2,232	99.9
1964	2,047	2,038	99.6
1965	1,606	1,576	98.1

Note: Estimate for 1961 contained in actuarial cost report dated July 10, 1961; estimate for 1965 contained in actuarial cost report dated July 30, 1965; estimates for other years contained in annual Trustees Reports.