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

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This is the fourth in a semi-annual series of notes comparing actual experience under the Old-Age, Survivors, Disability, and Health Insurance system with the short-range cost estimates (for both fiscal and calendar years), which are contained in the annual Trustees Reports. 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 experience 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.

Table 1 presents a comparison of actual experience for calendar year 1966 with the estimates shown in the 1966 Trustees Reports. For the OASI Trust Fund, the estimates of the income items were \$1,515 million lower than the actual experience, and the estimates of the outgo items were higher than the actual experience by \$268 million, with the result that the assets at the end of the calendar year exceeded the estimate by \$1,783 million. For the DI Trust Fund, income was \$140 million higher than the estimate, and outgo was \$17 million higher than the estimate, so that the fund at the end of the calendar year was \$122 million higher than the estimate.

The actual experience in calendar year 1966 for the HI and SMI Trust Funds is not typical because of the unique conditions that

usually prevail at the inauguration of any new program. For example, there were no government contributions to the SMI Trust Fund during 1966, but \$366 million, most of which represented matching contributions for July-December, 1966, was transferred in January 1967. The data for these two trust funds are presented as a matter of interest only.

Two factors were largely responsible for the significant differences between actual and estimated amounts for OASDI during this calendar year. Payrolls in calendar 1966 were somewhat higher than had been estimated, and a new Internal Revenue Service regulation became effective during the year which resulted in earlier tax reporting and collection. In essence, this regulation had the effect of speeding up the collection of taxes, thus giving the trust funds additional income during calendar 1966 which ordinarily would not have been received until calendar 1967; the amount involved accounted for about half of the excess of the actual experience over the estimate. This new regulation was not known at the time the estimates were made and therefore could not have been taken into account.

Table 2 presents a comparison of the balances in the trust funds at the end of calendar years 1960-66 with the estimates made at about the beginning of each of the same years. In each year the estimates have been very close to the actual experience, with the greatest variation being for calendar year 1966. Since these estimates are generally made at the beginning of each calendar year, it is to be expected that there would be greater variation than in a fiscal-year comparison (where the estimates project only about 6 months into the future).

Table 1

COMPARISON OF PROGRESS OF OASDHI TRUST FUNDS,
CALENDAR YEAR 1966

Item	Amount (in millions)		Estimate as Percent of Actual
	Actual	Estimate	
OASI Trust Fund			
Contributions ¹	\$20,658	\$19,215	93%
Benefit Payments	18,267	18,521	101
Administrative Expenses	256	269	105
Interest Income	644	572	89
Transfer to Railroad Retirement	444	445	100
Fund at End of Year	20,570	18,787	91
DI Trust Fund			
Contributions ¹	\$ 2,022	\$ 1,884	93%
Benefit Payments	1,781	1,731	97
Administrative Expenses	137	161	118
Interest Income	58	56	97
Transfer to Railroad Retirement	25	25	100
Payments for Vocational Rehabilitation Services	3	12	400
Fund at End of Year	1,739	1,617	93
HI Trust Fund ²			
Contributions ³	\$ 1,911	\$ 1,637	86%
Benefit Payments	891	987	111
Administrative Expenses	107	50	47
Interest Income	31	18	58
Fund at End of Year	944	618	65
SMI Trust Fund ⁴			
Premiums	\$ 322	\$ 308	96%
Government Contributions	0	308	-
Benefit Payments	128	312	244
Administrative Expenses	74	85	115
Interest Income	2	4	200
Fund at End of Year	122	223	183

¹ Includes transfer from General Fund for military service credits (\$78 million to OASI and \$16 million to DI).

² Transactions relating to uninsured persons who would be covered for the benefits of this program, the cost for whom is borne by the General Fund, are not shown in the estimates. They are included in actual figures in benefit payments and administrative expenses, but with only \$25.8 million of such costs having been reimbursed in 1966 (included in contributions).

³ Includes transfer from Railroad Retirement (\$16 million) and General Fund for military service credits (\$11 million).

⁴ Estimates are averages of high-cost and low-cost estimates, using a 90% participation rate.

Table 2
COMPARISON OF BALANCES IN FUND AT END OF
CALENDAR YEAR, 1960-66

<u>Calendar Year</u>	<u>Amount (in millions)</u>		<u>Estimate as Percent of Actual</u>
	<u>Actual</u>	<u>Estimate</u>	
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
1966	20,570	18,787	91.3
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
1966	1,739	1,617	93.0
HI Trust Fund			
1966	\$ 944	\$ 618	65.5%
SMI Trust Fund			
1966	\$ 122	\$ 223	182.8%

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.