

# ACTUARIAL NOTE

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

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This is the sixth in a 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 fiscal year 1968 with the estimates shown in the 1968 Trustees Reports. For the OASI Trust Fund, the estimates of the income items were \$365 million higher than the actual experience, and the estimates of the outgo items were slightly higher than the actual experience (by \$27 million), with the result that the estimated fund at the end of the fiscal year was \$337 million higher than the actual fund. For the DI Trust Fund, a similar situation is shown; income was \$38 million lower than the estimate, and outgo was \$32 million below the estimate, so that the fund at the end of the fiscal year was \$7 million lower than the estimate.

For the HI Trust Fund, income was \$375 million lower than the estimate (primarily due to the fact that \$284 million should have been reimbursed from the General Fund for uninsured persons during the fiscal year, but was not transferred until July), and outgo was \$363 million higher (primarily due to higher utilization than had been estimated), giving an actual balance in the fund at the end of the fiscal year that was \$737 million below the estimate. For the SMI Trust Fund, income was \$121 million less than the estimate (primarily because the Government contributions did not fully match the enrollee premiums—but the difference was made up in July 1968), and outgo was \$79 million less than estimated, so that the balance in the fund at the end of the fiscal year was \$41 million less than the estimate.

Table 2 presents a comparison of the balances in the trust funds at the end of fiscal years 1960–68 with the estimates made during each of the same years. In each year, the OASDI estimates have been very close to the actual experience, with the greatest variation being for fiscal year 1966—due to the actual income being so much higher than the estimate (largely because an Internal Revenue Service regulation went into effect which speeded up the collection of taxes). However, it is to be expected that these estimates should be relatively close to the actual experience, since they are made in the middle of each fiscal year and thus project only about 6 months into the future.

Table 1

COMPARISON OF PROGRESS OF OASDHI TRUST FUNDS  
FISCAL YEAR 1968

Item	Amount (in millions)		Estimate as Percent of Actual
	Actual	Estimate	
OASI Trust Fund			
Contributions *	\$22,740	\$23,114	102%
Benefit Payments	20,737	20,742	100
Administrative Expenses	447	457	102
Interest Income	899	890	99
Transfer to Railroad Retirement	438	450	103
Fund at End of Year	25,533	25,870	101
DI Trust Fund			
Contributions *	\$ 2,715	\$ 2,758	102%
Benefit Payments	2,088	2,118	101
Administrative Expenses	112	114	102
Interest Income	85	80	94
Transfer to Railroad Retirement	20	20	100
Payments for Vocational Rehabilitation Services	15	15	100
Fund at End of Year	2,585	2,592	100
HI Trust Fund			
Contributions *	\$ 3,525	\$ 3,624	103%
Benefit Payments	3,736	3,369	90
Administrative Expenses	79	83	105
Interest Income	61	69	113
Transfer from Railroad Retirement	44	44	100
Reimbursement for Uninsured Persons	273	541	198
Fund at End of Year	1,431	2,168	152
SMI Trust Fund			
Premiums	\$ 698	\$ 714	102%
Government Contributions	634	739	117
Benefit Payments	1,390	1,473	106
Administrative Expenses	143	139	97
Interest Income	21	21	100
Fund at End of Year	307	348	113

\* Includes transfer from General Fund for military service credits (\$78 million to OASI, \$16 million to DI, and \$11 million to HI).

Table 2

COMPARISON OF BALANCES IN FUND AT END OF  
FISCAL YEAR, 1960-68

Fiscal Year	Amount (in millions)		Estimate as Percent of Actual
	Actual	Estimate	
OASI Trust Fund			
1960	\$20,829	\$20,524	98.5%
1961	20,900	20,772	99.4
1962	19,626	19,825	101.0
1963	18,939	18,889	99.7
1964	19,699	19,426	98.6
1965	20,180	19,922	98.7
1966	19,872	18,748	94.3
1967	23,515	23,071	98.1
1968	25,533	25,870	101.3
DI Trust Fund			
1960	\$ 2,167	\$ 2,167	100.0%
1961	2,504	2,486	99.3
1962	2,507	2,544	101.5
1963	2,394	2,401	100.3
1964	2,264	2,247	99.2
1965	2,007	1,968	98.1
1966	1,686	1,591	94.4
1967	2,022	2,012	99.5
1968	2,585	2,592	100.3
HI Trust Fund			
1966	\$ 851	\$ 797	93.7%
1967	1,343	1,444	107.5
1968	1,431	2,168	151.5
SMI Trust Fund			
1967	\$ 486	\$ 260	53.5%
1968	307	348	113.4