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

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This is the tenth 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 earning 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 1970 with the estimates shown in the 1970 Trustees Reports. For the OASI Trust Fund, the estimates of the income items were \$216 million lower than the actual experience, and the estimates of the outgo items were slightly higher than the actual experience (by \$54 million), with the result that the estimated fund at the end of the fiscal year was \$269 million lower than the actual fund. For the DI Trust Fund, a similar situation is shown; income was \$35 million higher than the estimate, and outgo was \$39 million lower than the estimate, so that the fund at the end of the fiscal year was \$75 million higher than the estimate.

For the HI Trust Fund, income was only \$33 million higher than the estimate, but outgo was \$369 million lower (primarily due to lower hospital costs and utilization than had been estimated), giving an actual balance in the fund at the end of the fiscal year that was \$402 million above the estimate. For the SMI Trust Fund, income was \$22 million higher than the estimate and outgo was \$31 million higher than estimated, so that the balance in the fund at the end of the fiscal year was \$9 million less than the estimate.

Table 2 presents a comparison of the balances in the trust funds at the end of fiscal years 1960-70 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 that speeded up the collection of taxes). In the case of the HI Trust Fund, except for fiscal years 1966 and 1970, and in the case of the SMI Trust Fund, except for the first fiscal year of operations, the estimates have been significantly higher than the resulting actual experience. It would 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 3 presents a comparison of actual experience for calendar year 1970 with the estimates shown in the 1970 Trustees Re-

ports. For the OASI Trust Fund, the estimates of the income items were \$384 million lower than the actual experience, and the estimates of the outgo items were lower than the actual experience by \$23 million. The assets at the end of the calendar year exceeded the estimate by \$361 million. For the DI Trust Fund, income was \$47 million higher than the estimate, and outgo was \$21 million lower than the estimate, so that the fund at the end of the calendar year was \$67 million higher than the estimate.

For the HI and SMI Trust Funds, no new estimates were made for calendar year 1970.

Table 4 presents a comparison of the balances in the trust funds at the end of calendar years 1960-70 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 the fiscal-year comparison (where the estimates project only about 6 months into the future). The 1969 estimates, however, were prepared at the end of 1968, before actual data for 1969 were known. Therefore, the estimates differed from the actual amounts of the balances in the funds at the beginning of 1969, and these differences are necessarily reflected in the balances at the end of that year.

Table 1

COMPARISON OF PROGRESS OF OASDHI TRUST FUNDS
FISCAL YEAR 1970

<u>Item</u>	<u>Amount (in millions)</u>		<u>Estimate as Percent of Actual</u>
	<u>Actual</u>	<u>Estimate</u>	
OASI Trust Fund			
Contributions*	\$30,033	\$29,852	99%
Benefit Payments	26,267	26,357	100
Administrative Expenses	474	495	104
Interest Income	1,350	1,315	97
Transfer to Railroad Retirement	579	523	90
Federal Payment for Special Benefits	364	364	100
Payments for Vocational Rehabilitation Services	1	—	—
Fund at End of Year	32,616	32,347	99
DI Trust Fund			
Contributions*	\$4,157	\$4,129	99%
Benefit Payments	2,778	2,798	101
Administrative Expenses	149	158	106
Interest Income	223	216	97
Transfer to Railroad Retirement	10	18	180
Payments for Vocational Rehabilitation Services	17	19	112
Fund at End of Year	5,104	5,029	99
HI Trust Fund			
Contributions*	\$4,796	\$4,769	99%
Benefit Payments	4,804	5,175	108
Administrative Expenses	149	147	99
Interest Income	139	131	94
Transfer from Railroad Retirement	61	63	103
Reimbursement for Uninsured Persons	617	617	100
Fund at End of Year	2,677	2,275	85
SMI Trust Fund			
Premiums	\$936	\$922	99%
Government Contributions	928	928	100
Benefit Payments	1,979	1,949	98
Administrative Expenses	217	216	100
Interest Income	12	4	33
Fund at End of Year	57	66	116

*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, 1960-70

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
1969	28,191	28,734	101.9
1970	32,616	32,347	99.2
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
1969	3,678	3,740	101.7
1970	5,104	5,029	98.5
HI Trust Fund			
1966	\$ 851	\$ 797	93.7%
1967	1,343	1,444	107.5
1968	1,431	2,168	151.5
1969	2,017	2,328	115.4
1970	2,677	2,275	85.0
SMI Trust Fund			
1967	\$ 486	\$ 260	53.5%
1968	307	348	113.4
1969	377	424	112.5
1970	57	66	115.8

Table 3
COMPARISON OF PROGRESS OF OASDHI TRUST FUNDS,
CALENDAR YEAR 1970

<u>Item</u>	<u>Amount (in millions)</u>		<u>Estimate as Percent of Actual</u>
	<u>Actual</u>	<u>Estimate</u>	
OASI Trust Fund			
Contributions ¹	\$30,334	\$30,069	99%
Benefit Payments	28,796	28,799	100
Administrative Expenses	471	503	107
Interest Income	1,515	1,396	92
Transfer to Railroad Retirement	579	523	90
Federal Payment for Special Benefits	371	371	100
Payments for Vocational Rehabilitation Services	2	—	—
Fund at End of Year	32,454	32,093	99
DI Trust Fund			
Contributions ¹	\$4,497	\$4,468	99%
Benefit Payments	3,067	3,072	100
Administrative Expenses	163	169	104
Interest Income	277	259	94
Transfer to Railroad Retirement	10	18	180
Payments for Vocational Rehabilitation Services	19	21	111
Fund at End of Year	5,614	5,547	99
HI Trust Fund			
Contributions ²	\$4,955	*	—
Benefit Payments	5,124	*	—
Administrative Expenses	157	*	—
Interest Income	161	*	—
Reimbursement for Uninsured Persons	863	*	—
Fund at End of Year	3,202	*	—
SMI Trust Fund			
Premiums	\$1,096	*	—
Government Contributions	1,093	*	—
Benefit Payments	1,975	*	—
Administrative Expenses	238	*	—
Interest Income	12	*	—
Fund at End of Year	188	*	—

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

² Includes transfers of \$11 million for military service credits from the General Fund and \$63 million from the Railroad Retirement Account.

³ No comparable estimates were published in the 1970 Trustees Reports for the HI Trust Fund or for the SMI Trust Fund for calendar year 1970.

