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### CURRENT DEVELOPMENTS IN SOCIAL SECURITY

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As a result of the report of the National Commission on Social Security Reform issued in January 1982 and the pursuant major Social Security amendments, what are the effects on public and private retirement systems, and on the economy in general?

MR. HARRY C. BALLANTYNE: The financing problems of the Social Security system have been in the news for almost a decade. During that time, the economy has performed poorly and benefit outgo has been increasing faster than tax income, thus causing the trust fund balances to decline. In the short range, it had been expected that, without corrective legislation, the Old-Age and Survivors Insurance and Disability Insurance Trust Funds would become insufficient to pay timely benefits sometime in the late 1970's or early 1980's. The Hospital Insurance fund was expected to have similar problems but not until later. In the long range, all three funds--OASI, DI, and HI--were expected to have severe problems.

The enactment of the Social Security Amendments of 1977 was the first major attempt to resolve these problems. When the legislation was enacted, President Carter and others stated that it would reassure both beneficiaries and workers that "the Social Security system will be financially sound well into the next century." Unfortunately, this prediction was not accurate. The very unfavorable and unexpected economic conditions of the late 1970's and early 1980's caused the continued deterioration of the financial condition of the Social Security system.

Several fairly significant laws, including the Disability Amendments of 1980 and the Omnibus Budget Reconciliation Act of 1981, served to delay the expected depletion of the Old-Age and Survivors Insurance fund until sometime in 1982. Interfund borrowing from the healthier Disability Insurance and Hospital Insurance funds would delay this inability to pay timely benefits until sometime in 1982 or 1984, but such borrowing was not permitted under the law at that time.

In December 1981, President Reagan signed a law permitting limited interfund borrowing. The OASI fund could borrow from either the DI or HI funds, but only to the extent necessary to guarantee benefit payments in the first six months of 1983. Thus, the inevitable financing crisis was assigned a precise date--July 1, 1983--when the OASI Trust Fund would not have sufficient assets to allow the Treasury to pay benefits.

On September 24, 1981, President Reagan announced his intention to appoint a bi-partisan National Commission on Social Security Reform, which was appointed on December 16, 1981. This Commission, consisting of eight Republic: even Democrats, and chaired by Alan Greenspan, met several times du and reached an agreement on January 15, 1983. That agreement for: asis of the recently enacted Social Security Amendments of 1983 (Pu 98-21), which was signed by President Reagan on April 20.

The Social Security Amendments of 1983 provide sufficient financing to resolve the short-range financing problems of the OASDI system, even under fairly pessimistic conditions. The law also includes several changes that are effective only in the long term (1990 and later), and the combined effects of the short-range and long-range elements are sufficient to eliminate the estimated long-range deficit of 2.1 percent of taxable payroll (under intermediate II-B assumptions).

The short-range changes raise a total of \$166 billion over the period 1983-1989. These changes can be divided into five categories: coverage (\$25 billion), benefit changes (\$38 billion), payroll-tax increases (\$59 billion), taxation of benefits (\$27 billion), and other changes (\$18 billion).

The major coverage changes are the mandatory coverage after 1983 of new Federal hires and of all employees of non-profit organizations. In addition, those State and local governmental units which are now covered are prohibited from terminating coverage, and those units which had terminated coverage are permitted to rejoin the Social Security System.

By far the largest element in the category of benefit changes is a six-month delay in the cost-of-living adjustment (COLA) from July to January, which saves an estimated \$39 billion. This is a permanent change, not just a one-time deferral. Also included are several modifications which increase benefits for certain divorced or disabled spouses and surviving spouses. One provision will reduce so-called windfall benefits to some workers with pensions based on non-covered employment; another will essentially increase the benefits of some auxiliary and survivor beneficiaries with such non-covered pensions by reducing the amount of offset.

Increases in the payroll-tax rates had been scheduled in previous law for 1985, 1986 (for HI only), and 1990. The 1983 amendments advance the 1985 increase to 1984, although the increase for employees is provided through a general-revenue transfer, and about three-fourths of the 1990 increase is advanced to 1988. These payroll-tax increases on wage-earners will raise \$39 billion.

The self-employed will also pay higher Social Security taxes. In the past, the self-employed paid about three-fourths of the combined employee-employer tax rate for OASDI and one-half of the combined tax rate for HI. The 1983 amendments will raise the self-employed tax rate to the full employee-employer rate in both cases; however, these increases will be partially offset by income tax credits from 1984 through 1989. After 1989, the net earnings of self-employed workers will be adjusted so as to exclude half of the SECA tax, thus making their tax treatment equivalent to that of employees. These changes in the tax rates for the self-employed will increase OASDI revenues by \$19 billion in 1984-89.

One provision in the 1983 amendments which will not raise a large amount of additional income, but which is attracting considerable attention, requires that contributions to certain tax-sheltered employee retirement savings arrangements such as Cash or Deferred Arrangements (CODA's) must be included in income for purposes of computing Social Security taxes and benefits. The income tax treatment of such contributions is not affected. Therefore, these plans would be treated like IRA's, with income taxation being deferred

but Social Security taxation being immediate. The problem with previous law was that some of these arrangements were able to escape Social Security taxes altogether.

This provision indicates the continuing concern of Congress in preventing erosion of the Social Security tax base. Although the tax-sheltered nature of these plans was not resulting in large revenue losses to the OASDI system under previous law, the potential loss would have been enormous if such plans were widely adopted. Congress has demonstrated several times in recent years that they are unwilling to tolerate "loopholes" that would permit significant amounts of employee compensation to escape the Social Security tax.

All Social Security benefits have been tax-free under previous law. Beginning in 1984, however, a new tax will be payable if the sum of adjusted gross income, tax-free income, and one-half of Social Security benefits exceeds \$25,000 for single individuals and \$32,000 for married couples filing jointly. In such cases, the taxpayer will be required to include in taxable income the lesser of one-half of the Social Security benefits or one-half of the excess income (including half the Social Security benefits) over the threshold amount. In no case will more than one-half of the Social Security benefits be includible. Under the new law, the threshold amounts are scheduled to remain constant at \$25,000 and \$32,000 in the future; the amounts will not be indexed as many other elements are indexed under the program, so that gradually more and more of a person's Social Security benefits will become taxable. Initially, we estimate that about 8% of the beneficiaries will become affected by this provision, but that percentage will rise in the future.

The additional income taxes collected as a result of this provision will be transferred (in advance) from the general fund of the U.S. Treasury to the OASDI Trust Funds. This transfer is therefore regarded by some as a general revenue subsidy to Social Security. Others consider the taxation of benefits to be simply a new tax, and still others regard it as a benefit "recapture," because the net effect is a reduction in the benefits of high-income persons. Because of the controversial nature of this provision, it is considered separately in this presentation.

The final category of changes consists mainly of two items--a modification to the financing basis of certain military service wage credits and crediting of past and future uncashed benefit checks to the OASI Trust Funds. The first item will result in net transfers of \$16 billion in 1983-89 from the general fund of the Treasury to the OASDI funds; the second will result in similar transfers of about \$2 billion.

The 1983 amendments include four financing provisions for which no cost effect is given. The first item is called normalization of payroll taxes. Social Security benefits are payable at the beginning of each month, but the tax collections for Social Security are spread out during the month as taxes are collected by the IRS for both income taxes and Social Security tax. This has been part of the cash flow problem. The trust funds must be maintained at a level of at least 8% of annual outgo in order to meet the cash disbursements that are due at the beginning of the month. By moving the tax collections to the first day of the month as this provision does, the trust funds are credited with Social Security tax collections for the month

on the first day of that month, to coincide with timing of the benefits that are payable. This amounts to a loan from the general fund of the Treasury from the beginning of the month until the time the taxes would be collected. The trust funds must reimburse the general fund of the Treasury for the interest lost on the advancement of the taxes. This provision does not provide any additional net revenue, but it does improve the timing of the cash flow for the OASDI system.

The second provision extends the interfund borrowing authority among the OASI, DI, and HI Trust Funds through 1987 (it had expired at the end of 1982). This provision also sets certain restrictions on when interfund loans can occur, and it specifies a repayment schedule under which all such loans must be repaid by the end of 1989.

The other two provisions are effective only if the trust fund level drops below certain limits. There is a provision called the stabilizer in the amendment which would modify the cost-of-living benefit increase whenever the trust fund ratio falls below certain specified levels. That level is 15% of annual outgo during 1984 through 1988 and then increases to 20%. If the trust fund levels fall below 15% before 1989, the cost-of-living benefit increase would be based on the lower of the increase in average wages or the increase in the Consumer Price Index. Currently, cost-of-living benefit increases are based solely on the increase in the Consumer Price Index, which led to an anomalous result, especially in the late 1970's and early 1980's, when average wages increased much more slowly than the CPI. Social Security beneficiaries received larger increases in their benefits than workers received in their wages, yet workers were financing the system. If the trust fund ratio later increases sufficiently, these reductions in COLA's are paid back.

The last provision requires the Board of Trustees to develop and transmit to Congress a plan to modify the financing of the Social Security system if they determine that all of the preceding measures are inadequate to maintain a trust fund ratio of at least 20%. The Board of Trustees for the Social Security Trust Funds consists of the Secretary of the Treasury as managing trustee, the Secretary of Health and Human Services and the Secretary of Labor. It is their responsibility to report on the status of the trust funds each year. They now have a new role to advise Congress when the trust fund ratios become too low, and to report to Congress the actions necessary to bring the ratios back up to viable levels.

The net effect of all of the preceding changes on the short-range financial situation of the OASDI system obviously depends on the economic assumptions chosen. There are four sets of economic assumptions upon which we make cost estimates in the Social Security program. One is an optimistic set, two are intermediate sets, and one is a pessimistic set.

Under extremely pessimistic assumptions--for example, under conditions as bad as those experienced in 1979-81--the OASDI system could still become unable to make timely benefit payments sometime in the late 1980's. Under the intermediate (alternative II-B) assumptions developed for the 1983 Trustees Report, however, the OASDI Trust Funds will grow steadily from \$25 billion at the beginning of 1983 (including loans from the HI Trust Fund) to \$114 billion at the beginning of 1990 (at which point all of the loans from HI will have been repaid). The OASDI trust fund ratio will increase during

the same period from 14% to 39%. Even under the pessimistic (alternative III) assumptions, the trust fund ratio reaches 29% at the beginning of 1990, although it dips as low as 16% at the beginning of 1988.

None of these projections includes the estimated future experience of the HI program, for several reasons. First, most of the very significant changes in HI that were enacted in TEFRA in 1982 are only temporary, although they may be extended. Second, the effect of the prospective payment provision that is included in the 1983 amendments cannot be determined very accurately until certain implementing regulations are issued. Third, the quadrennial Social Security Advisory Council that was appointed last year has been directed to focus its investigation on the Medicare program, and the resulting recommendations will certainly have some effect on future legislation. The projections under present law, however, show that without significant changes in either the law or the regulations, the HI Trust Fund will be bankrupt sometime in the early 1990's.

For three years the short-range estimates have shown impending depletion of the OASI trust fund. The amendments show that the trust funds can be expected to pay benefits on time until 1990 at which time they will be building up again. Of course, economic conditions could be worse than the pessimistic assumptions, so that given a certain kind of economic downturn, there may still be financial problems that are not revealed by the pessimistic projections.

Turning to the longer range, this is the first time in ten years that we can say the long-range deficit is eliminated. Since the automatic benefit increase provisions enacted in 1972, we had been projecting an ever-increasing long-range deficit. The 1977 amendments eliminated most of that but there still remained about a 1% deficit until the 1983 amendments were enacted. The deficit is shown to be eliminated under the II-B assumptions.

In the late 1970's, we were projecting that the DI trust fund would be bankrupt in 1979 because of high disability incidence rates, and there was a significant reallocation from OASI to DI in the 1977 amendment. After the reallocation, the disability incidence rates started to fall and the DI trust fund was really over-financed until we again reallocated in the 1983 amendments. The reason for the reallocation was because of the turnaround in the experience in the disability program. Actually, a comparison of the OASI and DI trust fund ratios shows that the DI ratios are projected to be higher than OASI. We have assumed a turnaround in the DI incidence rates so that they will begin to increase again in the future, but not to the levels which existed before they started down in the late 1970's.

Another matter of interest is the question of general revenue financing. There may appear to be indirect general revenue financing in this set of amendments. There are precedents for some so-called general fund financing. I mentioned the military service credits as one example. In the 1983 amendment, the financing basis of the military service credits was changed. We have the taxation of benefits that come from the general fund, but it is a tax on benefits. Some view this as a reduction in benefits.

In summary, the Social Security Amendments of 1983 should go a long way toward restoring the public confidence in the Social Security system. Unless economic conditions become worse than they are today, the system

should be solvent for at least 30 years and perhaps longer under our intermediate set of assumptions. The long-range situation, of course, is impossible to predict with the same level of confidence. We believe that the previous deficit of 2.1% of taxable payroll in the long range is essentially eliminated, and I believe that our assumptions in the short range are realistic. The 1983 amendments have demonstrated that Congress is willing to make changes in the structure of the system, and that willingness to change is the best indication that the system will always be viable, although perhaps not in the same form it is today.

MR. THOMAS P. BLEAKNEY: The first item I want to address is the Civil Service System. Much opposition to the Social Security amendments came from federal employees who were violently against having to be covered under Social Security. One of the aspects that has not been fully recognized is that, although federal employees are covered under Social Security as of January 1, 1984, the Civil Service System itself has not been amended to reflect that fact. As a consequence, we have a significant problem. The practicalities are that the Civil Service System probably will not be ready for new members who come in after the first of the year. There are two possible solutions. One is for Congress to put off the entry of the Civil Service employees to Social Security for another year and let them go on in their current system. The other, though, could mean pressure on Congress from the federal employee unions. The replacement program for Civil Service employees may well be either a non-contributory program or one in which the contributions are substantially lower than they presently are, because the members will also be contributing to Social Security. This presents the question of how the Civil Service System itself will weather the next few years. The Civil Service System is essentially a pay-as-you-go system, and will consequently suffer as employee contributions to that System decline. There will be a significant problem in terms of the overall revenue that is available to both Systems. We know that the contributions are below what they should be. The federal government will be required to make contributions with respect to about 2.5 million federal employees.

With regard to state and local systems, there was great relief among police and fire fighters who managed to avoid being forced into Social Security. They did not escape entirely, of course, because no further withdrawals from Social Security are allowed. State and local governments which have previously withdrawn from Social Security do not have immediate incentive to return because of the "one-way door" feature, but I think there may be at least a straw in the wind. Those of you who had been involved in the question of withdrawal from Social Security know that one of the arguments against withdrawal was that, if a movement for general revenue financing were to occur, then there will be much greater incentive to remain covered. One's tax dollars are paying for Social Security anyway, but one does not receive any of the benefits. To the extent that the tide continues to move in this direction, there may be an incentive for the units that are now out to consider returning to coverage. One of the provisions of the amendments was to allow units which had withdrawn (and the decision to withdraw was then an irrecoverable choice) to return to the System. Of course, if a unit returns to Social Security coverage, it may not withdraw a second time. The option to return will probably be studied to some extent, but I do not expect an immediate rush to return to coverage under the System.

The strongest argument against inclusion of state and local government employees under Social Security was the concern of Congress to pass the law promptly. As we all know, there is the issue of states' rights. The federal government may not tax those local governments and that, in essence, is what happens under Social Security. In the time necessary to cure the problems of Social Security, there was not the time to wrestle with the states' rights issue. There is the increasing opinion that if the federal government really wanted to, all the state and local employees could be brought under Social Security. If public policy suggests a universal Social Security system, then I would not be breathing easy if I were a state or local government employee.

I have a few other thoughts on the question of benefit design as impacted by the new amendments. One of the long-term questions is that of retirement age. Many of us have been supporting the idea that the advancement of the retirement age makes sense because of our increased longevity and that we should split our career to the working and the retired status in roughly the same proportion that it was when Social Security was enacted. How does this affect plans that are designed around Social Security? Under ERISA, age 65 must be used as a normal retirement age. It will be interesting to see if that will be extended and just what the pattern of future retirement ages will be. Although this is some time in the future, it should be considered far enough in advance because of the potential benefit cutback problems.

Another related question is the effect on offset plans. Still another question is the taxability of the benefits under the Social Security program although the effect is limited at the moment. Without indexing that could become an increasing factor. The idea of taxing is a marvelous way of accomplishing an equitable benefit. Taxation can be viewed as a partial replacement toward giving a higher benefit to the low-paid person. However, if that low-paid person really is not low paid but is receiving significant income outside Social Security, then it is not logical to pay that person a disproportionate benefit as is done under the current formula. It seems that the taxation process, to the extent that it is working properly, can achieve a better distribution of benefits. The threshold amount for taxation purposes is not currently indexed and therefore the tax will become increasingly burdensome with the passage of time and accompanying inflation. As the middle-income person, and finally even the low-income person, finds that the \$25,000 threshold lumps a person into a taxable status with regard to half of the Social Security benefits, there will be increasing political pressure to increase this threshold on an ad hoc indexing basis. The questions of benefit design, replacement ratios and so forth, will aggravate the problem of integration, especially when the issue of taxation is considered.

Another aspect of taxation regards the ability of municipal entities to borrow at attractive interest rates. In determining when the \$25,000 or \$32,000 threshold is exceeded for purposes of taxation of Social Security benefits, all income including municipal bond income is considered. If there is no distinction among types of income to the retiree for taxation purposes, the appeal of municipal bonds for retirement (taking a lower income because it is tax free) is decreased.

MR. PAUL GILBERT\*: Prior to the final decision reached by the Commission, I had heard of a proposal for a Mandatory Universal Pension System (MUPS). I don't know if it was to replace Social Security necessarily. Can you bring me up to date?

MR. BALLANTYNE: There was some support for the proposal you described, and for more basic structural changes in Social Security. We reviewed some of the proposals, but for political reasons we felt that it was not a very good use of our time because we did not think the proposals would get very far. Most of those proposals suffered from the fact that Social Security is a pay-as-you-go system. Going to a fully funded basis requiring current contributors to finance their future benefits would leave the bill for somebody else to pay for the present recipients. Since it is a very expensive proposition, the more radical ideas for basic structural reform were not considered very seriously. A more practical idea would be to make an incremental change in the program. And that is basically what occurred.

MR. BLEAKNEY: Let me add one item. I serve on the Social Insurance Committee of the American Academy of Actuaries. The chairman of the Committee characterized the problem of Social Security as that of a ship that is sinking; we as actuaries would love to not only bail out the ship but patch all the holes that were causing it to have trouble in the first place. The practicality of congressional politics is that you bail it out, but once it is bailed out you have done all you can do and the patching of the holes just isn't going to do it. I realize that is a rather severe accusation, but at this point it was the bailing out that was the biggest problem. The Social Insurance Committee would love to design a new ship, but we actuaries realize that Congress will not always do what we would like to see it do.

MR. ROBERT C. OCHSNER: The money situation is very tight. There has never been a real groundswell of public opinion for defined contribution retirement systems in this country, although one can make a great theoretical case for it if a new country were started, with new people. The argument was made by an industry group in 1971, that if there was a MUPS, there should be an option for each employer as to whether to use a modest amount of defined contribution or a modest amount of defined benefit funding. The idea has never had any significant enthusiasm.

MR. RICHARD M. RASIEJ: The fact that social insurance principles are being weakened by the infusion of general revenues through the taxation of some benefits has already been noted. However, I feel that the taxation of benefits beyond a certain point is also a weakening of social insurance principles in that it amounts to an imposition of a negative needs test (i.e., a statutory, regulatory or bureaucratic decision that certain benefits are not needed because the potential beneficiary's assets or income are too high), despite the fact that a defining characteristic of social insurance is no needs tests, of whatever form.

Why can't we just admit that we're moving away from social insurance and towards social assistance, and start flattening out the benefit formula?

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MR. BALLANTYNE: There is some plausibility to that suggestion. I do not believe that general revenue financing will grow very much. There has always been some rational basis for the general fund financing that exists, and there had to be a rationalization for what resulted in the 1983 amendment or it would not have occurred. There have been proposals for outright general fund financing. For example, when Congressman Burke was Chairman of the Social Security Subcommittee he proposed that there be one-third financing by the general revenue fund and the other two-thirds by the employee.

MR. OCHSNER: If one reviews the long term trends in these matters, the country has clearly signaled to Congress that it has about all the social retirement insurance that it wants in terms of cost.

We should determine what percentage of GNP the country is willing to spend on health care. The situation will become serious in five years or sooner; a large-scale attitudinal change on the part of the population is required. OASDI benefits may have to be cut back during the 1980's to help pay for the arrearages which will accumulate in the health care area. Currently, six to ten billion dollars a year of medical cost is being transferred from Medicare programs over to private insurance programs through their reimbursement mechanism. That is a highly leveraged number and it will skyrocket.

MS. JUDITH SPIGAL: I am wondering why the problems with restructuring the Civil Service System seem to be so monumental. Why can't an offset on the benefits and an offset on the contributions be installed, or a separate plan be established?

MR. BALLANTYNE: It would be a difficult political process to reduce the benefits. I would think that something would have to be done next year, but I suspect that there will not be a very well thought out plan. During the floor debate of the bill in the Senate, Senator Long was able to add an amendment to the bill which states that new federal employees could not be covered until a rational plan was developed to coordinate the two programs. We estimated that it will cost .28% of taxable payroll, which was equal to the savings obtainable by covering the federal employees. There is much emotional opposition to covering federal employees. Part of the problem of coordinating the two programs is the political and emotional problems.

MR. BLEAKNEY: The considerations in designing benefits for the private sector versus the public sector are very different because of the political process.

MR. DAVID M. BENOVIK: You mentioned earlier a rationale for including 401(k) type contributions as being currently taxable, since they are similar to IRA contributions. It seems that there are other forms of employee benefits that, if that rationale were applied, would also be taxable for Social Security. What will the impact be on these other plans?

MR. BLEAKNEY: It is difficult to anticipate what is going to happen in future legislation.

MR. OCHSNER: The Social Security Administration published an actuarial note last summer detailing that problem and I think it was the desire of Congress to stop further erosion of the FICA contributions base, rather than expand it. Inevitably, when a new source of income is taxed for FICA purposes, the

question arises whether it is taxable income. The elements that are newly taxable for FICA purposes would have been income taxable, although on a deferred basis.

MR. DWIGHT K. BARTLETT: Our company's group LTD programs have a 100% offset for disability benefits paid under Social Security. We traditionally priced our group LTD on the assumption that in about 80% of the cases in which we approved a disability claim, the Social Security Administration would also approve that claim. Consequently, our net liability was quite modest. Our statistics over the last year and a half indicate the percentage has dropped to 50% or less; of course, that has given us a very adverse experience in the group LTD line. This is a result of the tighter administration of the Social Security disability insurance program. Do you see any indications that the tightening has gone too far from the political point of view and that there might be a tendency to return to a more moderate position in the administration of the disability insurance program?

MR. BALLANTYNE: That is a possibility. Our incidence rates have dropped substantially, mainly because of tightening up of the administration. The allowance rate of claims that were filed has dropped, which also had the effect of lowering the incidence rate. In addition, we started investigating people already on the rolls to determine whether they continued to be disabled. A GAO study indicated that 20% should be terminated, so we have been investigating those cases and terminating a fairly high percentage although the number of investigations involved is not very large yet. There has been some public reaction against the investigation of people already on the rolls.

There may be a moratorium imposed by Congress to stop the investigation of those claims. I am sure that if we relax the investigations of people already on the disabled rolls, there may be a spill-over effect into the administration of initial claims. We cannot use one set of standards for persons already on the rolls and then use a different standard for the initial claims. In our projections of cost estimates we do reflect some upturn in the disability experience.

MR. BLEAKNEY: I understand that there is a change in the actuary's certification of the annual Trustees Report. Could you please explain that to me?

MR. BALLANTYNE: Until about two years ago, the annual report of the Board of Trustees contained no statement concerning the actuary's opinion on the estimates in the report. In the 1981 report, we instituted a voluntary statement certifying that the assumptions and estimates in the report are reasonable and I signed a similar statement in the 1982 report. Then, in the 1983 amendments, there was a provision in the House bill to make that kind of statement a requirement. In the Senate bill, there was a certification requirement but it does not address economic assumptions; consequently, we are limited to certifying that only the arithmetic is okay.

MR. RONALD L. SOLOMON: Since the disability fund is in generally better shape than the hospital fund, why was the decision made to borrow so much more money from the hospital fund?

MR. BALLANTYNE: The hospital fund had more money to lend in absolute dollars even though relatively (at least in the projections) the hospital fund was not projected to be in as good a financial condition as the disability fund. There was also a reallocation of the tax rates between OASI and DI in the 1980 amendments that had the effect of transferring money from the DI fund to the OASI fund.

MR. SOLOMON: You are to be commended for the fact that you are talking more about pessimistic assumptions than has been done previously. Do you have any estimates as to the probability of the pessimistic assumptions not being pessimistic enough in the near future, or alternatively, some estimated probability of the trust funds continuing to be in bad shape over the next six to eight years?

MR. BALLANTYNE: I do not have any numeric measure. There is a reasonable chance that the pessimistic assumptions would not be pessimistic enough. But I think that it is a reasonably pessimistic set. As to assigning numerical probabilities, it is very difficult.

