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1958 AMENDMENTS TO THE SOCIAL SECURITY ACT

ROBERT J. MYERS

In 1958, as in each of the even-numbered years since 1949, Congress enacted major amendments to the Social Security Act. Changes were made not only in the Old-Age, Survivors, and Disability Insurance system, but also in the Public Assistance program. As in three of the previous four amendments, the amounts of the OASDI benefits were increased; new beneficiary categories were also added.

The 1950 Amendments modified the OASI system by a sizable extension of coverage to employments previously not included, by roughly doubling the benefits, by liberalizing the retirement test, and by providing a definite long-range financing basis. The principal effects of the 1952 Amendments were to raise the benefit level slightly and to liberalize further the retirement test. The 1954 Amendments extended coverage even further (to virtually all types of employment), again increased the benefit level, further liberalized the retirement test, introduced the "disability freeze" provision, and increased the ultimate contribution rates. The 1956 Amendments extended coverage on a regular contributory basis to the armed forces and to certain other small groups, enlarged some beneficiary categories (by lowering the minimum eligibility age for women from 65 to 62, and by providing child's benefits beyond age 18 if disabled), added monthly disability benefits beginning at age 50, and provided an immediate increase in the tax rates (in order to support the disability benefits). The 1958 Amendments increase benefits slightly, liberalize the disability benefits by adding dependents benefits and in other ways, and strengthen the financing basis of the system. It is interesting to note that one of the stated purposes incorporated in the title of the bill is "to improve the actuarial status of the Trust Funds."

The Public Assistance program was changed by the 1958 Amendments in two major respects. First, the matching basis for all four programs, in effect unchanged in principle since the original 1935 Act, was revised and the Federal financial participation increased. Second, the separate program for matching assistance grants for medical costs under each of the four programs, established by the 1956 Amendments, was eliminated by combining it with the cash payment program for Federal matching purposes.

EXPERIENCE SINCE 1950

Old-Age, Survivors, and Disability Insurance

Table 1 shows the very considerable growth that has occurred in the OASDI program since the 1950 Amendments. The dates have been selected so as to be just before the amendments became effective and just afterward (except in regard to the 1956 Amendments, under which the benefits were not increased). The number of retired workers has increased over 350% in the less than 8 years since August 1950, as a result of the maturing of the system and the liberalized qualifying requirements, retirement test provisions, and extensions of coverage under the 1950, 1954 and 1956 Amendments. A similar, but slightly smaller rise occurred for total beneficiaries under the program. The average monthly benefit increased about 150% during the period and will continue to rise because current awards are somewhat higher than benefits for those on the roll. As a result of these two trends, the annual rate of benefit disbursements for those on the roll increased 10-fold—from $\$\frac{3}{4}$ billion in August 1950 to $7.9 billion in June 1958.

TABLE 1

SELECTED DATA ON MONTHLY BENEFITS UNDER OASDI SYSTEM

Month	Beneficiaries (millions)			Annual Rate of Benefits (millions)‡	Average Monthly Benefit for Retired Workers
	Retired Workers*	Disabled Workers†	Total‡		
August 1950	1.41	....	2.96	$ 740	$26.36
September 1950	1.44	....	3.02	1,368	46.62
August 1952	2.43	....	4.65	1,992	42.36
September 1952	2.50	....	4.75	2,325	48.79
August 1954	3.60	....	6.53	3,419	51.95
September 1954	3.64	....	6.59	3,911	58.75
June 1956	4.73	....	8.32	5,273	62.76
June 1958	6.64	.20	11.86	7,916	65.71

* Aged 65 and over, except beginning in November 1956 includes women aged 62 and over.

† Aged 50 to 64.

‡ These figures are somewhat understated by reason of retroactive payments, made some months later in respect to specific past months. These figures have been modified so as to eliminate all duplication in regard to persons receiving more than one type of benefit (such as both an old-age benefit as a retired worker and a widow's benefit).

Table 2 shows the actual and estimated operations of the OASI and DI (Disability Insurance) Trust Funds during 1957, the first full calendar year of operations under the 1956 Amendments. Contribution income in 1957 was $7.8 billion, or about 4½ times as high as in 1949. This increase has resulted from the more-than-doubled contribution rates, the 40% higher maximum wage base subject to taxes, the increase of roughly 50% in coverage, and the general rise in earnings levels.

TABLE 2

COMPARISON OF ACTUAL* AND ESTIMATED OPERATIONS OF OASDI TRUST FUNDS IN 1957

Item	Actual* (millions)	Estimated† (millions)	Ratio, Estimated to Actual
	OASI Trust Fund		
Contributions	$ 7,033	$ 7,259	103%
Benefit Payments	7,757	6,829	88
Administrative Expenses	151‡	149	99
Interest on Fund	557	599	108
Balance in Fund	22,201	23,786	107
	DI Trust Fund		
Contributions	$ 728	$ 721	99%
Benefit Payments	60	116	193
Administrative Expenses	17‡	21	124
Interest on Fund	7	8	114
Balance in Fund	658	592	90

* Including estimated effect of railroad coverage under financial interchange provisions.

† As shown in Table 7 of "The 1956 Amendments to the Social Security Act," by Robert J. Myers, *TSA* VIII, 448.

‡ Adjusted for amount (about $14 million) reimbursable from DI to OASI Trust Fund.

In 1957 (for the first time in the operation of the system) the OASI contributions were lower than the benefit payments, by about $700 million; this was offset somewhat by the excess of the interest earnings over the administrative expenses, resulting in a decrease in the Trust Fund during the year of about $125 million—to a level of $22.2 billion at the end of the year. The estimated contributions were 3% above the actual experience, but the estimate of benefit payments was 12% lower than the actual, primarily because of the larger-than-expected number of retirement claims filed by the groups newly covered by the 1954 and 1956 Amendments (principally, the farmers). The actual interest earnings were about 8% below the estimate, because the Trust Fund was less than estimated.

The contribution income to the DI Trust Fund in 1957 was very close to the estimate. On the other hand, the benefit payments were only slightly more than half as large as the estimate—in part because of filing and administrative lag and in part because of apparently favorable experience. As a result, the balance in the DI Trust Fund at the end of 1957 was some 10% higher than estimated.

Public Assistance

From 1936 to 1950, the OAA roll increased more or less steadily, but beginning in 1950 it declined slowly even though the aged population was increasing about 3% per year. The roll declined from a peak of 2.81 million in September 1950 to 2.46 million in May 1958 (including 42,000 in Puerto Rico and the Virgin Islands, not in the program before the 1950 Act). The steady rise in the average payment (from $44 a month to $61) resulted in the annual rate of payments increasing from $1.48 billion to $1.82 billion currently. Despite the significant increases in the Federal matching proportion over the years as a result of the amendments (see Table 3), the total Federal share of the cost of OAA has not risen sharply. Thus, the Federal share varied between 46% and 49% during fiscal years 1937–46, then rose to 52% in 1947 and 1948, and was about 55% in most years in 1949–57, but is estimated at about 57% in 1958 (and 60% eventually under the 1958 Amendments). This trend is not as sharply upward as might be expected, because more and more states have paid amounts in excess of the matchable individual maximum.

The number of child recipients under aid to dependent children was about 1.7 million in 1950 and fluctuated from about 1.4 to 1.7 million until the beginning of the 1957–58 business recession; by May 1958 the number had risen to almost 2.1 million. Total assistance expenditures under this program rose from a rate of about $550 million a year in 1950 to $900 million a year at the May 1958 rate. Recipients of aid to the blind were virtually level during the 8-year period at about 100,000, with the annual rate of payments currently at about $85 million. The number of recipients of aid to the permanently and totally disabled (established in 1950) rose gradually and in May 1958 amounted to about 310,000, with payments at an annual rate of about $225 million.

OASI versus OAA

OASI beneficiaries aged 65 and over (including wives and widows) exceeded OAA recipients for the first time in the early part of 1951. In June

1958 there were over 3½ times as many such beneficiaries as recipients, namely, 8.9 million versus 2.5 million.

A growing number of individuals aged 65 and over receive both OASI and OAA benefits. Since OASI over the long range is intended to be the major program for providing basic old-age security, it is important to consider the trend in the number of concurrent recipients, shown for recent years in the accompanying table. Although some have been removed from

Date	Number of Concurrent Recipients (thousands)	Concurrent Recipients as Percentage of	
		OASI Beneficiaries Aged 65 and Over	OAA Recipients
June 1948	146	10.0%	6.1%
September 1950	276	12.6	9.8
August 1951	376	11.9	13.8
February 1952	406	12.0	15.1
February 1953	426	10.7	16.3
February 1954	463	9.7	18.0
February 1955	489	8.8	19.2
February 1956	516	8.0	20.4
February 1957	555	7.8	22.2
February 1958	597	7.1	24.2

OAA because of eligibility for OASI or because of increased OASI benefits, the concurrent recipients showed an increase because of two factors—those on OAA who became eligible for low OASI benefits and still needed supplementary OAA, and the growth of the OASI roll, with more persons thus "exposed" to the need of supplementary OAA.

Another important comparison is the proportionate relationship between aged OASI beneficiaries, OAA recipients, and total aged population (where "aged" means aged 65 and over). The accompanying table summarizes these relationships as of June of each year from 1950 to 1958.

Since 1950, the relative proportion of the aged population receiving OASI benefits has increased by about 240% while the proportion receiving OAA has decreased by about 30%. At the same time, the proportion receiving either or both has increased by about 90%. In addition to the over 70% currently receiving OAA or OASI, another 10% of the aged population are eligible for OASI benefits, but are not receiving them (because of the continued employment of the insured individual).

HISTORY OF LEGISLATION

Old-Age, Survivors, and Disability Insurance

In June 1958, the House Ways and Means Committee held public hearings on social security legislation (see appended bibliography for the most important legislative documents). The Executive Branch of the Government had made no major recommendations for legislation. The Committee reported a bill (H.R. 13549) making changes not only in the OASDI system but also in the public assistance program and in the maternal and child health and welfare provisions of the Social Security Act, which was

Year	Percentage of Aged Population Receiving		
	OASI	OAA	OASI or OAA or Both
1950	17.0%	22.6%	37.5%
1951	23.5	21.5	42.2
1952	26.0	20.3	43.2
1953	31.4	19.4	47.5
1954	35.8	18.7	51.1
1955	41.5	17.9	55.8
1956	45.4	17.3	59.1
1957	52.8	16.8	65.8
1958	58.2	16.2	70.4

passed by the House by the usual overwhelming vote on July 31, 1958. This bill made the following major changes in the OASDI program:

1. Benefits increased by 7%, with minimum increase of $3 for worker retired at age 65 or over (accompanied by increases in minimum and maximum benefits).
2. Parent's benefits payable regardless of existence of other survivors.
3. Retirement test liberalized by increasing from $80 to $100 the amount of wages an individual can earn in a month and still receive benefits, regardless of annual earnings.
4. Dependents benefits provided in respect to disability beneficiaries (similar to those available for retired workers).
5. Insured status provisions for disability benefits liberalized by eliminating currently insured requirement.
6. Provision for offset of certain Federal disability benefits and workmen's compensation benefits against OASDI disability benefits eliminated.
7. Maximum earnings base increased from $4,200 to $4,800.
8. Contribution schedule changed by increasing combined employer-employee rate by ½% in 1959 (and by ⅜% for the self-employed) and by accelerating future scheduled increases to 3-year intervals (instead of 5-year intervals).

The Senate Committee on Finance held public hearings. The bill was then reported out with only one significant change; the effective date for the payment of the increased benefits was advanced to January 1959 to coincide with the increase in the contribution rate and the earnings base (certain other changes, such as the dependents benefits for disability beneficiaries became effective in 1958).

The Senate, by a unanimous record vote, passed the bill on August 16, 1958, making no significant changes in the Finance Committee bill. The House accepted the Senate-approved bill without going to conference, and it was signed by the President on August 28 as Public Law 85-840.

Public Assistance

Under H.R. 13549 as reported by the Ways and Means Committee and passed by the House, there would also have been the following major changes in the public assistance program:

1. Federal matching would be on the average payment (but only up to a specified maximum amount on this average) rather than on the then-existing basis of maximum matchable individual payments (thus, for example, if the maximum payment matchable were $60 a month, all individual payments above $60 are considered as $60 under the then-existing basis, whereas under the proposed basis the statewide average would be computed on the payments actually made, but the resulting average could not exceed $60; this is, of course, a considerable liberalization for states making high payments).
2. The separate medical care vendor payment program, under which there was 50-50 Federal matching up to a statewide average of $6 for adults and $3 for children, would be eliminated by coordinating it with the regular cash payment program. This would be done by raising the maximum matchable average payment (in conjunction with the previous item) from $60 to $66 for all public assistance programs except aid to dependent children where the maximum would be raised to $33.
3. The Federal matching proportion on the upper part of the average grant (*i.e.*, above $30, except for the aid to dependent children program, for which the breaking point is $17 under the 1956 Act) would be changed from a straight 50% to a variable proportion ranging from 50% to 70% depending upon the state per capita income (as will be discussed in more detail later).
4. The lower part of the formula for the Federal matching proportion in respect to the aid to dependent children program would be liberalized by being 5/6 of the first $18, instead of 14/17 of the first $17.
5. The public assistance program would be extended to Guam, with 50-50 matching and a dollar limitation of the total Federal grant (as is the case for Puerto Rico and the Virgin Islands whose dollar limitation would be increased).

The Senate Finance Committee reported out these public assistance provisions with one significant change. The maximum matchable average payment was reduced from \$66 to \$65 for all programs except aid to dependent children, where the reduction was from \$33 to \$30.

The Senate made two more significant changes in the Finance Committee bill under pressure of a threatened Presidential veto. First, the maximum Federal matching percentage under the variable grant basis applicable to the upper end of the formula was reduced from 70% to 65%. Second, the Federal matching proportion for the lower part of the formula for the aid to dependent children program was changed back to the basis of 14/17 of the first \$17, as provided under the 1956 Act. The House agreed to the Senate changes. Table 3 shows the matching basis under the 1956 Amendments and also under previous laws.

As to the cost aspects of the public assistance provisions, the House-approved bill would have had an annual cost of \$288 million (plus \$3 million in respect to the provisions for the territories). The bill reported out by the Senate Finance Committee would have had a corresponding cost of \$249 million, while the Senate-approved bill and the final legislation have a cost of \$197 million.

The Federal matching basis under the variable grant procedure is explained by the following formula, where P is the Federal grant percentage applicable to the upper portion of the statewide average payment, and N and S are the national and state per capita income figures:

$$P = 100 - 50 \cdot \frac{S^2}{N^2}, \text{ except that } 50 \leqq P \leqq 65 .$$

It is interesting to note that under this formula, 18 of the 51 jurisdictions (the 49 States, District of Columbia, and Hawaii) have a Federal matching proportion of 50%, while 16 have the maximum proportion of 65%, leaving only 17 falling between 50% and 65%.

COVERAGE PROVISIONS OF OASDI SYSTEM

The 1958 Amendments added only slightly to the coverage of the program by bringing in a small number of individuals in some categories, principally in the state and local government area. Virtually all gainfully employed persons are covered under the program (or could be covered by election). The major exceptions are self-employed physicians, most policemen and firemen with their own retirement systems, Federal government employees under the Civil Service Retirement system, low-income self-employed persons, and farm and domestic workers with irregular employment. Railroad workers are, in essence, covered under the OASDI program as a result of the provisions for transfer of wage credits for those with less than 10 years of service and as a result of the financial interchange provisions applicable to all railroad employees.

Nonfarm Self-Employed

All nonfarm self-employed persons—both nonprofessional, such as store owners, and professional, such as lawyers and dentists—are covered, except doctors of medicine. Earnings are reported annually on the income tax return, with no coverage when such earnings are less than $400 in the year.

TABLE 3

MAXIMUM MATCHABLE AMOUNTS AND FEDERAL MATCHING PROPORTIONS FOR PUBLIC ASSISTANCE UNDER VARIOUS LAWS*

Law	Maximum Matchable Individual Payment†	Federal Matching Proportion‡
	Old-Age Assistance, Aid to Blind, and Aid to Disabled§	
1935 Act	$30	$\frac{1}{2}$
1939 Act	40	$\frac{1}{2}$
1946 Act	45	$\frac{2}{3}$ of first \$15 + $\frac{1}{2}$ of remainder
1948 and 1950 Acts	50	$\frac{3}{4}$ of first \$20 + $\frac{1}{2}$ of remainder
1952 and 1954 Acts	55	$\frac{4}{5}$ of first \$25 + $\frac{1}{2}$ of remainder
1956 Act	60	$\frac{4}{5}$ of first \$30 + $\frac{1}{2}$ of remainder
1958 Act	None	$\frac{4}{5}$ of first \$30 + variable grant (ranging between 50% and 65%) on next $35#
	Aid to Dependent Children	
1935 Act	$18 and $12	$\frac{1}{3}$
1939 Act	18 and 12	$\frac{1}{2}$
1946 Act	24 and 15	$\frac{2}{3}$ of first \$ 9 + $\frac{1}{2}$ of remainder
1948 and 1950 Acts	27 and 18	$\frac{3}{4}$ of first \$12 + $\frac{1}{2}$ of remainder
1952 and 1954 Acts	30 and 21	$\frac{4}{5}$ of first \$15 + $\frac{1}{2}$ of remainder
1956 Act	32 and 23	$\frac{14}{17}$ of first \$17 + $\frac{1}{2}$ of remainder
1958 Act	None	$\frac{14}{17}$ of first \$17 + variable grant (ranging between 50% and 65%) on next $13#

* Not applicable to Puerto Rico and the Virgin Islands (included for the first time in 1950 Act), and Guam (included for the first time in 1958 Act), for which territories there is 50-50 matching within certain limits.

† Per month. For aid to dependent children, first figure is applicable to first child (and beginning with 1950 Act, to one adult in the family), while second figure is applicable to all other children.

‡ Dollar figures relate to average matchable payment (averaged over child recipients for 1946 and 1948 Acts, and over child and adult caretaker recipients for later Acts).

§ Aid to disabled was introduced in 1950 Act.

\# For Alaska and Hawaii, variable grant basis not applicable, but rather 50-50 matching instead.

Farm Operators

Farmers were first covered in 1955 (by the 1954 Amendments) on the same general basis as other self-employed persons, except for a special simplified reporting option for those with low incomes. The 1956 Amendments broadened coverage for farmers by including landlords who materially participate in the farming operation. Under the simplified reporting basis, a farmer with gross income of not more than $1,800 a year may, instead of itemizing income and expense, use two-thirds of his gross as earnings for OASDI purposes. Consistent with this, farmers with gross incomes of over $1,800, but net incomes of less than $1,200, may report earnings of $1,200.

Employees of Nonprofit Organizations

Coverage for employees of nonprofit organizations is at the option of each employing unit but requires a two-thirds favorable vote of the employees concerned. Once coverage is obtained, however, it is compulsory for new employees.

Ministers

Ministers may, by individual voluntary election, be covered. Their earnings are considered as self-employment income even if they are employees. Such elections must, in general, be made within two years after coverage is first available to the individual as a result of his having at least $400 of income from the ministry.

Employees of State and Local Governments

Employees of state and local governments can be covered at the option of the state and of the employing unit. In addition, where there is an existing retirement system, the employees involved also must vote in favor of coverage (by a majority of those eligible); however, policemen and firemen under an existing retirement system cannot be covered under any circumstances, except in a few named states. In addition, there are a number of special provisions for designated states that facilitate coverage extension to employees under existing retirement systems by making certain subdivisions thereof (with each part being separately considered for coverage).

Employees of Federal Government

Virtually all Federal civilian employees not under an existing retirement system and members of the uniformed services are covered on a regular contributory basis. Also, there is OASDI coverage on a coordinated basis for two small existing retirement systems (Tennessee Valley Authority and Board of Governors of the Federal Reserve Board).

Farm Workers

Farm employment is covered if cash wages in a year from a particular employer amount to at least $150. As an alternative, coverage is applicable if there are 20 or more days of employment remunerated on a time basis (rather than a piece-rate basis). Foreign farm workers admitted on a temporary basis are not covered.

Domestic Workers

The coverage provisions for this group are cash wages of $50 or more in a quarter from a single employer.

Employment Abroad

The preceding coverage discussion relates to employment in the United States (including Alaska, Hawaii, Puerto Rico, and the Virgin Islands) or on American vessels or airplanes. In addition, United States citizens working for American employers abroad are covered and also, at the option of the employer, United States citizens working for foreign subsidiaries of American companies.

Military Service Wage Credits

The "gratuitous" wage credits of $160 a month for military service after September 15, 1940 terminated at the end of 1956, since regular contributory coverage began then. The amendments in 1956 provide for reimbursement of the OASI Trust Fund for the additional benefits paid in the past as a result of these wage credits (reimbursement over a 10-year period in the future), and also such reimbursement to both trust funds for future benefit costs due to such wage credits as these costs arise.

OASDI INSURED STATUS CONDITIONS

There are three kinds of insured status: "fully," "currently," and "disability." The first yields entitlement to all types of benefits (with certain minor exceptions, where the first two kinds must exist); the second gives entitlement to certain survivor benefits; and the third is a partial requirement for the disability freeze and for disability monthly benefits. Insured status is defined in terms of quarters of coverage, either $50 of wages paid in a calendar quarter or $100 of self-employment income credited to that quarter (except as noted hereafter). With certain minor exceptions, covered self-employed individuals are always credited with 4 quarters of coverage each year, as is also the case for persons with the maximum amount of taxable wages in a year. Special rules similar to those for self-employed individuals apply to farm workers, whose coverage depends on an annual, rather than a quarterly, earnings amount.

Fully insured status is achieved if the individual's quarters of coverage number at least half of the quarters elapsing since 1950 (or age 21, if later) and before disability, death, or retirement age (65 for men and 62 for women), with minimum and maximum requirements of 6 and 40 quarters of coverage, respectively. Under an alternative provision, an individual is fully insured if he has quarters of coverage after 1954 at least equal to the number of quarters elapsing after 1955 up to, but not including, the quarter of attainment of retirement age (or death, if earlier) and has at least 6 such quarters of coverage. This alternative will be operative only for persons reaching retirement age after June 1954 and before October 1960, or dying after March 1956 and before October 1960; those who attained retirement age before July 1954, by obtaining 6 quarters of coverage at any time, meet the "regular" requirements.

Currently insured status is achieved by having 6 quarters of coverage in the 13-quarter period ending with the quarter of death, attainment of minimum retirement age, or actual retirement. Disability insured status is achieved by having 20 quarters of coverage in the 40-quarter period ending with the quarter of disablement. Periods of permanent and total disability for individuals who have both fully insured status and disability insured status do not "count against" the individual in measuring the elapsed period for any of the insured status categories (the "disability freeze" provision).

OASDI BENEFICIARY CATEGORIES

Men are eligible for an old-age insurance benefit at age 65 and women at age 62 if fully insured. The amount of this benefit is 100% of the primary insurance amount (defined later) except in the case of a woman worker first claiming benefit before age 65. In the latter case, there is reduction in the benefit of 5/9% for each month below age 65 at time of retirement. Thus, a woman retiring at exact age 62 receives a 20% lifetime reduction, which closely approximates an "actuarial equivalent" basis. Payments are made only after an individual files a claim and is, in effect, substantially retired (retirement test provisions described hereafter). Retroactive payments for as much as 12 months, if then eligible, are made for months before the individual filed claim; this is also done in respect to all other monthly benefits (before the 1958 Amendments, such retroactivity was not available for disability benefits).

An individual is eligible for disability insurance benefits if (*a*) he is permanently and totally disabled and has been so disabled for at least 6 months, (*b*) he is aged 50–64, and (*c*) he has fully and disability insured status (before the 1958 Amendments currently insured status was also required, but this requirement was eliminated as being too difficult to meet for persons with "progressive" disabilities). By total and permanent disability is meant inability to engage in any substantial gainful activity by reason of a medically determinable impairment that can be expected to be of long-continued and indefinite duration. It should be noted that the waiting period of 6 consecutive months of disability is not a presumptive period which, if satisfied, would "prove" the existence of a qualifying permanent disability. The determinations of disability are to be made by state agencies (generally the vocational rehabilitation unit) with review by the Social Security Administration (which may reverse the finding of disability but may not reverse a denial of the existence of disability except on a direct appeal of the individual). The determination of continuance of disability is to be made by the Social Security Administration.

The disability benefit is no longer reduced by the amount of any other Federal disability benefit or by any workmen's compensation payment since this provision was completely eliminated by the 1958 Amendments (an amendment in 1957 had already done this partially, in respect to service-connected disability benefits payable by the Veterans Administration). Individuals must, in general, undertake vocational rehabilitation training; during the first year thereof benefits will be paid regardless of earnings. With this exception, there is no permitted amount of earnings as there is for retired workers and for dependent and survivor beneficiaries (retirement test). Rather a disability beneficiary might have small earnings and still continue to receive benefits so long as he is considered not able to engage in any substantial gainful activity. The disability benefits terminate at age 65, and the beneficiary goes on the old-age benefit roll. Supplementary benefits for dependents are payable in respect to disability beneficiaries, just as for retired workers—a change made by the 1958 Amendments.

If the retired or disabled individual has a wife aged 65 or over (or, regardless of her age, if she has a child under age 18 in her care, or a child of any age who has been permanently and totally disabled since before age 18), an additional benefit of 50% is payable, with a similar addition for each eligible child. A wife between age 62 and 65 without an eligible child can elect to receive reduced benefits. These are based on a reduction factor of $\frac{25}{36}\%$ for each month under age 65 at time of claiming benefit, which reduction continues during the joint lifetime of the couple. Thus, a wife claiming benefit at exact age 62 has a 25% reduction—somewhat less than the approximately 30% needed on an "actuarial equivalent" basis (a larger reduction than for the woman worker being required because it applies during the shorter joint lifetime with the spouse, as compared with the single lifetime of the woman worker). Husband's benefits are payable in respect to a retired or disabled female worker if he is aged 65 or over and has been chiefly dependent on her and if she was currently insured at time of retirement or disability.

Widow's benefits are payable at age 62 if the deceased husband was fully insured (including deaths after retirement). Parallel benefits are also payable with respect to dependent widowers aged 65 or over. The benefit is 75% of the primary insurance amount.

When a fully insured worker dies, parent's benefits are payable (upon attainment of age 65 for men and 62 for women) to parents who have been dependent upon such individual; the benefit is 75% of the primary insurance amount for each parent. Under previous law, parent's benefits were payable only if there were no surviving eligible spouse or child.

When a fully or currently insured individual dies leaving a child under age 18, or regardless of age if permanently and totally disabled since before age 18, benefits are payable to such child and to the widowed mother while an eligible child is present. These child survivor benefits are also payable in respect to the death of an insured female worker where dependency of the child is provable and, in any event, in all cases where such woman was currently insured. The benefits, in effect, are 75% of the primary insurance amount for the widowed mother and 75% for the first child, and an additional 50% for each other child.

In all cases of death of a fully or currently insured individual, a lump-sum death payment of three times the primary insurance amount is payable. This payment, however, may not exceed $255, the maximum amount available under the 1952 Act, which it is important to note has not been increased by the subsequent amendments. The lump sum is payable in full to a surviving spouse but in other cases may not exceed the actual burial costs. This benefit must be claimed, in general, within two years of death.

Certain limitations apply to the above benefit amounts. No individual can receive the full amount of more than one type of monthly benefit. For instance, if a woman has an old-age benefit in her own right and a wife's or widow's benefit from her husband's earnings, then in effect only the larger of the two benefits may be received. In addition, there are certain minimum and maximum benefit provisions (described subsequently). Also, certain restrictions on payment of benefits may apply in the case of persons convicted of crimes affecting the security of the nation.

Special problems arise in connection with the availability of actuarially reduced benefits for women workers and wives claiming benefits before age 65. One such problem is in the case of benefits being suspended because of the retirement test before the woman reaches age 65. In that case, if there are at least three such months of suspension, the benefit is recomputed at age 65, with a new reduction factor based on the initial age at claiming benefits increased by the number of months of suspension.

Another problem arises when a woman is eligible both for old-age benefits based on her own wage record and for wife's benefits. It is provided that if a woman applies for one of these benefits, she will also be considered to be applying for the other, so that the possibility of taking a reduced benefit to age 65 in such cases and then changing over to a full-rate benefit of the other type is prevented. This, of course, does not apply in the case where a reduced wife's benefit is payable and the woman then becomes widowed, since under such circumstances (and, in fact, always) full-rate widow's benefits are payable.

Next, consider the case when a woman claims a reduced old-age benefit and is not then eligible for a wife's benefit but later becomes so eligible (whether before or after age 65). The reduction in the old-age benefit is charged against the wife's benefit and, in addition, the wife's benefit is reduced by an amount based on the excess of the full-rate wife's benefit over the full-rate old-age benefit and on her age at becoming entitled to the wife's benefit. Conversely, if eligibility for the wife's benefit precedes that for the old-age benefit, the same procedure is followed, so that at least the initial reduction is carried forward.

The 1958 Amendments made a number of changes in regard to eligibility or continuing eligibility of beneficiaries in case of adoptions, marriages, etc. For example, marriage of a woman eligible for widow's benefits to a primary beneficiary now negates the necessity of serving a waiting period to qualify for wife's benefits. Also, the marriage of two secondary beneficiaries, such as a widow and a dependent parent, no longer affects the benefits of either beneficiary (formerly, both were terminated).

OASDI BENEFIT AMOUNTS

The primary insurance amount, from which all benefits are determined, is based on the average wage of the insured individual.

Average Monthly Wage

The concept of average monthly wage used in the OASDI program is, in essence, that computed over the entire potential period of coverage, but with certain periods of low earnings being disregarded. In general, the average is computed in most cases from the beginning of 1951 (or age 22, if later) to disability, death, attainment of retirement age, or later retirement, whichever is applicable and produces the more favorable result. In computing this average, however, 5 calendar years may be dropped from both numerator and denominator (whichever years' omission will produce the highest average wage). In addition, under the "disability freeze" provision, periods of disability may be eliminated; such disability must be of at least 6 months' duration, and the disabled worker must have both fully insured status and disability insured status (the 1958 Amendments substituted fully insured status for currently insured status, so as to have the same requirements as for monthly disability benefits). Also, the average wage may be computed back to the beginning of 1937 on this same basis if a larger benefit will result.

Except under very unusual circumstances, individuals retiring in the next few decades cannot have the maximum average wage of $400—and thus the maximum primary insurance amount—since they must count in at least 3 years in the period 1951–58 when the maximum earnings base was less than $4,800. This differs from the situation when the earnings base was changed previously (1950 and 1954 Acts), since then "new start" provisions were included that made the new maximum average wage available within 1½ years. Survivor benefits in respect to those reaching age 22 after 1953 can be at the new maximum wage in the near future. The new maximum family benefit of $254 (discussed later) is immediately available for both retirement and survivor cases.

Benefit Formula

In all previous laws before the 1958 Amendments, there was a definite benefit formula prescribed. Thus, for example, the 1954 Act benefit formula applicable to earnings after 1950 was 55% of the first $110 of average monthly wage, plus 20% of the next $240 of such wage (reflecting the $4,200 earnings base). Under the 1958 Amendments, an apparently considerably different procedure is used; there is a benefit table giving the primary insurance amount (in integral dollars) for various ranges of average monthly wages (*e.g.*, where the average monthly wage is $114–118, the primary insurance amount is $66). The benefit table also provides for conversion of benefits for those on the roll before January 1959 so as to result in an increase of about 7% in the primary insurance amount (or $3, if larger). The benefit table also shows the maximum family benefit applicable for each primary insurance amount (*e.g.*, $99 where the average monthly wage is $114–118).

Actually, the benefit table is based on a definite formula and on definite minimum and maximum benefit provisions so that in reality these are built into the table, and there is really no change in the basic principle that has prevailed in the past. Obviously, certain approximations have been made because of the necessary grouping involved in rounding the benefits to the nearest dollar.

Accordingly, the benefit formula underlying the benefit table is 58.85% of the first $110 of average monthly wage, plus 21.40% of the next $290 of such wage (except that in some cases for average wages under $85, a slightly higher amount is payable so as to fit in with the increased minimum benefit). The minimum primary insurance amount, before reduction for early retirement of women workers claiming benefits before age 65, is $33 a month.

The benefit table also provides for the determination of the primary insurance amount when it is more advantageous for the beneficiary to compute the average wage back to 1937 and to use the benefit computation method of the 1939 Act. Under these circumstances, the following table shows illustrative results:

Benefit Computed under Method of 1939 Act	Primary Insurance Amount
$10	$33
15	43
20	50
25	61
30	71
35	79
40	87
45*	95

* Maximum possible is $45.60 (which produces same primary insurance amount as $45.00).

Minimum and Maximum Family Benefits

The minimum family benefit for survivors (applicable only when there is one such survivor) is $33. The maximum family benefit is the smaller of $254 (twice the maximum possible primary insurance amount) or 80% of average monthly wage (the upper end of the range in the table). For example, where the average monthly wage is $200, the maximum family benefit is $161.60—80% of $202, which is the upper end of the average-wage group in which $200 falls. The 80% maximum, however, may not reduce benefits below 150% of the primary insurance amount, or the primary insurance amount plus $20, whichever is larger; thus, because of the latter provisions, full benefits are paid in all cases where there are only two beneficiaries. The following table shows the maximums applicable for various average wages:

Average Monthly Wage	Primary Insurance Amount	Maximum Family Benefit
$67 or under	$ 33– 40	PIA + $20
67–127	40– 68	1⅓ times PIA
128–319	69–109	80% of average wage
320–400	110–127	$254

TABLE 4

ILLUSTRATIVE MONTHLY BENEFITS UNDER OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM FOR VARIOUS FAMILY CATEGORIES BASED ON EARNINGS AFTER 1950

(All figures rounded to nearest dollar)

Average Monthly Wage	Retired Worker Alone		Retired Worker* and Wife		Retired Worker,* Wife, and 1 Child‡
	Aged 65 or Over at Retirement*	Woman Retiring at Age 62	Wife Aged 65 or Over at Retirement†	Wife Aged 62 at Retirement	
$ 50	$ 33	$ 26	$ 50	$ 45	$ 53
100	59	47	89	81	89
150	73	58	110	100	120
200	84	67	126	116	162
250	95	76	143	131	190
300	105	84	158	144	210
350	116	93	174	160	232
400§	127	102	191	175	254
Average Monthly Wage	**Widow Aged 62 or Over‖**	**Widow and 1 Child#**	**Widow and 2 Children**	**Widow and 3 or More Children**	**2 Children Alone**
$ 50	$ 33	$ 50	$ 53	$ 53	$ 41
100	44	89	89	89	74
150	55	110	120	120	91
200	63	126	162	162	105
250	71	143	190	203	119
300	79	158	210	240	131
350	87	174	232	254	145
400§	95	191	254	254	159

* Also applies to disability beneficiary aged 50–64.

† Also applies to worker and dependent husband aged 65 or over, and to worker and 1 child.

‡ Also applies to worker and 2 children, or to worker, dependent husband aged 65 or over, and 1 child.

§ It is difficult to obtain this average wage for many years (see text).

‖ Also applies to aged dependent parent (65 or over for men and 62 or over for women), or to 1 child alone.

\# Also applies to 2 aged dependent parents.

Table 4 shows illustrative monthly benefits for various categories, give ing consideration to the applicable benefit proportions, the minimum and maximum benefit provisions, and the reductions for women workers and wives claiming benefits before age 65.

OASI RETIREMENT TEST

Benefits both for retired workers and their dependents and for survivors are, in general, not paid when the beneficiary is engaged in substantial employment, or to dependents of a worker engaged in substantial employment. This provision is termed the "retirement test"—to some extent, a misnomer in regard to young beneficiaries. Benefits are payable for all months in a year if the annual earnings from all types of employment are $1,200 or less. If earnings exceed $1,200, one month's benefit may be withheld for each $80 excess unit (counting a remainder of less than $80 as a full unit). In no event are benefits withheld for a month in which the individual has wages of $100 or less and does not render substantial self-employment services; the 1958 Amendments substituted this $100 figure for the $80 previously in effect. Moreover, the retirement test is not applicable at all after the individual reaches age 72.

PAYMENT OF OASDI BENEFITS ABROAD

Benefits are not payable in the case of deported persons, whose rights are terminated until they are subsequently lawfully admitted, and persons residing in certain countries where there is no reasonable assurance that checks can be delivered or cashed at full value, in which case the benefits are withheld but are credited to the individual and can subsequently be claimed if conditions change. For aliens residing outside the United States coming on the roll after 1956, benefits will be payable only if the insured worker had 40 or more quarters of coverage or had resided in the United States for 10 or more years, or if the country of which he is a citizen has a reciprocity treaty with the United States or has a general social insurance or pension system that will continue full benefits to United States citizens while outside of that foreign country. As an example of how this operates, benefits are not payable to Canadian citizens, living in Canada after 6 continuous months of absence from the United States, unless they meet the 40-quarters-of-coverage or 10-years-of-residence requirement (since the Canadian old-age pension plan does not pay benefits for an extended duration for those residing abroad, regardless of citizenship). It may be noted, however, that if such a Canadian beneficiary has not had such an absence and returns to the United States for a short period every 6 months, he will continue to receive benefits without interruption.

ACTUARIAL COST ESTIMATES FOR OASDI SYSTEM[1]

Table 5 presents the estimated level-premium costs, according to the intermediate-cost estimate, of the benefits by type and also similar figures for administrative expenses and interest on the existing Trust Funds. Payments to insured workers account for more than 70% of the total level-premium cost, while about another 10% of such cost is accounted for by payments to dependents of such workers, with the balance of about 20% being in respect to survivor benefits.

Table 6, correspondingly, gives the estimated cost of the total benefits

TABLE 5

ESTIMATED LEVEL-PREMIUM COST OF BENEFIT PAYMENTS, ADMINISTRATIVE EXPENSES AND INTEREST EARNINGS ON EXISTING TRUST FUND AS PERCENTAGE OF TAXABLE PAYROLL,* BY TYPE OF BENEFIT INTERMEDIATE-COST ESTIMATE AT 3% INTEREST

Item	OASI (Percent)	DI (Percent)
Primary benefits	5.92	0.43
Wife's benefits	.57	.03
Widow's benefits	1.23	†
Parent's benefits	.02	†
Child's benefits	.43	.03
Mother's benefits	.11	†
Lump-sum death payments	.12	†
Total benefits	8.40	.49
Administrative expenses	.09	.01
Interest on existing trust fund‡	− .22	− .01
Net total level-premium cost	8.27	.49

* Including adjustment to reflect the lower contribution rate for the self-employed as compared with the combined employer-employee rate.

† This type of benefit not payable under this program.

‡ This item is taken as an offset to the benefit and administrative expense costs.

as a percentage of payroll for various future years, and the level-premium cost, for the low-cost, high-cost, and intermediate-cost estimates. The level-premium cost for the OASI benefits ranges from 7.3% to 9.4%, while the range for the ultimate costs is, of course, wider—namely, from 10.1% to 15.1%. For the DI benefits, both the year-by-year figures and the level-premium costs have a twofold range from the low-cost estimate to the high-cost one.

The basic assumptions for the disability cost estimates have not been changed over those originally used when this program was first adopted in

[1] For more complete details on these estimates see Item 5 of the Legislative Bibliography.

1956, except for the fact that account has been taken of the effect of the offset provisions in the 1956 Act (that were eliminated by the 1958 Amendments). The limited disability experience to date seems to indicate that the disability incidence rates assumed were too high, but it is, of course, too early in the operation of the program to have any downward revision seem desirable.

TABLE 6

ESTIMATED COST OF BENEFITS OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENTAGE OF PAYROLL*

(In percent)

Calendar Year	Low-Cost Estimate	High-Cost Estimate	Intermediate-Cost Estimate†
	Old-Age and Survivors Insurance Benefits		
1970	6.47	6.84	6.66
1980	7.46	8.49	7.96
1990	7.83	9.91	8.82
2000	7.06	10.06	8.44
2025	7.96	13.23	10.15
2050	10.08	15.09	12.02
Level-Premium Cost‡	7.29	9.42	8.27
	Disability Insurance Benefits		
1970	0.32	0.63	0.48
1980	.36	.72	.53
1990	.30	.64	.46
2000	.30	.68	.47
2025	.37	.81	.55
2050	.43	.87	.60
Level-Premium Cost‡	.33	.67	.49

* Taking into account lower contribution rate for the self-employed, as compared with combined employer-employee rate.

† Based on the average of the dollar costs under the low-cost and high-cost estimates.

‡ Level-premium contribution rate, at 3% interest rate, for benefits after 1957, taking into account interest on the December 31, 1957, trust fund, future administrative expenses, and the lower contribution rates payable by the self-employed.

Table 7 gives the estimated progress of the OASI Trust Fund according to the low-cost and high-cost estimates, while Table 8 similarly deals with the DI Trust Fund. According to the low-cost estimate, the OASI Trust Fund will grow rapidly, and in the year 2000 will be $280 billion. On the other hand, under the high-cost estimate, the OASI Trust Fund builds up to a maximum of $85 billion in about 25 years but decreases thereafter until it is exhausted shortly after the year 2000. It is unlikely that either of these two extreme situations could develop, because the Congress would no doubt take appropriate action to prevent it. Thus, if experience followed the low-cost estimate, either the tax rates would be held below the schedule, or benefits would be liberalized. On the other hand, if experience followed the high-cost estimate, the contribution rates would likely be raised above those now scheduled.

TABLE 7

ESTIMATED PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, HIGH-EMPLOYMENT ASSUMPTIONS, LOW-COST AND HIGH-COST ESTIMATES AT 3% INTEREST
(In millions)

Calendar Year	Contributions	Benefit Payments	Administrative Expenses	Railroad Retirement Financial Interchange*	Interest on Fund†	Balance in Fund
	Low-Cost Estimate					
1965......	$13,866	$12,055	$167	−$145	$ 883	$ 31,076
1970......	19,458	14,663	186	− 49	1,542	55,226
1975......	21,072	17,217	206	− 32	2,441	85,607
1980......	22,773	19,965	228	39	3,328	115,570
2000......	32,137	26,835	310	218	8,071	279,701
	High-Cost Estimate					
1965......	$13,794	$12,609	$195	−$176	$ 758	$ 26,447
1970......	19,351	15,398	216	− 91	1,270	45,434
1975......	20,688	18,315	239	− 85	1,929	67,256
1980......	21,829	21,782	263	− 14	2,385	81,786
2000......	27,253	32,511	354	167	1,454	47,194‡

* A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.

† At 3%, except 2.6% in 1958, 2.7% in 1959, 2.8% in 1960, and 2.9% in 1961.

‡ Fund exhausted in 2010.

According to the low-cost estimate, the DI Trust Fund grows steadily for the next 20 years, reaching $16 billion in 1980 (and then growing rapidly thereafter—due, in large part, to the effect of interest earnings). On the other hand, under the high-cost estimate the DI Trust Fund grows for only a few years—to a peak of $3 billion—and then declines until it is exhausted in 1976.

Table 9 gives data on the past operation of the OASI Trust Fund and the intermediate-cost estimate for the future, while Table 10 gives corresponding data for the DI Trust Fund. Since, according to this estimate, the OASI system is close to being in balance, the Trust Fund grows steadily over the period shown, reaching a maximum of almost $300 billion about 70 years from now, and then decreases slowly. Under this estimate, the DI system is slightly more than in balance so that the DI Trust Fund

TABLE 8

ESTIMATED PROGRESS OF DISABILITY INSURANCE TRUST FUND, HIGH-EMPLOYMENT ASSUMPTIONS, LOW-COST AND HIGH-COST ESTIMATES AT 3% INTEREST

(In millions)

Calendar Year	Contributions	Benefit Payments	Administrative Expenses	Railroad Retirement Financial Interchange*	Interest on Fund†	Balance in Fund
	Low-Cost Estimate					
1965	$1,063	$ 535	$22	−$32	$ 164	$ 5,876
1970	1,144	699	23	− 32	259	9,099
1975	1,239	834	25	− 29	360	12,527
1980	1,339	930	27	− 20	474	16,449
2000	1,889	1,110	36	....	1,310	45,372
	High-Cost Estimate					
1965	$1,056	$1,059	$28	−$35	$88	$ 2,998
1970	1,138	1,407	30	− 35	71	2,272
1975	1,216	1,666	33	− 33	15	258
1980	1,283	1,828	35	− 24	‡	‡
2000	1,602	2,189	44	− 4	‡	‡

* A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.

† At 3%, except 2.6% in 1958, 2.7% in 1959, 2.8% in 1960, and 2.9% in 1961.

‡ Fund exhausted in 1976.

is shown as growing steadily throughout the entire future, reaching a figure of $13 billion by the year 2000.

OASDI FINANCING PROVISIONS

The contribution or tax schedule is altered in two important respects by the 1958 Amendments. An additional ½% is added to the combined employer-employee rate (⅜% to the self-employed rate) in all future years beginning in 1959, and the scheduled increases after 1960 are set at 3-year intervals rather than the 5-year intervals previously applicable. The portion of the contributions allocable to the DI Trust Fund—½% in the combined employer-employee rate (and ⅜% for the self-employed)—remains the same so that the increases thus apply solely to the OASI Trust Fund.

Accordingly, the total contribution rates for the OASDI system are as

TABLE 9

PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, HIGH-EMPLOYMENT ASSUMPTIONS, INTERMEDIATE-COST ESTIMATE AT 3% INTEREST

(In millions)

Calendar Year	Contributions	Benefit Payments	Administrative Expenses	Railroad Retirement Financial Interchange*	Interest on Fund†	Balance in Fund‡
	Actual Data					
1951	$3,367	$1,885	$ 81	....	$417	$15,540
1952	3,819	2,194	88	....	365	17,442
1953	3,945	3,006	88	....	414	18,707
1954	5,163	3,670	92	....	468	20,576
1955	5,713	4,968	119	....	461	21,663
1956	6,172	5,715	132	....	531	22,519
1957	6,826	7,347	162§	....	557	22,393
	Estimated Data					
1958	$ 7,297	$ 8,318	$156	−$124	$ 565	$21,656
1959	8,632	9,504	161	− 219	567	20,971
1960	10,621	10,027	166	− 196	590	21,794
1961	11,106	10,618	169	− 195	634	22,552
1962	11,256	11,207	172	− 199	672	22,902
1963	13,124	11,678	175	− 156	704	24,722
1964	13,652	12,016	178	− 156	761	26,784
1965	13,830	12,333	181	− 160	820	28,762
1970	19,404	15,030	201	− 70	1,406	50,330
1975	20,880	17,766	222	− 59	2,185	76,432
1980	22,301	20,874	246	12	2,856	98,678
2000	29,695	29,672	332	192	4,762	163,448
2020	36,124	40,716	426	192	8,379	285,282

* A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.

† At 3%, except 2.6% in 1958, 2.7% in 1959, 2.8% in 1960, and 2.9% in 1961.

‡ Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to $377 for 1953, $284 for 1954, $163 for 1955, $60 for 1956, and nothing for 1957 and thereafter.

§ This figure is artificially high because reimbursements from the disability insurance trust fund, called for by the law, had not been made in calendar year 1957. These amounted to about $14 million.

shown in the accompanying tabulation. These rates apply to the first $4,800 of earnings in a year.

Calendar Year	Combined Employer-Employee Rate	Self-employed Rate
1958	$4\frac{1}{2}$%	$3\frac{3}{8}$%
1959	5	$3\frac{3}{4}$
1960–62	6	$4\frac{1}{2}$
1963–65	7	$5\frac{1}{4}$
1966–68	8	6
1969 and after	9	$6\frac{3}{4}$

Congress, in connection with the 1950 Act and subsequent amendments, has consistently enunciated the principle that the program should be self-supporting from the contributions of the covered workers and their employers, according to the intermediate-cost estimates. Of course, it would be only by coincidence that an exact balance would be shown.

TABLE 10

PROGRESS OF DISABILITY INSURANCE TRUST FUND, HIGH-EMPLOYMENT ASSUMPTIONS, INTERMEDIATE-COST ESTIMATE AT 3% INTEREST

(In millions)

Calendar Year	Contributions	Benefit Payments	Administrative Expenses	Railroad Retirement Financial Interchange*	Interest on Fund†	Balance in Fund
	Actual Data					
1957	$702	$57	$3‡	....	$7	$649
	Estimated Data					
1958	$ 914	$ 263	$19	....	$ 25	$ 1,306
1959	980	431	21	$10	42	1,887
1960	991	492	23	− 20	59	2,402
1965	1,059	796	25	− 34	126	4,437
1970	1,141	1,052	27	− 34	165	5,686
1975	1,227	1,249	30	− 31	187	6,392
1980	1,311	1,380	30	− 22	201	6,844
2000	1,745	1,649	40	− 2	383	13,194
2020	2,125	2,330	51	1	521	17,764

* A positive figure indicates payment to the trust fund from the railroad retirement account, and a negative figure indicates the reverse.

† At 3%, except 2.6% in 1958, 2.7% in 1959, 2.8% in 1960, and 2.9% in 1961.

‡ This figure is artificially low because reimbursements to the old-age and survivors insurance trust fund, called for by the law, had not been made in calendar year 1957. These amounted to about $14 million.

Generally, there has been a small deficiency, under the intermediate-cost estimate, as between the level-premium cost of the benefits and the level-premium equivalent of the contributions, as indicated in the accompanying table (in percentage of payroll).

The relatively small deficiency shown in the original estimate for the 1956 Act was substantially increased according to the revised estimates subsequently made. These estimates represent a complete overhauling of the earlier estimates, making different assumptions based on further experience and also modifying extensively the methodology.[2] The deficiency of the OASI system increased sharply (in considerable part because of assuming higher retirement rates and somewhat lower future mortality,

Level-Premium Equivalent	1956 Act				1958 Amendments	
	Original Estimate		Revised Estimate			
	OASI	DI	OASI	DI	OASI	DI
Benefit costs*	7.43	.42	7.90	.35	8.27	.49
Contributions	7.23	.49	7.33	.50	8.02	.50
Actuarial balance†	− .20	+.07	− .57	+.15	− .25	+.01

* Including adjustments (*a*) to reflect lower contribution rate for self-employed as compared with employer-employee rate, (*b*) for existing trust fund, and (*c*) for administrative expenses.

† A negative figure indicates the extent of lack of actuarial balance. A positive figure indicates more than sufficient financing (according to the estimate).

which more than offset the higher earnings assumptions made). On the other hand, the "surplus" in the DI system rose moderately (because of taking into account, from actual experience, the significant effect of the offset provision, now eliminated).

Because of the considerably increased actuarial deficiency of the combined OASDI system, one of the stated major purposes in the bill revising the program in 1958 was "to improve the actuarial status of the Trust Funds." This was accomplished not only by the changes in the contribution schedule mentioned previously but also by the increase in the earnings base (the latter change was primarily made to reflect changes in the general earnings level since 1954). The Congressional debate on the bill very strongly emphasized the necessity for improving the actuarial status of the system and the fact that this would be done by the bill under consideration. It was stated that if the actuarial balance of the system were

[2] For more details, see "Long-Range Cost Estimates for Old-Age, Survivors, and Disability Insurance Under 1956 Amendments," *Actuarial Study No. 48*, Social Security Administration, August 1958.

within $\frac{1}{4}\%$ of payroll—considering the range of error present in long-range cost estimates and, of course, the possibility of future Congressional consideration—the system could be said to be in approximate actuarial balance. As will be seen, this condition was satisfied by the 1958 Amendments.

The bill also contained features that increase costs, but these are more than offset by the changes involving increased income. Thus, for the OASI system, the increase in the contribution schedule plus the net effect of increasing the earnings base (after allowing for the increased benefits arising therefrom) is to produce additional income having a level-premium equivalent of .91% of payroll. The additional cost for the 7% increase in benefits is .57% of payroll, and the increased cost for the other OASI liberalizations is .02%, so that the net "surplus" available for reducing the deficiency under the 1956 Act amounted to .32%. Thus, the deficiency for the OASI system, according to the intermediate-cost estimate, is reduced to .25% of payroll.

In the DI system, benefit costs were increased by the 1958 Amendments by .03% of payroll because of the 7% increase in benefits, by .06% because of the dependents benefits, by .03% for the elimination of the offset provision, and by .03% for the modification of the insured status requirements, making a total increase in cost of .15% of payroll. This is reduced by only .01%, the net effect of increasing the earnings base, leaving a net additional cost of .14% of payroll. Accordingly, the "surplus" of the DI system, according to the intermediate-cost estimate, is reduced to only .01% of payroll.

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