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

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This is the eleventh in a series of notes comparing actual experience under the Old-Age, Survivors, Disability, and Health Insurance system with the short-range cost estimates (for both fiscal and calendar years), which are contained in the annual Trustees Reports. These short-range estimates are based on the assumptions that no legislative changes will be made in the period under consideration and that economic activity will expand, with increases occurring in employment and in earning rates. Therefore, it should be recognized that these estimates may vary from actual experience to some extent, because of changing economic conditions. Statutory changes, changes in reporting and appropriating procedures, and over or under-appropriation of taxes to the trust funds (which are adjusted subsequently) also may account for some of the differences between actual and estimated experience.

Table 1 presents a comparison of actual experience for fiscal year 1971 with the estimates shown in the 1971 Trustees Reports. For the OASI Trust Fund, the estimates of the income items were \$322 million higher than the actual experience, and the estimates of the outgo items were slightly lower than the actual experience (by \$24 million), with the result that the estimated fund at the end of the fiscal year was \$345 million higher than the actual fund. For the DI Trust Fund, a similar situation is shown; income was \$51 million lower than the estimate, and outgo was \$21 million higher than the estimate, so that the fund at the end of the fiscal year was \$73 million lower than the estimate.

For the HI Trust Fund, income was only \$47 million lower than the estimate, but outgo was \$158 million lower (primarily due to

lower hospital costs and utilization than had been estimated), giving an actual balance in the fund at the end of the fiscal year that was \$111 million above the estimate. For the SMI Trust Fund, income was \$4 million higher than the estimate and outgo was \$31 million lower than estimated, so that the balance in the fund at the end of the fiscal year was \$36 million higher than the estimate.

Table 2 presents a comparison of the balances in the trust funds at the end of fiscal years 1960-71 with the estimates made during each of the same years. In each year, the OASDI estimates have been very close to the actual experience with the greatest variation being for fiscal year 1966—due to the actual income being so much higher than the estimate (largely because an Internal Revenue Service regulation went into effect that speeded up the collection of taxes). It would be expected that these estimates should be relatively close to the actual experience, since they are made in the middle of each fiscal year and thus project only about 6 months into the future.

Table 3 presents a comparison of actual experience for calendar year 1971 with the estimates shown in the 1971 Trustees Reports. For the OASI Trust Fund, the estimates of the income items were \$787 million higher than the actual experience, and the estimates of the outgo items were lower than the actual experience by \$5 million. The assets at the end of the calendar year were lower than the estimate by \$793 million. For the DI Trust Fund, income was \$106 million lower than the estimate, and outgo was \$93 million higher than the estimate, so that the fund at the end of the calendar year was \$199 million lower than the estimate.

For the HI and SMI Trust Funds, no new estimates were made for calendar year 1971.

Table 4 presents a comparison of the balances in the trust funds at the end of calendar years 1960-71 with the estimates made at about the beginning of each of the same years. In each year the estimates have been very close to the actual experience, with the greatest variation being for calendar year 1966. Since these estimates are generally made at the beginning of each calendar year, it is to

be expected that there would be greater variation than in the fiscal-year comparison (where the estimates project only about 6 months into the future). The 1969 estimates, however, were prepared at the end of 1968, before actual data for 1969 were known. Therefore, the estimates differed from the actual amounts of the balances in the funds at the beginning of 1969, and these differences are necessarily reflected in the balances at the end of that year.

Table 1

COMPARISON OF PROGRESS OF OASDHI TRUST FUNDS
FICAL YEAR 1971

<u>Item</u>	<u>Amount (in millions)</u>		<u>Estimate as Percent of Actual</u>
	<u>Actual</u>	<u>Estimate</u>	
OASI Trust Fund			
Contributions*	\$31,993	\$32,323	101%
Benefit Payments	31,101	31,087	100
Administrative Expenses	552	552	100
Interest Income	1,618	1,610	100
Transfer to Railroad Retirement	613	605	99
Federal Payment for Special Benefits	371	371	100
Payments for Vocational Rehabilitation Services	2	—	—
Fund at End of Year	34,331	34,676	101
DI Trust Fund			
Contributions*	\$ 4,585	\$ 4,635	101%
Benefit Payments	3,381	3,358	99
Administrative Expenses	190	192	101
Interest Income	325	326	100
Transfer to Railroad Retirement	13	12	92
Payments for Vocational Rehabilitation Services	21	22	105
Fund at End of Year	6,408	6,481	101
HI Trust Fund			
Contributions*	\$ 4,909	\$ 4,965	101%
Benefit Payments	5,443	5,600	103
Administrative Expenses	149	150	101
Interest Income	183	172	94
Transfer from Railroad Retirement	63	65	103
Reimbursement for Uninsured Persons	863	863	100
Fund at End of Year	3,103	2,992	96
SMI Trust Fund			
Premiums	\$ 1,253	\$ 1,246	99%
Government Contributions	1,245	1,248	100
Benefit Payments	2,035	2,070	102
Administrative Expenses	248	244	98
Interest Income	17	17	100
Fund at End of Year	290	254	88

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

Table 2

COMPARISON OF BALANCES IN FUND AT END OF
FISCAL YEAR, 1960-71

<u>Fiscal Year</u>	<u>Actual</u>	<u>Amount (in millions)</u>	<u>Estimate</u>	<u>Estimate as Percent of Actual</u>
OASI Trust Fund				
1960	\$20,829		\$20,524	98.5%
1961	20,900		20,772	99.4
1962	19,626		19,825	101.0
1963	18,939		18,889	99.7
1964	19,699		19,426	98.6
1965	20,180		19,922	98.7
1966	19,872		18,748	94.3
1967	23,515		23,071	98.1
1968	25,533		25,870	101.3
1969	28,191		28,734	101.9
1970	32,616		32,347	99.2
1971	34,331		34,676	101.0
DI Trust Fund				
1960	\$ 2,167		\$ 2,167	100.0%
1961	2,504		2,486	99.3
1962	2,507		2,544	101.5
1963	2,394		2,401	100.3
1964	2,264		2,247	99.2
1965	2,007		1,968	98.1
1966	1,686		1,591	94.4
1967	2,022		2,012	99.5
1968	2,585		2,592	100.3
1969	3,678		3,740	101.7
1970	5,104		5,029	98.5
1971	6,408		6,481	101.1
HI Trust Fund				
1966	\$ 851		\$ 797	93.7%
1967	1,343		1,444	107.5
1968	1,431		2,168	151.5
1969	2,017		2,328	115.4
1970	2,677		2,275	85.0
1971	3,103		2,992	96.4
SMI Trust Fund				
1967	\$ 486		\$ 260	53.5%
1968	307		348	113.4
1969	377		424	112.5
1970	57		66	115.8
1971	290		254	87.6

Table 3

COMPARISON OF PROGRESS OF OASDHI TRUST FUNDS,
CALENDAR YEAR 1971

	<i>Amount (in millions)</i>		<i>Estimate as Percent of Actual</i>
	<u>Actual</u>	<u>Estimate</u>	
OASI Trust Fund			
Contributions ¹	\$33,860	\$34,630	102%
Benefit Payments	33,413	33,356	100
Administrative Expenses	514	576	112
Interest Income	1,667	1,684	101
Transfer to Railroad Retirement	613	605	99
Federal Payment for Special Benefits	351	351	100
Payments for Vocational Rehabilitation Services	2	—	—
Fund at End of Year	33,789	34,582	102
DI Trust Fund			
Contributions ¹	\$ 4,670	\$ 4,776	102%
Benefit Payments	3,758	3,666	98
Administrative Expenses	205	204	100
Interest Income	361	361	100
Transfer to Railroad Retirement	13	12	92
Payments for Vocational Rehabilitation Services	24	25	104
Fund at End of Year	6,645	6,844	103
HI Trust Fund			
Contributions ²	\$ 5,033	*	—
Benefit Payments	5,751	*	—
Administrative Expenses	149	*	—
Interest Income	195	*	—
Reimbursement for Uninsured Persons	503	*	—
Fund at End of Year	3,034	*	—
SMI Trust Fund			
Premiums	\$ 1,302	*	—
Government Contributions	1,313	*	—
Benefit Payments	2,117	*	—
Administrative Expenses	260	*	—
Interest Income	24	*	—
Fund at End of Year	450	*	—

¹ Includes transfer from General Fund for military service credits (\$137 million to OASI and \$50 million to DI).

² Includes transfers of \$48 million for military service credits from the General Fund and \$64 million from the Railroad Retirement Account.

* No comparable estimates were published in the 1971 Trustees Reports for the HI Trust Fund or for the SMI Trust Fund for calendar year 1971.

Table 4

COMPARISON OF BALANCES IN FUND AT END OF
CALENDAR YEAR, 1960-71

<u>Calendar Year</u>	<u>Actual</u>	<u>Amount (in millions)</u>	<u>Estimate</u>	<u>Estimate as Percent of Actual</u>
OASI Trust Fund				
1960	\$20,324		\$20,203	99.4%
1961	19,725		20,001	101.4
1962	18,337		18,713	102.1
1963	18,480		18,426	99.7
1964	19,125		18,615	97.3
1965	18,235		17,936	98.4
1966	20,570		18,787	91.3
1967	24,222		24,005	99.1
1968	25,704		25,639	99.7
1969	30,082		30,497	101.4
1970	32,454		32,093	98.9
1971	33,789		34,582	102.3
DI Trust Fund				
1960	\$ 2,289		\$ 2,303	100.6%
1961	2,437		2,494	102.3
1962	2,368		2,466	104.1
1963	2,235		2,232	99.9
1964	2,047		2,038	99.6
1965	1,606		1,576	98.1
1966	1,739		1,617	93.0
1967	2,029		2,070	102.0
1968	3,025		2,907	96.1
1969	4,100		4,161	101.5
1970	5,614		5,547	98.8
1971	6,645		6,844	103.0
HI Trust Fund				
1966	\$ 944		\$ 618	65.5%
1967	1,073		*	*
1968	2,083		*	*
1969	2,505		2,663	106.3
1970	3,202		*	*
1971	3,034		*	*
SMI Trust Fund				
1966	\$ 122		\$ 223	182.8%
1967	412		288	69.9
1968	421		337	80.0
1969	199		*	*
1970	188		*	*
1971	450		*	*

*No comparable estimates were published in the Trustees Reports for the HI Trust Fund for calendar years 1967, 1968, 1970, and 1971, or for the SMI Trust Fund for calendar years 1969, 1970, and 1971.

Note: Estimate for 1961 contained in actuarial cost report dated July 10, 1961; estimate for 1965 contained in actuarial cost report dated July 30, 1965; estimates for other years contained in annual Trustees Reports.