

# ACTUARIAL NOTE

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

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

Table 1 presents a comparison of actual experience for fiscal year 1966 with the estimates shown in the 1966 Trustees Reports. For the OASI Trust Fund, the estimates of the income items were \$1,046 million lower than the actual experience, and the estimates of the outgo items were slightly higher than the actual experience (by \$79 million), with the result that the assets at the end of the fiscal year exceeded the estimate by \$1,124 million. For the DI Trust Fund, a similar situation is shown; income was \$90 million higher than the estimate, and outgo was \$6 million below the estimate, so that the fund at the end of the fiscal year was \$95 million higher than the estimate.

For the HI Trust Fund, income was \$65 million higher than the estimate, and outgo was \$11 million lower, giving an actual balance in the fund at the end of the fiscal year that was \$54 million in excess of the estimate.

Two factors were largely responsible for the significant differences between actual and estimated amounts during this fiscal year. Payrolls in fiscal 1966 were somewhat higher than had been estimated, and a new Internal Revenue Service regulation became effective during the year which resulted in earlier tax reporting and collection. In essence, this regulation had the effect of speeding up the collection of taxes, thus giving the trust funds additional income during fiscal 1966 which ordinarily would not have been received until fiscal 1967; the amount involved accounted for about half of the excess of the actual experience over the estimate. The second factor was not known at the time the estimates were made and therefore could not have been taken into account.

Table 2 presents a comparison of the balances in the trust funds at the end of fiscal years 1960-66 with the estimates made *during* each of the same years. In each year the 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, as explained previously. However, it is to be expected that these estimates should be relatively close to the actual experience, since they are made in the middle of each fiscal year and thus project only about 6 months into the future.

Table 1

COMPARISON OF PROGRESS OF OASDHI TRUST FUNDS,  
FISCAL YEAR 1966

Item	Amount (in millions)		Estimate as Percent of Actual
	Actual	Estimate	
OASI Trust Fund			
Contributions	\$17,866	\$16,856	94.3%
Benefit Payments	18,071	18,126	100.3
Administrative Expenses	254	277	109.1
Interest Income	595	559	93.9
Transfer to Railroad Retirement	444	445	100.2
Fund at End of Year	19,872	18,748	94.3
DI Trust Fund			
Contributions	\$ 1,557	\$ 1,467	94.2%
Benefit Payments	1,721	1,715	99.7
Administrative Expenses	183	191	104.4
Interest Income	54	54	100.0
Transfer to Railroad Retirement	25	25	100.0
Payments for Vocational Rehabilitation Services <sup>1</sup>	2	6	300.0
Fund at End of Year	1,686	1,591	94.4
HI Trust Fund			
Contributions	\$ 909	\$ 816	89.8%
Reimbursement for Noninsured Persons	0	26 <sup>2</sup>	--
Administrative Expenses	64	53	82.8
Interest Income	6	8	133.3
Fund at End of Year	851	797	93.7

<sup>1</sup>Includes Vocational Rehabilitation administrative expenses.

<sup>2</sup>Administrative expense.

Table 2

COMPARISON OF BALANCES IN FUND AT END OF  
FISCAL YEAR, 1960-66

<u>Fiscal Year</u>	<u>Amount (in millions)</u>		<u>Estimate as Percent of Actual</u>
	<u>Annual</u>	<u>Estimate</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
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
HI Trust Fund			
1966	\$ 851	\$ 797	93.7%