

Notes and Brief Reports

Trust Fund Operations*

Two trust funds were operative during 1965 in financing the social insurance programs administered by the Social Security Administration. A third and new social security trust fund, the Federal hospital insurance trust fund, created by the 1965 amendments to the Social Security Act, began operations in January 1966. The amendments established another social security trust fund, the Federal supplementary medical insurance trust fund, which will be activated in July 1966. Funds created in order to facilitate the financing of other social insurance programs include the unemployment trust fund and the railroad retirement account. Five additional Government funds are operated in connection with programs to provide benefits for Federal employees; the largest of these is the civil-service retirement and disability fund. Four other funds exist to help in the financing of life insurance benefits for veterans of military service. All these funds are grouped by the Treasury Department with other Federal trust funds and accounts that have investments in Federal securities and are designated as United States Government investment accounts.¹

SOCIAL SECURITY FUNDS

Investments of the old-age and survivors insurance trust fund, as well as those of the disability insurance trust fund, were substantially lower at the end of 1965 than they had been a year earlier. For each fund, total disbursements exceeded total income.

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¹ Some of these funds are designated by law to be under the financial and administrative management of the Treasury; others are under the control of other Government agencies, and their investments are handled outside the Treasury. Statutory provisions for some of them permit investment in both public issues of Government securities and special public-debt obligations issued exclusively to the particular fund concerned; for others, special issues are the only permissible investments.

Benefit payments during the year rose, as a result of changes in benefit amounts and in eligibility provisions made by the 1965 amendments, beyond the increases that would have occurred through normal growth of the system. Although the first full-year effects of these amendments will not be evident until data on benefit payments for 1966 can be reviewed, the figures for September–December 1965 reflect the substantially larger benefit outlays resulting from the 1965 liberalizations.² The provision making the benefit increase retroactive to January 1965 for beneficiaries already on the rolls in itself resulted in payments of \$830 million in September.

For both funds, total disbursements (net of interfund transfers) during 1965 increased by 13 percent, while net receipts increased by 2 percent (table 1). Total investments (measured by book value) of both funds declined by 8 percent (table 2).

Old-Age and Survivors Insurance Trust Fund

Income-outgo.—During 1965, the old-age and survivors insurance trust fund shifted from its 1964 condition of a net increase in assets to a net decrease. Benefit payments rose by \$1,823 million, or 12 percent, during 1965. Net contributions increased by \$329 million, or 9 percent. After allowance for a 4-percent increase in interest income, the excess of total expenditures over total receipts was about \$890 million, in sharp contrast with the 1964 excess of total receipts over total expenditures amounting to almost \$645 million. Total assets of the fund were reduced during 1965 by about \$890 million; at the year's end they were 5 percent less than at the end of 1964.

Administrative outlays during 1965 totaled \$328 million, or 11 percent more than those in 1964. Administrative expenditures during 1965 amounted to 2.05 percent of the program's contribution receipts and 1.96 percent of the benefit payments in the same year.

Expenditures for old-age and survivors insurance in the month of December 1965 totaled \$1.4

² For a description of the changes affecting benefit payments, see Wilbur J. Cohen and Robert M. Ball, "Social Security Amendments of 1965: Summary and Legislative History," *Social Security Bulletin*, September 1965, pages 3–21.

billion, equivalent to an annual rate of \$16.8 billion. By coincidence, this amount is slightly more than all invested assets of the old-age and survivors insurance trust fund but about \$1.4 billion less than total assets, including undisbursed balances, on December 31, 1965.

Investments and interest rates.—The Social Security Act provides that all assets of the trust fund except cash for immediate requirements be invested in interest-bearing obligations of the United States Government or in obligations guaranteed as to both principal and interest by the United States. Investments may be either in the public issues available to all investors or in special public-debt obligations issued for purchase by the trust fund at an interest rate equal to the average market-yield rate computed as of the end of the preceding month, on all marketable Government securities not due or callable until after the expiration of 4 years. For the past 20 years the trust fund has held both public and special issues simultaneously, with the bulk invested in special issues.

Because expenditures were substantially greater

than receipts during the year, total investments of the old-age and survivors insurance trust fund declined by slightly more than \$1 billion in 1965, and on December 31 they were 6 percent less than at the end of the preceding year (table 2). All the decrease was in obligations issued for purchase by the fund. Consequently, the public issues held—though virtually unchanged in book value—amounted to 21.1 percent of the total investments held at the end of 1965, compared with 19.7 percent a year earlier. On December 31, 1965, the fund had the lowest year-end total for invested assets (\$16,643 million) since the peak of \$21,831 million at the end of 1956.

Receipts of the trust fund usually are invested three times a month. Throughout the fiscal year these investments are made in public issues or in special certificates of indebtedness maturing at the end of the fiscal year. At the year's end, all maturing special issues (bonds, notes, and certificates) are "rolled over"—that is, reinvested in public issues or in new special issues of various maturities fixed by the Managing Trustee "with due regard to the needs of the trust fund" for

TABLE 1.—Trust fund operations of the social insurance programs administered by the Social Security Administration, calendar years 1964 and 1965

[In millions]

Item	Old-age and survivors insurance trust fund and disability insurance trust fund		Old-age and survivors insurance trust fund		Disability insurance trust fund	
	1965	1964	1965	1964	1965	1964
Total assets, January 1.....	\$21,171.7	\$20,715.3	\$19,125.1	\$18,480.4	\$2,046.6	\$2,235.0
Receipts:						
Contributions:						
Appropriations (taxes).....	16,000.3	15,698.3	14,895.7	14,621.5	1,104.6	1,076.8
Deposits arising from State agreements.....	1,396.8	1,310.3	1,300.4	1,219.9	96.4	90.5
Gross contributions.....	17,397.1	17,008.6	16,196.1	15,841.3	1,201.0	1,167.3
Less payments to Treasury for taxes subject to refund.....	191.7	165.8	178.6	152.5	13.1	13.3
Net contributions.....	17,205.4	16,842.8	16,017.5	15,688.9	1,187.9	1,153.9
Interest and profit:						
On investments.....	651.4	633.5	589.2	566.9	62.3	67.5
On disability insurance administrative expenses reimbursement ¹			3.6	3.1	-3.6	-3.1
Total or net interest received.....	651.4	633.5	592.7	569.0	58.7	64.4
Total net receipts.....	17,856.8	17,476.3	16,610.2	16,257.9	1,246.6	1,218.4
Disbursements:						
Benefit payments.....	18,310.7	16,223.1	16,737.4	14,914.3	1,573.2	1,308.8
Payments to railroad retirement account under the financial interchange ²	459.3	421.8	435.6	402.6	23.6	19.1
Unadjusted administrative expenses.....	417.7	375.1	413.5	371.5	4.1	3.7
Less receipts for sale of services, etc.....	-.1	-.1	-.1	-.1	(³)	(³)
Adjustment for disability insurance administrative expenses during previous year ¹			-85.9	-75.1	85.9	75.1
Total or net administrative expenses.....	417.6	375.0	327.5	296.3	90.0	78.8
Total net disbursements.....	19,187.5	17,019.9	17,500.5	15,613.2	1,686.9	1,406.7
Net addition to trust funds.....	-1,330.7	456.3	-890.4	644.7	-440.3	-188.4
Total assets, December 31.....	19,841.0	21,171.7	18,234.7	19,125.1	1,606.3	2,046.6

¹ Most administrative expenses for disability insurance are paid initially from the old-age and survivors insurance trust fund. After the amounts chargeable to the disability insurance trust fund are determined, reimbursement is made to the old-age and survivors insurance trust fund; the amount reported in one year represents the administrative expenses advanced during the preceding fiscal year. Interest on the amount initially advanced is payable at the time of reimbursement. There is no entry for this item for the

combined old-age and survivors insurance and disability insurance trust funds, because the amounts shown for the individual funds offset each other.

² Includes principal and interest.

³ Less than \$50,000.

Source: Bureau of Accounts, Treasury Department.

ready cash, as provided in the Social Security Act.

Just before the roll-over at the end of the fiscal year 1965, the only June 30, 1965, maturities held by the fund consisted of \$3,387 million in certificates of indebtedness—\$2,273 million held on May 31 and \$1,114 million acquired during June; these were redeemed. In addition, the fund received on June 30 interest amounting to \$210 million. The total amount of \$3,597 million, less \$1,344 million allocated to the fund's undisbursed balances—a net amount of \$2,253 million—was available for investment. Three blocks of securities totaling \$2,253 million were issued to the fund on June 30 to complete the 1965 roll-over: (1) 4½-percent notes maturing June 30, 1967 (\$1,032 million); (2) 4½-percent bonds maturing June 30, 1980 (\$1,080 million); and (3) 4½-percent certificates of indebtedness maturing June 30, 1966 (\$141 million).³

After the 1965 roll-over, total special obligations held by the fund (\$15,261 million) consisted of 13 equal amounts (\$1,080 million each) of bonds maturing at the end of each fiscal year from 1968 to 1980; notes (\$1,032 million) and bonds (\$48 million)—a total of \$1,080 million—due June 30, 1967; and certificates of indebtedness (\$141 million) maturing June 30, 1966.

In addition to the redemption of certificates during the 1965 roll-over, current outlays in excess of current income necessitated redemption of special bonds in January (\$954 million), July (\$48 million), October (\$539 million), November (\$25 million), and December (\$643 million). These redemptions were concentrated in 2½-percent and 2⅝-percent maturities of 1967, 1968, and 1969—the earliest maturities available. During October 1965, the Managing Trustee disposed of the last of the special bonds originally issued June 30, 1958, at the 2½-percent rate fixed under a statutory formula. This formula provided that the rate be based on the average coupon rate of interest on all outstanding marketable obligations of the United States not due or callable for at

³ For details of the new securities acquired by both trust funds as a result of the roll-overs at the end of each fiscal year, 1961–65, see Marice C. Hart and Margaret A. Lannen, *Additional Interest Earnings of OASDI Trust Funds Resulting from Changed Interest Rate Provided in 1960 Amendments*, (Actuarial Note No. 26), January 1966. See also earlier notes on the trust funds in the May issue of the *Social Security Bulletin*, 1962–65.

TABLE 2.—Investments held by the social security trust funds, by type and interest rate, end of December 1964 and 1965

[In millions]

Type of investment	Old-age and survivors insurance trust fund		Disability insurance trust fund	
	1965	1964	1965	1964
Total portfolio ¹	\$16,643	\$17,758	\$1,438	\$1,905
Public issues.....	3,505	3,502	313	249
Treasury bonds.....	3,522	3,516	315	251
Marketable.....	2,457	2,451	315	251
2½ percent.....	55	55	-----	-----
3 percent.....	70	85	-----	-----
3¼ percent.....	86	86	-----	-----
3½ percent.....	1,558	1,558	16	16
3¾ percent.....	-----	34	-----	10
4 percent.....	7	35	5	5
4½ percent.....	42	50	14	14
4¾ percent.....	369	369	101	101
5 percent.....	153	91	78	68
4¾ percent.....	117	88	102	38
Nonmarketable.....	1,065	1,065	-----	-----
2¾ percent.....	1,065	1,065	-----	-----
Treasury notes.....	-----	6	-----	-----
4¾ percent.....	-----	6	-----	-----
Net unamortized premium and discount ²	-17	-20	-2	-2
Public-debt obligations (special issues).....	13,138	14,256	1,125	1,656
Treasury bonds.....	12,833	13,962	1,103	1,629
2½ percent.....	-----	1,246	-----	-----
2¾ percent.....	7,273	8,236	301	890
3¾ percent.....	1,240	1,240	369	452
3¾ percent.....	1,738	1,738	154	154
4¾ percent.....	2,582	1,502	279	133
Treasury certificates of indebtedness.....	305	294	22	28
4½ percent.....	-----	294	-----	28
4¾ percent.....	305	-----	22	-----

¹ Represents book value, including "net unamortized premium and discount" on investments acquired above or below par value. "Premium" is the excess of the price paid, generally in the open market, over par value; "discount" is the amount by which the price paid is less than par value. The Treasury Department amortizes this positive or negative difference over the remaining life of the obligations. At any given time, the net unamortized figure represents the amount remaining to be "written off" between that time and maturity on issues bought at a premium, minus the amount still to be "written on" for issues bought at a discount.

² Includes small amounts of accrued interest purchased.

Source: *Treasury Bulletin*, February 1965, p. 19, and February 1966, p. 19.

least 5 years from the original issue date. Of the \$1,032 million invested in notes on June 30, 1965, \$722 million was redeemed in July, and the remaining \$310 million was redeemed in October.

About 45 percent of the fund's total investments in special issues held on December 31, 1965, had interest rates of 3¾, 3⅞, 4⅛, or 4¾ percent; these obligations had been issued at interest rates fixed under the market-yield formula adopted as part of the 1960 amendments. The remaining 55 percent of special obligations had the interest rate of 2⅝ percent fixed under the coupon-rate formula effective immediately before the 1960 amendments.

The gradual rise in the average interest rate on all investments of the old-age and survivors insurance trust fund that has prevailed in the past few years continued during 1965. At the end

of the year, the average rate was 3.26 percent, compared with 3.11 percent at the end of 1964.

Disability Insurance Trust Fund

Income-outgo.—For the fourth successive calendar year, the outgo of the disability insurance trust fund in 1965 exceeded its income. The deficiency of current income, about twice as much as in the year before, was the largest in the history of the fund and brought the total excess of outgo over income during the 4-year period to \$831 million. The net decrease in the fund's assets during 1965 was \$440 million, a decline (22 percent) substantially larger than the comparable drop (5 percent) in the assets of the old-age and survivors insurance trust fund.

Most of the rise in total expenditures was due to increases in outlays for individual benefits. During September 1965, benefit payments of approximately \$190 million exceeded those in the preceding month by \$60 million. As with old-age and survivors insurance benefit expenditures, the primary cause was the payment of benefit increases back to January 1965 in compliance with the 1965 amendments. Additional increases, with longer-term expenditure implications, resulted from other disability benefit changes such as liberalization of the definitions of disability, both for the blind and the sighted.

The contribution-benefit relationships that prevailed during 1965 will not persist into 1966 because of changes made by the 1965 amendments with respect to allocations of contribution receipts. Beginning January 1966, an additional 0.20 percent of taxable wages and 0.15 percent of taxable self-employment income will be allocated to the disability insurance trust fund, bringing the total allocation to 0.70 percent of wages and 0.525 percent of self-employment income.

Administrative expenses of the disability insurance program continued to increase. The 1965 administrative outlays totaled \$90 million and were 14 percent higher than in 1964. During 1965 these expenditures amounted to 7.6 percent of the program's contribution receipts and 5.7 percent of its benefit payments during the same year.

Investments and interest rates.—The statutory provisions regarding investments and interest

rates that apply to the old-age and survivors insurance trust fund also apply to the disability insurance trust fund. The decline in total investments of the disability insurance trust fund during 1965 amounted to almost one-fourth of its invested assets at the beginning of the year (table 2). The proportion of public issues in the total portfolio increased during the year, however.

Although additional purchases of such securities were one factor in this rise, a more important cause was the decline in holdings of special issues during the year. Because it was necessary to redeem special issues to get cash to help pay for the excess of benefit payments over contribution receipts, special issues held at the end of the year amounted to only about two-thirds of the total held on January 1, 1965.

Total investments of this fund on December 31, 1965 (\$1,438 million) were the lowest in its history except for the first 2 years of operation, 1957 and 1958. Much of the 1965 decline in investments came in the last half of the calendar year; total investments on December 31 were \$438 million less than the June 30 amount of \$1,876 million.

New investments resulting from the roll-over at the end of fiscal year 1965 were limited to special bonds. Just before the roll-over, this fund held \$249 million in certificates of indebtedness maturing June 30, 1965. (There were no bonds or notes maturing on that date.) Of this total, \$120 million was held on May 31 and \$129 million was acquired during June. All these certificates were redeemed on June 30. On the same day the fund received interest amounting to \$24 million. The total amount of \$273 million, less \$127 million allocated to the undisbursed balances—a net amount of \$146 million—was available for investment. The Managing Trustee added \$20.5 million in 4½-percent special bonds of June 30, 1979, to the amount of these bonds already held. The Trustee also bought 4½-percent special bonds maturing June 30, 1980, in the amount of \$125.6 million. New securities acquired during the roll-over totaled \$146 million.

After the 1965 roll-over, the total amount in special bonds held by the disability insurance trust fund (\$1,563 million) was distributed as follows: nine equal amounts of approximately \$154 million each, maturing in each of the fiscal years 1971-79; \$54 million maturing June 30,

1970; and \$126 million maturing June 30, 1980.

The disability insurance trust fund portfolio of special securities differed from that of the other social security fund because on June 30, 1965, the earliest maturity in the portfolio of the former fund was June 30, 1970—reflecting early redemptions to acquire cash for current expenditures during calendar years 1962–65. By the end of 1965, the earliest bond maturity in the portfolio was June 30, 1973. Of the fund's total investments in special obligations on December 31, 1965, nearly 75 percent had interest rates of $3\frac{3}{4}$, $3\frac{7}{8}$, $4\frac{1}{8}$, or $4\frac{3}{8}$ percent; these obligations had been issued under the market-yield formula. Only a little more than one-fourth of the special obligations held by the fund had the interest rate of $2\frac{3}{8}$ percent fixed under the coupon-rate formula for earlier issues.

The average interest rate on all investments of the fund at the end of 1965 was 3.68 percent, an increase of 0.38 percentage points over the comparable rate (3.30 percent) at the end of 1964. The average rate of interest on special obligations held by the fund increased sharply from 3.194

percent to 3.571 percent—chiefly because many early maturities originally issued at relatively low coupon rates were liquidated during 1965.

UNITED STATES GOVERNMENT INVESTMENT ACCOUNTS

Federal Government securities held by these investment accounts totaled \$61.8 billion at the end of 1965 (table 3), compared with \$60.4 billion a year earlier. Of the 1965 total, the social security funds held about 30 percent, a small decrease from the proportion (33 percent) held a year earlier. At the end of both years, other large holdings by groups or single accounts were approximately the following proportions of the totals: Federal employee benefit funds, one-fourth; veterans' insurance funds, one-ninth; railroad retirement account, one-eighteenth; unemployment trust fund, one-eighth; and all other investment accounts, one-eighth. Altogether, the retirement and insurance funds held more than

TABLE 3.—U.S. Government investment accounts: ¹ Total, public issues and special obligations held, and average interest rates on special obligations, end of calendar year 1964 and 1965

[Amounts in millions]

Investment account	Total amount of securities ²		Public issues ²		Special obligations			
	1965	1964	1965	1964	Amount		Average interest rate (percent)	
					1965	1964	Dec. 31, 1965	Dec. 31, 1964
Total.....	\$61,767	\$60,437	\$15,512	\$14,361	\$46,255	\$46,076	3.412	3.248
Social Security Administration.....	18,100	19,686	3,837	3,774	14,263	15,912		
OASI trust fund.....	16,660	17,778	3,522	3,722	13,138	14,256	3.232	3.053
DI trust fund.....	1,440	1,908	315	252	1,125	1,656	3.571	3.194
Federal employee benefits.....	16,384	15,197	1,789	1,232	14,595	13,965		
Civil service retirement and disability fund.....	15,869	14,712	1,314	786	14,555	13,926	3.417	3.262
Foreign service retirement and disability fund.....	40	39			40	39	3.973	3.973
Life insurance fund.....	386	372	386	372				
Health benefits fund.....	81	66	81	66				
Retired employees health benefits fund.....	8	8	8	8				
Unemployment trust fund.....	8,551	7,409	2,187	2,004	6,364	5,405	3.625	3.500
Veterans' insurance.....	7,074	6,907			7,074	6,907		
U.S. Government life insurance fund.....	939	936			939	936	3.545	3.526
National service life insurance fund.....	5,967	5,837			5,967	5,837	3.212	3.159
Special term insurance fund ³	158	134			158	134	3.625	3.500
Reopened insurance fund ⁴	10				10		4.229	
Railroad retirement account.....	3,684	3,558	793	798	2,891	2,760	4.030	4.017
All other investment accounts ⁵	7,974	7,680	6,906	6,553	1,068	1,127		

¹ Trust funds that by law are under the control of the Secretary of the Treasury or the Treasurer of the United States and accounts under the control of certain U.S. Government agencies, some of whose investments are handled through the facilities of the Treasury Department and others outside the Treasury Department.

² All amounts are stated at face value. Some of the figures on investments in public issues consequently differ from the book values stated in table 2 because the former exclude net unamortized premium and discount and accrued interest on such public issues.

³ Created by 1961 legislation to finance nonparticipating insurance on the 5-year level premium term plan without medical examination.

⁴ Legislation enacted in 1965 reopened, for one year May 2, 1965, through

May 2, 1966, the National service life insurance fund for veterans of World War II and of the Korean War during the years 1951–57, chiefly those with service-connected disabilities.

⁵ Funds and accounts of the Federal Deposit Insurance Corporation, Federal home loan banks, Federal Housing Administration, and Federal Savings and Loan Insurance Corporation; also the highway trust fund, exchange stabilization fund, and various other funds and accounts.

Source: *Combined Statement of Receipts, Expenditures, and Balances of the U.S. Government, fiscal year 1965; Monthly Statement of Receipts and Expenditures of the U.S. Government, July 1, 1965, through December 31, 1965; Daily Statement of the U.S. Treasury, December 31, 1965; Treasury Bulletin, January 1966.*

85 percent of all the Federal securities held by the Government investment accounts at the end of both 1964 and 1965. All these Government investment accounts combined held about one-fifth of the total interest-bearing debt of the United States.⁴

Special obligations (\$46,255 million) were about three-fourths of all Government securities held by the investment accounts and at the end of 1965 totaled only slightly more than 1 year earlier. There were, however, significant changes in some of the individual accounts or groups of accounts. The special obligations held by the two social security funds declined by more than \$1.6 billion during 1965. These decreases were offset by increases of about the same total amount in the civil-service retirement fund and in the unemployment trust fund, each of which had receipts in excess of expenditures. As a consequence of these offsetting issuances and redemptions of special obligations, the operating deficits of the social security trust funds during 1965 did not affect the Treasury Department's management of changes in the marketable debt held by non-Federal investors.

The public issues held by the investment accounts at the end of 1965 totaled \$15.5 billion—8 percent more than the corresponding total at the end of 1964.

The average interest rate on all special obligations held by the investment accounts on December 31, 1965, was 3.412 percent while the average rate on the total interest-bearing debt on the same date was 3.756 percent. (The current rate on the total interest-bearing debt is high because it includes high rates on short-term Federal Government securities; in contrast, the rate on many of the special obligations—including those held by the social security trust funds—is related to the lower market yield on long-term Federal Government bonds.) One year earlier, the respective rates were 3.248 percent and 3.602 percent. Thus, the increase in the average rate on special obligations held by the investment accounts was slightly

⁴ Debt of United States Government agencies guaranteed by the United States, whether interest-bearing or not, is not considered part of the United States public debt. Some of the major components of the non-interest-bearing public debt are special notes issued to the International Monetary Fund, the International Development Association, and the Inter-American Development Bank—amounting to a total of \$3.7 billion at the end of 1965.

larger than that on the total interest-bearing debt. The railroad retirement account again had the highest average rate of interest on its special issues (4.030 percent) on December 31, 1965,⁵ and the national service life insurance fund had the lowest average rate (3.212 percent).

RELATED TRUST FUNDS

Federal Employee Benefit Funds

Next to the social security funds in importance of their investments and financial operations are the five Federal employee benefit funds. Four of these funds—the civil-service retirement and disability fund, the employees' life insurance fund, the employees' health benefits fund, and the retired employees' health benefits fund—are supervised by the U. S. Civil Service Commission. The fifth, the foreign service retirement and disability fund, is administered by the Department of State. The life insurance and health benefits programs use nongovernmental administration of their benefits. At the present time, 270 nongovernmental life insurance companies underwrite the Federal group policy, administered by two prime companies, that provides benefits under the employees' life insurance program. Under the employees' health benefits program, four types of privately controlled plans provide the health benefits: Government-wide plans, employee organization plans, individual-practice plans, and group-practice plans.⁶

The Federal Government investment funds for the five programs are all managed by the Secretary of the Treasury. Most of the increase in total investments of these funds occurred in the civil-service retirement and disability fund. Its

⁵ The veterans' reopened insurance fund (see footnote 4, table 3) had an average interest rate of 4.229 percent. However, this fund cannot rightfully be compared with the other investment accounts, because the fund was created for just 1 year beginning May 2, 1965.

⁶ For detailed tables on the operations of the four funds under the supervision of the Civil Service Commission (excluding the foreign service retirement and disability fund), see United States Civil Service Commission, Bureau of Retirement and Insurance, *Fiscal Year Ended June 30, 1965: Report*.

investments grew by more than a billion dollars during 1965. All the investments of the two retirement and disability funds were in special Federal Government securities. In contrast, the investments of the other three benefit funds were in public issues of United States obligations.

With the exception of the civil-service retirement and disability fund, operating receipts and disbursements of the Federal employee benefits funds were in approximate balance for the calendar year 1965 (table 4). Operating receipts of the civil-service retirement and disability fund exceeded its operating disbursements by \$1,154 million, approximately the same amount as the increase in invested assets during the year. Operating receipts consisted of salary deductions, voluntary contributions, and service credit payments by employees; contributions by special appropriation and by Government (employer) agencies; and interest and profit on investments. Operating disbursements consisted of payments to retired employees, payments to survivor annuitants, and payments of refunds and death claims.

TABLE 4.—Operating receipts and operating disbursements of five Federal employee benefit funds, calendar year 1965

(In millions)

Fund	Operating receipts	Operating disbursements
Total.....	\$3,403.4	\$2,224.1
Civil service retirement and disability fund.....	2,683.0	1,529.3
Foreign service retirement and disability fund.....	8.8	8.7
Employees life insurance fund.....	183.7	170.6
Employees health benefits fund.....	501.4	488.7
Retired employees health benefits fund.....	26.5	26.8

Source: Unpublished data, Bureau of Retirement and Insurance, U.S. Civil Service Commission; Department of State.

Aside from administrative expenses, the operating disbursements of the nonretirement benefit funds consisted chiefly of premium payments to the two prime life insurance companies and subscription charges paid to 38 health benefit carriers.

Unemployment Trust Fund

Total disbursements (\$3 billion) from the unemployment trust fund in 1965 were one-sixth less than the total 1964 outlay in 1949. Because total receipts were practically unchanged, total assets at the end of 1965 were one-sixth more

than a year earlier. The net increase in assets during 1965 was nearly \$1.2 billion, as shown in the following condensed statement of the fund's operations during the year.⁷

Item	Amount (in millions)
Total assets, January 1, 1965.....	\$7,406
Total receipts.....	4,192
Total disbursements.....	3,010
Net increase in assets during year.....	1,182
Total assets, December 1, 1965.....	8,588

Most of the operations of the unemployment trust fund occur in the 52 State accounts that help to finance the 52 State unemployment insurance programs. For the third consecutive year, deposits in the trust fund by the States amounted to approximately \$3 billion. Withdrawals from the trust fund by the State agencies for payment of benefits totaled \$2,244 million, a decline of about \$350 million, or 14 percent, from the amount of total withdrawals during 1964. The drop in benefit payments by the State agencies, of course, reflected the increase in employment that accompanied improved economic conditions during the year.

The face value of the fund's investments at the close of 1965 totaled \$8.6 billion, an increase of \$1.1 billion over the comparable amount for 1964. Special obligations increased by \$959 million. In contrast, the public issues held on December 31, 1965, exceeded by \$183 million those held a year earlier.

At the end of 1965, the average interest rate on all investments of the unemployment trust fund was 3.6 percent, a slight increase over the average rate of 3.48 percent at the end of 1964.

Railroad Retirement Account

In every phase of its operations, the railroad retirement account grew during 1965. Total re-

(Continued on page 32)

⁷ See the *Treasury Bulletin*, February 1965 (page 17) and February 1966 (page 17). Data for total assets differ slightly from those shown in Statement No. III, Division of Deposits and Investments, Treasury Department, because they exclude accrued interest receivable and include cash held by the railroad unemployment insurance account and by the Unemployment Insurance Service, Bureau of Employment Security, Department of Labor.