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COMMITTEE PRINT

SUMMARY OF RECOMMENDATIONS AND SURVEYS ON SOCIAL SECURITY AND PENSION POLICIES

AN INFORMATION PAPER

PREPARED FOR THE

SPECIAL COMMITTEE ON AGING

UNITED STATES SENATE

BY THE

CONGRESSIONAL RESEARCH SERVICE

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LETTER OF SUBMITTAL

CONGRESSIONAL RESEARCH SERVICE,
THE LIBRARY OF CONGRESS,
Washington, D.C., October 6, 1980.

Hon. LAWTON CHILES,
Chairman, Special Committee on Aging,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Congressional Research Service is pleased to transmit to you our information paper, "Summary of Recommendations and Surveys on Social Security and Pension Policies." In the past 2 years, six study groups and three public opinion research organizations have released reports with significant recommendations and survey findings pertaining to social security and other retirement income systems. This paper was prepared because your committee believed it would be extremely valuable to have a summary of the recommendations and surveys of all these reports condensed into a single reference document for use in your upcoming hearings.

This report was prepared by David Koitz, who is a specialist in the Education and Public Welfare Division of the Congressional Research Service, with special assistance from Nancy L. Miller, who is on assignment with the Congressional Research Service from the Social Security Administration.

The Congressional Research Service is glad to be able to contribute to your committee's studies of the issues now confronting the Nation's retirement systems.

Sincerely,

GILBERT GUDE, *Director.*

Enclosure.

PREFACE

As part of its oversight responsibility, the Committee on Aging is scheduling a series of hearings entitled "Social Security: What Changes Are Necessary?" These hearings will be held in November and December of 1980 in anticipation of the need for major social security legislation during the 97th Congress. It is our intention to focus on those issues that are most likely to receive attention next year, and to help educate the public and the Congress about emerging concerns in this most important program.

Over the past 2 years, several reports and several national opinion surveys have been released. These reports and surveys have received great attention in the national press and have stirred great interest in the American public, particularly with senior citizens and those approaching retirement. These reports are:

—Report of the 1979 Advisory Council on Social Security.

—An Interim Report From the National Commission on Social Security.

—Report of the Universal Social Security Coverage Study Group.

—Social Security and the Changing Roles of Men and Women.

—1980 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds.

—An Interim Report From the President's Commission on Pension Policy.

—Preliminary Findings of a Nationwide Survey on Retirement Income Issues.

—1979 Study of American Attitudes Toward Pensions and Retirement.

—A Nationwide Survey of Attitudes Toward Social Security.

The Report of the 1979 Advisory Council on Social Security is the seventh such report, being preceded by the reports of earlier Advisory Councils going back to 1938. The annual Trustees' Report also dates back to the early years of the social security program, being the 40th such report. Three of the other reports—Social Security and the Changing Roles of Men and Women, the Report of the Universal Social Security Coverage Study Group, and the Interim Report From the National Commission on Social Security—have their origins in the Social Security Amendments of 1977. The sixth report—An Interim Report From the President's Commission on Pension Policy—initially arose from an Executive order of President Carter in 1978 and was then legislatively authorized in 1979.

This committee print was prepared by the Congressional Research Service in response to a request from the Senate Committee on Aging to summarize the major recommendations and survey findings of these groups and condense them into a single reference document.

Chapter 1 of this paper lists the titles of the reports, the dates they were issued, the membership of the study groups, their legislative authorizations, sponsors, and purposes. Chapter 2 provides a set of charts comparing the recommendations by major issue area, followed by a narrative summary of the recommendations by study group. Chapter 3 summarizes the findings from the three recent public opinion surveys. A glossary of frequently used social security terms is included at the end to aid the unfamiliar reader.

Much of the content of the various reports deals with social security. Other organizations with interests in private pensions and broader retirement policy questions might give greater attention to other retirement income issues, such as the conditions affecting private pensions. However, other than the President's Commission on Pension Policy, the study groups whose reports are summarized in this committee print placed primary emphasis on problems in social security.

It is our sincere hope that the information brought together in this information paper will be of service to all those deeply concerned about the future direction of social security and retirement income policy. The committee will continue to publish additional material where it feels a contribution can be made.

LAWTON CHILES,
Chairman.
PETE V. DOMENICI,
Ranking Minority Member.

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SUMMARY OF RECOMMENDATIONS AND SURVEYS ON SOCIAL SECURITY AND PENSION POLICIES

Chapter 1

TITLE OF REPORT, STUDY GROUP MEMBERS, AUTHORIZATION, AND PURPOSE

The first chapter of the paper identifies each of the nine recent reports. It provides the title of the report, when it was issued, who was (is) on the study group, who sponsored or prepared the report, what the legislative authorization is for the study group and/or report (if any), and what the purpose of the study group and report is.

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A. Report of the 1979 Advisory Council on Social Security, December 7, 1979

MEMBERSHIP OF THE COUNCIL

Henry J. Aaron, senior fellow, Brookings Institution; Chairman of the Council.
Gardner Ackley, Henry Carter Adams University Professor of Political Economy, the University of Michigan.
Robert M. Ball, senior scholar, Institute of Medicine, National Academy of Sciences.
Eveline M. Burns, professor emeritus of social work, social welfare fellow, Community Service Society, Columbia University.
Grace Montanez Davis, deputy mayor, city of Los Angeles.
Mary G. Falvey, senior vice president and director, Blyth Eastman Dillon & Co., Inc.
Melvin A. Glasser, director, Social Security Department, International Union, United Auto Workers.
Velma M. Hill, vice president, American Federation of Teachers.
Morton D. Miller, vice chairman of the board, the Equitable Life Assurance Society of the United States.
Joseph A. Pechman, director, Economic Studies Program, Brookings Institution.
Jane C. Pfeiffer, former vice president, communications, IBM Corp. (resigned from Council).
John W. Porter, president, Eastern Michigan University.
Stanford G. Ross, attorney, Caplin & Drysdale (resigned from Council).
Bert Seidman, director, Department of Social Security, AFL–CIO.
J. W. Van Gorkom, chairman of the board, Trans Union Corp.

AUTHORIZATION AND PURPOSE

The Advisory Council and its report are authorized by section 706 of the Social Security Act. A new Council is appointed by the Secretary of the Department of Health, Education, and Welfare (now the Department of Health and Human Services (HHS)) every 4 years for the purpose of reviewing: (1) The financial status of the four social security trust funds; (2) the scope of coverage and adequacy of benefits; and (3) all other aspects of the programs, including their impact on the public assistance programs of the Social Security Act.
Each Council consists of a chairman and 12 other members, representing to the extent possible, organizations of employers and employees in equal numbers, self-employed persons, and the public.

B. An Interim Report From the National Commission on Social Security, January 11, 1980

MEMBERSHIP OF THE COMMISSION

Milton Gwirtzman, attorney and author; Chairman of the Commission.
Wilbur J. Cohen, Sid Richardson Professor of Public Affairs, Lyndon Baines Johnson School of Public Affairs, University of Texas at Austin.
James J. Dillman, attorney, Dillman, Holbrook, & Wurtz.
Elizabeth T. Duskin, director of research, National Council of Senior Citizens.
Russell W. Laxson, retired vice president—public affairs, Honeywell, Inc.
Donald S. MacNaughton, chairman and chief executive officer, Hospital Corp. of America.
Joyce D. Miller, vice president and director of social services, Amalgamated Clothing & Textile Workers Union.
Robert J. Myers, professor emeritus, Temple University, and consulting actuary.
David H. Rodgers, chief deputy insurance commissioner, State of Washington.

AUTHORIZATION AND PURPOSE

Section 361 of the Social Security Amendments of 1977, Public Law 95-216, established the National Commission on Social Security and directed the Commission to study, investigate, and review the social security cash benefits and health insurance programs, particularly with regard to how they interact with other aspects of social and economic life in the United States.

The legislation required submission of a special report no later than 4 months after the date on which a majority of the members of the Commission was appointed. The report was submitted to the President and the Congress on May 11, 1979.

The Commission was required to make two additional reports to the President and the Congress—an interim report and a final report. The final report is due on January 11, 1981.

C. Report of the Universal Social Security Coverage Study Group, March 24, 1980

Prepared by: The Secretary of the Department of Health, Education, and Welfare (now the Department of Health and Human Services (HHS)) in consultation with the Office of Management and Budget (OMB), the Civil Service Commission (now the Office of Personnel Management (OPM)), and the Department of the Treasury.

AUTHORIZATION AND PURPOSE

Section 311 of the Social Security Amendments of 1977, Public Law 95–216, required the Secretary to undertake a study and report on mandatory coverage under social security of employees of Federal, State, and local governments and of nonprofit organizations in consultation with the Office of Management and Budget, the Civil Service Commission, and the Department of the Treasury. The study was to examine the feasibility and desirability of coverage of these employees, including alternative methods of coverage, alternatives to coverage, and an analysis, under each alternative, of the structural changes which would be required in retirement systems and the impact on retirement system benefits and contributions for affected individuals.

D. Social Security and the Changing Roles of Men and Women, February 1979

Prepared by: The Secretary of the Department of Health, Education, and Welfare (now the Department of Health and Human Services (HHS)) in consultation with the Task Force on Sex Discrimination in the Department of Justice.

AUTHORIZATION AND PURPOSE

Section 341 of the Social Security Amendments of 1977, Public Law 95–216, required a detailed study, within the Department of Health, Education, and Welfare and the Social Security Administration, of proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the social security program, and of proposals to bring about equal treatment for men and women in any and all respects under the program, taking into account the practical effects (particularly the effect upon women's entitlement to benefits) of factors such as: (1) Changes in the nature and extent of women's participation in the labor force; (2) the increasing divorce rate; and (3) the economic value of women's work in the home.

E. 1980 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds,[1] June 17, 1980

Prepared by: The Secretaries of the Department of Health and Human Services, trustee; the Department of the Treasury, managing trustee; the Secretary of Labor, trustee.

The Commissioner of Social Security serves as secretary of the board of trustees.

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[1] There also are separate annual reports from the board of trustees of the medicare programs, hospital insurance (HI) and supplementary medical insurance (SMI), as required by sections 1817(b) (for HI) and 1841(b) (for SMI) of the Social Security Act. The board members are the same as those of the OASDI program. The Administrator of the Health Care Financing Administration serves as secretary to the board. These reports are generally similar in content to the OASDI one, although the actuarial analysis covers a 25-year period for HI and a 1-year period for SMI.

AUTHORIZATION AND PURPOSE

Section 201(c) of the Social Security Act required the creation of a board of trustees for the OASDI programs. The board is responsible for the following:

(1) Holding the trust funds.

(2) Reporting to the Congress not later than the first day of April each year on the operation and status of the trust funds during the preceding fiscal year and on their expected operation and status during the next ensuing 5 fiscal years.

(3) Reporting immediately to the Congress whenever the Board is of the opinion that the amount of either of the trust funds is unduly small.

(4) Recommending improvements in administrative procedures and policies designed to effectuate the proper coordination of the old-age and survivors insurance and Federal-State unemployment compensation programs; and

(5) Reviewing the general policies followed in managing the trust funds, and recommending changes in such policies, including necessary changes in the provisions of the law which govern the way in which the trust funds are to be managed.

The report described in item (2) above includes a statement of the assets of, and the disbursements made from, the trust funds during the preceding fiscal year, an estimate of the expected future income to, and disbursements to be made from, the trust funds during each of the next ensuing 5 fiscal years, and a statement of the actuarial status of the trust funds (75 years into the future). The report also includes an actuarial analysis of the benefit disbursements made from the Federal old-age and survivors insurance trust fund with respect to disabled beneficiaries.

F. An Interim Report From the President's Commission on Pension Policy, May 1980

COMMISSIONERS

C. Peter McColough, Xerox Corp.; Chairman of the Commission.
Henry L. Bowden, attorney, Lokey & Bowden, Atlanta, Ga.
John Bragg, member of Tennessee House of Representatives.
Lisle C. Carter, Jr., president, University of District of Columbia.
James Clark, Jr., member of the Maryland Senate.
Paul R. Dean, professor of law, Georgetown University Law School.
William C. Greenough, trustee, College Retirement Equities Fund.
Martha W. Griffiths, attorney, Romeo, Mich.
Harvey Kapnick, former chairman, Arthur Andersen & Co.
John H. Lyons, president, International Association of Bridge, Structural, and Ornamental Iron Workers.

AUTHORIZATION AND PURPOSE

The Commission was created initially by Executive Order 12071 signed by President Carter in 1978. Subsequent legislation passed in 1979, Public Law 96–14, authorized a $2 million, 2-year study of the Nation's retirement income policies. The Executive order mandated that the Commission study the Nation's retirement, survivor, and disability systems, seeking advice from interested individuals and groups, private and public organizations, Congress, and Federal Government agencies. Among the areas being studied are:

—Overlaps and gaps among the private, State, and local sectors in providing income to retired, surviving, and disabled persons.

—The financial ability of present private, Federal, State, and local retirement, survivor, and disability systems to meet their future obligations.

—Appropriate retirement ages, the relationship of the annuity levels to past earnings and contributions, and the role of current retirement, survivor, and disability programs in private capital formation and economic growth.

—The implications of the recommended national policies for the financing and benefit structures of the retirement, survivor, and disability programs in the public and private sectors.

—Specific reforms and organizational changes in the present system that may be required to meet the goals of national pension policies.

The Executive order required the Commission to issue a series of interim and final reports. The final report is due in February 1981.

G. Preliminary Findings of a Nationwide Survey on Retirement Income Issues, May 1980

Commissioned by: The President's Commission on Pension Policy, the Department of Labor, the Pension Benefit Guaranty Corporation, the Administration on Aging, and the Social Security Administration.

Conducted by: Market Facts, Inc. (household survey) and SRI International (assistance with survey analysis).

PURPOSE

In September and October of 1979, 6,100 adults participated in a survey designed to measure the relationship between pension plan participation and personal savings. Those surveyed also were asked detailed questions about participation in pension plans, entitlement to benefits, and attitudes regarding retirement prospects. The report contains the preliminary findings of the household survey on these issues. The report also includes several preliminary tables from a companion survey sponsored by the Department of Labor and the Social Security Administration in May 1979.

H. 1979 Study of American Attitudes Toward Pensions and Retirement (A Nationwide Survey of Employees, Retirees, and Business Leaders), February 1979

Commissioned by: Johnson & Higgins.

Conducted by: Louis Harris & Associates, Inc.

PURPOSE

This was a self-initiated (not sponsored by a study group) nationwide survey of 1,330 full-time employees and 369 retirees intended to obtain a sharper focus for policymakers and the people affected by their decisions on retirement problems and what to do about them. The field work was conducted in August 1978.

I. A Nationwide Survey of Attitudes Toward Social Security, May 1980

Sponsored by: The National Commission on Social Security.
Conducted by: Peter D. Hart Research Associates, Inc.

PURPOSE

The survey was commissioned to gage the public's knowledge and perceptions of social security. A national sample of about 1,500 adults was asked questions designed to identify: (1) The role of social security in people's lives; (2) the public's knowledge of the system and its operation; (3) the relationship between the size of benefits and the level of taxes levied on workers; and (4) personal experience with the Social Security Administration and perceptions of the agency formed through family members' contacts with it.

Chapter 2

SUMMARY OF RECOMMENDATIONS OF THE SIX STUDY GROUPS

This section of the print provides a summary of the major recommendations made by the six legislatively mandated study groups.

The charts on the next few pages attempt to lay out for "quick-use" reference the major recommendations made (thus far) by the various groups. A longer narrative summary of the recommendations follows.

Each chart compares how the various groups addressed broad issue categories, primarily those involving the social security cash programs. Each category is represented on a single chart. Since the descriptions of the recommendations were greatly abridged in order to summarize them on a single chart, it is suggested that the reader also read the longer summaries which follow the charts. Health issues were for the most part only addressed by the National Commission on Social Security, so a separate chart was not prepared for them. The Commission's recommendations with regard to medicare and medicaid are summarized on page 27. Furthermore, various other issues addressed in the various reports also are left out of the charts, but are described in the summaries that follow.

COMPARISON OF STUDY GROUP RECOMMENDATIONS

Social Security Financing

Advisory Council on Social Security	Fund HI from earmarked income tax (general revenues). Increase OASDI tax rate.
	Use countercyclical general revenues if reserves fall below 60 percent.
	Permit borrowing from general revenues if reserves fall below 25 percent.
	Merge OASI and DI funds.
	Raise tax rate to 7.25 percent in 2005.
National Commission on Social Security1/	Fund one-half HI from general revenues (with 2.5 percent surtax on income tax). Increase OASDI tax rate (not to exceed combined rate of 18 percent in the future).
	Freeze earnings base in 1983 and 1984.
	Permit interfund borrowing.
	Permit borrowing from general revenues if interfund borrowing is insufficient.
	Reallocate part of DI tax to OASI.
Trustees Report	Permit interfund borrowing (including HI) if reserves fall below 25 percent.
	Reallocate part of DI tax to OASI.
Universal Coverage Study	No recommendation.
Social Security and Changing Roles of Men and Women	No recommendation.
President's Commission on Pension Policy1/	No recommendation.

1/ All recommendations of the National Commission on Social Security and the President's Commission on Pension Policy are tentative.

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COMPARISON OF STUDY GROUP RECOMMENDATIONS--Continued

Coverage

Advisory Council on Social Security	Extend coverage to all new Federal, State and local and nonprofit organization employees.
	Until universal coverage is complete, coordinate social security and other systems and preclude termination of State/local coverage agreements.
	Count payment of employee tax by employer as taxable wages except for domestics.
	Subject tips to social security tax.
	Subject all earnings of farm workers to social security tax if farm operator pays $2,500 annually for farm labor.
National Commission on Social Security[1/]	Extend coverage to all new Federal, State and local and nonprofit organization employees.
	Coordinate social security and other systems and preclude termination of State/local coverage agreements.
	Count payment of employee tax by employer as taxable wages except for domestics.
	Count sick pay as taxable wages for 6 months.
	Raise earnings requirement for coverage and tax purposes for domestics, casual labor and self employed.
Trustees Report	No recommendation.

1/ See next page.

COMPARISON OF STUDY GROUP RECOMMENDATIONS—Continued

Coverage—Continued

Universal Coverage Study	No recommendations; options evaluated include: — Mandating coverage for some or all workers in noncovered employment, especially Federal employees. — Increasing incentives for voluntary coverage of State/local and nonprofit employees. — Reducing coverage gaps and undesirable subsidies through transfer of credits or other means. — Maintaining the status quo, except with respect to windfalls.
Social Security and Changing Roles of Men and Women	No recommendation; one option would: — Include all persons, regardless of earnings histories, in social security tier 1 flat dollar benefits.
President's Commission on Pension Policy1/	Extend coverage to all new Federal, State/local, and nonprofit organization employees (tentative recommendation).

1/ All recommendations of the National Commission on Social Security and the President's Commission on Pension Policy are tentative.

COMPARISON OF STUDY GROUP RECOMMENDATIONS--Continued

Retirement Age

Advisory Council on Social Security	Consider raising retirement age to 68 after year 2000, but do not change entitlement right for those retiring at 62-65. Consider long-term unemployment benefits for older workers.
National Commission on Social Security1/	Raise age for full and reduced benefits to 68 and 65. Institute flexible retirement age plan with incentives for later retirement.
Trustees Report	No recommendation.
Universal Coverage Study	No recommendation.
Social Security and Changing Roles of Men and Women	No recommendation.
President's Commission on Pension Policy1/	Do not raise retirement age for current workers. Set retirement age for future workers in terms of proportion of adult life to be spent in retirement.

1/ All recommendations of the National Commission on Social Security and the President's Commission on Pension Policy are tentative.

COMPARISON OF STUDY GROUP RECOMMENDATIONS--Continued

Retirement Test

Advisory Council on Social Security	Treat retirees under 65 the same as retirees 65 and older, but do not otherwise liberalize retirement test.
National Commission on Social Security1/	Repeal provision reducing age at which test no longer applies from 72 to 70. Correct problems in 1977 amendments caused by elimination of monthly earnings test: retrospective application; hardship for teachers, farmers, insurance agents; and needless triggering of "grace year" when applying for HI.
Trustees Report	No recommendation.
Universal Coverage Study	No recommendation.
Social Security and Changing Roles of Men and Women	No recommendation.
President's Commission on Pension Policy1/	Retirement test should be removed if proposal to tax benefits is adopted.

1/ All recommendations of the National Commission on Social Security and the President's Commission on Pension Policy are tentative.

COMPARISON OF STUDY GROUP RECOMMENDATIONS--Continued

Benefit Structure

Advisory Council on Social Security	Increase benefits to future long-term low-wage workers and to high-wage workers. Scale dropout years to length of service with a maximum of 6.
National Commission on Social Security 1/	Modify 1977 decoupling transition provision to treat those who reach 62 just before and after effective date more similarly. The special minimum benefit should be liberalized.
Trustees Report	No recommendation.
Universal Coverage Study	No recommendations; options attempt to: -- Eliminate unintended subsidies to long-term Federal employees who also receive weighted social security benefits as if they were low-wage workers. -- Eliminate coverage gaps for workers who shift between covered and uncovered employment and between uncovered systems. -- Improve disability and survivor protection for public employees.
Social Security and Changing Roles of Men and Women	No recommendations; options would: -- Divide earnings credits equally between spouses; i.e., earnings sharing. -- Create a double-decker system with a universal flat dollar first tier benefit and an earnings-related second tier benefit.
President's Commission on Pension Policy 1/	Adopt earnings sharing with inheritance of credits by surviving spouse.

1/ All recommendations of the National Commission on Social Security and the President's Commission on Pension Policy are tentative.

COMPARISON OF STUDY GROUP RECOMMENDATIONS--Continued

Cost of Living Increases

Advisory Council on Social Security	Adjust benefits twice a year whenever prices have increased at least 3 percent.
National Commission on Social Security[1/]	Automatic benefit increases should be reduced when average wages rise slower than prices with later "catch-up" increases when wages rise faster than prices. BLS should evaluate special index for social security beneficiaries.
Trustees Report	No recommendation.
Universal Coverage Study	No recommendation.
Social Security and Changing Roles of Men and Women	No recommendation.
President's Commission on Pension Policy	No recommendation.

1/ All recommendations of the National Commission on Social Security are tentative.

COMPARISON OF STUDY GROUP RECOMMENDATIONS--Continued

Tax Policy
(with respect to income taxes)

Advisory Council on Social Security	Tax half of social security benefits.
National Commission on Social Security1/	Create income tax credit to mitigate effect of retirement test.
	Raise dollar limits on contributions to IRA's.
Trustees Report	No recommendation.
Universal Coverage Study	No recommendation.
Social Security and Changing Roles of Men and Women	No recommendation.
President's Commission on Pension Policy1/	Tax social security contributions and benefits the same way private pensions are taxed.

1/ All recommendations of the National Commission on Social Security and the President's Commission on Pension Policy are tentative.

COMPARISON OF STUDY GROUP RECOMMENDATIONS--Continued

Women's Issues

Advisory Council on Social Security	Consider full-scale earnings sharing, i.e. dividing earnings credits equally between spouses in all circumstances. Divide earnings credits equally between divorced spouses in computing retirement benefits if marriage lasted 10 years. Pay benefits to aged widows/widowers based on combined earnings of spouses. Consider drop-out years for child care.
National Commission on Social Security 1/	No recommendation.
Trustees Report	No recommendation.
Universal Coverage Study	No recommendation.
Social Security and Changing Roles of Men and Women	No recommendation; options would: -- Divide earnings credits equally between spouses; i.e. earnings sharing. -- Create a double-decker system with a universal flat dollar first tier benefit and an earnings related second tier benefit. -- Adopt other more limited options such as homemaker credits, improved protection for divorced persons, shorter computation period, etc.
President's Commission on Pension Policy 1/	Adopt earnings sharing with inheritance of credits by surviving spouse.

1/ All recommendations of the National Commission on Social Security and the President's Commission on Pension Policy are tentative.

COMPARISON OF STUDY GROUP RECOMMENDATIONS--Continued

Disability

Advisory Council on Social Security	Limit family benefits in DI more strictly than OASI.
	Apply liberalized "vocational factors" in determining disability for older workers 55 to 59.
	Adopt a broader definition of disability in SSI than in social security disability insurance.
	Reduce waiting period to 3 months.
	Do not reduce benefits to disabled widows/widowers under 65.
	Extend spouse's benefit to disabled spouses of disabled and retired workers.
National Commission on Social Security 1/	Limit family benefits in DI more strictly than OASI.
	Make SGA the same as retirement test monthly measure.
	Preclude benefits to prisoners (both retirement and disability cases).
Trustees Report	No recommendation.
Universal Coverage Study	No recommendation; options attempt to:
	-- Improve disability protection for public employees.

1/ See next page.

COMPARISON OF STUDY GROUP RECOMMENDATIONS--Continued

Disability--Continued

Social Security and Changing Roles of Men and Women	No recommendation; options would: -- Under earnings sharing, disability benefits would not be based on earnings sharing in current marriage. -- Under a double-decker system, flat benefits would be paid to disabled homemakers.
President's Commission on Pension Policy1/	Consider a universal disability program. Consider a ceiling on replacement ratios as a work incentive. Consider rehabilitation, job redesign, etc. to encourage work. Consider an occupational disability program for older workers.

1/ All recommendations of the National Commission on Social Security and the President's Commission on Pension Policy are tentative.

A. Report of the 1979 Advisory Council on Social Security

SOCIAL SECURITY FINANCING

The hospital insurance (HI) program should be financed entirely through earmarked portions of the personal and corporate income tax beginning in 1980, and a part of the current HI tax should be diverted to the OASDI programs with the remaining portion being repealed. (The payroll tax rate would drop from 6.13 to 5.6 percent.)

If the above recommendation is not acceptable, the 1981 HI tax rate increase (0.25 percent) should be replaced by general revenues.

A payroll tax rate increase should be scheduled for the year 2005 to bring the OASDI programs into long-run actuarial balance. (The tax rate would be set at 7.25 percent for employee and employer, each.)

The taxable earnings base should be set at a level that captures the same fraction of aggregate earnings as was covered in 1979. (According to the report, at the 1979 earnings base, about 90 percent of workers had their entire earnings taxable and about 87 percent of aggregate covered earnings was subject to the tax.)

The tax rate and earnings base should remain equal for employees and employers (the base remaining at that level for as long as inflation remains a serious problem).

The trust funds should be permitted to borrow from general revenues when reserves fall below 25 percent of annual outlays, with repayment beginning when reserves equal 5 months' worth of benefits (a little more than 40 percent of annual outlays). Repayment not made within 2 years would trigger an increase in payroll taxes if unemployment were 6.5 percent or lower.

General revenues should be provided to social security to compensate the trust funds for revenues lost due to high unemployment, but only if reserves are less than 60 percent of annual outlays (countercyclical general revenues).

In the absence of authority for countercyclical general revenues, the reserve balance should be set at 75 percent of annual outlays.

The OASI and DI trust funds should be merged into one, with separate annual cost analyses.

The Council rejected the idea of using a value-added tax to finance social security.

COVERAGE

Social security coverage should be extended to Federal employees either through mandatory coverage for new hires or through a transfer of credits plan. Newly hired State and local employees and newly hired employees of nonprofit organizations should be mandatorily covered by social security. The combined protection of social security and supplemental plans for employees of Federal, State, and local governments and of the nonprofit sector generally should at least equal present coverage. There should be no mergers of any existing staff pension funds with the social security trust funds. Until such time as all workers are covered by social security, interim steps should be taken to:

—Institute a plan to coordinate benefits for those who have earnings under social security and earnings from employment not covered by social security.

—Preclude termination of agreements providing coverage for State and local workers. (If this recommendation is not adopted, terminations should be permitted only after a vote of affected employees.)

The payment of an employee's social security tax by an employer should be taxed and credited as wages for social security purposes except in the case of domestic employment. (Employers can now lower the combined employee-employer social security tax payments by paying the employee's share and figuring the tax on a lower earnings level.)

Employers should be required to pay employer social security taxes on the full amount of tips received by their employees.

The earnings of farm workers should be taxed and credited under social security from the first dollar of earnings if the farm operator has expenditures of $2,500 annually for farm labor; the farm operator should be considered to be the employer of workers furnished by a crew leader.

RETIREMENT AGE

Serious consideration should be given to enacting in the near future an increase in the normal retirement age to become effective after the turn of the century. There should be no change in the provisions allowing retirement before age 65, but consideration should be given to a program of special long-term unemployment benefits for those who are approaching the normal retirement age, but are unable to find a job.

RETIREMENT (EARNINGS) TEST

The earnings test for those under age 65 should be made the same as for those 65 and older, but the earnings test should not be otherwise liberalized.

BENEFIT STRUCTURE AND COMPUTATION

Benefits should be increased for long-term, low-wage workers and for high-wage workers becoming entitled in the future through a new benefit formula with an alternative length-of-service computation.

The number of years of low earnings that may be disregarded in determining average earnings for benefit computation purposes should be scaled to a worker's age. (Presently all beneficiaries are allowed to drop 5 years of low earnings, regardless of age.) Workers should be allowed to disregard 1 year of earnings for each 6 years elapsing between age 22 and the age of eligibility (with a minimum of 1 and maximum of 6).

The Council considered and rejected a double-decker system, under which each aged and disabled person and surviving children would receive a flat grant paid (at least in part) from general revenues, with an additional benefit directly proportional to past covered earnings paid to social security contributors but not to their dependents.

The Council considered but did not recommend a proposal for a one-time 10-percent benefit increase, over and above cost-of-living increases, at age 85.

COST-OF-LIVING INCREASES

As soon as it is administratively feasible, social security benefits should be increased twice a year (rather than once a year)—in March and September—whenever prices have risen by at least 3 percent since the measuring period on which the last cost-of-living adjustment was based.

TAX POLICY

Half of social security benefits should be included in taxable income for Federal income tax purposes.

SOCIAL SECURITY AND WOMEN

The Congress and all other interested groups should examine carefully the concept of earnings sharing and, in particular, the illustrative earnings sharing plan developed for the Council. However, the Council did not go so far as to endorse a full-scale earnings sharing plan. The following two limited "earnings sharing" recommendations were made:

—Persons divorced after at least 10 years of marriage should be permitted to receive retirement benefits based on shared earnings.

—Aged widows or widowers should be permitted to receive benefits on the basis of the couple's combined earnings.

The gender-based distinctions remaining in the social security program should be repealed.

Serious consideration should be given to proposals to permit parents to drop from the averaging period 1 or more years spent caring for young children.

DISABILITY INSURANCE

Family benefits under DI should be limited to a greater extent than are family benefits under old-age and survivors' insurance. A limit on DI benefits should be established which is no more stringent than a maximum of 90 percent of the worker's highest 5 consecutive years of wage-indexed earnings. Each family's limit would increase annually as wages increase. A similar limit should be applied to each family's receipt of all Federal disability benefits taken together.

The definition of disability for benefits under DI should be liberalized for older workers by applying to people aged 55 through 59 the same criteria that are now applicable to people aged 60 through 64. A new definition of disability also should be developed for use in determining eligibility for SSI disability benefits which would be more liberal than that used for determining eligibility for DI.

Disabled people with residual work capacity should be encouraged to return to work by allowing them to deduct work-related expenses from their earnings in determining whether they meet the maximum earnings limit (SGA); by permitting automatic reinstatement of benefits if they have been terminated because of return to work; by extending the trial work period to widow(er)s, and by extending eligibility for medicare and medicaid beyond the time when cash benefits cease. Further, SSA should be given the funds and authority to experiment with other work incentive proposals. (These recommendations were enacted as part of the Social Security Disability Amendments of 1980, Public Law 96–265.)

The waiting period for DI benefits should be reduced from 5 to 3 months.

Unreduced benefits should be provided for disabled widows and widowers regardless of age. Also, spouses' benefits should be extended to disabled spouses of disabled or retired workers.

HHS or another appropriate Federal agency should be given authority and funds to undertake a comprehensive review of federally financed rehabilitation programs together with an assessment of the contribution that other rehabilitation programs could make.

ADMINISTRATION'S 1980 OASI PROPOSALS

In January 1979, in a supplement to the state of the Union message, the President asked the Advisory Council to examine several administration proposals to modify certain social security benefit provisions. The Council's reactions follow:

—The provision of present law that will gradually phase out the regular social security minimum benefit should be continued, rather than eliminate the minimum benefit altogether as had been proposed.

—The social security benefits now paid to students aged 18 through 21 who are the children of retired, deceased, or disabled workers should be continued, rather than phased out as had been proposed.

—No change should be made in the more liberal "currently insured" requirements for OASI benefits, rather than eliminating them as had been proposed.

—Benefits for the young parent, caring for a child beneficiary, should continue until the child is at least age 18, as under present law, rather than age 16 as had been proposed.

MINORITIES

The impact of changes in social security on minorities should receive explicit attention. While the recommendations in the Council's report were applicable to all beneficiaries, the Council believed they would be of particular assistance to minority group members. The Council, however, opposed introducing into social security explicit differentiation among groups.

The Social Security Administration should give high priority to research and analysis concerning the extent to which minority groups benefit from the social security programs and that, in order to facilitate such research and analysis, the Social Security Administration should be given the authority to collect the necessary data concerning the racial and ethnic characteristics of beneficiaries and workers.

SSI

Total benefits for all SSI recipients should be brought up to the poverty line as rapidly as resources allow, through the combined effects of SSI, State SSI supplements, food stamps, and other income sources. As an interim measure, Federal matching funds should be offered to States that raise their supplementary payment levels so that total benefits reach the poverty line.

SSI households eligible for food stamps should be paid the value of their food stamp allotments in cash.

SSI resource limits should be updated and automatically adjusted each year for changes in the cost of living.

The value of household goods and personal effects, including the value of automobiles, should be totally disregarded in determining SSI eligibility.

The present law disregard of $20 a month of unearned income should be updated to present values (about $30) and kept up to date with inflation automatically in the future.

The Council recommended that serious consideration be given to:

—Providing benefits to needy spouses beginning at age 62 and to minor dependent children of SSI recipients.

—Liberalizing the one-third reduction in benefits to recipients who live in the household of another.

PROGRAM ADMINISTRATION

SSA should pursue further efforts to improve the quality and clarity of the notices sent to beneficiaries concerning awards, changes, and denials.

Federal administration of the entire disability insurance program should be seriously considered. (State agencies presently make determinations of disability.)

SSA should establish ongoing advisory panels as a means of improving the communications between SSA and the public.

SSA should increase its efforts to administer its programs in a way that reflects awareness of and sensitivity to the special circumstances of minority groups.

Increased emphasis should be placed on the responsiveness of SSI program administration to the special needs and vulnerabilities of the aged, blind, and disabled.

Efforts should be increased to inform people who are about to enter the work force about the value of social security protection and their obligations as social security taxpayers. Legislation should be enacted to allow SSA to resume informing those reaching age 65 about social security benefits to which they are potentially entitled.

MEDICARE

A separate advisory council should be established periodically to review the medicare and medicaid programs.

B. An Interim Report From the National Commission on Social Security

The following recommendations are from the two reports released thus far by the National Commission on Social Security, dated May 11, 1979, and January 11, 1980, as well as other recommendations that were approved subsequently, but not yet made final. The final report of the Commission is due on January 11, 1981. It is possible that some of the final recommendations of the Commission will not be entirely consistent with the recommendations summarized below.

SOCIAL SECURITY FINANCING

One-half of the HI program should be financed with general revenues beginning in 1983 through a 2.5 percent surtax imposed on the Federal individual income tax; up to one-half of the HI tax rate should be allocated to OASDI as needed.

The earnings base should be frozen at the 1982 level during 1983 and 1984.

The total payroll tax rate for employee and employer combined should not exceed 18 percent.

The reserve balance should be increased to 50 percent of prior year expenditures.

Interfund borrowing among the three trust funds—OASI, DI, and HI—and borrowing from the general fund should be authorized until 1985.

COVERAGE

Social security coverage should be extended to new Federal civilian employees, to the President, Vice President, Cabinet, and Members of Congress, to new employees of State and local governments not covered by a retirement plan, and employees of private, nonprofit organizations except where such organizations opt out for religious reasons.

The option for States to terminate social security coverage (after a 2-year notice) should be repealed.

Windfall social security benefits for individuals having significant amounts of noncovered employment should be reduced, and an individual with at least six quarters of coverage at the time of death, disability, or attainment of age 62 should be permitted to use both covered and Federal civilian employment in determining insured status.

The test of covered employment for domestic workers should be raised from earnings of $50 to $150 per quarter; for casual labor from $100 to $600 per year; and for the self-employed from $400 to $600 per year.

When an employer pays an employee's social security taxes, such taxes should be considered as taxable wages for social security purposes—except for domestic work in private households. (Employers can now lower the combined employee-employer social security tax payments by paying the employee's share and figuring the tax on a lower earnings level.)

Payments to an employee by public and private employers on account of sickness should be considered as wages for social security tax purposes up to 6 months after the last calendar month in which the employee worked. (Sick pay can now be excluded from taxation under various employment arrangements.)

RETIREMENT AGE

The ages at which reduced and full benefits are paid should be raised gradually from 62 and 65 respectively to 65 and 68 respectively, beginning around the year 2000.

A plan should be instituted providing for a flexible retirement age including incentives for later retirement.

RETIREMENT (EARNINGS) TEST

The 1977 provision to lower the age at which the retirement test no longer applies (from 72 to 70 in 1982) should be repealed.

The unforeseen problems caused by the provision incorporated in the 1977 amendments eliminating the monthly earnings test should be corrected, including such problems as: (1) The recovery of benefits because of the retrospective application of the monthly test year; (2) an unintended hardship for certain classes of individuals, such as schoolteachers, farmers, self-employed life insurance agents, and students; and (3) the requirement that individuals applying for hospital insurance at age 65 must apply for retirement benefits at the same time even if they want to delay entitlement to cash benefits until a later year. (These problems are addressed in legislation which recently passed both Houses—H.R. 5295.)

BENEFIT STRUCTURE AND COMPUTATION

The "transition" provisions incorporated in the 1977 changes to the benefit computation procedures (decoupling) should be modified to lessen the difference in benefit amounts received by people who reached age 62 just before or just after the effective date of the new procedures (January 1, 1979)—the so-called "decoupling notch" problem.

The special minimum benefit should be expanded so that: (1) The length of service computation would be based on a maximum of 35 years of coverage, instead of 30; (2) additional years of coverage would be deemed to workers having at least 10 years of coverage (with the number of additional years varying with age); and (3) additional years of coverage would be provided for periods of child care.

COST-OF-LIVING INCREASES

The automatic OASDI benefit increase should be reduced if average wages in the economy do not rise as fast as the consumer price index, with provision for retroactive "catch-up" increases at a later time when wages rise faster than prices. (The Federal SSI payment standard also would be adjusted in this fashion.)

The Bureau of Labor Statistics should devise and evaluate a special cost-of-living index for social security beneficiaries.

TAX POLICY

The effect of the retirement test should be mitigated by a refundable income tax credit equal to the lowest tax rate (14 percent) multiplied by the amount of the benefits withheld because of the retirement test.

The present dollar limits placed on contributions to IRA's should be increased.

BENEFITS FOR PRISONERS

Retirement and disability benefits should be suspended for any month an individual is imprisoned because of a felony conviction; and if permitted by the courts or State law, the benefits could be paid to the State as reimbursement for room and board. (Similar legislation has passed both Houses—H.R. 5295.)

DISABILITY INSURANCE

Maximum family benefits under DI should be the lesser of 80 percent of the worker's highest 5 years of earnings or the level determined under the family maximum rules existing before enactment of the Social Security Disability Amendments of 1980.

The substantial gainful activity (SGA) level of the definition of disability (now $300) should be pegged to the same level of earnings as the retirement test monthly measure (now $310 per month), and raised in the future as average earnings in the economy rise.

SSI

The assets test should be eliminated.

The general income disregard should be raised from $20 to $40 per month, and the earned income disregard should be raised in accordance with future changes in prices.

The SSI payment level should be raised by 25 percent and SSI recipients should be made ineligible for food stamps.

The one-third reduction in SSI payments when an individual lives with another person should be eliminated except when the individual lives with a parent (or parents), in which case the current deeming process should be used.

PROGRAM ADMINISTRATION

The operations of the OASI, DI, HI, and SMI trust funds should be removed from the unified Federal budget, and an independent agency should be established to administer the programs.

There should be no arbitrary limits established on personnel and resources of SSA.

Student overpayments should be monitored for a period of 10 years.

MEDICARE AND MEDICAID

The following list contains the most significant of the 32 recommendations made thus far by the National Commission in the medicare/medicaid area:

—A nationwide income eligibility standard should be established for medicaid programs equal to 65 percent of the poverty level.

—The Secretary should be authorized to conduct experiments in negotiating fee schedules for physicians.

—Medicare and medicaid should not be used as instruments to contain hospital cost increases.

—Medicare assignment (i.e. where physicians bill and receive payment directly from the Government, and agree to accept medicare's determined charges) should be limited only to physicians who agree to accept assignments for all medicare billings for a specified period of not less than 12 months.

—All States should be required to extend medicaid to the "medically needy" and a maintenance of effort provision should be required.

—Reimbursement under medicare and medicaid should be provided for abortions as a medically necessary procedure.

—The age of eligibility for medicare should be increased as the retirement age increases from 65 to 68.

—A $1,500 (indexed by the change in the CPI) catastrophic cap on the amount of cost-sharing should be instituted in order to limit the total amount which an individual beneficiary must pay per year. This cap would apply to the combined total for medicare parts A and B. Medicare (either part A or B, as appropriate) would pay the cost beyond that point.

—The daily cost-sharing provisions of the present part A program should be changed to: (1) No cost-sharing for the first 50 days of hospitalization; (2) daily cost-sharing of 10 percent of the initial deductible for the second 50 days; and (3) 5 percent for the third 50-day period. Lifetime reserve days would be eliminated.

—The medicare waiting period for DI beneficiaries should be reduced from 24 to 12 months.

—A separate title of the Social Security Act should be enacted to provide for long-term care for the aged and chronically disabled and it should include such services as nursing home services; residential or boarding home care; home health, homemaker, and other in-home services; adult day care; nutritional services; and minor physical adaptions to the home.

—Medicaid eligibility of disabled SSI recipients should not terminate before the individual becomes entitled to medicare solely because the individual becomes entitled to social security DI benefits.

—The "spell-of-illness" basis for part A hospital benefits should be changed to a calendar year calculation of benefits, with a carryover so that deductible amounts paid in the last quarter of a year would also apply to the first quarter of the subsequent year. The current "spell-of-illness" basis would be retained for skilled nursing facility benefits.

—The maximum benefit for outpatient mental health services under medicare part B should be increased to 50 percent of $750 per year.

—Services provided in community health centers should be reimbursed in the same way as services provided in other mental health facilities.

—Medicare should reimburse freestanding surgical facilities which are not affiliated with hospitals. There should also be safeguards to insure that there are no abuses by physicians who have financial interests in these facilities.

—The maximum amount which may be paid to independently practicing physical therapists should be increased to 80 percent of $300 in reasonable charges per year.

—The medicare restrictions on the number of home health care visits which can be reimbursed should be eliminated.

—Medicare reimbursement for the cost of hospital care provided in a hospital outside the United States should be permitted in addition to the payments authorized under present law for services provided in Canada and Mexico. Reimbursement would be authorized in an amount equal to 50 percent of the initial deductible amount for each day of hospitalization up to the maximum covered minus the initial deductible and any daily cost-sharing. Reimbursement would not be provided for services provided without charge.

C. Report of the Universal Social Security Coverage Study Group

There are no specific recommendations included in this report. Various limited and broad-scale options dealing with the problems arising from not having all employment in the United States covered by the social security system are discussed in the report. The following four major options are presented:

(1) Mandate coverage for some or all workers in noncovered employment.

(2) Increase incentives for voluntary coverage.

(3) Reduce coverage gaps and undesirable subsidies.

(4) Maintain the status quo.

The following commentary on these options was taken directly from the report.

MANDATE COVERAGE

Social security coverage would significantly improve the protection provided to public employees and their dependents against income losses caused by disability or death. It would also guarantee that at least some percentage of anticipated retirement income would be fully portable from job to job throughout a career. In addition, many State and local government employees would benefit from higher adjustment of their pensions to compensate for cost-of-living increases when they are no longer working.

Against these advantages, many employees express concern that the relatively generous retirement income from their public retirement systems would be threatened by any proposed coordination with social security coverage. However, under options that are developed later in another part of the report, many employees would reap the benefits of mandatory coverage and would receive retirement income equal to or greater than the income they would have received under the current system.

Mandating social security coverage for all employment would resolve the windfalls and gaps issues most effectively. Initially, however, mandatory coverage on an incremental basis might be preferred. If so, several possibilities for coverage exist.

Coverage could be extended to all or only one of the major noncovered sectors, and directed toward only new employees or to all or some of the current workers within those sectors. Congress could choose to mandate coverage immediately for one group but to phase it in for the others.

Moreover, Congress could select different methods of mandating coverage for different groups. For example, Congress might extend coverage to Federal employment; both the Government and Federal workers would pay the payroll tax. In extending coverage to State and local employees, however, Congress might decide—either on the basis of constitutional implications or on the basis of one government's respect for another's jurisdiction—not to require State and local governments to pay the employer's share of the tax. Coverage could then be extended to these employees by treating their social security payments the way payments of self-employed individuals are treated. This might require a revision of the self-employment tax to prevent the creation of new inequities.

INCREASE INCENTIVES FOR VOLUNTARY COVERAGE

Another option is to establish more widespread coverage through voluntary participation. Pragmatically, this option is relevant only to State and local governments and to private, nonprofit organizations. If Congress approved coverage for Federal employees, directly implementing coverage would be more sensible than encouraging voluntary participation.

Voluntary coverage could be encouraged if social security revenues were raised by means other than, or in addition to, the payroll tax. General revenues, a value-added tax, and revenues from a "windfall profits tax" on oil companies have been suggested as potential sources of funds for the social security program. Because the burden of these other taxes would fall equally on covered and noncovered workers, incentives for voluntary participation would increase.

If these other sources of revenue were applied to the program, however, the effects would extend well beyond mandatory coverage issues. Assessing the desirability of the other effects was beyond the scope of the study group's charter.

Making revenue-sharing funds contingent on voluntary social security coverage would be one possible incentive approach. Revenue sharing now amounts to roughly 2 percent of State revenues. But social security coverage may increase total employer-employee retirement system costs by as much as 5 to 10 percent of State and local governments' payrolls. Because retirement systems are not always coterminous with units of government eligible to receive revenue-sharing funds, administering this incentive would be difficult.

Another approach would tie Federal grants-in-aid to social security coverage by requiring all employment subsidized by the grants to be covered. If social security coverage is in the national interest, justifying Federal subsidies of noncovered employment is difficult. The problem with this approach is that the ultimate effects might be felt not by State and local employees but by the persons the grant programs are designed to assist.

REDUCE GAPS AND UNDESIRABLE SUBSIDIES

A third option constitutes an entirely different approach. It would seek to reduce the problems without requiring coverage. Insurance gaps, windfalls, or both could be reduced without full coverage in several ways:

—A system for transfer of retirement credits could be established between social security and noncovered retirement systems. This action would help reduce coverage gaps for most individuals who leave noncovered employment.

—A minimum level of protection could be required by imposing mandatory minimum standards on noncovered retirement systems. This action would at least partially eliminate coverage gaps.

—The social security benefits of individuals with periods of noncovered employment could be adjusted to remove or reduce windfall benefits.

—The option to withdraw from social security currently available to State and local government employees could be eliminated. Although this action would not reduce the current gap or windfall problem, it would help prevent it from worsening.

MAINTAIN THE STATUS QUO

The final option is to do nothing, to maintain the status quo. The study group found no support for continuing the status quo in regard to windfalls, and no organization claimed that its members had a right to gain future windfalls. If there were no transitional costs associated with achieving an equitable distribution, maintaining the status quo would hardly be considered.

D. Social Security and the Changing Roles of Men and Women

There are no specific recommendations included in this report. Various limited and broad-scale options for increasing equity in the way men and women are treated under the social security system are presented. Two fundamental broad-scale options are the major focus of the report. A brief description of these two options follow:

EARNINGS SHARING

Under earnings sharing, a couple's annual earnings would be divided equally between them for the years they were married for purposes of computing retirement benefits. The earnings would be divided when the couple became divorced or when one spouse reached age 62. This would entitle each spouse to a primary benefit which would replace aged dependent spouse's and surviving spouse's benefits provided under present law.

The basic earnings sharing idea was modified in the report in order to pay benefits that were somewhat comparable to present law benefits. These modifications were:

—When one spouse dies, the survivor would be credited with 80 percent of the total annual earnings of the couple during the marriage, but not less than 100 percent of the earnings of the higher earner.

—For purposes of benefits for young survivors—children and young surviving spouses caring for children—earnings would not be transferred between the spouses with regard to a marriage in effect at the time of death. Benefits for young survivors would be based on any earnings credits the deceased person had from paid work (while unmarried or during a current marriage), plus any credits acquired as a result of a prior marriage terminated by death or divorce.

—For purposes of disability benefits, earnings would not be shared with regard to a marriage still in effect at the time of disability.

Disability benefits would be based on any earnings credits the disabled person had from paid work (while unmarried or during the current marriage), plus any credits acquired from a prior marriage.

This option also included certain features that are not essential to earnings sharing. These features were included to illustrate one way of dealing comprehensively with concerns that had been raised or to limit the cost of the option to roughly that of present law. For example, benefits would be payable to surviving mothers and fathers only until the youngest child reaches age 7, rather than age 18 as under present law. To make up partially for this benefit loss, an adjustment benefit equal to 100 percent of the deceased spouse's benefit would be payable for 1 year following the death of the spouse. This benefit would be paid regardless of whether there were any children in the family eligible for benefits.

DOUBLE-DECKER SYSTEM

Social security would be restructured into a universal, two-tiered income maintenance system. Under the first tier, a flat-dollar benefit (with a suggested benefit level of $122—the level of the social security minimum benefit) would be payable to all residents of the United States at age 65 or upon becoming disabled. The second tier would be a flat-rate benefit equal to 30 percent of a person's "average indexed monthly earnings" from covered employment. (Average indexed monthly earnings are what social security benefits are based upon now.) In addition, the plan called for a 50/50 split of earnings records at divorce, for surviving spouses to be able to inherit the earnings records of their deceased partners and for a 1-year transition benefit for a surviving spouse of any age. It further eliminated the current eligibility prerequisite requiring an individual to have earned a specific number of quarters of coverage in order to receive benefits. However, the dependent spouse's benefit would be eliminated, and benefits for aged surviving spouses would not be payable until age 62 (instead of age 60).

As devised, the plan dealt heavily with concerns about adequacy. By elimination of the insured status and recent-work requirements and the provision of the universal tier-one benefits, persons who would not otherwise have social security protection would be covered, and others already having protection would receive higher benefit amounts.

At a minimum, tier-one benefits would be payable to disabled homemakers and to the survivors of deceased homemakers (and possibly tier-two benefits if at some point in the past—and not necessarily the recent past—the homemaker had engaged in paid employment). Transition benefits would be payable to surviving spouses regardless of age or whether they were disabled, and higher retirement benefits could ultimately be paid to them on their own records because of the provisions allowing them to inherit their deceased spouses' earnings records. Divorced spouses would have disability and survivor protection on their own records because of the 50/50 split of their former spouses' earnings records, and this too would likely result in higher benefits upon their retirement.

The plan addressed some equity issues as well by revising the benefit formula and eliminating the dependent spouse's benefit. In a sense the new program would provide benefits that were more "individually based." By eliminating the dependent spouse's benefit, retirement and survivor benefits of the one- and two-earner couple would be brought closer together. By provision of tier-two benefits to low-earning spouses, it would emphasize their attachment to paid employment.

LIMITED OPTIONS

In addition to the two comprehensive options, the report presents a number of options for more limited changes which could be viewed either as substitutes for the more broad-scale changes or first steps toward comprehensive reform.

Issue: Protection for homemakers in their own right

Provide social security credits for homemaker services.

Issue: Greater equity between one-earner and two-earner couples

Pay all or part of the spouse's benefit in addition to the benefit based on the spouse's own earnings.

Eliminate spouse's and surviving spouse's benefits.

Reduce the amount of the spouse's benefit from 50 percent to 33⅓ percent of the worker's primary insurance amount (PIA) and increase the PIA's of all workers by 12½ percent.

Cap the spouse's benefit by providing a maximum dollar benefit amount, regardless of the level of earnings of the worker.

Base benefits for a retired couple on combined family earnings.

Issue: Reduction in the number of years used to figure average indexed monthly earnings

Provide for a shorter averaging period.

Provide dropout years for child care.

Issue: Additional protection for divorced persons

Reduce the 10-year duration-of-marriage requirement for divorced persons.

Divide a couple's total annual earnings for each year of a marriage 50–50 upon divorce.

Issue: Additional protection for aged surviving spouses

Provide a benefit increase for very aged beneficiaries.

Provide full benefits for survivors (no actuarial reduction for survivors age 60–64).

Base benefits for the surviving spouse on total benefits for the married couple.

Issue: Additional protection for surviving spouses under age 60

Pay widow's benefits before age 60.

Provide adjustment benefits (monthly benefits to surviving spouses for 1 year in order to facilitate entry/reentry into paid employment).

Issue: Additional disability protection for women

Permit employed persons to purchase disability protection for their spouses.

E. 1980 Report of the Board of Trustees of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds

SUMMARY OF FINANCIAL FORECASTS IN THE REPORT

The trustees of the social security programs report to Congress annually on the financial condition of the programs. The 1980 report indicated that due to recent adverse economic conditions, the resources of one of the programs, old-age and survivors insurance (OASI), will be insufficient to meet completely its benefit obligations beginning in 1981 and continuing through 1995. Even with the OASI and DI trust fund reserves combined, reserves would be exhausted by some time in 1984.[1] Given the tax schedule now in the law and favorable demographic factors, the OASI trust fund is expected to resume growing in 1995 and continue to do so for a number of years. However, by 2015 or 2020 it would begin to decline again due mostly to unfavorable demographic factors (the post-World War II baby boom generation reaching retirement age) and would be exhausted by about 2030.

The DI and HI trust funds on the other hand appear to be adequately financed in the near-term (through the 1980's) although the HI program is expected to have financial difficulties beginning in the 1990's. The DI trust fund is adequately financed in the long run as well, although when its operations are viewed jointly with those of the OASI program, a long-run deficit is projected.

RECOMMENDATIONS CONCERNING SOCIAL SECURITY FINANCING

No reduction should be made in the present law payroll tax schedule without a general restructuring of the financing of social security to assure the integrity of the trust funds over the short- and medium-range period.

Part of the DI tax should be reallocated to OASI on a permanent basis.

The administration's "interfund borrowing" proposal should be adopted. Borrowing between the OASI, DI, and HI trust funds should be permitted whenever the assets of one of the funds falls below 25 percent of 1 year's outgo, with the authority to terminate in 1990.

F. An Interim Report From the President's Commission on Pension Policy

The President's Commission has a broad mandate which goes beyond a study of the social security system. Therefore it should

[1] The report, however, does show that when the reserves of the OASI and DI trust funds are combined with the HI trust fund reserves, the programs are sufficiently financed through at least the 1980's, although the reserve cushion is very small.

be understood that many of its recommendations are not specifically directed at social security. It also should be understood that many of its recommendations are tentative pending further study.

THE U.S. RETIREMENT INCOME SYSTEM

The Commission concluded that serious consideration should be given to the establishment of a minimum advance-funded pension system. Such a program could be thought of as an advance-funded tier of social security that would permit contracting out to pension plans that wanted to meet its standards or as a universal, employee pension system with a central portability clearinghouse. Obviously, many questions need to be answered before the Commission could formally recommend such a system. Such a system's effect on workers, employers, and the economy will need to be analyzed very carefully. The Commission, therefore, directed its staff to conduct a series of cost and policy studies of how such a system would work.

RETIREMENT INCOME GOALS

The replacement of preretirement disposable income from all sources is a desirable retirement income goal.

A combination of both minimum income levels and replacement rates of preretirement earnings should be used as the standard for measuring retirement income adequacy. The staff should study the cost implications of making the single person's budget 75 percent of the Bureau of Labor Statistics (BLS) intermediate couple's budget and what the appropriate preretirement earnings base for the replacement rate should be.

COST-OF-LIVING INCREASES

The BLS should be asked to do a sample survey to see if there is enough difference between the consumption patterns of the retired and others to justify maintaining a separate cost-of-living index for them.

The greatest emphasis should be placed on expanding pension coverage rather than providing full inflation protection to some at this time. Therefore, automatic inflation adjustments for employee pensions are encouraged but should not be required at this time.

UNIVERSAL SOCIAL SECURITY COVERAGE

Strong sentiment was expressed in favor of extending social security coverage to all new workers who otherwise would not be covered. The Commission's staff was directed to present data showing the effects of alternatives to universal coverage that would remedy the windfall benefit and gap problems.

RETIREMENT AGE

The normal retirement age for social security should not be raised now in recognition that there is a social contract with working people today who are approaching retirement age. However, the Commission seriously considered whether the social contract with future generations of retirees should be changed and concluded that it is preferable to set the normal retirement age in terms of the proportion of adult life to be spent in retirement rather than in terms of an arbitrary age.

TAX POLICY

Contributions to and benefits from social security should receive the same tax treatment as do those of other retirement programs. The staff was directed to conduct a study on phasing in such treatment.

The tax treatment of employee and employer contributions to pension plans and earnings on these contributions should be the same.

The concept of a tax credit for low- and moderate-income people to encourage individual retirement savings and employee contributions to plans should be given serious consideration. The staff was directed to develop proposals.

The tax treatment of savings specifically for retirement should be the same as the tax treatment of pension plans.

Individuals in all types of pension programs should be treated more equally regarding contributions and benefit limitations. The staff was directed to study the implications of this recommendation.

EMPLOYMENT OF OLDER WORKERS (AND THE SOCIAL SECURITY RETIREMENT TEST)

If the recommendation on the tax treatment of social security benefits is adopted, then the social security earnings test should be removed. The staff was directed to study the cost implications of eliminating the earnings test.

Information on alternative work patterns should be encouraged and developed through research and demonstration programs in existing Federal employment programs. Job retraining and job redesign for older workers in private industry also should be encouraged.

TREATMENT OF SPOUSES

After an appropriate transition period, the social security system should use an earnings sharing approach with at least some inheritance of a deceased spouse's earnings credits by the survivor. This recommendation was contingent on further study.

Pensions should be defined as property. The staff was directed to study ways to implement this decision, including the implications for government plans.

Survivor protection should be automatic for married and divorced spouses. To waive the benefit protection, both spouses should have to sign a waiver witnessed by the plan administrator or agent after having been informed of the provision by the administrator.

For divorced spouses, the survivor protection should be prorated based on years of pension service accrued during marriage. The staff was directed to study the implications.

All survivors of employees who die before retirement with a vested benefit should receive either survivor benefits under the pension plan or life insurance benefits. More study should be done on the proper value of these benefits.

A study is to be done on whether lifetime benefits for all workers in all plans for all options should use unisex mortality tables or sex-distinct tables.

DISABILITY

The staff was directed to study:

—The viability of a universal disability program for all people.

—The use ot a ceiling on replacement ratios for all disability benefits as a work incentive.

—The use of rehabilitation, job redesign, and so forth, to encourage labor force participation.

—The development of an occupational disability program for older workers.

OWNERSHIP AND CONTROL OF PENSION FUND ASSETS

Further study should be given to indexed bonds, but the study should be limited to their applicability to retiree benefits. Therefore, issues related to the ownership, control, and investment of pension fund assets, including questions of nontraditional investment criteria, should be investigated to identify and clarify areas for further study. In the course of the clarification of these issues, the Commission may feel that certain recommendations would be appropriate in its final report

Chapter 3

SUMMARY OF FINDINGS OF VARIOUS PUBLIC OPINION SURVEYS

This section of the committee print provides a summary of the findings about retirement, pension, and social security issues of three recent public opinion surveys.

The chart on the next page attempts to lay out for "quick use" reference the principal survey findings. A narrative summary of the findings follow.

COMPARISON CHART OF RECENT PUBLIC OPINION SURVEY FINDINGS

	A nationwide survey on retirement issues (for President's Commission on Pension Policy)	1979 study of American attitudes toward pensions and retirement (Louis Harris & Associates for Johnson & Higgins)	A nationwide survey of attitudes toward social security (for the National Commission on Social Security, by Peter D. Hart Research Associates)
Retirement attitudes	Only about ⅓ of workers expect to have adequate retirement income. Substantial minority of workers would like to work beyond mandatory retirement age. More than ½ of workers retire before "normal" retirement age of 65.	Almost ½ of retirees believe their retirement income provides a standard of living that is less than adequate. Large majority believes the standard of living after retirement should be about the same after as before retirement. Large majority firmly opposes any mandatory retirement age.	Only about 1 in 3 persons expects to live comfortably in retirement. 2 out of 3 retirees retire involuntarily because of poor health, mandatory retirement age, or because they lost their jobs. About ½ find early retirement appealing, especially those with pensions, blue-collar workers, and younger people. About ⅓ would like to postpone retirement until age 70.
Sources of retirement income	About ½ of workers expect to receive a pension, although only 1 in 4 are now vested. 1 in 4 expects a pension to provide primary support, while over ½ view social security as that primary support.	Most full-time workers are now covered by a pension plan and the fraction is increasing, especially for older workers. 1 in 4 workers expects social security to be his primary source of retirement income and 87 percent expect to receive benefits.	Almost ⅔ of retired Americans believe social security to be their most important source of income, although fewer than 4 in 10 current workers expect social security to provide primary support in retirement.
Confidence in social security	No findings	4 of 5 workers have doubts about the ability of the social security system to meet benefit commitments. Most believe pension plans to be better run than social security.	Large majority support social security and only 1 in 5 says he or she would leave the program if given an opportunity.
Social security financing	No findings	Narrow plurality favors general revenue financing to supplement payroll tax.	1 in 4 believes taxes are too high and ⅔ would pay higher taxes to maintain current benefit levels. Narrow plurality favors general revenue funding for medicare over a payroll tax increase.

A. Preliminary Findings of a Nationwide Survey on Retirement Income Issues

Conducted for the President's Commission on Pension Policy.

RETIREMENT ATTITUDES

Sixty-three percent of workers surveyed do not expect their retirement income to be adequate for their financial needs, while only 37 percent expect to have sufficient retirement income. Just over half expect to experience a lower standard of living in retirement than they presently experience as workers.

Almost one in three workers is subject to a mandatory retirement rule. Of those workers, one-third would like to work past their mandatory age limit. Half of those workers 65 or over, and subject to the rule, would like to continue working beyond the age limit.

Early retirement is anticipated by many workers, with almost half of all those surveyed planning to retire at age 62 or before. Currently 34 percent of those applying for social security benefits actually retire at age 62 (the earliest possible time). Only 7.9 percent of the total sample expects to continue working full time beyond their 70th birthday.

SOURCES OF RETIREMENT INCOME

About 9 out of 10 workers either "definitely" or "probably" expect to receive social security benefits. Fifty-eight percent of current workers plan to rely on social security as their primary source of retirement income.

Almost half of those workers responding expects to receive a pension provided by their employer and 22 percent of all workers view their pension as the most likely primary source of their income as retirees. However, of the total working population over the age of 18, only 25.5 percent are vested in a pension plan provided by their current employment. However, older workers are vested at much higher rates.

Fifteen percent of current workers expect personal savings and investment income to provide their primary support during retirement.

OUTLOOK FOR RETIRED WOMEN

Women's attitudes toward retirement tend to be somewhat more pessimistic than those of men. In every age group, male workers are considerably more likely than female workers to be covered by a pension plan (56 percent of men covered versus 39 percent of women covered overall), although once covered, men and women are almost equally likely to be vested. Not surprisingly then, more women than men expect social security to be their primary source of retirement income. This probably means that women workers expect to receive less total income in retirement than their male coworkers.

B. 1979 Study of American Attitudes Toward Pensions and Retirement

Conducted by Louis Harris & Associates, Inc., for Johnson and Higgins.

RETIREMENT ATTITUDES

The rapidly rising cost of living is imposing severe financial difficulties on many retired persons. More than 4 of every 10 retirees, and more than 5 of every 10 retirees who do not receive pension benefits claim that inflation has seriously reduced their standard of living. Forty-two percent of those retired from full-time jobs feel that their income provides a standard of living which is less than adequate. And, in response to a question about how they would spend an extra $100 a month, about half of those questioned indicated that they would buy food, clothes, health care, or pay off old debts.

Eighty-one percent of current employees and 84 percent of retirees feel that the standard of living during retirement should be about the same as before retirement.

A large majority of current and retired employees firmly opposes any mandatory retirement age. By 88 to 10 percent, current employees believe that "nobody should be forced to retire because of age, if he wants to continue working and can still do a good job." About half of current employees express a desire to continue with some kind of employment beyond the normal retirement age for their profession. And, about half of today's retirees say they would prefer to be working.

SOURCES OF RETIREMENT INCOME

Members of today's work force are considerably more likely to be counting on receiving pension benefits than were today's retirees. Six of every ten full-time workers claim to be covered by a private pension plan, and more than 2 in 10 are covered by a government employee pension plan. Older workers are most likely to be covered by pension plans.

Eighty-seven percent of current workers expect to receive social security benefits when they retire. Eighty-three percent of those already retired say that they currently receive income from social security. Almost all current workers (93 percent) are in jobs covered by the social security system.

Almost one of every four workers expects to rely on social security and not a pension as his or her primary source of retirement income.

SATISFACTION, CONFIDENCE IN SOCIAL SECURITY

Many are skeptical about the social security system's ability to meet future benefit commitments. More than four out of five employees have less than full confidence that social security will be able to pay the benefits owed them when they retire, and more than two out of five have hardly any confidence at all.

Eighty-six percent of current and retired employees feel that social security benefits should increase at least as fast as the cost of living. However, only 17 percent of those questioned believe that social security should provide all retirement income.

When asked which retirement income system is "best run," only 10 percent of those responding list social security first, with 68 percent citing pension plans of one sort or another as better run.

FINANCING SOCIAL SECURITY

By a narrow plurality (47 to 42 percent), current and retired employees favor funding social security benefits either wholly or partially from revenue sources other than the payroll tax. About one-third of those responding approved of the legislation passed in 1977 raising taxes, while 47 percent would have preferred using other taxes to make up the deficit and 7 percent would have reduced benefits.

WHO SHOULD PARTICIPATE IN SOCIAL SECURITY

About half of current and retired employees believe that all workers should be required to be a part of the social security system. Another third of those responding believe that participation should be optional for everyone. Twelve percent favor the present arrangement.

If given the option to participate in social security or not, two-thirds of current and retired employees would want to remain in, with 26 percent choosing to opt out.

C. A Nationwide Survey of Attitudes Toward Social Security

Conducted by Peter D. Hart Research Associates for the National Commission on Social Security.

RETIREMENT ATTITUDES

Only about one in three respondents expects to have sufficient retirement income to live comfortably.

Most Americans retire involuntarily. About two out of three retirees say they retired because of poor health, or because of a mandatory retirement age, or because they lost their jobs.

About half of those surveyed say they find early retirement (at about age 60) appealing, although early retirement seems less appealing to those already retired than to those still working. Early retirement is most appealing to blue-collar workers, to people covered by pension plans, to people between the ages of 35 and 54, and to people with family incomes over $17,500.

Only one-third of those responding find the idea of postponing retirement until age 70 appealing. Four in ten people say they would consider late retirement if they could receive significantly higher benefits as a result.

SOURCES OF RETIREMENT INCOME

Nine out of ten nonretired Americans expect to receive social security in retirement, and 60 percent expect it to be a major source of retirement income. Among those already retired, 75 percent find it to be a major source of income. Only among nonretirees with family incomes over $25,000 is social security overshadowed by other sources of expected retirement income, with private pensions, savings, and insurance viewed as more important income sources.

SATISFACTION, CONFIDENCE IN SOCIAL SECURITY

The large majority of people express basic support for social security. Only 19 percent say that, given the choice, they would leave the social security program, and fully 76 percent oppose ending the program altogether.

The most frequent complaints are about benefits levels. Although most realize that benefits are intended to be supplemented by other sources of retirement income, most feel that social security alone should provide enough income to meet basic needs and obligations.

Many Americans are concerned about the ability of the program to deliver future benefits at the levels now authorized. Sixty-one percent of the nonretired have little confidence that funds will be available to pay their retirement benefits, with almost three-quarters of those between 25 and 44 expressing these doubts. On the other hand, most Americans believe that social security will provide a significant part of their retirement income.

Almost half of all adult Americans have had some contact with the Social Security Administration, and the agency receives high marks from these people for its efficiency, service, and courtesy. Over two-thirds of those respondents in households actually receiving social security benefits rated SSA's performance as good or excellent.

FINANCING SOCIAL SECURITY

About one in four Americans says that current social security taxes are too high in relation to benefits paid. About two-thirds of those responding say that they are willing to pay higher taxes in the future in order to maintain current benefit levels.

A narrow plurality (43 to 35 percent) would favor financing medicare from other Federal tax sources rather than raise payroll taxes, if additional revenues are needed. When the choice is between the payroll tax and the income tax as a source of added revenue, the payroll tax is preferred 49 to 26 percent.

KNOWLEDGE OF SOCIAL SECURITY

Most Americans understand the main features of the system and its underlying philosophy, including the relationship between benefits paid and prior earnings, the absence of a means test, the existence of disability and survivor benefits, and the payroll tax as the funding instrument for the program.

Most Americans, however, do not know that Federal employees are not covered by social security or that benefits increase automatically with the cost of living.

GLOSSARY OF FREQUENTLY USED SOCIAL SECURITY TERMS

Actuarial reduction (reduced benefits)—special reduction procedures under which benefits are reduced because entitlement begins before age 65.

Average indexed monthly earnings (AIME)—refers to procedure resulting from the 1977 change to the benefit computation under which the earnings used in the computation are brought up to date to reflect what they would have been had they been earned recently; they then are averaged for benefit computation purposes.

Average monthly earnings (AME)—refers to old method of computing average earnings for benefit computation purposes, under which earnings are not indexed.

Averaging period—the period of an individual's earnings record used to compute average indexed monthly earnings (or average monthly earnings).

Benefit formula—the formula under which social security benefits are determined; expressed as various percentages of average indexed monthly earnings or average monthly earnings. For instance, the benefit formula for someone reaching age 62 in 1980 is 90 percent of the first $194 of AIME, 32 percent of the next $977 of AIME and 15 percent of the remaining AIME.

Contributions—social security or payroll taxes.

Contribution and benefits base—the maximum amount of an individual's annual earnings which can be subject to the social security payroll tax and which can be counted in figuring social security benefits; set at $25,900 in 1980. (See also wage base.)

Cost-of-living increases—generally applied increases in benefit amounts; since 1975, they have been automatically paid beginning in July of each year based on changes in the consumer price index.

Coverage/covered employment—being employed in work which is covered by the social security system; employment in which social security taxes are paid and earnings credits toward benefit rights are obtained.

Countercyclical general revenues—refers to the idea of infusing general revenues into the social security system to correspond to the theoretical revenues lost because of adverse economic conditions (e.g., high unemployment).

Currently insured—having earned at least 6 quarters of coverage in the 13-quarter period ending with the quarter in which an individual becomes entitled to retirement benefits, disability benefits, or dies; used to determine eligibility for survivors' benefits in some cases.

Decoupling—refers to the benefit formula and benefit computation changes resulting from the 1977 social security amendments intended to reduce overcompensation for inflation in the initial benefit award. Generally refers to the separation of benefit adjustments for future beneficiaries from those affecting current beneficiaries.

Delayed retirement credit—a credit due a worker for retirement delayed beyond age 65. The credit is measured in terms of the number of months after age 65 up to age 72 in which the worker did not receive retirement benefits. The credit is one-twelfth of 1 percent per month of the worker's primary insurance amount for workers reaching age 62 before 1979 and one-quarter of 1 percent per month for workers reaching age 62 after 1978. Beginning with June 1978, the delayed retirement credit is payable to aged surviving spouses.

Disability insurance (DI)—the social security cash program that provides benefits to replace a portion of earnings lost due to a severe and long-lasting disabling condition.

Dropout years—the number of years of low earnings in an individual's countable earnings record which may be dropped in determining average monthly or average indexed monthly earnings; typically, 5 years may be dropped except in disability cases where the number may be less.

Dual entitlement—potential entitlement to a benefit as a dependent or survivor as well as to a benefit based on one's own earnings. In such cases the dependent's or survivor's benefit is payable only to the extent that it exceeds the person's benefit as a worker.

Eligibility—having fulfilled all the conditions specified in the law and regulations for benefits rights, except for filing and approval of the application.

Entitlement—having fulfilled all the conditions specified in the law and regulations for benefit rights, including the filing and approval of the application.

Family maximum—a statutory limit on the amount of total monthly benefits payable to all members of a family based on the earnings record of a given worker.

FICA—Federal Insurance Contributions Act, which requires payment of the payroll tax by employees and their employers.

Fully insured—having earned at least the minimum number of quarters of coverage required for a worker of a certain age in order to have insured status; ranges from 6 quarters to 40 quarters; is generally the basis upon which a worker establishes benefit rights for himself and his dependents/survivors.

General revenues—Federal funds raised by means other than the payroll tax, including funds raised through corporate and individual income taxes, and deposited in the General Fund of the Treasury.

Hospital insurance (HI)—(medicare part A) a program generally financed by the payroll tax which reimburses elderly and disabled individuals for costs incurred as inpatients in hospitals and skilled nursing facilities.

Insured status—whether or not a worker's earnings record under covered employment contains earnings over a long enough period of time for him and his dependents or survivors to receive benefits, measured in "quarters of coverage." (See currently and fully insured.)

Lump sum death benefit—a one-time benefit of $255 paid to the surviving spouse of a deceased worker or to the person who paid the worker's burial expenses.

Mandatory coverage—requiring by law that all workers employed in certain occupations and/or by certain types of employers participate in the social security system; now includes practically all private sector workers.

Medicare—the health insurance portion of social security, which provides hospital insurance (part A of medicare), and supplementary medical insurance (part B), for people aged 65 and over and the long-term disabled.

Minimum benefit—the lowest benefit amount for a worker (or surviving spouse) payable upon the worker's retirement at age 65, disablement or death; now frozen at $122 per month for newly eligible beneficiaries. The actual monthly benefit may be lower than the minimum due to actuarial reduction, the governmental offset provisions, the retirement test, or other reasons. Minimum benefits are increased for changes in the cost of living.

Old-age and survivors insurance (OASI)—the basic social security program which replaces a portion of earnings lost on account of the retirement or death of an insured worker through monthly benefit payments to the worker himself, his dependents, or his survivors.

Payroll tax—the social security or FICA (SECA) tax; a tax on earnings that is paid by both employees and employers at the same rate (6.13 percent in 1980) and by the self-employed (8.1 percent in 1980) up to a certain limit (currently $25,900) and provides the primary source of revenue for the social security trust funds.

Portability—the ability of an employee who terminates a job prior to retirement to transfer credits toward retirement benefits or transfer the value of vested benefits to another job.

Premiums—monthly payments required of all enrollees in the supplementary medical insurance program (medicare part B), and also required of a small group of uninsured participants in the hospital insurance program (medicare part A).

Primary insurance amount (PIA)—an amount generally viewed as "full benefits," i.e., the amount of benefits payable to a worker upon retirement at 65 (or upon disablement or death), used as the starting point for computing reductions and deductions from benefits and to determine benefits for dependents and survivors (expressed as some "percent of PIA"). PIA is derived directly from a worker's average indexed monthly earnings.

Quarter of coverage—a unit of credit toward obtaining insured status; a worker must earn at least a specified amount in wages or net earnings from self-employment in a single year; currently $290 in earnings during the year is needed to obtain a quarter of coverage with a maximum of four quarters of coverage for earnings of $1,160 or more in 1980. A quarter of coverage does not pertain to a particular calendar quarter for years after 1977; in other words, the earnings do not need to be earned in a single calendar quarter.

Replacement rate—the percent of a worker's covered preretirement (or predisability or death) earnings replaced by his or her monthly social security benefits.

Reserves—cash on hand credited to the social security trust funds at a particular point in time; frequently referred to as assets or "balances" in the funds.

Retirement test (earnings test)—the provision that requires a person's social security benefits to be reduced by $1 for each $2 of earnings over an annual exempt amount. No reduction is made for earnings in and after the month the beneficiary attains age 72 (age 70 beginning in 1982).

SECA—Self-Employment Contribution Act, which requires payment of the payroll tax by the self-employed.

Special minimum benefit—a benefit amount payable to certain persons who have worked in covered employment or self-employment for many years at low earnings levels; is used only if higher than the regularly computed benefit.

Substantial gainful activity (SGA)—the part of the definition of disability which precludes entitlement to DI or SSI disability benefits when an impaired individual engages in substantial paid work; "substantial" is measured by the amount of wages the worker has earned (currently pegged at $300 or more per month).

Supplementary medical insurance (SMI)—(medicare part B) a voluntary supplementary program covering the costs of physicians' services and a number of other items and services not covered under the hospital insurance program; financed through premiums paid by enrollees and general revenue contributions to the program.

Survivor benefits—monthly cash benefits which can be paid to certain survivors of a deceased worker, including a spouse, former spouse, children, and parents.

Student benefits—monthly cash benefits paid to the child of a retired, disabled or deceased worker during the time between the child's 18th and 22d birthday; payable only if the child is a full-time student.

Tax rate—the percent of covered earnings (earnings up to the wage base) deducted from a worker's paycheck as contributions to the social security system, with an equal amount paid by employer. The self-employed are subject to a different rate.

Taxable earnings—earnings subject to the payroll tax up to the wage base in jobs covered by the social security system.

Transition benefits—special benefits paid to a small category of persons now over 80 years old whose work histories would not otherwise qualify them for social security benefits, also known as "special age 72 benefits."

Transition guarantee—an alternative benefit level (available when higher than the level determined under the new "decoupled" benefit computation procedures) for workers reaching age 62 between 1979 and 1983.

Trust funds—the old-age and survivors insurance trust fund, the disability insurance trust fund, the hospital insurance trust fund, and the supplementary medical insurance trust fund, where payroll taxes from employees, employers, the self-employed, and a small amount of general revenues are kept separate from other Federal funds, and from which payments for benefits and administration are disbursed.

Universal coverage—refers to various proposals aimed at extending social security coverage to all those categories of workers not currently participating in the social security system, including most Federal workers, railroad workers, State and local government workers, and employees of private nonprofit organizations.

Vesting—a legal, nonforfeitable right to receive a pension after meeting a plan's eligibility conditions.

Wage base (earnings base)—the maximum amount of an individual's annual earnings which can be subject to the social security payroll tax and which can be counted in figuring social security benefits; set at $25,900 in 1980. (See also contribution and benefits base.)

Wage indexing—the procedures used to adjust a worker's past earnings to reflect what they would be if earned recently (built upon the assumption that the worker's occupation is one in which wages have gone up at approximately the same rate that average earnings have risen in the economy), and to adjust the benefit formula itself so that the initial benefits paid to future retirees will represent the same percentage of preretirement earnings, regardless of when each successive group of workers reaches retirement age.

Waiting period—the amount of time a disabled worker must wait after his disabling condition begins before entitlement to DI benefits can be started. (The waiting period is 5 months.)

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