

# REDUCTION OF RETIREMENT BENEFITS DUE TO SOCIAL SECURITY INCREASES

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HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON  
EMPLOYMENT AND RETIREMENT INCOMES  
OF THE  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE  
NINETIETH CONGRESS  
FIRST SESSION

APRIL 24 AND 25, 1967

Washington, D.C.

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# REDUCTION OF RETIREMENT BENEFITS DUE TO SOCIAL SECURITY INCREASES

MONDAY, APRIL 24, 1967

U.S. SENATE,  
SUBCOMMITTEE ON EMPLOYMENT AND RETIREMENT INCOMES  
OF THE SPECIAL COMMITTEE ON AGING,  
*Washington, D.C.*

The subcommittee met at 10 a.m., pursuant to call, in room 4200, Senate Office Building, Senator Jennings Randolph (chairman), presiding.

Present: Senators Randolph and Moss.

Committee staff members present: William E. Oriol, staff director; John Guy Miller, minority staff director; J. William Norman, professional staff member; Patricia G. Slinkard, chief clerk; and Isabel Paurowski, clerk.

The CHAIRMAN. Good morning, ladies and gentlemen.

These hearings are being conducted by the Subcommittee on Employment and Retirement Incomes of the Special Committee on Aging of the Senate.

We are interested in studying all aspects of retirement incomes, in order that we may make a significant contribution to the improvement of incomes of America's senior citizens.

Our compatriots in this age group derive their incomes from various sources. We all know these, of course, in general are social security, savings, continued employment, old age assistance, veterans' compensation and pensions, private pension plans, pension systems that apply to Federal, State, and local employees. There are other sources of income.

Today and during our hearings, we are primarily interested in considering the relation between social security and other retirement benefits, with particular reference to the unfortunate results which past increases in social security benefits have had in actually reducing some types of retirement incomes.

For many older Americans, such reductions have meant that the social security increases voted by Congress to improve inadequate retirement incomes have failed to result in the hoped-for retirement income improvements, or even more regrettably, have actually decreased the total retirement incomes of an exceedingly large number of people.

President Johnson, as you will recall, in his message of January 23, 1967, recommended in speaking of "Aid For The Aged," among other progressive measures, a substantial increase in social security benefits.

A bill to implement the President's recommendation, H.R. 5710, was introduced. The House Ways and Means Committee has conducted

hearings on the subject and it now seems that this subject will be considered carefully and thoroughly in the Congress, including the Senate, during the remainder of this session.

One of the aspects of this subject which should receive adequate consideration, and it forms a basis for these hearings, is reduction of retirement benefits due to social security increases.

The House and Senate standing committees which will consider this legislation will have a major task. There is a danger that they will be unable to give sufficient consideration to the important topic that we are considering today. Our hearings can assist the members of those committees and supplement, not work at odds with, their efforts. This was recognized by the chairman of the Finance Committee, Senator Long, in remarks on the Senate floor last Tuesday, April 18. He urged the Senate to rely on the hearings of this subcommittee to determine satisfactory solutions to the complex problems involved.

During the last few years, we have sought to assure that social security increases will not result in reductions in other retirement benefits. We have received from the Legislative Reference Service of the Library of Congress a memorandum summarizing these past efforts. It will be included in the appendix of this hearing as appendix A.<sup>1</sup>

We have received a statement from Senator George A. Smathers, the immediate past Chairman of the Special Committee on Aging, explaining the provisions of the legislation he sponsors, S. 186. This legislation has as its purpose the prevention of reduction in old age assistance, veterans' non-service-connected pensions, and private pensions as a result of social security increases. His testimony will appear in the hearing record immediately after these opening remarks, and sections 3, 5, and 7 of S. 186 will be included in the record as appendix B.<sup>2</sup>

Without objection, his statement will be included in the record at the conclusion of these opening remarks.

We have had communications from many persons and organizations. We will include some of them in our record in what we will call appendix C.<sup>3</sup>

Before our first witness is called, I would like to reemphasize what our chairman, Harrison A. Williams, the Senator from New Jersey, has written to me as chairman of the subcommittee. He indicates that this is an important and timely subject and he believes that what we do here will be helpful in finding and recommending a correct solution of this problem. He is unable to be present but he is following very carefully what we will be doing here.

I am convinced, ladies and gentlemen, that there need not be a repetition of the disappointment experienced by too many older Americans in the past. These persons have eagerly anticipated Social Security increases only to discover that when they were enacted some other retirement benefit was reduced, leaving them in no better financial circumstance or, worse still, in even more impoverished circumstances.

I am confident that with the assistance of the group of excellent witnesses who have consented to share their opinions and viewpoints

<sup>1</sup> See p. 85.

<sup>2</sup> See p. 89.

<sup>3</sup> See p. 91.

and convictions with us, our subcommittee can recommend measures to prevent such reductions. These, of course, must be sound and fair to all concerned.

**STATEMENT OF SENATOR GEORGE A. SMATHERS, FORMER CHAIRMAN, SENATE SPECIAL COMMITTEE ON AGING**

Senator SMATHERS. Mr. Chairman, and other distinguished Senators of the subcommittee, I regret that due to a conflicting commitment, it is not possible for me to appear and testify in person. However, I appreciate this opportunity of submitting a written statement on the subject of your hearing.

I commend you for calling these hearings on what I consider a vital, timely subject, "Reduction of Retirement Benefits Due to Social Security Increases." I am confident that your work on this subject will help assure that future social security benefit increases will increase the overall retirement incomes of beneficiaries or, at least, will not result in reductions of their total incomes.

The most critical need within the subject area of this hearing is for a social security amendment which will permit beneficiaries to waive portions of their social security benefits. Having such a provision in the Social Security Act will guarantee Congress that any social security benefit increases which it may vote will, in no case, result in decreases in other benefits greater than the amount of the social security increase. In 1965, Congressmen received a flood of mail from veterans and their survivors whose non-service-connected benefits were reduced when they received the social security benefit increases approved that year. In most of these cases, the reductions in veterans' pensions were much greater than the amount of the social security increases. The net result was to place these unfortunate senior citizens in a much worse condition financially than they had been before the social security increases were voted.

In voting for the social security increase in 1965, it was not my intention to reduce the overall income of any one. I am confident that few, if any, other Members of Congress had that intent or surmised that any such result would obtain. We were dismayed to find that our efforts to raise retirement incomes had so backfired that we had actually reduced the retirement incomes of some of the poorest of the elderly poor.

I asked the Social Security Administration and Veterans' Administration whether these recipients could merely waive the increase and elect to receive the same social security they had been receiving before the increase. I was advised by the Social Security Administration that:

There is no provision in the Social Security Act which expressly authorizes social security beneficiaries to waive their benefit payments. Waiver of entitlement to one or more months benefits, though, has been permitted administratively for a number of years to accommodate people who for personal reasons do not want to receive benefits to which their entitlement has been established. This administrative action permits waiver of only the full amount of one or more monthly benefit payments.

Further, I found in studying the matter, that there is a provision in the statute pertaining to veterans' non-service-connected benefits which requires that any such waiver be disregarded for purposes of

determining whether limits on outside income have been exceeded. This is section 503 of title 38, United States Code. Therefore, if a veteran should avail himself of the limited waiver privilege which has been administratively established by the Social Security Administration, this would not be effective to restore his veteran's pension to its former level.

As a result, I subsequently introduced a bill which has been reintroduced in this Congress as section 3<sup>4</sup> of S. 186. This section would permit a social security beneficiary to waive all or a part of his social security benefits, and would require that the reduction so effected be recognized for purposes of any other Federal benefit, including veterans' benefits, to which he might be entitled.

If this provision is enacted, it will not only protect veterans and their survivors against losses of veterans' benefits due to social security increases, it will also result in savings for the social security trust fund in the amount of the benefits waived. Furthermore, it will help to finance the social security benefit increases voted by Congress.

The President has strongly recommended legislation to prevent reduction of veterans' benefits as a result of social security increases. In his message of January 31, 1967, on "America's Servicemen and Veterans," he said:

Last week I proposed to Congress a 20-percent overall increase in social security payments—representing the greatest increase in benefits since the act was passed in 1935. Although these increases will benefit millions of older Americans, we must make certain they do not adversely affect the pensions paid to those veterans and dependents who are eligible for both benefits.

Accordingly, I propose that the Congress enact the necessary safeguards to assure that no veteran will have his pension reduced as a result of increases in Federal retirement benefits such as social security.

I submit that my provision would effectively implement the President's recommendation.

During these hearings you will undoubtedly find that there are other types of retirement incomes, besides veterans' pensions, which are subject to reductions greater than corresponding social security increases. The amendment I am proposing will permit social security beneficiaries to protect themselves against those reductions, in addition to the protection it will give them against reductions in veterans' benefits.

Another type of reduction which this subcommittee will doubtless consider during these hearings is the reduction of old-age assistance resulting from social security increases.

S. 186 seeks to prevent the reduction of old-age assistance benefits as a result of social security increases. Section 5 of that bill<sup>5</sup> permits the States until January 1, 1969, to disregard the amount of the social security increase in fixing old-age assistance grants and thereafter requires the States to do so. This would assure these senior citizens that they would obtain full benefit of the social security increase without corresponding reductions in their old-age assistance.

During these hearings you will also be interested in reductions of private pension benefits which result from social security benefit increases. Section 7 of S. 186<sup>6</sup> would prohibit provisions in private pension plans which call for reduced benefits when social security

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<sup>4</sup> See appendix, p. 89.

<sup>5</sup> See p. 89.

<sup>6</sup> See p. 90.



increases are received. Plans which violated this section would lose qualification status under the Internal Revenue Code, thus making them ineligible for certain tax privileges.

The proposed legislation would make it possible for recipients of private pensions who also receive social security to receive the full benefit of social security increases without suffering reductions in private pensions.

I commend these provisions in S. 186 to the consideration of this subcommittee as it studies these problems. If you recommend their enactment and they are enacted, they would effectively solve the problems about which you are concerned.

I think we in the Congress would be well advised to take appropriate steps to avoid those pension situations in which we seem to give with one hand and take away with the other.

The CHAIRMAN. Our first witness is Mr. John W. Edelman.

Will you come forward, Mr. Edelman, and Mr. Hutton, I believe, is accompanying you today.

Mr. Edelman, we are very happy to have you and Mr. Hutton present.

**STATEMENT OF JOHN W. EDELMAN, PRESIDENT, NATIONAL COUNCIL OF SENIOR CITIZENS, ACCOMPANIED BY WILLIAM R. HUTTON, EXECUTIVE DIRECTOR, NATIONAL COUNCIL OF SENIOR CITIZENS**

Mr. EDELMAN. Thank you, Senator.

Mr. Chairman and distinguished members of this subcommittee, I am John W. Edelman, president of the National Council of Senior Citizens.

With me is our executive director, William R. Hutton, who also has a statement which will provide the detailed documentation for my brief testimony.

The National Council of Senior Citizens is especially pleased that this subcommittee of the Special Committee on Aging is seeking ways to assure that future increases in social security benefits will serve their intended purpose of raising the incomes of the elderly.

These hearings give us hope that when the Congress enacts badly needed increases this year—increases which we desperately hope will be sufficiently adequate to meet the need, but which we fear may be much too modest—congressional intent will not be nullified by corresponding reductions in other public or private payments.

We who represent senior citizens—too many of whom live in or on the edge of poverty—have looked to this committee over the years to identify the problems of our older people and to work toward solutions that emphasize dignity and self-respect.

In the committee's report on "Developments in Aging, 1959 to 1963," you recognized the plight of aged persons who receive old-age assistance to supplement their social security benefits, saying:

Their common problem was the loss of part of their old-age assistance grant following the long-awaited increase in the minimum Social Security benefit.

This was on page 75 of that report.

You suggested that the newly organized Welfare Administration of the Department of Health, Education, and Welfare prepare an analysis

of the State-by-State effect of a social security benefit increase on assistance payments, "with recommendations which would insure that such increases reach the beneficiaries."

When the long overdue benefit increases were enacted in 1965, the Congress made very clear its intention that beneficiaries receiving assistance should not be denied these increases. The welfare amendments authorized the States to disregard the retroactive payment, and the Bureau of Family Services of the Welfare Administration urged that States take advantage of this authority.

With regard to the 7 percent increase in monthly payments beginning with the receipt of the October social security check, the Bureau of Family Services advised State agencies that the amendments permitted \$5 of income to be disregarded, thus offering the States another opportunity to implement the congressional intent of making meaningful the increase for beneficiaries receiving supplementary assistance.

Unfortunately, as it will be all too clear from Mr. Hutton's statement, the vast majority of States failed to seize this opportunity; they chose to ignore the intent of Congress. To justify their position, relief administrators in the States that withheld the social security increase argued that to do otherwise would be unfair to their clients who get no social security. I can only repeat what I said at the time this deplorable situation came to light, and I quote myself:

"That argument may hold water for States that have spread some or all of the increase among relief recipients generally but, by their own admission, 17 of the 24 States reporting to the National Council of Senior Citizens have not done so.

"In other words, those States believe in economizing at the expense of their poorest citizens."

As a Nation, we are justifiably proud of the fact that our Federal social security program provides uniform treatment regardless of where people live. The National Council of Senior Citizens heartily endorses this basic principle and urges that it be strengthened by raising social security benefits to a level high enough to permit older people to live in independence and self-respect. The principle is seriously weakened if an increase in social security benefits for beneficiaries also receiving assistance can be nullified by the hit or miss action of the States.

Until our national social security program achieves the potential of which it is capable, our most needy older people will continue to be dependent on public assistance. Our own knowledge confirms the conclusion of the Advisory Council of Public Welfare that:

So long as primary responsibility for defining and financing programs is left with the states, substantial increases in the per cent of Federal financial participation are not a sufficient means to ensure adequate programs.

We, therefore, support the recommendation of the Advisory Council for a national minimum standard of public assistance guaranteed to people throughout the Nation, with Federal financing adequate to assure that this standard is met. As immediate first steps toward more adequate and equitable public assistance programs, we urge adoption of changes recommended by the President and now under consideration by the Congress, which would require that State welfare agencies raise cash payments to the level the State itself sets as the minimum for subsistence and to bring these minimum standards up to date annually.

Requirements like these would provide some assurance to welfare recipients that an increase in social security benefits was not withheld when outdated standards fail to recognize full need.

In our testimony, we have concentrated on the impact of social security increases on public assistance payments. This is because the National Council of Senior Citizens has assembled information on this particular aspect that might not otherwise be available to you.

We are equally concerned, however, about the relationship to certain private pension plans which use the increase to automatically cut pension benefits and company costs—this, in contrast to a private pension plan that properly recognizes its role in providing an adequate retirement income through automatic cost-of-living adjustments which supplement, and usually much precede, the increase in social security benefits.

You will hear later on the effect of social security increases on private pensions. Nor have we attempted to assemble testimony specifically related to veterans' pensions, even though this is an important source of income for many of our members.

We share the dismay of this subcommittee that a small increase in social security benefits has actually resulted in disproportionate reductions in veterans' pensions and we heartily endorse the President's proposal:

That the Congress enact the necessary safeguards to assure that no veteran will have his pension reduced as a result of increases in Federal retirement benefits, such as Social Security.

I regret that the National Council of Senior Citizens cannot provide concrete proposals for the language that must be written into the 1967 Social Security Amendments if these amendments are to achieve the intent of the Congress that increases in social security benefits should reach our older people. Specific proposals can best be developed by the Federal agencies that have administrative responsibilities for the various programs.

The National Council of Senior Citizens can instead testify to the need and to the fact that the optional provisions included in the 1965 amendments were not generally effective. From this experience, a lesson has been learned, hard as it may have been in its impact on more than a million older people. And, for this story, we now turn to Mr. Hutton, who will continue our testimony.

Mr. Hutton.

Senator Moss (presiding.) Thank you, Mr. Edelman.

We will be glad to hear you, Mr. Hutton.

Mr. HUTTON. Thank you, Mr. Chairman.

I can indeed document this appalling story because the National Council of Senior Citizens was so shocked by its first knowledge that the social security increases were denied beneficiaries on old-age assistance that we took steps to find out what really happened, thus assuring ourselves that these reports were not isolated instances.

(Messrs Edelman and Hutton subsequently submitted the following memorandum:)

Documentation for statement that nearly a million older people are not receiving the increase through the provision for disregarding up to \$5 a month (though some received compensating increases).

The 11 States which still have the provision in effect for OAA cases have about 140,000 OAA cases receiving social security benefits (138,360 in February, 1966

when total number of concurrent receipt cases was 1,014,000). Total number of concurrent receipt cases is 1,050,000. Difference is 910,000 or nearly a million.

*Concurrent recipients in States which still have provision in effect (11 States and Guam)*

	Early 1964	February 1966
1. Arkansas (\$3).....	18,316	25,100
2. Delaware.....	560	760
3. Georgia (\$4).....	27,074	34,200
Guam.....	0	N R
4. Hawaii.....	369	700
5. Idaho.....	2,017	1,900
6. Indiana.....	8,813	10,300
7. Iowa.....	11,135	10,600
8. Missouri.....	45,484	49,300
9. Nevada.....	1,623	1,700
10. South Dakota.....	2,486	2,500
11. Wyoming.....	1,065	1,300
Total.....	118,942	138,360
Total, all States.....	881,444	1,014,000

Mr. HUTTON. The Social Security Amendments of 1965 provided increases that were long overdue and too little to bring current checks in line with the rise in cost of living—to say nothing of restoring savings that had been dipped into during the years since benefits were last increased.

As you know, the Congress made the benefit increase retroactive to the first of the year, recognizing that a cash increase could have been enacted in the preceding Congress at the sacrifice of enactment of medicare benefits. This was a sacrifice that older people themselves were willing to accept and that we who serve as their spokesmen had advised.

Thus, millions of older people received in September 1965, retroactive checks covering the months of January through August. The retroactive payment was headlined throughout the Nation as a “bonanza” or “\$885 million social security windfall,” and I include some of this publicity for the record, Mr. Chairman, if I may.

These retroactive checks, which averaged about \$48 for single retired workers, \$80 for aged couples and \$40 for aged widows, could more accurately have been labeled a long-overdue payment on a debt our Nation owed to its elderly population.

That older people did not immediately splurge on luxuries, is all too evident from the Wall Street Journal (article of September 22, 1965) which covered the “Bonanza in St. Petersburg, Fla.,” where 28 percent of the residents are 65 or older, three times the proportion nationwide. The conclusion headlined in the article we are submitting for the record<sup>7</sup> was this: “Check for Retroactive Boost Go for Clothes, Food, Rent.” And here are some of the quotations from this article:

For many persons, the money will provide some basic necessities which they have been going without.

Holding up two fistfuls of Government checks, the manager of the Food Fair says: “This is all I’ve been doing. I’ve cashed over 500 retroactive checks in two days. It’s apparent that a good part of the retroactive checks is going for food.”

At one St. Petersburg store, Mr. Chairman, gains over the normal Saturday business reached 17 percent in the ladies’ ready-to-wear de-

<sup>7</sup> See appendix, p. 105.

partment and 11 percent in men's wear—but there were no gains in the jewelry department.

The money was not hoarded away; few of the elderly can afford the luxury of saving. In commenting on the immediately stimulating effect on the economy resulting from these retroactive benefits, the well-known financial analyst, Sylvia Porter, quotes social security as saying: "No beneficiary has indicated any plans to splurge on a luxury greater than a steak dinner to celebrate."

This is what the National Council of Senior Citizens would have expected: That the social security increase would represent a chance to catch up on debts already overdue and make it more possible to meet the rising costs of day-to-day essentials.

It came as a surprise, therefore, when, on October 8th, an elderly lady reported to us that her October public assistance check was reduced by \$40 because she had received a \$40 social security check representing the 8-month retroactive increase for January through August 1965. The National Council of Senior Citizens immediately undertook research to determine whether old people throughout the Nation who are on public assistance were being denied the benefit of the increase in social security.

The answer, Senator Moss—in one word, "Yes"—is detailed in two articles<sup>8</sup> in the October 1965 and the July 1966 issues of the Senior Citizens News, which I am submitting for the record. I am sure that you will want to study these in detail and am therefore only highlighting a few examples drawn from our earlier research and reporting on the current situation.

Five States (California, Colorado, Illinois, Kansas, and Nebraska) where a quarter of a million old people receive both public assistance and social security, reduced public assistance checks by the full amount of the retroactive payment. Not only did old-age recipients in these States fail to receive the long-awaited additional amount but they lost income already spent in the effort to eke out the bare existence allowed by assistance payments. California restored the deduction (but, Mr. Chairman, one cannot help but speculate whether California would again do so in today's political climate which might equate the sacrifice of the retroactive lump-sum with sacrifice of a holiday by Government employees).

In Illinois, the State gained \$1.1 million by holding back the retroactive increase; here, we were reminded of the testimony the Senate Committee on Aging heard during its town meetings of senior citizens and reported as follows (p. 75 of "Developments in Aging, 1959 to 1963"):

I am supposed to be a retired citizen. What I would like to say—I haven't heard it mentioned here today—the money that is turned over to the state that is supposed to be for Social Security, or from that fund, it is turned over to the people to help people here who draw some Social Security, and they get some state assistance, and through the source of that, through the state assistance part of, usually whatever is turned over from the raise from the Federal Government into the Social Security that they're supposed to get, they don't get it. It's taken off the other end by the state, and I presume it is put into the general fund or used for some other purpose.

Now I would think there would be some preparation through your Congress to find out whether the people, who were supposed to get it, really got it, or if

<sup>8</sup> See appendix, p. 108.

they didn't send it to the state for the simple reason to balance the budget, or raise the salary of somebody that's already getting considerable money. That looks like a good simple way of doing it.

Nebraska, another of the States that deducted the full retroactive payment from relief checks, fails to meet even its own minimum standards for welfare payments—a situation that unfortunately exists in more than half of all States, but at least these others did not hold back the retroactive payment.

Apparently without regard to whether the State meets full need for assistance or had updated its standards to current living costs, State after State made no provision for disregarding up to \$5 of monthly income, thus depriving the social security beneficiary of his long-awaited increases in the benefit he felt he had earned.

Significantly, of the eight States represented by members of this subcommittee, six took advantage of the opportunity to pass on the monthly increase by disregarding up to \$5 of income received by public assistance cases. These States are Idaho, Iowa, Hawaii, Nevada, Missouri and Vermont (although the last named State, Vermont, terminated the provision on July 1, 1966). I say "significantly" because the over-all proportion of the States which implemented the provision was closer to one-in-four in contrast to the three-in-four ratio attained by the States this subcommittee represents. This gives us special hope that your subcommittee can work out an arrangement whereby older people can actually receive the additional income enacted by our U.S. Congress.

Almost a year has passed since our survey in the spring of 1966—a survey that related to only the 33 States indicating no immediate intention to implement the \$5 provision but that might well have also included a half dozen other States, then in process of taking action but to date still without a provision that allows the additional social security income to old-age assistance recipients.

Our July 1966 report identified the 15 States that had taken advantage of the \$5 monthly income exemption to allow relief clients to keep their social security increase, two of which limited the provision to recipients of aid to the blind. It also identified a number of other States that, although not implementing the special provision, reported making substantial compensating adjustments in recognition of the increase.

The National Council of Senior Citizens is not in a position, sir, to carry on the extensive research program that would yield constantly up-dated information for all States in relation to this subject. For current information, we are therefore dependent on the periodic reports issued by the Welfare Administration. The most recent of these reports—for April 3, 1967—indicates a slippage in the number of States in which the provision is in effect. Only 11 States and Guam now disregard some unearned income for old-age assistance cases. Florida terminated its provision on June 1, 1966, and Vermont, as I just said, on July 1, 1966.

In preparation for these hearings, we contacted the welfare agencies of these two States and this is what we learned:

In Florida, use of a contingency fund that had been intended for other improvements in public assistance, made it possible to disregard income up to \$4 a month—but only for the limited period of October

1965 to June 1966. Thereafter, Florida no longer disregarded this income. The higher priority placed on other improvements makes it unlikely that Florida will again put the provision into effect.

In Vermont, we understand that the provision for the exemption of income up to \$5 was deemed no longer necessary since the \$80 maximum on grants had been removed and other improvements made.

In conclusion, Mr. Chairman, I would underline Mr. Edelman's comment that we have learned a lesson from the experience of the 1965 amendments, a bitter experience for nearly a million older people. More than 1 million older people look to this Congress for assurance that the cost-of-living increase in their social security benefit will not be denied them simply because they are dependent on public assistance.

But all is not lost if this lesson serves to guide the Congress to the enactment of provisions that will be truly effective in placing additional income in the hands of our most needy older people. This experience would lead us to conclude that permissive legislation which leaves action to State discretion will not achieve congressional intent, particularly since State welfare administrators do not place a high priority on the solution of this problem. This subcommittee might well be guided by the following comment we received from the welfare department of the State of Connecticut:

The 1965 Connecticut Legislature did consider a proposal to exempt income where Federal law requires or permits it. As finally passed, the Act limited exemption of income to those programs where Federal law requires exemption.

There is no simple solution. In answer to our questionnaire, one welfare director in a State justifiably proud of standards and budget methods that produce a high level of adequacy and equity, warned against arbitrary exemptions of arbitrary amounts, saying: "An array of meaningless income exemptions are in reality merely token excuses for failing to meet adequate standards.

And as a further comment on these exemptions: "It would be far more equitable to mandate that all grants of assistance be automatically increased \$5."

While the National Council of Senior Citizens does not pretend to have the solution, we do have a wealth of material on the problem itself and on the ineffectiveness of past attempts to deal with this problem. The National Council would be more than happy to share all this information, sir, with your subcommittee.

The past record is, to our mind, a national disgrace. We urge your subcommittee to do everything in its power to avoid a repetition of the 1965 experience and we pledge our total resources to your efforts.

Senator Moss. Thank you very much, Mr. Hutton.

The articles that you submitted from the Evening Star, the Wall Street Journal and the specific articles in the October 1965 and July 1966 issues of the Senior Citizens News and the documentation will all be included in the appendix of the record as appendix D, so that we can refer to them.

Senator Moss. Mr. Hutton, I appreciate both your testimony and Mr. Edelman's. I had a question or two that I would like to ask.

First, as a solution to the problem of reductions in old age assistance due to social security increases, how would you regard a requirement that all future increases be disregarded in fixing old-age assistance grants but giving the Secretary of HEW or Commissioner of

Welfare power to permit a State to take such increases into account in whole or in part if shown to his satisfaction that the money saved thereby will be used to enrich the States' public assistance programs for the elderly in other ways?

Mr. HUTTON. I would like to have a study, Mr. Chairman, but off-hand I would say that would be perfectly satisfactory with us.

Senator Moss. Would you like to give us your opinion, Mr. Edelman?

Mr. EDELMAN. I would think the intent of that declaration is so clear that it would have to be a frightfully flagrant and rather brutal disregard of the needs of the elderly to avoid its intent. I would think that under circumstances in the present climate and opinion in the United States we would want to support such an enactment.

Senator Moss. In the instances where old-age assistance was reduced in these States, does your investigation show that this was simply for budgetary relief in those States, that the money saved thereby was actually cut out of the States' budgets for old-age assistance?

Mr. HUTTON. In some cases, it does, sir. It does not show only there, no.

Senator Moss. I see. Well, thank you, gentleman, very much. Your testimony certainly has an impact and this subcommittee will study it carefully, I am sure.

Mr. EDELMAN. Thank you.

Senator Moss. Our next witness is Mr. Alvin M. David, Assistant Commissioner for Program Evaluation and Planning, Social Security Administration, Department of Health, Education, and Welfare.

Mr. David.

**STATEMENT OF ALVIN M. DAVID, ASSISTANT COMMISSIONER FOR PROGRAM EVALUATION AND PLANNING, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE**

Mr. DAVID. Thank you, Mr. Chairman.

I appreciate the opportunity to meet with this committee and discuss some of the current problems of the relationships between social security and other programs, including private pension plans, old age assistance, and the veterans' program.

Since its beginning, the social security program has generally been thought of as the Nation's basic retirement system. Although the original program only covered workers in commerce and industry and provided retirement benefits and not any other kind, such as survivors and disability benefits, the program has been improved and extended over the years so that today more than nine out of 10 jobs are covered by the program and benefits are provided for widows and orphans and the disabled, as well as those who are retired.

As of the beginning of this year, 17 million people 65 and over—89 percent of the population in that age bracket—were eligible for social security benefits, and about 93 percent were eligible for benefits under social security or some other Federal retirement program.

Of those reaching 65 this year, about 92 percent are eligible for social security benefits and 95 percent are eligible for social security or some other Federal retirement benefit. So, it does seem fair to say



that the program is the basic method in this country of assuring retirement income.

Although it is that, it is not to be considered as the complete retirement system for everyone. Social security serves as a base, and payment of social security benefits without regard to other retirement income, such as income from pensions, savings, investments, and the like, provides a basic security consistent with our economic incentive system of rewarding work and saving.

As is quite typical of our society, the American approach involves a partnership of Government programs, employer and trade union programs, private insurance and individual savings.

We have, first of all, a system of social insurance, which provides retirement and hospital insurance protection for just about everyone who works and also protects survivors and dependents of insured workers.

Private pension plans, aided by special provisions in the Federal tax system, build on the social insurance program. They now cover about 25 million workers and provide retirement benefits for about 2¾ million people.

Because both the social security benefits and the private pension benefits are paid irrespective of whether the individual is in need, the individual's drive to add personal savings and individually purchased private insurance to his basic security is supported. Thus, then, as a backstop, the Federal-State program of public assistance provides payments based on a test of individual need where other income is inadequate.

The practical questions we are facing relate to the specific effects that increases in social security benefits may have on people who are getting benefits under these other programs.

Now, on the relationship to old age assistance, I understand that the Director of the Bureau of Family Services of the Welfare Administration will be testifying here and will be discussing with you the question of reduction in public assistance payments, and, of course, that question has been discussed also by Mr. Edelman and Mr. Hutton.

I would like, though, to mention that over the years since these two programs, social security and old age assistance, were enacted, the intent has always been that the contributory social insurance program would be used to reduce the need for assistance. Obviously, if the social security benefits or increases in the benefits are consistently and generally disregarded in determining need for assistance, then social security will not work out to reduce the need for assistance which was the original intent.

The whole philosophy of public assistance is to meet need, and in equitably meeting that need all substantial and regular sources of income are to be taken into account. Even though under present law the States are permitted to disregard small amounts of income, including both work and nonwork income, in determining need, these modest exceptions do not undermine the basic principle that the assistance programs are intended to meet need.

I also would like to mention that an increase in social security benefits does not necessarily mean a reduction in the person's assistance payments in States where the person's full need is not now met. That is, in some States the assistance payment does not bring the indi-

vidual up to the level of income that the State, itself, has determined that he needs, and in such cases the increase in social security benefits may be applied against the unmet need and the assistance payment not reduced.

Now, with regard to private pension payments, it is true that some plans are coordinated with social security in such a way that the pension benefits are offset in whole or in part against social security benefits. As a result of such offsets, a retired employee covered by such a plan may not have his total income increased by the full amount of increase in his social security benefits; or he may not have his total income increased at all even though his social security benefits are increased.

However, nowadays relatively few plans operate in this way and directly take into account the cash benefits payable under social security. Where there are plans that have offset provisions, some operate on the basis of an offset of the initial amount of the social security payment and they don't offset increases. Others have reduced the size of the offset.

There is a trend in the direction of that kind of revision of these plans. This trend may continue so far as to result for all practical purposes in the elimination of offsets against social security benefits by private plans.

We have been concerned that where pensions are reduced to take account of the increase in social security benefits the retired worker's income will not keep up with changing economic conditions and there will be a decrease in his real income. This concern has been shared by the President's Committee on Corporate Pension Funds and Other Private Retirement and Welfare Programs.

However, to the extent that there is a problem in this area—

(The subcommittee chairman, Senator Randolph, resumed the chair.)

The CHAIRMAN. Off the record.

Mr. DAVID. I was saying, Mr. Chairman, that the problem of offsets in private pension plans as a result of social security benefits increases is a declining one; the trend is away from the provision in such plans to reduce their pensions by the amount of social security or by the amount of social security increases.

However, it should be noted when one considers what might be done through Federal law to deal with the remaining part of the problem—it should be taken into account that there is no legal obligation, of course, upon a private company to establish a pension plan or to maintain a plan already established beyond the contractual obligations that are created in the plans themselves. The companies don't have to have a plan, and they don't have to continue it.

Moreover, the question of whether a company shall maintain a certain level of payments or only assure that the recipient's total income is maintained at a certain level has generally been considered a matter to be determined by the company or by the company in negotiation with the employee.

Thus, one of the problems in legislating against the offset is that there is a possibility that such legislation might tend to discourage employers from establishing plans in the first instance or retaining

plans already established. The employer may not be able to, or willing to, make financial commitments large enough to support pensions at a specified level without taking into account the payment of social security benefits.

Now the two problem areas that I have mentioned so far—the relationship with old-age assistance and with private pension plans—are relatively easy in the sense that I think I see what the answers are, and I don't have too much trouble with them. However, on the problem of relationship to veteran pensions, there really is a difficulty, and I am not altogether happy at this point, because I don't think I can say to the committee that I see clearly what is the desirable way to deal with this problem. I think there is no ideal solution, and what we are going to have to do—and we surely are going to have to do something—we are going to have to try to develop what is the least worst of the possibilities. The situation is complex, and there are many facets to the problem.

So, I think that further study and development of alternative plans is going to be necessary.

The situation with regard to the veterans non-service-connected pensions is different from that of private pensions in that the VA payments are subject to a form of income test, and the situation is different from that of public assistance, too, in that the veterans program has the effect of providing for veterans, in recognition of their special service, what might be called a national standard of assistance.

Another difference between the veterans program and old-age assistance is that the veterans income test may cause a net reduction in income when a person's income increases slightly, and he is shifted to a new income bracket. Under public assistance, there will generally be at most a dollar-for-dollar reduction in the assistance payments, leaving the total income the same. Under the veterans program, the total income can, as you know, actually be less because of an increase in social security or other non-VA income.

When the pensioner's non-VA income places him in the new income bracket, a higher income bracket, there is a reduction in his pension amount, so an increase in social security can result in a reduction in the pension amount.

The difficulty arises because of the substantial differences in the amounts of pension that are payable as between one income bracket and another. For example, a veteran with one dependent may receive a monthly pension of \$105 if his income other than pension is not over \$1,000 a year. If his income is over \$1,000 but not over \$2,000, his pension is only \$80; it is \$25 less.

The difficulty can be illustrated in the case of the veteran with one dependent who receives \$80 a month or \$960 a year and has other income of, let's say, \$1,990 a year, so he has a total income of \$2,950. If his other income, because of an increase in social security, goes up by \$100, his annual pension is reduced by \$384, and his total annual income is reduced by \$284.

Now, obviously, this should not happen. The problem of pensioners having their total income reduced is particularly acute, because about 70 percent of the people who are receiving VA pensions are social security beneficiaries.

The CHAIRMAN. Does this vary from time to time appreciably?

Mr. DAVID. No, I would say, Mr. Chairman, there would be a continuing long-run trend upward such that in time practically everyone who receives VA pensions will also be eligible for social security. As I mentioned earlier, over 90 percent of the people now reaching 65 are eligible for social security and 95 out of 100 widows with children in the age bracket below 18 and their orphan children are eligible for social security benefits.

So, in time, there should be an increasing number who are involved in this overlap and who would be affected by the possible reduction in their total income by reason of an increase in social security.

The CHAIRMAN. This is not directly on our discussion but I have wondered and I ask you the question, Mr. David, what percentage of the people who become 65 who are eligible for social security complete the necessary procedures to be included and receive their assistance by that method?

Mr. DAVID. Mr. Chairman, of the people 65 and over now there are nearly 16 million who are getting social security and about 1 million are not receiving it by reason of the fact that they are continuing to work. It is a small percentage who are not receiving benefits even though eligible, and the essential reason for that is that they continue to work.

The CHAIRMAN. I thought your answering this question would be helpful as we consider employment problems and retirement incomes.

Mr. DAVID. There is a tiny, tiny handful of people who are eligible for social security and are not working or are over 72, and the retirement test does not apply to them, and yet, they have not applied for social security benefits for reasons of their sometimes philosophy or ideological or religious reasons, but they are a tiny, tiny fraction of 1 percent.

The CHAIRMAN. Thank you, Mr. David.

Mr. DAVID. As I said earlier, Mr. Chairman, that there is, in my opinion, no ideal solution. The Congress has in the past acted to deal with this problem by providing that 10 percent of the veterans' income may be disregarded, and that is the present law. It was enacted in anticipation of the social security benefit increase in 1964. Following that enactment, of course, some veterans, because of the fact that they could disregard 10 percent, came on the rolls and then there was a benefit increase in 1965 and some veterans who were then on the rolls did have their pensions reduced by reason of that increase in social security.

Now, there are various other alternatives which I would be glad to go into and they all have some problems with them, Mr. Chairman.

The CHAIRMAN. While you are discussing, Mr. David, the problem of the veteran, do you think that we might solve this problem at least in part? I am not sure that we could but I would wonder what you feel about permitting a veteran to waive a portion of his social security.

Mr. DAVID. Mr. Chairman, I think one thing that would be desirable is that if there were provision for waiver that it would not deal only with increases in social security benefits. It seems to me that if it does we have a problem. The veteran getting social security benefits who has had an increase is all right because he can waive the increase. But

the veteran who reaches age 65 the next day and becomes eligible for a benefit that has been increased by legislation already enacted would have no opportunity to waive the benefit increase. He would have to take either the full social security payment as it was increased by the legislation already enacted or he would have to pass it up altogether.

I think there is a problem if you do try to distinguish on the basis of an increase and deal only with the increase. So, I think that it ought to cover the whole range, and I think it ought to deal with increases that occur, as they sometimes do, in other kinds of incomes so that there would be no discrimination in favor of the veteran who had social security income as against some other veteran who had other income that went up and who would be unable to do anything about it.

There are some other problems with this. As I was saying, no solution is ideal. One of the problems I might mention is that there would be some difference in treatment as between different veterans. One veteran might have an increase in his social security benefit that did not carry him into the next income bracket; he could get the whole increase. Another veteran who was at the borderline of the next bracket would have to waive the whole amount of the increase.

Of course, there are problems about other kinds of increases that occur through changes other than legislation, that is, there are increases in social security benefits that occur for example by reason of recomputation of benefits. There is an automatic recomputation provision that increases benefits after there has been increased earnings. There are changes in the social security benefits by reason of changes in the family composition—such as where one of the members reaches age 18 and the benefits for the other beneficiaries go up.

There are things like that in connection with what we call the retirement test that result in changes in income beyond those that are made as a result of a change in the law, itself. So, if you were going to deal with the problem all the way, you would have to deal with those as well as statutory changes.

Other than that, I would say, Mr. Chairman, that fundamentally there is a problem, and I don't want to seem to be saying that this particular solution is all full of problems and there might be some other one that is all right.

I should say though, with respect to this particular solution that there is underlying it the problem that the social security payment is the contributory payment and the original intent of it was that it take the place of and prevent the need for large amounts of Government expenditures through the noncontributory general revenue programs. Here is a program financed through contributions, and the original intent and the continuing intent was that this be the program that carried the main load and that the other programs would become less needed and less of a drain on general revenue as this program took over.

So, insofar as that is the intent, there is something of a problem were the veteran to waive his social security payment or some part of it which is the part that would be financed out of the contributions and were instead to receive a payment that is financed out of general revenues. I mention that as a point related to the basic intent of the Congress through the establishment of the social security and the other programs.

The CHAIRMAN. We have some questions, Mr. David. There is one question that I would like to ask you and Mr. Norman will also for the subcommittee have some inquiries.

Would legislation, Mr. David, in your opinion, directing the States to disregard social security increases in fixing old age assistance grants discourage States from enacting new or possibly strengthening legislation relating to existing old age assistance programs?

Mr. DAVID. Mr. Chairman, I think that I ought to say that since Mr. Steininger who is representing the Welfare Administration is here—he is head of the Bureau of Family Services—I would do well to defer to his answer on that.

The CHAIRMAN. I think that is appropriate.

Mr. NORMAN.

Mr. NORMAN. Mr. David, since the primary purpose of our OASDI program is to substitute for earnings and to improve retirement incomes, is it not a waste of social security funds to expend them on increases which fail to increase the beneficiary's total income or which even reduces his retirement income?

Mr. DAVID. I would say that you can't really answer that as a general abstract question. I can see intent of the question and, insofar as the purpose of the increase in social security is to keep the income of the individual beneficiary in line with the changing economic conditions—

Mr. NORMAN. If it fails to do that is it a waste of social security funds?

Mr. DAVID. I beg your pardon?

Mr. NORMAN. If it fails to accomplish that, is it a waste of social security funds?

Mr. DAVID. If it fails to accomplish that purpose, it has failed; there is no question about it.

Mr. NORMAN. Isn't it like putting money down a rat hole if that is the purpose for which you put the money out and it does not do that?

Mr. DAVID. Yes. I am not sure that I go along completely with your metaphor but the whole purpose is defeated. The whole purpose of keeping the social security benefit up to date is defeated if we take as given that some other payment has been cut back to the extent of the increase and the increase is nullified. You just have defeated the purpose.

Mr. NORMAN. Then might it not save Social Security funds with no loss to the beneficiary if it is provided by statute that no social security increase voted by Congress shall be payable to the beneficiary except to the extent that it will increase his overall income? In other words, give the Commissioner or Secretary of HEW power to withhold any part of the increase which he determines would not increase the beneficiary's total income. Might that not save social security funds?

Mr. DAVID. Oh, yes. It would save social security funds; there is no question about that.

Mr. NORMAN. What would be your reaction to such a solution?

Mr. DAVID. My reaction to it, Mr. Chairman, is that I would suggest that the committee and the Congress would want to consider whether really the thing that best accomplishes the overall purposes of social security and other programs is to produce the result that the

social security system saves money, saves costs, at the expense of a system that is financed out of general revenue. I think that is a real issue, a policy issue, which does call for consideration.

It is true we do save money in social security. Then I raise the question, is this the policy that the Congress wants to follow?

Mr. NORMAN. Yes, sir. I can see that such social security increases might be considered as serving the purpose of saving general revenues, but could that be justified where it has the effect not of saving general revenues but of saving private pension funds, State or local pension funds, or something else of that nature? In other words, why is it that Social Security must always be the one who picks up the check?

Maybe you can picture Social Security, private pension plans, old-age assistance, and State and local pension plans, all sitting around a table. The waiter brings the check. Why must Social Security always be the one who picks it up?

Mr. DAVID. I don't really think that it does have to be Social Security that picks up the check, but Social Security is the base.

Administratively, the thing that makes sense is to continue to pay the social security benefit and for any changes or adjustments to be made in other programs.

Mr. NORMAN. Mr. David, how do you regard this matter of retirement benefit reductions due to social security increases? Do you regard it as a problem that needs solving or do you regard it as justifiable? If so, what is the justification?

Mr. DAVID. I think that, as I have already said, the real problem that needs solving is the one in the veterans' pension field. I think that as far as private pension plans are concerned, insofar as there remains a problem, it is not one that is very reachable through Federal legislation because of the fact that there is nothing that requires an employer to continue his plan.

In old age assistance, of course, there is the question of the philosophical basis of the two programs, and the original intent and continuing intent that Social Security be the one that carries the main load, with assistance as a backstop; but in the veterans' field I feel that it is absolutely imperative; something has to be done. It cannot be left to happen that the veteran gets a small increase in social security and loses \$200 or \$300 in total income; it just can't be allowed to happen.

The CHAIRMAN. I agree with you, Mr. David. I think this is a point of no return.

Mr. DAVID. Yes. One thing, of course, that is a bit of a help to us in this connection is that last year the Congress enacted legislation that did provide that an increase in income to a veteran pensioner will not have any effect on his pension until the following year. This does give us a bit of a breather to try to work out the solution.

The CHAIRMAN. That cushion of time does not answer, though, this problem.

Mr. DAVID. No; you still have to face it.

The CHAIRMAN. Thank you, Mr. David. You have been very helpful to our subcommittee.

Mr. DAVID. Thank you.

The CHAIRMAN. Mr. Steininger.

**STATEMENT OF FRED H. STEININGER, DIRECTOR, BUREAU OF FAMILY SERVICES, WELFARE ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE**

Mr. STEININGER. Mr. Chairman, I am very happy to have this opportunity to appear before your subcommittee to give the viewpoint of the Bureau of Family Services in reference to these very important questions your subcommittee is dealing with at this time.

The Bureau of Family Services has responsibility for the grants-in-aid to the States for all public assistance programs including those specifically for the aged. These programs complement the Federal Old-Age, Survivors, Disability, and Health Insurance Program.

The insurance program was designed as the basic method of preventing dependency in the years following retirement from covered employment with benefits paid out of required contributions from employers, employees, and the self-employed.

The assistance programs use Federal, State, and local tax revenues to provide payments and the need for assistance is determined according to the financial circumstances of the individual.

The original concept of social security in this country conceived of public assistance as meeting the needs of persons not covered under social insurance, or those whose basic needs would exceed their insurance benefits. Amendments through the years have widened the scope and improved the adequacy and administration of the programs without altering their essential characteristics.

The social insurance program contemplates that the individual will supplement his benefit payment through his personal savings or other resources such as private pensions or insurance, and when these are lacking the public assistance program is a resource for supplementation.

Looking at public assistance in general terms, the federally aided programs for the aged, blind, disabled, and dependent children and the State and locally financed programs of general assistance, the characteristic common to all is that they are for needy people and are designed to meet need as it is defined under each State's standard of assistance.

In this fundamental respect, these programs differ from the other income-maintenance programs established by the Social Security Act where eligibility is based on facts relating primarily to unemployment. The extent of financial aid and the provision of services vary between States, reflecting the State's traditions, legislative and administrative structures, community concern, and assistance appropriations.

When Congress in 1939 amended title I of the Social Security Act, a clause was added that required a State plan for old-age assistance to provide that in determining need the State agency shall take into consideration any income and resources of an individual claiming old-age assistance. This amendment made clear the secondary role of the public assistance programs in providing income maintenance. With respect



to this amendment, the report of the Ways and Means Committee stated:

\* \* \* This will make it clear that regardless of its nature or source, any income or resources will have to be considered, including ordinary income from business or private sources, Federal benefit insurance payments under Title II of the Social Security Act, and other assets or means of support. The committee recommends this change to provide greater assurance that the limited amounts available for old-age assistance in the states will be distributed only among those actually in need and on as equitable a basis as possible.

Basic income security for the aged properly and primarily should come from the social insurance programs and as social security benefits rise the need for the supplementary old-age assistance program should lessen. The old-age assistance program is designed to meet an individual's need after his own income and resources have been taken into account.

It is the contributory social security program that is designed to provide benefits on previous earnings without regard to individual need. This distinction between insurance and assistance is basic to the various titles of the Social Security Act. It has been reaffirmed by the Congress on several occasions.

The Congress, however, on several occasions has amended the public assistance titles of the Social Security Act to enable States to disregard a portion of the earned income of recipients of assistance able to accept employment, recognizing the values of incentives to individuals to work who are able to do so. The average age of recipients of old-age assistance is some 76 years, and it is understandable that this exemption is limited in its application.

Under more recent legislation, States may exempt up to \$5 of any income without regard to source or type, including social security benefits.

With this background, I would like to comment generally on questions of the committee which deal directly or indirectly with the role of public assistance as part of the social security system of the Nation.

We feel that the basic relationship between old-age assistance and the social security system is best maintained if the social security benefits are taken into account in determining eligibility for and the amount of old-age assistance payment. Not to do so would confuse the respective roles of the two programs and give public assistance some of the characteristics of a pension program; that is, one in which benefits are not related to an individual's other income and resources.

The problem that the proposal to disregard social security increases attempts to deal with derives, in part, from the fact that the standards of assistance used by many States for determining the amount of their supplementary old-age assistance payments have not kept pace with current costs. Thus, an individual's social security benefit together with the old-age assistance payment may be insufficient to meet his basic needs for food, clothing, shelter, et cetera.

We have difficulty in supporting any one of the three legislative solutions suggested. As indicated earlier, we question the desirability of disregarding all or part of the social security benefit in determining

the public assistance payment. The alternative that would require the disregarding of the benefits unless a State raised its payment so as to provide a stipulated income is also questionable in that it would set a specific amount as to the standard for the aged in the law and, thus, make it more difficult to reflect needed changes in the standard without additional legislation.

The desirable approach to a solution of the problem, we believe, is the improvement of State standards of assistance so that full need is met in terms of current costs. The President's program now before the Congress is designed to achieve this result. H.R. 5710 now under consideration by the Committee on Ways and Means would require States to meet need in full as determined under the States' standards by July 1, 1969, and would also require that the standards be reviewed and updated annually to take into account changes in living costs.

In summary, Mr. Chairman, if need is met in full and recognizes changes in living costs, we believe that old-age assistance recipients will receive payments for their subsistence needs that reflect the price increases and other factors for which adjustments in social security benefits have been made. If full need is met, the source of funds is not significant to the recipient and the problem we are discussing largely disappears.

I thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Steininger.

I note that you speak of the need for the improvement in State standards of assistance. You speak for the current costs of living. Would you be able to indicate in a detailed way in the record perhaps what is being done or has been done of recent date in the States toward the reaching of this goal that you feel is necessary?

Mr. STEININGER. Well, I will give you the details, Mr. Chairman, but frankly at this point I have to admit they have not been doing too well.

(Mr. Steininger submitted the following information for the record. Testimony continues on p. 25.)

#### STATES' EFFORTS TO IMPROVE OLD AGE ASSISTANCE STANDARDS

In order to receive Federal funds, States must conform to requirements of the Act as interpreted by the Welfare Administration, including the requirement that the person must be "needy" after all his income and resources have been taken into consideration. (States have the option of disregarding not more than \$5 per month of any income and for the first \$80 of additional income which is earned may disregard not more than the first \$20 thereof plus one-half of the remainder.) The Act, however, leaves the definition of "need" to each State. The Federal law does not define "standard of living." Each State, therefore, establishes its own standard. In most States, a "needy" individual is defined as one who "has insufficient income or other resources to meet the requirements necessary to maintain a standard of living compatible with decency and health." Most States have interpreted this to mean a minimum subsistence standard of living. Therefore, the "standard"—money amount—by which need is measured is based on that level of living.

If State funds are not sufficient to meet need as defined by the State, the agency may use a method such as statewide application of a maximum in adjusting individual payments to stay within available funds.

*States not meeting their minimum standards for old-age assistance, January 1965*

Twenty-four States<sup>1</sup> were meeting less than their minimum standards (100 percent of basic need) according to the January 1965 biennial report.

State	Total monthly cost standard for basic needs	Percent of full need met by maximum payment to recipient
Alabama.....	\$117.85	63.6 (\$75.00)
Alaska.....	221.00	49.8 (110.00)
Arizona.....	107.00	79.4 (85.00)
Arkansas.....	83.00	88.0 (73.00)
Delaware.....	104.00	96.2 (100.00)
Florida.....	111.00	63.1 (70.00)
Georgia.....	81.10	86.3 (70.00)
Indiana.....	107.00	65.4 (70.00)
Kentucky.....	84.00	94.8 (79.63)
Louisiana.....	123.00	66.7 (82.00)
Michigan.....	108.00	83.3 (90.00)
Minnesota.....	96.20	73.8 (71.00)
Mississippi.....	90.32	55.4 (50.00)
Missouri.....	89.00	78.7 (70.00)
Nebraska.....	98.50	76.1 (75.00)
New Mexico.....	107.00	91.1 (97.50)
South Carolina.....	75.55	92.7 (70.00)
South Dakota.....	101.90	99.0 (100.90)
Tennessee.....	78.00	96.2 (75.00)
Utah.....	100.75	81.4 (82.00)
Vermont.....	117.00	68.4 (80.00)
West Virginia.....	62.69	85.0 (53.29)
Wisconsin.....	99.30	75.5 (75.00)
Wyoming.....	132.00	75.8 (100.00)

<sup>1</sup> In addition, 3 States have maximums that do not exceed basic needs by as much as \$12 and thus cannot meet most special needs (Colorado, New Hampshire, and Oklahoma).

*States not meeting their minimum standards for old-age assistance, January 1967*

State	Total monthly cost standard for basic needs	Percent of full need met by maximum payment to recipient
Alabama.....	\$132.20	62.0 (\$82.00)
Alaska.....	221.00	49.8 (110.00)
Arizona.....	100.00	85.0 (85.00)
Delaware.....	107.00	93.5 (100.00)
Florida.....	111.00	67.6 (75.00)
Georgia.....	84.40	88.9 (75.00)
Indiana.....	125.50	63.7 (80.00)
Iowa.....	97.00	92.0 (89.24)
Louisiana.....	123.00	72.4 (89.00)
Mississippi.....	90.32	55.4 (50.00)
Missouri.....	97.00	77.3 (75.00)
Nebraska.....	116.00	94.8 (110.00)
Tennessee.....	92.00	97.8 (90.00)
West Virginia.....	110.60	85.0 (94.01)
Wyoming.....	132.00	75.8 (100.00)

In 3 (Alaska, Mississippi, and Wyoming) of these 15 States, the amount of the standard for basic needs, the percent of need met, and the maximum on payment remain the same as reported in January 1965. In 3 States (Georgia, Nebraska, and Tennessee) the amount of the standard, the percent of need met, and the maximum on payment showed some increase. In 2 States (Florida, and Louisiana) the standard remained the same while the percent of need met and the maximum payment increased some. In 3 States (Alabama, Indiana, and Missouri) the standard and maximum payment were increased while the percent of need met decreased. In Delaware the standard was increased, the percent of need met de-

creased, and the maximum remained the same. In Arizona, the standard decreased, the percent of need met increased, and the maximum remained the same. In West Virginia the standard and maximum payment increased while the percent of need met remained the same. Iowa was added to this group of States between 1965 and 1967 when the State began to apply a percentage reduction to payments determined to be needed under a slightly increased standard.

*States meeting need as determined by their standards*

Of the 37 jurisdictions which meet 100 percent of need as determined by their standards, 14 of them showed an increase in the standard from the amount reported in January 1965.

Connecticut	New Hampshire	Rhode Island
Hawaii	New York	South Dakota
Kansas	North Dakota	Vermont
Maine	Ohio	Wisconsin
Minnesota	Pennsylvania	

The enclosed table shows the amount of the standards for all jurisdictions as of January 1967.

The above data indicate effort by some States to improve assistance standards. However, in terms of adequacy of standards and percent of need met, and the amount of the maximum standard, much remains to be done in many States.

*Old-age assistance—Percent that amount paid for basic needs for an aged woman represents of total monthly cost standard for basic needs of such recipient, by State, January 1967<sup>1</sup>*

State	Total monthly cost standard for basic needs <sup>2</sup>	Amount paid for basic needs under State program is lowest of—			Percent amount paid represents of cost standards for basic needs
		Maximum on money payment <sup>3</sup>	Amount paid under reduction formula	Amount of cost standard for basic needs	
	(1)	(2)	(3)	(4)	(5)
Alabama	\$132.20	\$82.00			62.0
Alaska	221.00	110.00			49.8
Arizona	100.00	85.00			85.0
Arkansas	83.00	( <sup>5</sup> )		\$83.00	100.0
California	151.00	( <sup>5</sup> )		151.00	100.0
Colorado	114.00	( <sup>5</sup> )		114.00	100.0
Connecticut	117.45			117.45	100.0
Delaware	107.00	100.00			93.5
District of Columbia	87.20			87.20	100.0
Florida	111.00	75.00			67.6
Georgia	84.40	75.00			88.9
Hawaii	105.75			105.75	100.0
Idaho	110.05			110.05	100.0
Illinois	86.85			86.85	100.0
Indiana	125.50	80.00			63.7
Iowa	97.00		\$89.24		92.0
Kansas	100.30			100.30	100.0
Kentucky	84.00			84.00	100.0
Louisiana	123.00	89.00			72.4
Maine	96.00	( <sup>5</sup> )		96.00	100.0
Maryland	83.50	( <sup>5</sup> )		83.50	100.0
Massachusetts	126.87			126.87	100.0
Michigan	108.00			108.00	100.0
Minnesota	99.04			99.04	100.0
Mississippi	90.32	50.00			55.4
Missouri	97.00	75.00			77.3
Montana	109.50			109.50	100.0
Nebraska	116.00	110.0			94.8
Nevada	138.75			138.75	100.0
New Hampshire	101.50	( <sup>5</sup> )		101.50	100.0
New Jersey	111.70			111.70	100.0
New Mexico	97.50			97.50	100.0
New York	125.30			125.30	100.0
North Carolina	94.00			94.00	100.0
North Dakota	118.00			118.00	100.0
Ohio	115.00			115.00	100.0
Oklahoma	115.00	( <sup>5</sup> )		115.00	100.0

See footnotes at end of table.

Old-age assistance—Percent that amount paid for basic needs for an aged woman represents of total monthly cost standard for basic needs of such recipient, by State, January 1967<sup>1</sup>—Continued

State	Total monthly cost standard for basic needs <sup>2</sup>	Amount paid for basic needs under State program is lowest of—			Percent amount paid represents of cost standards for basic needs
		Maximum on money payment <sup>3</sup>	Amount paid under reduction formula	Amount of cost standard for basic needs	
	(1)	(2)	(3)	(4)	(5)
Oregon.....	\$97.25			\$97.25	100.0
Pennsylvania.....	98.20			98.20	100.0
Puerto Rico.....	29.93		\$13.47		45.0
Rhode Island.....	98.40			98.40	100.0
South Carolina.....	70.75	(2)		70.75	100.0
South Dakota.....	122.00			122.00	100.0
Tennessee.....	92.00	\$90.00			97.8
Texas.....	82.00	(2)		82.00	100.0
Utah.....	86.00	86.00			100.0
Vermont.....	121.55			121.55	100.0
Virgin Islands.....	44.00			44.00	100.0
Virginia.....	105.00			105.00	100.0
Washington.....	132.30	(2)		132.30	100.0
West Virginia.....	110.60	(2)	94.01		85.0
Wisconsin.....	106.05			106.05	100.0
Wyoming.....	132.00	100.0			75.8

<sup>1</sup> Includes data for 53 States and other jurisdictions; data not available for Guam.

<sup>2</sup> The specified type of recipient is assumed to be living alone in rented quarters and to need amounts for rent and utilities that are at least as large as the maximum amounts allowed by the States for these items. The recipient is also assumed to have no income other than assistance.

<sup>3</sup> In 11 States money payment maximums were higher than the amount of the cost standard for basic needs or the amount paid under a reduction formula. These States and their maximums were: Arkansas, \$85; California, \$180; Colorado, \$119; Maine, \$115; Maryland, \$237; New Hampshire, \$104; Oklahoma, \$120; South Carolina, \$75; Texas, \$100; Washington, \$325; and West Virginia, \$165.

(Testimony continues from p. 22.)

The CHAIRMAN. What about West Virginia, for example?

Mr. STEININGER. Let me say it works hard but its standards still have some way to go.

The CHAIRMAN. What State would you say, Mr. Steininger, has perhaps met this problem most effectively?

Mr. STEININGER. You will find them in your richer States; I guess this is understandable; New York, California. Of course, I must also state some of our rich States have not done so well, such as Ohio. But New York, California, and Connecticut are some of the few that have. There are some 33 States that do not meet standards according to their own definition; this is how far off we are at this point.

The CHAIRMAN. What reason do you ascribe to the deficiency at the State level? Is it a lack of interest or is it a difficult problem to settle or is it a matter of financing as the overall budget of the State is considered?

Mr. STEININGER. I think it consists of many factors. First of all, I think there is still a great need for the general American public to fully appreciate and understand the public assistance program. Unfortunately, I think the general American public still considers the majority of people who are on public assistance as people who are unworthy, who are immoral, who are chiselers, and who are loafers. The actual facts are so clearly evident that less than 2 percent of the people who are receiving public assistance are really what you might call real problem persons.

Actually, when you look at the old-age assistance load of roughly 2 million people, you see their average age is 76. Some of them were substantial citizens in local communities but because of our failure to help meet medical care needs at an earlier time than we are now, many of these people with the limited wages, they had very quickly exhausted their earnings. In the earlier days many of them were recipients of inadequate, insufficient social security benefits and had to apply for public assistance.

In fact, 50 percent of all the persons who are receiving old-age assistance are also receiving Old-Age Survivors' and Disability Insurance.

Then, of course, in the public assistance category of dependent children's assistance we have very few men, largely a caseload of women who are widows, and this is limited because most of the widows have been receiving their assistance from Old-Age Survivors and Disability.

Many of the women and children are victims of divorce, separation, and desertion and this, of course, is another thing I think the Nation as a whole finds difficult to accept in terms of recognizing that these are social problems.

The second, then, actually is a factor of the tax sources of the State. Take your own State, for example, Senator. I think one would recognize that with all the effort, if West Virginia wanted, say, to complete the perfect record from the point of view of having public services such as having the best roads, the best welfare department, the best health department, the best schools, it would not have the tax sources to support that kind of thing.

You find this equally true in some of the Southern States. I think there should be a greater investment from the point of view of the Federal Government which has a broader tax base for picking up the load and equalizing the problem as it exists throughout the United States.

Those are the two major factors, as I see them. There are some other factors that escape me at the moment. These are the two most important I see right now.

The CHAIRMAN. Mr. Steininger, I appreciate, and I am sure the subcommittee members will generally, your clarification on this point of the type individual who has sometimes been characterized as a scapegoat, a ne'er-do-well in this situation. I know this has been brought to my attention many times so I appreciate the problem that you have discussed with us.

Mr. STEININGER. May I mention—you give me the opportunity to say this.

Take your own State, for example, Senator. In terms of the general idea that people on public assistance do not want to work, we have been fortunate, as you know, through title V of the Economic Opportunity Act to have a program known as Work Experience and Training. The record is remarkable in your State and Kentucky and others as people have flocked to seek an opportunity for basic education and an opportunity to obtain some training.

I can cite, and I can produce, for example, statements that have been made by some of the conservative county supervisors in various States in the Union who have said this is the best thing that ever came

to public welfare in a long time. Many of these very conservative county commissioners and county supervisors who had also had this general attitude, you know, that these people don't want to work, have been surprised at the response of these men and women wanting to come and say, "Look, give me an opportunity; I don't really want to stay on public assistance if I don't have to."

The CHAIRMAN. I think certainly at least in degree this is true in West Virginia because I have talked with these people myself. The report you give to us, I know is accurate, and I am grateful.

Mr. NORMAN.

Mr. NORMAN. Thank you, Mr. Chairman.

Mr. Steininger, if I understand you correctly, you have just testified that the Welfare Administration opposes a flat provision requiring the disregard of Social Security benefit increases for old-age assistance purposes.

Mr. STEININGER. Yes.

Mr. NORMAN. That is your position and that of the Welfare Administration?

Mr. STEININGER. Yes.

Mr. NORMAN. Am I also correct in my understanding that you feel that this is particularly undesirable where the State is meeting its own criteria of need?

Mr. STEININGER. Well, the point of view we have taken is that whenever you do this you develop an inequitable system. Someone is benefiting where some other people are not benefiting.

I say the simple answer is that if we meet the full need we would not have to violate the principle of social security. I am talking now about the social insurance system. We would not have to violate the principle which I so clearly spelled out from the House Ways and Means Committee report that you are to consider the increases in social security as income.

Mr. NORMAN. Yes, sir. Now, the \$64,000 question I was leading up to is this: If a State is failing to meet its own standards of needs, how would the Welfare Administration regard requiring it to disregard the social security benefit until the individual's income does come up to its own determined standard of need?

Mr. STEININGER. Well, I have no problem with that because I am all for helping the poor aged citizens.

Mr. NORMAN. I am sure you are, or you would not have devoted your life and your energy and ability to helping them as much as you have.

Mr. STEININGER. I don't find too much difficulty with that, except will this prolong the delay in actually seeing to it that States will meet need 100 percent? This is the only thing I keep worrying about, that each time we have another little, you know, patching here and there we delay the day when we ought to do it the way we are supposed to do it. Meet need according to the State's standard at 100 percent.

Mr. NORMAN. Yes, sir.

Let me ask you this, Mr. Steininger. How do you regard, and how do you think the Welfare Administration would regard, a provision in the statute requiring States to disregard the social security increases in fixing old-age assistance grants, but giving the Secretary of HEW or the Commissioner of Welfare power to permit a State to take such

increases into account in whole or in part if shown to his satisfaction that the money saved thereby will be used to enrich the State's public assistance programs for the elderly in other ways?

How do you think the Welfare Administration would regard that; in other words, enact a mandatory disregard provision and then permit them to get out from under the disregard provision if they can show that the money they are going to save will go to enrich their program for the elderly generally?

Mr. STEININGER. The best way I can answer that is, if we are going to continue a patchwork approach, I, personally, would not have too much difficulty with this. Now, what the Secretary would have, I don't know.

Mr. NORMAN. That is right. You could not speak for the Department on that because that has not been given all the clearances.

Mr. STEININGER. That is right.

Mr. NORMAN. As far as you are concerned, you would prefer not to have the patchwork; but if we are going to continue the patchwork, you think that would be acceptable from your own personal point of view?

Mr. STEININGER. Yes, sir.

Mr. NORMAN. You have been very helpful. Thank you very much.

The CHAIRMAN. Thank you, Mr. Steininger.

Mr. STEININGER. Thank you.

(At the request of the subcommittee, the Welfare Administration submitted a report, which follows:)

REPORT ON STATES' ACTION TO DISREGARD THE "SSA LUMP-SUM RETROACTIVE PAYMENT" (1965) AND THE "EXEMPTION OF UP TO \$5 OF ANY INCOME"

(To respond to request from the Senate Committee on Aging)

I. SSA Lump-Sum Retroactive payments disregarded: All States except 5 (California, Colorado, Illinois, Kansas, and Nebraska) disregarded these lump-sum payments in determination of eligibility for public assistance. Subsequent to the period when the States first took this action, California had legislative action authorizing the disregard of these payments and took appropriate action. Three of the States which disregarded the lump-sum (Iowa, Wisconsin, and Wyoming) indicate that the amount had to be within the limit of property reserve permissible in the public assistance plan. Nevada specifically disregarded  $\frac{1}{2}$  of the total amount.

II. Disregard of up to \$5 a month of any income.

Disregard for OAA category, 14 jurisdictions:

Action, October 1965 to June 1966—Arkansas, Delaware, Florida<sup>1</sup> Georgia, Hawaii, Idaho, Indiana, Missouri, Nevada, South Dakota, Vermont<sup>2</sup> Wyoming.

Subsequent action up to March 1, 1967, implementation—Guam, Iowa.

Disregard for AB category only, 4 jurisdictions:

(AB includes blind persons over age 65.)

Action October 1965 to June 1966—California<sup>3</sup>, Massachusetts<sup>4</sup>, Pennsylvania.<sup>4</sup>

Subsequent action up to March 1, 1967, implementation—Alabama.<sup>4</sup>

The 36 Jurisdictions which do not disregard up to \$5 a month of any income, classified according to action taken in 1966 to upgrade amount of assistance provided to aged recipients.\*

<sup>1</sup> Florida provision rescinded on June 1, 1966.

<sup>2</sup> Vermont provision rescinded on July 1, 1966.

<sup>3</sup> Has made annual "cost of living" adjustments in OAA.

<sup>4</sup> Has raised standard of assistance in OAA since October 1965.

\*All income and resources, with optional permissible exceptions for earned income, are taken into account in determining need and amount of payment.



Raised standard of assistance in OAA, 17 Jurisdictions :

Connecticut, Kansas, Maine, Minnesota, Nebraska, New Hampshire, New York, North Dakota, Ohio, Puerto Rico, Rhode Island, South Carolina, Tennessee, Virgin Islands Virginia, West Virginia, Wisconsin.

Raised or removed maximums on regular money payment to OAA recipients, 7 Jurisdictions :

Colorado, Kentucky, Louisiana, Michigan (removed), Oklahoma, Texas, Utah.

Other action affecting level of OAA assistance, 1 Jurisdiction : Mississippi—all payments below the maximum were raised by \$5.

Report that assistance payments meet need in full in OAA (or AABD) category, 9 Jurisdictions :

District of Columbia, Illinois, Maryland, Montana, New Jersey, New Mexico, North Carolina, Oregon, Washington.

No action reported, 2 Jurisdictions : Alaska and Arizona.

The CHAIRMAN. Our next witness is Mr. Nagle.

Mr. Nagle, you will identify your organization and present your statement as you always do in a very helpful manner.

#### STATEMENT OF JOHN F. NAGLE, CHIEF, WASHINGTON OFFICE, NATIONAL FEDERATION OF THE BLIND

Mr. NAGLE. Mr. Chairman and members of the committee, my name is John F. Nagle. I am chief of the Washington office of the National Federation of the Blind. My address is 1908 Q Street NW., Washington, D.C. 20009.

Mr. Chairman, it is estimated that there may be as many as 420,000 blind persons in the Nation.

It is also estimated that perhaps as many as 40,000 of this number are gainfully employed and self-supporting.

The remainder, 380,000, are dependent for their support upon family resources, upon public assistance grants, and upon social security payments, as retired or disabled beneficiaries or as family dependents of such beneficiaries.

Therefore, Mr. Chairman, the National Federation of the Blind can speak with much authority on the workings of the federally supported State programs of public assistance.

With equal expertness, we can speak of the workings of the social security-based retirement and disability insurance programs.

We know of the inadequacies of these programs for they are the harsh realities of daily living for those of us who are completely dependent upon them for survival support.

We know of the against-odds struggle that must be made each day to maintain a living standard at a level of decency, dignity, and health on an income of less than the established poverty level.

For 27 years, the National Federation of the Blind has worked to correct and eliminate inadequacies in public assistance and social security programs, so as to make dependence upon such programs less of a punitive experience for elderly and disabled people.

Since the founding of our organization in 1940, Mr. Chairman, the National Federation of the Blind has worked in Congress after Congress to secure increases in social security payments, to secure increases in the Federal share in State programs of public assistance payments.

And Congress after Congress has acted to raise the level of public assistance and social security payments—but, too often, the intended

beneficiaries of congressional concern and generosity have not benefited at all from such ameliorative legislation.

To understand the reason for this requires an understanding of the operations of the Federal-State public assistance system.

When a person applies for aid, after consideration of various budgetary items—food, clothing, shelter, fuel and similar necessities—a dollar amount is determined upon and his total need established—let us say, at \$80 a month.

Then available resources are ascertained—unexempt earnings, regular contributions from relatives, pensions, insurance, and other forms of fixed and regularly received income.

Social security payments, whether received because of retirement or disability, are classified as available resources.

Since public assistance is only intended as supplemental help—help provided in addition to available resources—social security payments are used to reduce the amount of public assistance grants.

Thus, the person who has an established need, according to public assistance standards, of \$80 monthly, and who receives the minimum social security payment of \$44, will be given a \$36 monthly public assistance grant.

If this same person's social security payment is raised from the present \$44 to \$70, as the administration proposes in H.R. 5710, this rise in social security will have no value at all for this person.

It will only mean that, instead of his public assistance grant being \$36, it will be \$10 a month.

The person intended by Congress to be benefited by the social security increase will not benefit at all.

The State and county where the man lives, which provide his public assistance support, will be the only beneficiaries of the congressional generosity.

Mr. Chairman, since H.R. 5710 proposes monthly payment increases for the different categories of social security beneficiaries, I have inquired as to the possible number of persons who may fail to benefit at all from such proposed increases.

As of January 1967, more than half of the persons receiving old-age assistance under title I, also received retirement payments under title II of the Social Security Act.

Twenty percent of the needy blind received disability insurance payments from social security.

Fifteen percent of the persons receiving aid to the totally and permanently disabled also received social security-based disability insurance payments.

Or, to put it differently:

Of the 2,084,000 persons who received old-age assistance in January of this year, 1,114,000 also received social security retirement checks.

Of the 83,500 aid to blind recipients, 16,700 received disability insurance payments.

And of the 590,000 disabled persons who received welfare aid to the disabled, 90,000 received disability insurance payments.

Mr. Chairman, to the statistician or the sociologist, these figures may seem inconsequential and insignificant.

But I assure you that the elderly, blind or disabled person, who has heard on the radio or TV, or read in his newspaper, that Congress has

again increased social security payments, will not share their detached view.

When many of these people discover—and many will unless remedial action is taken—when many of these people discover that they are not 1 cent better off in their combined social security-public assistance income than they were before—they can only respond, in their anger and frustration, “We, the poor, have been flimflammed again!”

But actions can be taken to prevent this unfortunate situation from happening.

Several choices are available for congressional consideration—two suggested solutions in draft form are attached with my printed testimony—and although I have used words to amend title X, the aid to the blind title, of the Social Security Act, the same language can be employed for the other adult aid titles.

The first proposal would amend titles I, X, XIV, and XVI of the Social Security Act to entirely exempt social security payments from consideration as an available resource when determining a person's need for publicly provided aid and assistance.

From the point of view of the recipient, this proposal is most desirable, for it would result in substantially increasing his social security-public assistance income.

But since this mechanism, as Federal law, would increase welfare costs considerably, it probably would not be acceptable to Congress.

The second proposal would amend titles I, X, XIV, and XVI of the Social Security Act to exempt all increases in social security payments made subsequent to January 1, 1966, from consideration in determining a person's need for Public Assistance and the amount of aid he should receive.

This proposal, enacted into law, would guarantee that increases in social security payments, provided by Congress to raise the level of such payments, would do just that, would be received by elderly and disabled persons, would be actually available to them as increased income.

This second proposal, although not as worthwhile for the recipient as my first suggested solution, would certainly be much more acceptable to Congress—it would be far less expensive, and it would effectively protect social security payment increases from being absorbed by the intricacies of Federal-State Public Assistance financing, and it would assure that the people intended by Congress to be benefited by such increases would, in fact, be benefited, would, in fact, receive them.

Nor is the concept which I propose, of exempting certain income from consideration as an available resource when determining a person's need for Public Assistance, a novel and startling concept, and foreign to existing Federal law.

As far back as 1950, Congress provided for an earned income exemption in title X of the Social Security Act, for needy but employable blind persons.

Since that time, not only has the earnings exemption for the blind been amended and broadened three times by congressional action, but the earnings exemption mechanism, as an incentive to employment and self-support, has been incorporated in the other aid titles—for the aged, the disabled, and dependent children—and it has also been included in the Economic Opportunity Act and the Manpower Training

and Development Act—to encourage and stimulate efforts toward employment and self-support.

Then, Mr. Chairman, in 1965, in the Social Security Amendments of that year, Congress did act as I now propose it act again—it provided that the social security increase of that year might be exempt up to \$5 monthly from consideration in determining a person's Public Assistance need.

But, Mr. Chairman, although, in 1965, Congress recognized the importance of providing for the \$5 monthly exemption, it failed to implement this recognition with effective legislation.

For it was left up to the States whether to exempt the \$5 minimum increase in social security payments—and only 16 States have acted affirmatively in this matter—only 16 States have acted to exempt all or a part of the minimum increase of \$5 monthly in social security payments passed by Congress in 1965.

In the 34 States which have failed to act on this, the social security increase of 1965 has not meant increased income for many elderly and disabled persons residing in those States.

Mr. Chairman, my second proposal, as Federal law, would do, effectively, what Congress did, ineffectively, in 1965.

It would make sure that the proposed increases in social security payments now pending before this Congress would actually be received by social security beneficiaries, for my proposal would be mandatory and binding upon the States, and not optional with them.

In conclusion, Mr. Chairman, members of the committee: The call of the committee for these hearings specified that, by reason of limited authority, the committee could only study the problem of proposed increases in social security payments not actually benefiting elderly and disabled persons, that the committee could only recommend solutions to this problem.

But I would hope you would do much more than this, for much more drastic and affirmative action is needed if the increased dollars in social security payments provided by the 90th Congress, and future Congresses, are to actually go to elderly and disabled men and women in desperate need of such help, rather than go, in large measure, merely as a windfall for State and county welfare budgets.

I would hope that the chairman of this committee would appear as a witness in the public hearings to be conducted by the Finance Committee on Social Security matters, to offer the recommendations evolved from the hearings for the consideration of the Finance Committee.

I would hope that, should the Finance Committee fail to adopt the recommendations of this committee, the chairman would offer such recommendations as amendments when a social security measure becomes the business of the Senate.

Mr. Chairman, I would ask much of you as chairman of this committee, but much is needed, if the generosity of Congress is not again to be thwarted, if the elderly and disabled poor, in their anger and frustration, are not to say once more, "We, the poor, have been flim-flammed again."

I thank you, Mr. Chairman, for this opportunity to appear here.

The CHAIRMAN. Thank you, Mr. Nagle.

(The document referred to follows:)

RECOMMENDATIONS: ALTERNATIVE SOLUTIONS

FIRST PROPOSAL

Section 1002(a) (8) of Title X of the Social Security Act is amended by adding at the end thereof the following:

"(D), shall disregard any amount paid to any individual under Title II of the Social Security Act."

SECOND PROPOSAL

Section 1002 (a) (8) of Title X of the Social Security Act is amended by adding at the end thereof the following:

"(D), shall disregard any amount paid to any individual under Title II of the Social Security Act to the extent that such payment is attributable to any increase in monthly insurance benefits under the Old-Age, Survivors, and Disability Insurance System made subsequent to January 1, 1966."

The CHAIRMAN. You have recommended that there be a mandatory requirement that social security benefit increases be disregarded in fixing our public assistance grants.

Now, Mr. Nagle, if it becomes apparent that such a provision cannot be incorporated in the social security increase legislation, I would like to know what your reaction and that of your organization would be to permitting the full disregard of social security increases without requiring it.

Mr. NAGLE. This, of course, would be preferable.

The difficulty, Mr. Chairman, of course, is inadequacy of fixed income with today's rising prices.

I listened to these gentlemen who preceded me and I can recall in 1935 when the Social Security Act was first enacted into law it was the philosophy of the proponents of the Social Security System that ultimately the insurance programs would become the full programs, that public assistance programs would gradually disappear.

The reason that this has not happened has been simply because the payments received under social security are just not adequate to meet a decent living standard as evidenced by the figures I have given. More than half of the people who receive old-age assistance—that is, the public assistance program for the aged—also receive social security payments so that in half, or more than half of these instances the social security payment is just not adequate to meet a decent living standard so it is supplemented by public assistance.

Of course, if the same sort of result occurs with the present increases proposed by the administration to raise the level of payments, if the same result occurs, as has in the past, then these people will just fail to benefit at all by these increases.

The CHAIRMAN. I thank you very much, Mr. Nagle, for your testimony.

Mr. Norman?

Mr. NORMAN. No questions, Mr. Chairman.

The CHAIRMAN. Thank you very much, sir, for coming today.

Mr. NAGLE. Thank you.

The CHAIRMAN. I am not sure whether Monsignor Corcoran is present.

Mr. Norman, we had an indication he would not be here?

Mr. NORMAN. That is right.

The CHAIRMAN. Is there someone for his organization? (No response.)

If he has a statement, we could incorporate it in the record of the hearing when it is presented to the committee.

Mr. Haughey.

**STATEMENT OF JOHN T. HAUGHEY, FIRST VICE PRESIDENT, NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES; ACCOMPANIED BY LUTHER L. MILLER, SECOND VICE PRESIDENT**

Mr. HAUGHEY. Mr. Chairman, my name is John T. Haughey. I am first vice president of the National Association of Retired Civil Employees.

In the unavoidable absence of our president, Mr. Clarence M. Tarr, I would like to submit a brief statement.

I am accompanied by our second vice president, Mr. Luther L. Miller.

Our association has a present membership of over 134,000 and is composed exclusively of retired civilian employees of the Federal Government and their survivors.

A large percentage of the members of our association are veterans of World War I who are entitled to non-service-connected pension provided they meet the income limitations of the present laws. Federal civil service retirement annuities have been held to be "income" by the Veterans' Administration for the purpose of establishing entitlement to veterans' non-service-connected pension.

The announcement of this hearing in the March 23 Congressional Record states that a "slight social security increase will sometimes push the incomes of veterans slightly over limits established for veterans' pensions."

Our purpose in appearing here this morning is to point out to this subcommittee that it is not only slight social security increases that now result in disproportionate reductions in such pensions, but that slight increases in civil service retirement annuities, such as the recent cost-of-living increase, also result in disproportionate reductions and, in many cases, the total disallowance of non-service-connected pensions to which a large number of our members are otherwise entitled.

We endorse the proposal to exclude social security benefits from income in the determination of entitlement to veterans' non-service-connected pension, but respectfully submit to this subcommittee that any legislation to exclude social security benefits from income for veterans' pension purposes should also exclude civil service retirement annuities from income for veterans' non-service-connected pension purposes.

The CHAIRMAN. Thank you, Mr. Haughey.

Mr. HAUGHEY. That is all that we have.

The CHAIRMAN. I would like to ask one question, Mr. Haughey.

You have testified in favor, as I understand it, of excluding social security increases from the definition of income for purposes of the veterans' non-service-connected pensions; is that correct?

Mr. HAUGHEY. Yes, sir.

The CHAIRMAN. Now, if it becomes apparent that such a provision cannot be incorporated in social security increase legislation, what

would be your reaction and that of your organization to permitting a veteran who also received social security benefits to waive the increase or any part of it which forces him over the income limits for purposes of non-service-connected pensions?

Mr. HAUGHEY. We would favor that as a secondary proposal, Senator, if the first proposal could not be enacted.

The CHAIRMAN. I understand your position then.

You have a preference, a very determined viewpoint, but you do find value in this thought?

Mr. HAUGHEY. Yes, sir; very much so.

The CHAIRMAN. We thank both of you gentlemen for being with us today. We invited Mrs. Eone Harger, President of the National Association of State Units on Aging, to submit a statement for the record. It will appear at this point when it is submitted.

(Mrs. Harger's statement follows:)

STATE OF NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS,  
DIVISION ON AGING,  
Trenton, N.J., May 8, 1967.

HON. JENNINGS RANDOLPH,  
Chairman, Subcommittee on Employment and Retirement Incomes, Special Committee on Aging, U.S. Senate, Washington, D.C.

DEAR SENATE RANDOLPH: Thank you for your letter inviting me to submit a statement regarding *Reduction of Retirement Benefits Due to Social Security Increases*. While the National Association of State Units on Aging, of which I am President, has taken no formal stand in regard to this subject, our member units, in a recent survey, pointed to income maintenance as the greatest single problem of older people. Since increases in Social Security benefits are made as cost of living adjustments, State Offices on Aging must perforce view with concern any policy which cancels the limited financial improvement this represents. Specific comments in relation to the questions you have raised must be made from my vantage point as Director of the New Jersey Division on Aging, which has a continuing interest in all matters affecting older people. My understanding of the Social Security system is that the second statement is the more accurate of the points under Question 1, submitted to witnesses, to wit:

"Social Security is designed to provide only a floor on retirement incomes. Therefore, if overall retirement incomes are to be adequate, other retirement benefits must be maintained at their former levels when Social Security benefits are increased."

However, this cannot be applied in the same manner to pension plans derived from employment and to public programs intended to pick up where other resources are inadequate.

Generally, it would be unwise to prohibit, by legislation, the consideration of Social Security payments in relation to public programs, especially by specifying dollar amounts. These programs include Old Age Assistance and public housing, both of which are designed as income supplements. In states where Old Age Assistance payment is based on full need of individuals, as in New Jersey, any increase in Social Security should be considered by computing the supplemental amount required. Where Old Age Assistance is concerned, the problem might better be met by a requirement that any state receiving Federal funds for OAA must provide for full need rather than the partial payments prevailing in some States and territories.

At the time of the last increase in Social Security payments, the New Jersey Division on Aging received a number of complaints from older people about increases in rent in public housing. Much of the outcry was undoubtedly the result of concurrent imposition of both a rent increase and payment for Part B of Medicare, obviously a financial squeeze on those for whom Social Security was total income. However, since total income is the basis both for computing rent payments and for determining eligibility for occupancy in public housing, your committee might want to review the validity of present policies.

Since Social Security was intended as a floor, it is undesirable that pension plans contain provisions for reduction of pension benefits when Social Security

is increased. Many pension plans that were originally integrated with Social Security have been separated, especially during the last ten years. In 1966, the State of New Jersey, in keeping with the trend, passed state legislation separating its State pension system from Social Security. Although it cost the State approximately 30 million dollars, the gain in income for retirees will be as much as \$1,500 a year, with at least \$100 a month for everyone. Internal Revenue rules would seem the appropriate place through which to encourage the trend toward separation of pension plans from Social Security. However, rules should be drawn to promote improvement in pension benefits rather than brake present progress.

Other matters of concern so far as pensions are concerned include:

1. Portability—the loss of pension benefits because individuals change jobs with insufficient years to “vest.”

2. Discouraging job changes because of pension plans.

3. Soundness of pension funds to assure expected benefits at retirement.

While these latter points are not germane to the present inquiry, I urge that they be kept in mind in considerations of retirement income.

Sincerely yours,

MRS. EONE HARGER, *Director.*

(The following letter, which had been requested for the record by the subcommittee, was subsequently received.)

AMERICAN PUBLIC WELFARE ASSOCIATION,  
*Chicago, Ill., April 27, 1967.*

Re “Reduction of Retirement Benefits Due to Social Security Increases”.

Senator JENNINGS RANDOLPH,

*Chairman, Subcommittee on Employment and Retirement Incomes, Special Committee on Aging, U.S. Senate, Washington, D.C.*

DEAR SENATOR RANDOLPH: Your letter addressed to Fedele F. Fauri, President of the American Public Welfare Association, regarding the above subject hearings has been referred to me for reply. To date the Board of Directors of this Association has not prepared a position statement on this subject. However, several of the questions which you raised were discussed at a recent meeting of the Association's National Committee on Aging, particularly the relationship between old age assistance and Social Security benefits. This statement, therefore, reflects the thinking of that Committee.

Of grave concern is the Committee's fundamental belief that each older person in the nation should be assured a basic adequate minimum level of income to permit him to preserve his dignity and self respect. The means to achieving this end could vary from the proposition to establish an Old Age Pension program (without any requirement but age attainment) to continuation of the present system by which adequate Social Security benefits represent the basic income maintenance program with Old Age Assistance providing supplementary income maintenance based on an adequate budget with increases reflecting the rise in cost of living.

Historically the purpose of the Social Security system, through its insurance programs, was to provide a basic floor of retirement income of persons, aged 65, retired from work Old Age Assistance was to serve as the residual programs to supplement or to provide help when necessary. It would be a diminishing program as more persons qualified for Social Security. However, the Social Security program had not maintained adjustment to reflect the current economy levels, necessitating increasing supplementation by Old Age Assistance. Moreover, Old Age Assistance is based on “need,” and does not in the real sense constitute a “retirement” benefit.

Not all persons receive Social Security benefits or increase in the same amount. Nor are Social Security benefits related to income, e.g., individuals age 72 or over who can receive benefits unless they are recipients of some form of public assistance. Neither is it necessary for a person to be fully retired to receive benefits. The question of “equitable” treatment for recipients of old age assistance therefore becomes a potent factor.

Various exemptions in providing increases in Social Security benefits for state consideration in the past have therefore not been implemented. Succeeding Congressional urgings for disregarding such recommendations may have a similar result, not only because of the principle of “equitable treatment,” but also because of practical complications in exempting such increases when



according to the state's standards, there was no need. The question might well arise as to the logic of exempting increases as compared with exempting the total Social Security benefit.

The Committee believed that there was need to reexamine some of the objectives of the Social Security program. If it is to be part of a true retirement "pension" program, guaranteed benefits reflecting current costs of living should be provided through the Social Security mechanism. This approach necessarily requires study and recasting of objectives.

As a realistic compromise, it was the consensus of the Committee that an adequate national minimum budget should be established for Public Assistance payments below which no state may fall. Reflecting current increases in cost of living this budget standard would provide equitable treatment and serve as a base for determining assistance grants. On this basis, increases in Social Security benefits would require deducting the Social Security benefit increases, but in doing so, there would be assurance that the Social Security benefit plus the public assistance grant would be adequate. This approach might well continue until such a time as guaranteed income levels may be developed.

Because of the inadequacy of the public assistance payments in many states, and because of the desire to assist those endeavoring to help themselves, public welfare people generally favor allowing persons earning some income while on public assistance to keep part or all of these earnings. Perhaps the same example might apply to "earnings" from increased Social Security benefits. The Committee's main argument is that the aged person should be assured an adequate level of income to meet his needs. This income may come from several sources. Until this is achieved, there will always be difficulty in considering the relationship between the various sources of income, such as Social Security and Old Age Assistance.

We appreciate this opportunity to present the thinking of this Committee of APWA to you and the members of your committee.

Sincerely,

GUY R. JUSTIS,  
*Director.*

The CHAIRMAN. This will conclude our hearing for today.

We will continue these hearings tomorrow morning at 10 a.m., in this same room. The same general subject matter will be discussed. The distinguished Senator from Idaho, Mr. Church, will preside.

Thank you very much.

(Whereupon, at 12 noon, the hearing was recessed, to reconvene at 10 a.m., Tuesday, April 25, 1967.)

# REDUCTION OF RETIREMENT BENEFITS DUE TO SOCIAL SECURITY INCREASES

TUESDAY, APRIL 25, 1967

U.S. SENATE,  
SUBCOMMITTEE ON EMPLOYMENT AND RETIREMENT INCOMES  
OF THE SPECIAL COMMITTEE ON AGING,  
*Washington, D.C.*

The subcommittee met at 10 a.m., pursuant to recess, in room 4200, Senate Office Building, Senator Frank Church presiding.

Present: Senator Church.

Committee staff members present: William E. Oriol, staff director; John Guy Miller, minority staff director; J. William Norman, professional staff member; Patricia G. Slinkard, chief clerk; and Isabel Paurowski, clerk.

Senator CHURCH. The hearing will come to order.

The subcommittee chairman, Senator Jennings Randolph, was unavoidably detained this morning. He asked me to preside over this hearing in his absence.

In the hearing yesterday, we emphasized the old-age assistance aspect of the subject of our hearing. Today, we will concentrate on aspects related to veterans' pensions and private pension plans.

We invited Secretary of the Treasury Fowler and Veterans' Administrator Driver to testify but both declined with the promise to submit statements for the record instead. We will receive their statements and include them in our record.

Our first witness today will speak for the American Legion. He is Mr. Edward H. Golembieski, deputy director of the Legion's National Rehabilitation Commission. He will be presented by Mr. John S. Mears, assistant director of the Legion's National Legislative Commission.

**STATEMENT OF EDWARD H. GOLEMBIESKI, DEPUTY DIRECTOR,  
NATIONAL REHABILITATION COMMISSION, AMERICAN LEGION;  
ACCOMPANIED BY JOHN S. MEARS, ASSISTANT DIRECTOR, NA-  
TIONAL LEGISLATIVE COMMISSION, AMERICAN LEGION; AND  
NICHOLAS LYNCH, ASSISTANT DIRECTOR IN CHARGE OF FIELD  
RELATIONS**

Mr. MEARS. Thank you, Mr. Chairman.

First, I would like to express the regrets of the director of our national rehabilitation commission, Mr. John Corcoran, who had planned to be here in person but he is in Indianapolis, attending the funeral of our national adjutant, Mr. Blackmore, who died Friday.

Also appearing is Mr. Nicholas Lynch, assistant director in charge of our field relations.

Senator CHURCH. Gentlemen, you are all very welcome this morning. Please proceed.

Mr. GOLEMBIESKI. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee: The American Legion welcomes and appreciates the opportunity to appear before this subcommittee to contribute its views on the subject of reduction of retirement benefits due to social security increases.

Because of our policy and legislative mandates, my remarks will be directed to the effects of social security and other retirement or disability type benefits on death and disability payments by the Veterans' Administration.

With your permission, I will first comment somewhat briefly on the origin and purpose of the pension program.

For this discussion, pension is a monthly payment made by the Veterans' Administration to veterans of World War I, World War II, and the Korean conflict, when non-service-connected disability in combination with age produces unemployability, or to the surviving widows and children when death is not related to service in the Armed Forces of the United States.

From 1818 to the present, the veterans' pension program has been the Nation's means of giving its wartime defenders an honorable form of assistance when they can no longer because of either age or disability provide for themselves or for their dependents.

It is a needs program—one designed to help relieve or prevent a need which is or presumed to have resulted from total disability with associated unemployability or the need which follows the death of the primary source of income for the family unit, the veteran spouse. It is an income maintenance plan and not a retirement plan.

At the beginning, it was provided to keep war veterans from turning to public or private charity for financial assistance when they are no longer able to meet their needs from employment or from other income sources.

While pension is a form of public relief or welfare, it lacks many of the embarrassing administrative inquisitions associated with determinations of eligibility or entitlement to financial help to pay for the cost of their reasonable needs of food, housing, clothing, medical services, and other necessities peculiar to our standard of living.

From its inception, the pension needs test maintained a distinction between those receiving pension and those receiving ordinary public assistance. Its generous intent is well illustrated by the needs test associated with the pension program established for World War I veterans under the 1930 amendment of the World War Veterans Act of 1924.

At that time, the test of need was set at a level high enough to insure against anyone confusing veterans' pension with charity, or associating the receipt of pension with indigency. Congress, in this act, studiously avoided anything resembling a pauper's oath in form or in substance.

This act did not include specific levels of income as a test of need. The pension, then called a disability allowance, was payable for a specified degree of disability if the veteran had been exempted from

payment of a Federal income tax for the preceding year. The personal exemption credits then were \$1,500 for a single person, \$3,500 for a married person, plus \$400 for each additional dependent.

Although subsequent acts and regulations changed and modified the income standards and criteria for determining eligibility to receive pension, the distinction between it and welfare or public assistance prevailed. Even under the Economy Act of 1933, Public Law 73-2, the annual income limits were set at \$1,000 for a veteran or widow and \$2,500 for a veteran with dependents or a widow with children.

Thus, in legislative retrospect, the developments in the pension program demonstrate a clear national intent that war veterans and their widows and orphans should subsist at a level beyond the constant shadow of poverty or deprivation. In other words, there is a national resolve expressed and reaffirmed over many years not to let a war veteran or his survivors sink into destitution and that the needs determination guidelines be somewhat more generous than those used for other forms of public subsistence payments.

As the subcommittee knows, consumer and economic reports are replete with the problems of living on a fixed income while the purchasing power of the dollar is being constantly impaired by inflation of the prices of the necessities of daily living. In 1964, about 40 million people were receiving \$11.8 billion in nongovernmental welfare and pension funds.

And, in general, the purchasing power of the dollar has steadily receded from what it was when their payments began. Of those Americans aged 65 or over, 44 percent live on an annual income of under \$3,000. These are the people who have to stretch their dollars. Yet, as a Nation, we want a basic needs-related program, or at least we do not want the aged or the physically impaired to live in abject poverty.

From its origin, the social security benefits program was designed to help insure for the elderly citizen a secure and dignified life in retirement. Although many changes have been made to make the program responsive to the needs of the elderly, some of its benefits are inadequate in that they have not kept pace with the increased cost of living.

In his address of April 14, 1966, the Commissioner of Social Security, Robert M. Ball, said:

Yet improvements in cash benefits have not quite kept the benefits up to date in terms of purchasing power. The seven per cent increase last year fell slightly short of restoring the 1958 purchasing power of benefits, and the 1958 increase of seven and one-half per cent fell slightly short of restoring the 1954 level. This means that those on the rolls throughout this period have not shared in the rising level of living of the rest of us. and, of course, the benefits were low to begin with, even in terms of the 1954 standard of living.

War veterans and their families represent a considerable segment of the 19 million Americans who are 65 or older. According to data from current population surveys, it has been estimated that the number of veterans and their families over age 65 amounts to 3.9 million. Of the veterans in this group, 1,277,000 had an annual income below \$3,000. Social security benefits and pension benefits paid by the Veterans' Administration are included in the annual income figures.

Mr. Chairman, as a matter of reference, I have attached to my statement a copy of a report prepared April 11, 1967, given us by the Vet-

erans' Administration, on the Money Income in 1965 on Noninstitutional Male War Veterans in the United States by Age.

From our experiences with previous cost-of-living increases granted under Social Security, Railroad Retirement, Civil Service, and other retirement type plans, we know that veterans and their survivors often suffered a loss of or reduction in Veterans' Administration pension greater than the increase in retirement benefits. To the veteran or his survivor, this is a contradictory situation—to receive an increase in one benefit to meet the increased cost of living, but suffer a reduction in total annual income.

We have studied the several proposals designed to cope with the effects of increased retirement benefits on VA pension. Notwithstanding the merits of permitting a waiver of Federal retirement benefits to keep the gross income at or below the annual income limits to avoid a loss in VA pension benefits, the American Legion believes that the most equitable and logical and least expensive method, administratively, is to set the annual income limits at a realistic level.

It is for this reason that Resolution 174 of the 1966 National Convention of the American Legion as well as associated legislation introduced in our behalf continues the objective of a revision of the pension income limitations.

Our approach is to substitute a two-step scale of annual income limits for the present three-step and to increase the maximum income limits by \$600. For your convenience in understanding the plan sponsored by the American Legion, I have attached a comparative table between the present provisions of law and those proposed by the American Legion.

Restricting the waiver privilege to Federal retirement benefits presents an inequitable situation to those who may have incomes from other sources as they would not have this privilege. In addition, waivers tend to deny a beneficiary the full advantage of a cost-of-living increase granted in a Federal or other type of retirement benefit as he has to reject all or a part of this increase to avoid a loss in his pension benefit. The practice results in suppressing the incomes at a level somewhat less than what is considered necessary to meet reasonable costs of our standard of living.

Mr. Chairman, we agree with the President's proposal that Congress take the necessary safeguards to assure that no veteran will have his pension reduced as the result of increases in Federal retirement benefits, such as social security. We do not, though, agree with the approach recommended.

For the reasons stated, the American Legion favors the approach of increasing the annual income limitations used to determine eligibility for payments of death or disability pension. The veteran has paid for both benefits—the one, through service in the Armed Forces of the Nation in time of war; and the other, through personal contributions to the social security fund. Consequently, he should not be asked to give up any part of either as long as his gross income falls within the spirit of the national concern for his welfare or for that of his dependents.

Again, may I say thanks for the opportunity and the privilege of presenting the views of the American Legion.

(The data referred to follows. Testimony continues on p. 44.)

Money income in 1965 of noninstitutional male war veterans in the United States, by age

Money income in 1965	Total	Age in March 1966							
		25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years	65 years and over			
						Total	65 to 69 years	70 to 74 years	75 years and over
Number (thousands).....	20,671	2,463	8,649	5,980	1,483	2,096	820	953	323
Percent, by income....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under \$500.....	2.1	1.3	2.0	2.4	3.5	1.7	2.2	1.4	1.2
\$500 to \$999.....	1.7	1.0	1.0	1.5	0.5	5.1	4.0	4.5	9.3
\$1,000 to \$1,499.....	2.9	1.4	1.2	1.8	5.0	12.7	10.5	14.1	14.6
\$1,500 to \$1,999.....	2.7	.8	1.2	1.8	2.5	14.1	15.2	12.6	15.8
\$2,000 to \$2,499.....	3.9	2.5	2.6	2.3	3.9	15.1	12.1	17.1	17.3
\$2,500 to \$2,999.....	3.2	1.7	1.9	2.3	3.8	12.3	11.7	12.2	14.2
\$3,000 to \$3,499.....	4.0	3.1	3.2	3.6	5.9	8.7	8.7	8.7	9.0
\$3,500 to \$3,999.....	3.4	3.1	2.8	3.5	4.1	5.4	4.2	6.3	5.6
\$4,000 to \$4,499.....	4.7	4.8	4.7	4.4	7.0	3.6	2.8	4.5	2.8
\$4,500 to \$4,999.....	4.0	4.8	3.8	4.3	4.0	2.6	3.2	2.7	.6
\$5,000 to \$5,499.....	6.9	9.5	6.9	7.1	7.6	2.9	2.9	3.2	1.9
\$5,500 to \$5,999.....	4.4	4.0	4.8	5.0	4.8	1.4	2.4	.8	.6
\$6,000 to \$6,999.....	12.0	15.6	12.3	13.9	8.9	3.7	5.0	3.0	2.5
\$7,000 to \$7,999.....	11.7	16.3	13.2	11.6	9.9	2.3	1.8	2.8	2.2
\$8,000 to \$8,999.....	8.9	11.0	10.7	8.4	6.3	1.6	1.8	1.7	.6
\$9,000 to \$9,999.....	5.4	5.2	6.6	5.8	3.6	.9	1.6	.6	-----
\$10,000 to \$14,999.....	12.3	11.7	14.4	13.2	10.1	3.0	5.0	1.8	1.5
\$15,000 to \$24,999.....	4.3	1.9	5.0	5.2	3.6	2.0	3.2	1.6	.3
\$25,000 and over.....	1.5	.3	1.7	1.9	2.0	.9	1.7	.4	-----
Median <sup>1</sup> .....	\$6,510	\$6,770	\$7,120	\$6,720	\$5,450	\$2,550	\$2,760	\$2,520	\$2,260

<sup>1</sup> Computed from unrounded data, and rounded to the nearest \$10 (rounds to zero).

NOTE.—Percents are shown to the nearest "10th" for combining income classes in analyses of data, and not to indicate this degree of accuracy. In developing estimates, particularly for smaller population bases where the sampling variability is relatively large, percents should be rounded to the nearest whole percent.

*A comparison of the death and disability pension of annual rates and income provisions of Resolution 174, adopted by the 48th Annual National Convention of the American Legion, with the provisions of title 38, United States Code, as amended*

VETERAN, NO DEPENDENT

38 U.S.C. ch. 15 (as amended)		Resolution No. 174	
Income range	Monthly rate	Income range	Monthly rate
0 to \$600.....	\$100	0 to \$1,800.....	\$100
\$600 to \$1,200.....	75	\$1,800 to \$2,400.....	80
\$1,200 to \$1,800.....	43		

VETERAN WITH DEPENDENT SPOUSE OR CHILD

0 to \$1,000:		0 to \$2,400.....	<sup>1</sup> \$105
1 dependent.....	\$105	\$2,400 to \$3,600.....	180
2 dependents.....	110		
3 or more dependents.....	115		
\$1,000 to \$2,000:			
1 dependent.....	75		
2 dependents.....	75		
3 or more dependents.....	75		
\$2,000 to \$3,000:			
1 dependent.....	45		
dependents.....	45		
3 or more dependents.....	45		

See footnote at end of table, p. 44.

*A comparison of the death and disability pension of annual rates and income provisions of Resolution 174, adopted by the 48th Annual National Convention of the American Legion, with the provisions of title 38, United States Code, as amended—Continued*

## WIDOW, NO CHILD

38 U.S.C. ch. 15 (as amended)		Resolution No. 174	
Income range	Monthly rate	Income range	Monthly rate
0 to \$600.....	\$64	0 to \$1,800.....	\$65
\$600 to \$1,200.....	45	\$1,800 to \$2,400.....	55
\$1,200 to \$1,800.....	27		

WIDOW, 1 CHILD<sup>2</sup>

0 to \$1,000.....	\$80	0 to \$2,400.....	\$75
\$1,000 to \$2,000.....	64	\$2,400 to \$3,600.....	65
\$2,000 to \$3,000.....	43		

<sup>1</sup> Plus \$5 each additional dependent.

<sup>2</sup> Plus \$15 each additional child.

(Testimony continued from p. 42.)

Senator CHURCH. Thank you very much for your statement. I find it very interesting and constructive.

I take it that you have no objection as such to the waiver approach as recommended by the President but would prefer to simply increase the permissible limit of income under the veteran pension arrangement.

Mr. GOLEMBIESKI. What I tried to point out, Mr. Chairman, was that we agreed with the President that no one should be hurt but to avoid hurting any one particular veteran or widow, we would prefer that they increase the annual income limits in lieu of providing the waiver privilege.

As an illustration, if you consider a single veteran and the provisions of H.R. 5710 where you are increasing the monthly amount from \$44 to \$70, the veteran would shift from an income of \$600 or less to an income that falls between \$600 and \$1,200 with the result that his gross annual income, including pension and social security, would merely give him a net increase of \$12 while if you would increase the income limits he would not suffer a reduction in pension and he would be able to retain all of the social security which is granted under H.R. 5710.

Senator CHURCH. I had a veteran come in and talk to me at Coeur d'Alene just the other day in my State. He said, although his present situation was all right as a married veteran, if his wife should die and he were to revert to single status that the result of the last increase in social security would put him just \$20 above the permissible income limitation. The 7-percent increase in social security would thus have the effect of denying him the whole of his veteran's pension.

In the last month or two at home, going from courthouse to courthouse meeting with people, I don't know how many times veterans have come in and talked with me about this particular problem. So, the intent of Congress which was to give a modest increase in social secu-

rity benefits has obviously been frustrated by this awkward provision in the veterans' pension.

Mr. GOLEMBIESKI. That is true, Senator Church. At some point we are going to hit a line where a man will receive something or nothing but what we were concerned about, sir, is to make sure that this annual income limit is at a level such that it is reasonable to presume that when a person reaches that point he really has enough to take care of his daily needs.

Senator CHURCH. You feel that the present level is well below that?

Mr. GOLEMBIESKI. Yes, sir. That is why the American Legion is asking that the maximum be increased by \$600; that plus a certain revision in the table that deals with the computation of annual incomes and determinations of income.

Senator CHURCH. What is your estimate of the additional cost that this will entail to the Government?

Mr. GOLEMBIESKI. It is my understanding, sir, from discussions with the Veterans' Administration that for each \$100 increase in annual income limits it adds between \$75 and \$100 million to the annual cost of the pension program.

Senator CHURCH. So that this proposal would have a price tag of between \$500 and \$600 million?

Mr. GOLEMBIESKI. Yes, sir.

Mr. NORMAN. Mr. Golembieski, while the American Legion would prefer that income limits be raised as a solution to this problem, how would it feel about permitting a veteran to waive the social security increase until such time as the income limits are increased and then permitting the veteran to rescind his waiver so that at that time he could receive full benefits from both types of programs?

Mr. GOLEMBIESKI. In view of the fact that only about 70 percent of veterans and widows that are now on the pension rolls are entitled to social security benefits, if the waiver privilege were granted, we would prefer that it be extended to all types of retirement incomes so that each person on the rolls is dealt with in equity.

Mr. NORMAN. As the first step toward that goal of permitting all types of income to be waived, do you think it would be desirable for the Federal Government to set a good example by permitting its type of income to be waived?

Mr. GOLEMBIESKI. Yes, sir; all types of Federal income.

From a permanent retirement plan approach, of course, we run into the municipal type plans over which the Federal Government has no control, and this is the area in which it is possible that some people would suffer as a result of inability to waive.

As an example of inequity, the old pension law, that is the law that was in effect July 1, 1960, extended the waiver privilege to the railroad retirees, the civil service annuitants, certain employees of the District of Columbia, yet it excluded those that were on the social security rolls, because the statute never permitted waiver of the social security benefits.

This is an illustration of some of the inequities that would apply if you apply it to a particular type of retirement income.

Mr. NORMAN. As I understand, the American Legion is opposed to any waiver permission for social security benefits?



Mr. GOLEMBIESKI. No; I am not saying we are firmly opposed. I say our approach would be to increase the annual income limits, but if Congress in its wisdom sees fit to approach it from the waiver standpoint then we would say that if you are going to do it, do it to all of the Federal type retirement benefits and not just to the social security.

Senator CHURCH. You are concerned because even if the waiver were to extend to all of the Federal retirement benefit programs, still it would not reach all the veterans in an equal way, would it, because there are other veterans who might be receiving retirement income from plans unconnected with the Federal Government?

Mr. GOLEMBIESKI. That is right. There are some people who have limited investment plans; they have no other income. They get an increase in investment and it puts them over the annual income limit and they suffer a loss.

As Mr. David pointed out yesterday, even if you do provide the waiver privilege to the increases that are granted, there are certain changes that occur due to recomputations of the social security benefit, a change in family status, or a change from the employment test. Perhaps the waiver would not apply in those circumstances.

Senator CHURCH. Yes, sir.

Mr. NORMAN. Mr. Golembieski, if you solved this problem by merely increasing the income limits, would you not still have the problem of some veterans who would receive social security just a little above the new upper limit, and who might want to waive a part of their benefit so that they would not lose too much of their pension?

Mr. GOLEMBIESKI. Yes, sir. We realize you will reach a break point where it is all or nothing or where you will suffer a reduction but if the division line is where the income is sufficient, then I don't think that we could quarrel with that because you are going to have to have a break or cutoff point.

Mr. NORMAN. Does it have to be an all or nothing cutoff point? Would it not be wiser to make it a situation where by surrendering a little social security income, they could still retain more of their veterans' pension?

Mr. GOLEMBIESKI. Yes; that is one advantage of the waiver or you could give up some of the social security benefit to retain a greater total annual income.

Mr. NORMAN. Yes, sir.

Thank you very much.

Mr. GOLEMBIESKI. Thank you, sir.

Mr. MILLER. Mr. Golembieski, could you tell us how many veterans and dependents are now beneficiaries of the non-service-connected veterans pension program?

Mr. GOLEMBIESKI. According to the veterans annual report for 1966, and these are figures I think that cut off at June 20, 1966, there were about 1.2 million veterans receiving disability pension and slightly over 900,000 widows and children receiving death pension.

Now oddly enough, if you look at the income break at \$600 and less, that there are 112,000 veterans within that first income step and about 138,000 widows and children.

Mr. MILLER. Do you have information as to the percentage of these in various age groups, particularly those over 65.

Mr. GOLEMBIESKI. No, sir; we do not. Of course, in the pension program, I think the majority of them are due to age or due to widowhood but there are a number of them in there below age 65 who are receiving disability pension as a result of physical impairment that prevents the pursuit of gainful employment. But these people would also, I think, in most instances be entitled—that is, the veteran would be entitled—to the disability income provision of social security.

Mr. MILLER. Could you provide information for the record on this matter of the number over 65 in both the veteran and dependent category?

Mr. GOLEMBIESKI. We will try.

Mr. MILLER. Getting back to my first question, as I understood, you had 1.2 million veterans and slightly over 900,000 widows and children receiving pensions.

Mr. GOLEMBIESKI. Yes.

Mr. MILLER. Do you have any estimate as to the number that would result with the adoption of the Legion's proposal, the number of people that would be beneficiaries?

Mr. GOLEMBIESKI. Within limitations, I think we could provide a figure. I don't have the figure here. We would have to go, I believe, to the Veterans' Administration to find out the number that would be involved.

Because of raising the income limitations, you would include additional veterans, widows, and children who are now excluded by the maximum income level.

Mr. MILLER. Would you mind providing that for the record, please, sir?

Mr. GOLEMBIESKI. Yes.

Mr. MILLER. Thank you, Mr. Chairman.

(The following letter was subsequently received from Mr. Golembieski.)

THE AMERICAN LEGION,  
Washington, D.C., April 28, 1967.

HON. JENNINGS RANDOLPH,  
Chairman, Subcommittee on Employment and Retirement Incomes, Senate Office Building, Washington, D.C.

MY DEAR SENATOR RANDOLPH: Following my presentation on April 25, 1967, before your Subcommittee, of our prepared statement on Reduction of Retirement Benefits Due to Social Security Increases, you<sup>1</sup> asked The American Legion to submit information on the number of age 65 veterans and widows now on the Veterans Administration pension rolls; the estimated annual accession of 65 year old beneficiaries to these rolls; and the number of pensioners that would be added if the annual income limits were increased in accordance with the legislation sponsored by The American Legion—HR 3133. The following information was compiled for us by the Veterans Administration:

Number of pensioners age 65 and over now receiving pension:

Veterans, 1,130,193 (As of June 20, 1966).

Widows, 454, 550 (As of September 20, 1966).

Annual accession to age 65 of those potentially eligible to pension:

Veterans, 57,000 (Fiscal Year 1967).

Widows, Information on this unavailable.

Accessions to the pension rolls if the annual income limits were increased in accordance with the legislation sponsored by The American Legion.

<sup>1</sup> As shown by the colloquy immediately preceding this letter, the request for this information was made by John Guy Miller, Minority Staff Director of the Committee.

Income for veteran or widow alone increased from the present maximum of \$1800 to \$2400

Veterans, 76,000 <sup>2</sup>

Widows, 225,000 <sup>2</sup>

Income of veterans or widows with dependents increased from the present maximum of \$3000 to \$3600

Veterans, 84,700 <sup>2</sup>

Widows, 44,500 <sup>2</sup>

It has been a pleasure to testify before your Subcommittee on the effects of increased Social Security income on those pensioners receiving or who may be entitled to receive Veterans Administration pension and to service you in this purpose.

Sincerely yours,

EDWARD H. GOLEMBIESKI,  
*Deputy Director.*

Senator CHURCH. I think I have no further questions.

Thank you very much, gentlemen.

Mr. GOLEMBIESKI. Thank you, Mr. Chairman.

Senator CHURCH. Our next witness is Mr. Francis Stover, the director of the national legislative service for the Veterans of Foreign Wars.

It is a privilege to welcome you here this morning, Mr. Stover. I would appreciate your proceeding with your testimony and we will have some questions.

**STATEMENT OF FRANCIS STOVER, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS; ACCOMPANIED BY NORMAN D. JONES, DIRECTOR, NATIONAL REHABILITATION SERVICE**

Mr. STOVER. Thank you.

With me is director of our national rehabilitation service, Mr. Norman D. Jones.

Mr. Chairman and members of the subcommittee: I thank you for this opportunity to present the views of the Veterans of Foreign Wars concerning a subject of intense interest to our organization.

My name is Francis W. Stover and my title is national legislative director.

At the outset, the records show that the Veterans of Foreign Wars has for many years opposed the counting of social security income as income for veterans pension purposes.

Our position is determined by the delegates to our national conventions which down through the years have expressed their vigorous opposition to including social security income as income to determine entitlement to and the amount of veterans pension payment.

Our most recent national convention adopted three resolutions in this regard, two identified as Nos. 101 and 139 which continue and reaffirm the long-standing VFW position to exclude social security retirement payments for veterans' pension purposes. A provision in an omnibus resolution relating to veterans' pension program calls for legislation which will authorize 20 percent exclusion of public or private retirement benefits as they relate to veterans' pensions. This was resolution No. 2 (subparagraph 4). Copies of these three resolutions

<sup>2</sup> Latest Veterans Administration estimate.

are attached, and it would be appreciated if they were made a part of my statement.

(The resolutions follow. Testimony continues on p. 50.)

**RESOLUTION No. 2—VETERANS' ADMINISTRATION PENSION PROGRAM**

Be it resolved, by the 67th National Convention of the Veterans of Foreign Wars of the United States, that we seek approval of the following recommendations through legislation:

1. Substantial pension rates, income limitations, and regular aid and attendance allowance increases.

2. Classification of participation in campaigns and expeditions involving hostilities as wartime service for pension purposes.

3. Authorize exclusion from annual income expenses of last illness and burial of the veteran's child.

4. Authorize 20% exclusion of the amount of public or private retirement benefits.

Adopted at the 67th National Convention of the Veterans of Foreign Wars of the United States held at New York, New York, August 21 through 26, 1966.

**RESOLUTION No. 8—TO LIBERALIZE VETERANS AND WIDOWS PENSION PROGRAM**

Whereas, the Veterans Pension Program limits pension payments because of income and disability requirements; and

Whereas, the Veterans Pension Programs do not increase and keep abreast with the changes in our economy; and

Whereas, increases in public and private retirement benefits cause the loss or reduction in pension payments for veterans and widows; and

Whereas, Veterans Pension Programs tend to become static causing those who receive pensions dire hardship and loss of income; and

Whereas, pension payments for widows are unrealistically low; and

Whereas, the determination of employability in many cases deprives a person of veterans pension; and

Whereas, there is no recognition for type and service rendered by a veteran so that veterans who served overseas receive the same basic pension as those who did not serve overseas; and

Whereas, because pension programs do not keep up with the increased cost of living, there is a need for the pension program to be reviewed periodically; now, therefore,

Be it resolved, by the 67th National Convention of the Veterans of Foreign Wars of the United States, that proper legislation be introduced and supported that will provide increases in the income limitations for living veterans or their widows and children and liberalize the requirements for determining permanent and total disability, and employability; and increase the payment to those who fought overseas by at least 10%. Increase to 20% the exclusion from private or public retirement income in determining the income limitations for pension entitlement; and a substantial increase in the unrealistically low pension payments for veterans, widows and children of veterans.

Adopted at the 67th National Convention of the Veterans of Foreign Wars of the United States held at New York, New York, August 21 through 26, 1966.

**RESOLUTION No. 101—EXEMPT SOCIAL SECURITY FROM INCOME**

Whereas, present law requires that Veterans' pension be reduced whenever Veterans' earnings, pensions or income from other sources, including Social Security, reach certain levels; and

Whereas, said requirements cause undue hardship and suffering, and is manifestly unfair to Veterans whose pensions are thereby reduced; now, therefore

Be it resolved, by the 67th National Convention of the Veterans of Foreign Wars of the United States, that we unanimously urge the amendment of the present laws and regulations governing Veterans' pensions, to eliminate Social Security payments payable to a Veteran, whether by reason of retirement or

disability, in computing the outside earnings or pensions for purposes of Veterans pensions.

Adopted at the 67th National Convention of the Veterans of Foreign Wars of the United States held at New York, New York, August 21 through 26, 1966.

RESOLUTION No. 139—PENSION, EXCLUDE SOCIAL SECURITY

Whereas, the Social Security was increased; and

Whereas, the President of the United States has asked the Congress for another increase in Social Security benefits; and

Whereas, the pension of many veterans was reduced because of their social security increase; now, therefore

Be it resolved, by the 67th National Convention of the Veterans of Foreign Wars of the United States, that we go on record requesting Congress and the President to exclude Social Security for pension purposes.

Adopted at the 67th National Convention of the Veterans of Foreign Wars of the United States held at New York, New York, August 21 through 26, 1966.

(Testimony continued from page 49.)

Mr. STOVER. On the basis of these resolutions, the position of the Veterans of Foreign Wars is that social security income should not be counted in determining the income limitations which presently prevail with respect to entitlement to veterans' pension payments.

In determining the annual income for veterans' pension purposes, presently 10 percent of the amount of payment to a veteran or his widow under public or private retirement annuities, endowment, or similar plans or programs is excluded or not counted. This is a new provision in the law, having been approved by the Congress in 1964 in anticipation of a pending increase in social security payments, which was approved in 1965. The 10 percent exclusion covers all types of retirement, but was aimed primarily at the 7 percent increase in social security payments which went into effect in 1965.

Now there is pending another social security increase in the amount of at least 20 percent which is presently under consideration by the Congress. Any increase in retirement benefits for a veteran or his widow receiving a veteran's pension causes some to have their pension payments reduced and in some instances stopped. This is most inequitable since a small increase in one Federal retirement program causes a much greater reduction in veterans' benefit payments under the provisions of the veterans' pension program.

Senator CHURCH. Could I stop you there for a moment, Mr. Stover, to ask you this question?

Presumably, a bill to increase social security will pass Congress this year. Suppose that Congress were to include a provision to the effect that no one should suffer any diminution in pension or retirement benefits to which he was otherwise entitled as a result of the increase granted in the act. Or we might go back and pick up the 7-percent increase enacted in 1965, as well as the pending proposed increase. That would be very helpful, would it not?

Mr. STOVER. Yes.

Senator CHURCH. In fact, that is more in line with the VFW position.

Mr. STOVER. It is in line with our position.

Senator CHURCH. Your position goes further.

Mr. STOVER. Yes.

Senator CHURCH. But at least it would be consistent; it would be a step that would be consistent with your position even though it does not go as far?

Mr. STOVER. That is correct, Mr. Chairman.

Senator CHURCH. Thank you.

Mr. STOVER. The President in his historic message on veterans, which he sent to the Congress on January 31, 1967, made reference to his proposed social security recommendations when he stated as follows:

Last week I proposed to Congress a 20 percent overall increase in social security payments—representing the greatest increase in benefits since the Act was passed in 1935. Although these increases will benefit millions of older Americans we must make certain they do not adversely affect the pensions paid to those veterans and dependents who are eligible for both benefits.

Accordingly, I propose that the Congress enact the necessary safeguards to assure that no veteran will have his pension reduced as a result of increases in Federal retirement benefits, such as social security.

The Veterans of Foreign Wars has recommended to the Subcommittee on Pensions of the House Committee on Veterans' Affairs that the income limitations must be increased in a sufficient amount to offset the adverse effects of any increase in social security retirement payments.

For the benefit of the record, veterans' pension payments, as well as to their surviving widows, are based on a sliding scale with the pension payment being determined by the amount of income of the beneficiary. Thus, presently, any veteran or widow, whose annual income exceeds \$1,800 a year, if without dependents, or \$3,000 a year with one or more dependent, is disqualified for a pension from the Veterans' Administration. If their income is between certain amounts, then the pension payments vary from a low of \$27 a month for a widow with no child to a high of \$115 a month for a veteran with three or more dependents. These income limitations were established in 1959.

The theory underlying the veterans' pension program is that it is based on need, so that the veteran with the least income will receive the highest pension payment.

It is the contention of the Veterans of Foreign Wars that these income limitations are now obsolete and should be brought into line with the tremendous economic growth which has taken place in this Nation during the 1960's.

It is in line with this philosophy that the Veterans of Foreign Wars has recommended that the income limitations must be increased to offset, for example, the increase in social security payments which have been approved by the Congress during this decade and have been recommended by the President.

It will be our vigorous recommendation and sincerest hope that the House Committee on Veterans' Affairs and the Senate Committee on Finance will agree with our position in this area and increase the income limitations in line with at least the social security increase.

The administration, however, has recommended that the veteran or his widow be permitted to waive all or part of the social security increase when finally approved by this Congress. The Veterans of Foreign Wars opposes this approach.

To begin with, it carries the inequity of compelling a veteran or his widow to give up part of one Federal benefit in order to enjoy another

Federal benefit, even though he is fully qualified and has met all the requirements for entitlement to full benefits under both Federal programs.

We call it discrimination against veterans to force them to forfeit part of their rightfully earned full social security payment.

Senator CHURCH. May I stop you there again, Mr. Stover.

I might as well ask these questions as we go along, rather than to go back afterward.

Actually, if the waiver were adopted, it would have the good effect of avoiding the inequity of having to sacrifice a veteran's benefit because the additional social security payment exceeds the income limitation. But that is all it would do, isn't it?

Mr. STOVER. Correct.

Senator CHURCH. The veteran would not get the benefit, for example, of the increased social security payment although everyone else would.

Mr. STOVER. Correct.

Senator CHURCH. For example, a person who was receiving income from savings, from dividends, from rental property, of any amount would get his social security benefit and the increase but a veteran would get no increased benefit. The best he could do would be to waive it, to forgo it, and to retain his present income intact. That is all the waiver would do for him; isn't that correct?

Mr. STOVER. Yes.

Senator CHURCH. So, the effect of the waiver is to deny any additional benefit to veterans and leave them in status quo.

Mr. STOVER. Freezes them.

Senator CHURCH. While other people get the benefit of the increased social security benefit.

Mr. STOVER. That is right.

Another reason for the VFW's opposition to waiver of retirement income is because it is not keeping up with the times as it relates to the income limitations which were laid down in 1959. If the criteria for need is to keep relevant with the times, then it is necessary that the Congress review the income limitations and have them brought in line with the present economic conditions as they relate to family income, gross national product, and other economic factors.

With respect to the specific questions which have been posed concerning this program, more specifically questions 8, 9, and 10, all of which relate to the veterans' pension program and social security payments, the Veterans of Foreign Wars vigorously recommends that the income limitations which determine entitlement to veterans' pension payments be increased in order to keep up with the vastly improved economic status of American families.

The VFW is opposed to waiver as a solution to this problem because of its inherent discrimination which compels forfeiture of a rightfully earned benefit, but also because of its organic defect of failing to come to grips with the basic problem of what is really needed as it relates to veterans' and widows' pensions.

It is hoped that this subcommittee will give its favorable consideration to these views in its deliberations concerning this most important program for veterans and their survivors. Veterans' pension payments, as indicated, do not begin to provide enough for a retired veteran or

his widow. Practically all of the money provided to veterans and widows is spent on the basic necessities of life. Any reduction, therefore, of the pension payment or his social security payment looms exceedingly large and creates a result which Congress did not intend.

Thank you very much, Mr. Chairman.

Senator CHURCH. Thank you very much, Mr. Stover.

I believe I have asked you the questions I wanted to ask while you were giving your testimony. However, Mr. Norman has a question.

Mr. NORMAN. Mr. Stover, while the VFW prefers other solutions besides the waiver, how would the VFW feel about the waiver as a temporary solution until some of these other solutions might be enacted?

We have no assurance that the VFW's preference, the American Legion's, AMVETS' preferences, or anyone else's preferences are going to be enacted, and until something of that kind could be put into effect how would you feel about a waiver which would at least prevent hurting these people even if it didn't help them?

Mr. STOVER. Well, VFW would not oppose a waiver provision if that in the wisdom of the Congress was what was finally approved. In other words, if it is the will of the Congress that the waiver provision as recommended by the administration is what Congress wants, we will certainly not oppose this because we suffered considerably last year and the year before because of the 7-percent increase which caused about 29,000 veterans and widows to either suffer a reduction in their pension payments, and in many instances it caused their payments to stop.

So, we know what that experience is and we know how painful it is to those who did suffer because of their reduced or stopped pensions. Also, as you say, a half loaf of bread is certainly better than none and certainly we would go for the waiver if in the wisdom of the Congress that is what the Congress wants.

Mr. NORMAN. In other words, you would not oppose a waiver as the temporary solution, but you don't want it to be considered as a permanent solution?

Mr. STOVER. That is right, Mr. Counsel. We will certainly do everything possible to have that temporary solution converted into a permanent solution of increased income limitations.

Mr. NORMAN. Thank you.

Senator CHURCH. Isn't it correct to say that the waiver prevents a step back for the veterans but certainly does not constitute a step forward?

Mr. STOVER. That is a very good way of saying it. Thank you, Mr. Chairman.

Senator CHURCH. Thank you, Mr. Stover, for your testimony.

Have you anything you would like to add?

Mr. JONES. I would like to comment on two aspects of the waiver which make it a poor solution.

It should apply to all retirement income whether public or private and whether Federal, State, or local; subdivision or private. This would probably require an amendment to title 38 rather than to legislation.

Also, any provision for waiver of increase should not be made available to only those on the pension rolls at this time, as the administration proposal provides for. In other words, it is unfair to tell a person that



since you are on the pension rolls this year we give you an increase; you can waive part or all of that to continue the eligibility, and next year will come along and some veterans under exactly equal financial circumstances can't waive this increase because they were not on the veteran pension rolls prior to its effective date.

In other words, unless it is across the board, unless the veteran is not now on the rolls, it would discriminate against a large group of veterans.

Senator CHURCH. Do you see any reason why the waiver should be limited? Do you know why?

Mr. JONES. Not at all.

Senator CHURCH. The proposal has been drafted in such a way to apply simply to those who are now receiving benefits?

Mr. JONES. It should be limited but I presume the administration will oppose a broader application of it.

Mr. STOVER. I think that the legislation as Mr. Jones has pointed out is limited to those who are receiving a pension at the present time.

However, economic circumstances change and there will be cases where some veterans who could not qualify today will qualify in the future.

Mr. JONES. I think it is from the standpoint of public relations why they want to apply the waiver to those now on the rolls. That is where the complaints will come from because they will be cut or otherwise taken off the rolls. I think the same reason applies to preferential treatment that is proposed for social security recipients. There is a large group of them and you get a lot of complaints at once whereas your other retirees are not grouped together in such large segments.

Senator CHURCH. Yes.

I think you have made your argument very clear, and I certainly will call it to the attention of the members of the subcommittee.

I want to thank you both for your testimony. It was helpful.

Mr. STOVER. Thank you very much, Mr. Chairman.

Senator CHURCH. Our next witness is Mr. A. Leo Anderson, national commander of AMVETS.

Mr. Anderson, nice to welcome you this morning.

#### STATEMENT OF A. LEO ANDERSON, NATIONAL COMMANDER, AMVETS

Mr. ANDERSON. Thank you. Mr. Chairman and members of this subcommittee, AMVETS appreciates the invitation to appear before this subcommittee and present our views on the effects of retirement income reductions that could occur due to proposed increases in social security benefits system.

We appreciate the privilege extended to our organization at this time.

AMVETS compliments the subcommittee for the foresight it has evidenced by scheduling early hearings on proposed amendments to the social security benefits system, in anticipation of a possible conflict with veterans and their dependents who are drawing non-service-connected pensions from the Veterans' Administration.

AMVETS were especially interested in the January 31, 1967, special message to the Congress by the President where he expressed his deep concern with the social and economic problems confronting veterans.

In addition, we were happy to read of his implied desire that in the advent of increases in annuities such as social security benefits, that the veteran and other recipients of VA pension benefits should not be penalized.

This particular problem is one that we are very concerned with at this time, and we know that it is causing considerable anxiety to older veterans and their dependents who are presently on the pension rolls.

The last social security annuity increases displayed that too many VA beneficiaries actually lost money in their combined pension income because they exceeded their respective annual income limitations.

At the present time, there is no positive indication that the respective income ceilings will be extended, and the present 10-percent exclusion appears to be of an inadequate nature, especially in light of the proposed amount of social security increases.

To this end, it is the considered opinion of AMVETS that in the deliberation of this subcommittee, consideration be given to a prudent "savings clause" to be embodied in the legislative proposal to the Congress.

In this manner, those veterans, widows, and dependents who are in need of income to assist in their daily living would not be adversely affected in this area of their social and economic development.

As a further alternative, we feel that until the Veterans' Administration income limitations are raised, then there should be a protective clause in this proposed amendment to the social security law which would allow the Veterans' Administration pension recipient the prerogative of waiving that portion of a social security increase which would cause him to either lose annuity income or be eliminated from the VA pension roll entirely.

Those pensioners who are drawing under the protected pension law administered by the VA at this time have a similar prerogative if they draw civil service retirement annuities so this is not a new approach, merely a vehicle to consider.

In concluding this brief presentation, I again compliment this subcommittee for their concern in this matter and assure you that AMVETS would be happy to extend assistance at any future time if called upon.

Mr. Chairman, on behalf of AMVETS, our sincere thanks for the privilege of appearing here this morning.

Senator CHURCH. Thank you very much, Mr. Anderson.

I think your statement is very clear. The AMVETS are in favor of the waiver provision if that is the best that can be done in the Congress this year, although you would prefer to have the income limits adjusted upward, which was the position taken by the American Legion and the Veterans of Foreign Wars.

Mr. ANDERSON. That is true, Senator. It is sort of a problem and it seems that the various committees have the prerogatives in various sections of the proposal, but that briefly is our position, sir.

Senator CHURCH. Thank you very much. In addition to the testimony we have received from these three veterans' organizations, we also invited testimony from the Disabled American Veterans. They have promised us a statement, which will appear at this point in the record.

(The following statement was subsequently received.)

DISABLED AMERICAN VETERANS,  
NATIONAL SERVICE HEADQUARTERS,  
*Washington, D.C., April 26, 1967.*

HON. JENNINGS RANDOLPH,  
*Chairman, Subcommittee on Employment and Retirement Incomes,  
U.S. Senate, Washington, D.C.*

DEAR SENATOR RANDOLPH: Thank you for your letter informing me that the Subcommittee on Employment and Retirement Incomes is inviting testimony on the subject, "Reduction of Retirement Benefits Due to Social Security Increases." Enclosed with your letter was a list of questions pertinent to the subject matter of the hearings. You point out that the DAV might be helpful to the committee by addressing itself particularly to questions numbered 8, 9, and 10.

It should be mentioned at the outset, Mr. Chairman, that the basic principle upon which the DAV was founded is that our Nation's primary responsibility to veterans rests with those men and women who have incurred diseases or injuries as a result of active wartime duty in the U.S. Armed Forces. It follows then that the DAV concerns itself principally with the disability compensation program administered by the Veterans' Administration. It further follows that the non-service-connected pension program must necessarily play a secondary role in the affairs of our organization. Indeed, it is very seldom that we involve ourselves in legislative matters relating to veterans' pensions. However, DAV national service officers located in Veterans' Administration offices throughout the country, regularly provide assistance to large numbers of veterans, widows, and orphans in their claims for disability and death pension benefits.

On the basis of this broad experience, perhaps we can provide fairly responsive answers to the last three questions posed in your letter. Following are the questions as they appeared in your letter:

Question No. 8. "Is it desirable for other types of retirement incomes, such as veterans' non-service-connected pensions, to be reduced by amounts greater than social security increases, as a result of such increases?"

Question No. 9. "If not, what is the best way of coping with the problem by means of Federal legislation?"

Question No. 10. "How effective and appropriate would it be to solve this problem by permitting the social security recipient to waive the increase in whole or in part?"

Veterans' non-service-connected pensions are monthly payments made by the Veterans' Administration to veterans for disabilities not traceable to their military service. To qualify for the pension a veteran must have served for 90 days or more during wartime, have an honorable discharge, disability of such degree as to incapacitate him from employment, and meet certain income limitations.

In consideration of the foregoing criteria, we do not believe a veteran's non-service-connected pension payments can properly be classified as retirement income. Moreover, we do not think it desirable that a veteran's pension be reduced whenever his social security payments are increased. Reductions of this nature can be extremely frustrating to the aging disabled veteran who is compelled by circumstances to subsist on a fixed income.

The purchasing power of the dollar for essential goods and services has declined steadily over the years, and the causes of inflationary conditions are likely to continue far into the future. These events place an undue strain on resources already too meager to provide more than the bare necessities of life for most veterans on the pension rolls.

Generally, social security payments are increased to offset, in some measure, the rises in the cost of living. This concept also applies in connection with statutory increases in non-service-connected pension payments. The veteran who receives a payment increase from one program and a corresponding decrease from the other is caught in a rather hopeless situation. Indeed, his income will remain constant while the cost of living continues to rise at an ever-increasing rate. Obviously, if one increase cancels out the other the veteran will move nowhere on the economic ladder and will, inevitably, wind up in a condition of extreme poverty.

In view of the above it seems reasonable to suggest that some form of automatic offset action be established to fulfill the intended purpose of payments to aging, totally disabled veterans.

With respect to permitting a recipient to waive his social security increases, we think such a proposal would be highly ineffective. Here again, increases in social security payments are accorded to help make up for increases in the cost of living. If the recipient is required to waive the increase in social security payments to protect his VA pension, he would remain economically in the same position where we found him. With no prospects for increased income, and with prices constantly rising, benefits received by this elderly veteran will be so eroded that his standard of living will be reduced, in time, to a starvation level.

We hope that the observations expressed here will be of some help to the committee in its worthy effort to find solutions to a most complex problem.

Sincerely,

CHARLES L. HUBER,  
*National Director of Legislation.*

Senator CHURCH. To wind up our testimony on the veterans aspect of our hearings, we have a statement from Hon. W. J. Driver, Administrator of Veterans' Affairs, speaking for the Veterans' Administration, which will appear at this point in the record.

#### STATEMENT OF W. J. DRIVER, ADMINISTRATOR OF VETERANS' AFFAIRS

Mr. DRIVER. Mr. Chairman, we are most pleased to have the opportunity to present this statement to the subcommittee on the subject of "Reduction of Retirement Benefits Due to Social Security Increases."

While we are aware of the various proposals that have been made to correlate civil service retirement benefits with benefits available under social security in certain areas, we will not comment upon that area of your investigation as indicated by the first seven questions in your questionnaire, upon the assumption that the committee will seek the views of the U.S. Civil Service Commission on those matters. We will limit our remarks to those matters contained in questions 8,

9, and 10, which are within the primary jurisdiction of the Veterans' Administration.

Insofar as non-service-connected disability or death pension paid by the Veterans' Administration is concerned, the answers to questions 8, 9, and 10, are set forth in the President's message to Congress of January 31, 1967, relating to "America's servicemen and veterans," and the Administrator's submission of February 1, 1967, to the President of the Senate and the Speaker of the House of Representatives, implementing the Presidents' proposals.

In his message, the President mentioned his proposal for a 20-percent overall increase in social security benefits, and stated in connection therewith:

I propose that the Congress enact the necessary safeguard to assure that no veteran will have his pension reduced as a result of increases in Federal retirement benefits such as social security.

As reflected by the draft bill, with explanation, which accompanied the Veterans' Administration submission of February 1, to the Congress, we believe the most appropriate method to avoid reduction of pension because of increases in Federal retirement benefits is to authorize waiver by pensioners of all or a portion of such future increases. For your further information, there is submitted an excerpt from the explanation respecting the draft bill which deals with the waiver proposal.

Incidentally, the waiver provisions which we have recommended are set forth as section 6 of S. 1046, introduced by Senator Carlson, which is pending before the Committee on Finance.

Additionally, we have been requested by the committee staff to furnish background information on the effect of the last social security increase upon pension benefits for veterans, their widows and children, for non-service-connected disability or death as authorized by chapter 15, of title 38, United States Code, and upon dependency and indemnity compensation for service-connected deaths as authorized by chapter 13, of title 38, United States Code, as well as compensation for service-connected death under chapter 11, of title 38, United States Code, for dependent parents of deceased veterans.

Congress amended the disability and death pension laws by Public Law 88-664, which was enacted on October 13, 1964 with an effective date of January 1, 1965. This Public Law provided for a 10-percent exclusion of all retirement income in determining entitlement to pension.

This 10-percent exclusion was designed to insure that no veterans or widows receiving pension would suffer loss or reduction in their pension through the enactment of a bill, then being considered by the Congress, which would increase social security benefits. It was expected that the social security bill would pass the 88th Congress prior to or at about the same time as the pension bill.

As events transpired, however, the bill relating to pension was passed by the 88th Congress on October 13, 1964, with a January 1, 1965, effective date, while the bill increasing social security payments, also providing for payments from January 1, 1965, was not approved until July 30, 1965 (Public Law 89-97).

This caused approximately 29,000 veterans and widows to be placed on the pension rolls or to receive increased pension from January 1,

1965, solely by reason of the 10 percent exclusion. Those in that group lost the pension or increased pension they had been receiving because of the social security increase. However, the date of adjustment was made from October 1, the month following the month in which they received their increased social security check. No one, solely because of the increase in social security benefits, received less in 1965 than was paid in 1964. This was also true as to 1966.

It does not appear that anyone would be able to contend that such an increase would operate adversely to an individual if the effective date of the 10 percent exclusion provision contained in Public Law 88-664 had been deferred to coincide with enactment of Public Law 89-97 which provided a 7 percent social security increase. We do not see that the earlier existence of the exclusion feature has created any tenable basis for a contention that the social security increase was detrimental. To the contrary, the prior applicability of the exclusion provision operated to the advantage of some persons, by permitting payment of more pension during the months of 1965 preceding enactment of the social security amendments than would have been permissible if enactment of the exclusion feature, or its effective date had been deferred.

For example—in the case of a veteran alone whose sole countable income is social security of \$648 a year—

He received, in 1964, his social security and pension of \$840 for a total annual income of \$1,488.

In 1965, he received \$696 social security, \$1,125 pension (10-percent exclusion applied) for a total of \$1,821.

In 1966 he received \$696 social security and \$900 in pension for a total of \$1,596.

Analysis of 1966 income over that received in 1964 discloses: An increase of \$48 a year in social security; a \$60 a year increase in pension; with a total income increase of \$108.

Additionally, he received a 9-month windfall of \$225 in 1955 by application of the 10 percent exclusion during the period prior to receipt of the social security increase.

The effects of the social security increase upon individuals receiving veterans' pensions was discussed on the floor of the House of Representatives (by Mr. Teague, chairman of the House Committee on Veterans' Affairs) when that body was considering the Senate amendments to H.R. 168, 89th Congress (Congressional Record, Oct. 19, 1965, p. 26472), where it was stated:

Members of Congress have received considerable correspondence concerning the effect of the increased Social Security on the non-service-connected pensions which approximately 2 million people are receiving today under the non-service-connected pension program. Perhaps it is well to bear in mind in the beginning that out of this 2 million we are talking about a group of approximately 29,000—17,000 veterans and 12,000 widows.

In the closing days of the 88th Congress there was enacted Public Law 88-664. It is not necessary in this connection to go into all the details of this legislation. It did increase the rates of pension and provided for the first time a 10-percent exclusion from retirement income in determining the annual income which is countable toward eligibility of a pensioner. The 10-percent exclusion to which I referred permits any individual who is receiving Social Security, civil service retirement, teacher retirement, railroad retirement, State, municipal, or county retirement, or a retirement annuity from any other source to exclude 10 percent of such amount in determining eligibility under the Veterans' Administration pension program.

There are 1,160,000 veterans receiving disability pension today. Of this number 754,000 or 76 percent, also receive Social Security; 35,000 or 3 percent, receive railroad retirement; 27,000 or 2.3 percent, receive civil service retirement; and 149,000, or 12.8 percent, receive other retirement from commercial sources.

In the case of death pension, there are currently 878,000 widows and children on the rolls—531,000, or 60.5 percent, receive Social Security; 37,000, or 4.2 percent, receive railroad retirement; 30,000, or 3.5 percent receive civil service retirement; and 26,000, or 2.9 percent, receive retirement from other sources.

It is readily apparent to me the injustice these veterans and widows will suffer if we adopt a preferential amendment such as the Miller proposal.

While its application is broad, as I have indicated, it was inspired by the belief that there was to be in the 88th Congress a 7-percent increase in payments being made to beneficiaries under the Social Security Act. All of us know that this expected Social Security increase legislation did not materialize in the 88th Congress. The pension bill, Public Law 88-664, however, was passed with this 10-percent exclusion factor.

There is a new Social Security law today which was effective October 1. It is Public Law 89-97, and while its main emphasis in the press was on medicare, it did provide a 7-percent increase in Social Security payments.

The first thing that is evidence in this allegation of some pensioners that they have been mistreated is that the 10-percent exclusion is greater than the 7-percent increase.

The second thing that needs be said is that most of the people who are complaining today about having to take a reduction in their Veterans' Administration pension as a result of moving from one income bracket to another have enjoyed a higher rate of pension for 9 months, higher than they would have received had the Congress not enacted Public Law 88-664.

Other additional factors need to be made crystal clear at this time. These are that in comparing 1964 with 1965: Every person gets more pension; everyone gets more Social Security; a few, approximately 1½ percent, got an additional windfall; everyone continues to get more pension and more Social Security than they got in 1964; everyone in 1966 will get more pension than he did in 1964.

The parent or parents of a veteran who died before January 1, 1957, may be entitled to either of two benefits identified as (1) death compensation and (2) dependency and indemnity compensation. In the event of death on or after January 1, 1957, only dependency and indemnity compensation is payable.

The law providing for payment of death compensation requires that the parent must be dependent for this benefit to be payable. Dependency will be held to exist if the parent does not have an income sufficient to provide reasonable maintenance for the parent and members of his or her family. The law provides a conclusive presumption of dependency where the parent resides in the United States and his income does not exceed \$105 monthly plus \$45 for each additional member of the family whom the parent is under a legal or moral obligation to support. For two parents living together dependency is presumed if their combined income is not more than \$175 monthly plus \$45 for each additional member of the family. Where the parent's income exceeds the mentioned amounts, dependency is determined upon the basis of the facts in each individual case.

The parent(s) may elect to take dependency and indemnity compensation instead of death compensation. However, if such an election is made the parent(s) cannot again receive death compensation as the election is irrevocable.

Dependency and indemnity compensation is payable at different monthly rates which are related to the amount of the parent's annual income. For this benefit, the amount of income is the sole determining

factor in establishing entitlement and the amount of the award. The maximum income limits for a single parent is \$1,800 per year. For two parents or a remarried parent the maximum income limit is \$3,000.

All income except that specifically excluded by law must be counted in determining entitlement. Public Law 89-730 enacted, among other benefits, liberalizations which permit additional exclusions, one of which is 10 percent of retirement type of income such as social security.

No dependent parent receiving death compensation has been identified who suffered a loss in his Veterans' Administration payment as the result of the last social security increase. A few parents receiving DIC were adversely affected by the social security increase. The number is not known but was very small. Public Law 89-730, effective January 1, 1967, made the 10-percent exclusion provision for retirement income applicable to these parents and provided increased income limitations governing payment of DIC. All adversely affected now have been restored to their former or a more advantageous position.

Mr. Chairman, that concludes our statement.

EXCERPT FROM THE EXPLANATION OF A DRAFT BILL TRANSMITTED TO THE PRESIDENT OF THE SENATE ON FEBRUARY 1, 1967

Section 505(a) of the draft bill would amend section 503 of title 38, United States Code, relating to computation of income for pension purposes, under current law, to authorize waivers of all or a portion of future increases in Federal retirement benefits and to require recognition of any such waiver by the Veterans Administration and the agency administering the retirement program. This authority would be limited to persons entitled to the retirement benefit and pension for any part of the month in which a provision increasing the retirement benefit is enacted.

Section 505(b) makes similar provision for persons receiving pension under the prior pension law in effect on June 30, 1960.

These waiver provisions would afford a means whereby pensioners concerned could avoid a net loss of aggregate benefits solely by reason of increases in Federal retirement benefits. They contemplate retirement benefits provided by the Congress, including disability benefits under Federal programs which are based on permanent and total disability. District of Columbia programs are considered within the scope of the provisions. Pensioners would be permitted to make, modify and cancel waivers at will.

Senator CHURCH. Our next witness is Mr. Joe Swire, the director of pensions, International Union of Electrical, Radio & Machine Workers, AFL-CIO.

Good morning, Mr. Swire. Happy to have you with us this morning. I wonder if you would introduce your associate.

STATEMENT OF JOE SWIRE, DIRECTOR, PENSION DEPARTMENT, INTERNATIONAL UNION OF ELECTRICAL, RADIO & MACHINE WORKERS, IUE, AFL-CIO, ACCOMPANIED BY OSMERO L. BARTELLI, DIRECTOR, LEGISLATIVE DEPARTMENT, IUE, AFL-CIO

Mr. SWIRE. Yes.

This is Osmero L. Bartelli, legislative representative of the IUE.

My name is Joe Swire. I am director of the Pension Department of the International Union of Electrical, Radio & Machine Workers, AFL-CIO. I have been working in this position since 1949 when the IUE received its charter from the old CIO.



I am very happy to be here with you today to participate in the discussion of some of the problems involving social security and private pension plans.

Those of us who go back to the old days have a measure of pride in the development of private pension plans for industrial and craft workers and in the expansion of social security since 1950. We feel we have made a solid contribution to the welfare of young and old in this country as a result of the cooperation, in our own separate way, between the American labor movement and the Congress of the United States.

In 1949, when our unions began to negotiate for private pension plans, we found that there were few private pension plans for production workers. There were over 15,000 pension plans and profit-sharing plans, but mostly for executives, white-collar workers, engineers, for everyone but the men and women who did the physical labor.

In the year 1949 the only income production workers retiring at age 65 might expect would be from social security and there was little change in social security since it first became effective back in 1937.

The average factory worker retiring in 1949 would get \$35 per month and an additional \$17 per month for his wife if she were 65 years old. The average social security benefit at that time was \$25 per month. Our folks got a bit more.

Large segments of the labor movement were not particularly interested immediately after World War II in private pension plans; they were interested in improving social security. But we found out that we were unable to get legislation enacted to that end so our people at that time decided to negotiate pension plans tied directly to social security. When the steelworkers negotiated the first such plans in the fall of 1949, the minimum was \$100 per month including social security. Many other unions and companies followed the pattern of the steelworkers in those days and negotiated pension plans with \$100 per month or \$112.50 per month, including social security. Our first contract with GE in 1950 provided a minimum of \$0.25 per month including full primary social security. The GE plan then was contributory, whereas most of the other plans were noncontributory.

We believe that, as a result of our tie-in of pension benefits directly with social security, many companies and their official representatives changed their position and agreed to the need for improvements in social security. The first improvement in social security legislation came into being on January 1, 1950, and there have been numerous improvements since that time.

It is quite possible that many Americans do not realize the impact of the numerous changes in social security legislation since then. Before the 1950 changes, the average factory worker was getting \$35 per month at age 65. His wife received half of that if she were 65. Today, the average factory worker retiring at age 65 gets \$135.90 and his wife, at 65, gets half of that or an additional \$67.95 for a total of \$203.85. This is four times what the average retiree received in 1949. Even with the increase in cost of living of 40 percent, this increase in social security benefit is very substantial.

I mentioned before that I give credit to our unions for a part of this improvement. Our people ought to give credit to the succeeding Congresses which have enacted such legislation. The improvement in the

position of older folks in this country has marched forward over the last 17 years and Congress deserves a large share of the credit for that good job.

There are some people who, in reflecting on the expansion of private pension plans think that the need for adequate social security payments is not as strong as it once was. We have some 22 million persons covered by private pension plans, and there are some 75 million covered by social security. Among the millions covered by private pension plans, many may receive no benefits at all because they may not stay long enough or the company may go out of business and be merged. There are many of those now.

Among the older folks now covered, many have few years of service and thus will get minimal benefits. For instance, a large number of negotiated pension plans provide no benefits for those with less than 10 years' service.

I was in Sharon, Pa., talking to a group of our retirees and pensioners at Westinghouse. One of the key questions was, What did you do in the last negotiation for people with less than 10 years' service? Well, the Westinghouse plan is a better than conventional plan but we were not able to do anything.

Many people in their fifties and sixties working with less than 10 years' service will depend mainly on social security when they retire. Some pension plans provide no benefits for those with less than 15 years' service. This eliminates a number of the older folks who, despite coverage by private pension plans, will find in their later years that social security provides the largest portion of their income.

When we negotiated the Westinghouse plant in 1950, and I mention that because we had the census then—50 percent of those 65 and over had less than 15 years—and the census indicated through 1955 half the people who would retire have less than 15 years and thus get no benefit. We changed it since but I think that is typical. Many of these people covered by private plans 15 years ago actually got little or no benefit because of the few years of service. Even in some of the recent plans we negotiate now, in the smaller plants the average service for those 65 and over and who would be theoretically eligible for retirement is still around 15 to 20 years and there are a very few where the average service is 25 to 27 years at retirement age.

Even in our industry, the electrical industry, there are many companies without pension plans. Ours is not a well-organized industry and there are more companies being established in rural areas and down South that just don't get around to establishing private pension plans. As a matter of fact, except for the chains like GE, Westinghouse, Sylvania, companies in rural areas and down South just don't go in for pension plans. Some of the larger companies like Sylvania and Magnavox are latecomers in the pension field and their older folks will wind up with minimal benefits.

The sad fact is, that unless there is a union which negotiates pension plans and is strong enough to insist on it, with the cost of the pension plan coming out of the wage package, you will not find many pension plans in existence at all. There are, of course, exceptions to this generality. We feel there will be a need for a long time for continued improvements in social security benefits because it will provide almost the entire income for many old folks for some years to come.

I mentioned earlier that the first negotiated pension plans did have a pattern of tie-in social security with pension benefits. This lasted for a period of 2 to 5 years. When social security benefits began to increase, we found pension benefits decreasing. For instance, in the steel formula, the minimum was \$100 per month including social security. When negotiated in 1949, social security was \$35 per month for most people and thus the pension benefit would be \$65. But when social security jumped to \$68 per month, benefits were reduced to \$32.

Senator CHURCH. May I interrupt to say the effect of that kind of contract then was once again not so much unlike the predicament of the veteran. The increase in social security was not realized, was it, insofar as the total income of the beneficiary was concerned.

Mr. SWIRE. The immediate impact in those years would be a decline in benefit for people covered by those plans.

Senator CHURCH. And the people covered by those plans continued to get the same amount even though the Congress has substantially increased social security?

Mr. SWIRE. Yes, sir.

Senator CHURCH. It had no effect on these people?

Mr. SWIRE. That is correct. In one plan where we had a \$125 minimum in effect in 1954 when the Congress raised the social security by 8 percent, as I recall, retirees found their pensions reduced. We immediately fought the reduction. The next time we negotiated the company and we cleaned it up.

Senator CHURCH. Has that earlier type of contract which you mentioned been abandoned now?

Mr. SWIRE. Yes, sir. As a matter of fact, we began abandoning it in 1952-55 for just that reason. We negotiated with Philco in 1950 with benefits of \$112.50 a month, including social security. The eight and a half cents an hour contribution was specifically tied down in the contract for a 5-year period. In that particular case the Internal Revenue raised objection and said there was overfunding, that the contribution was too high for the benefits. We took care of that in our 1954 negotiation.

By 1955 we had almost completely eliminated the tie-in. There may be some companies that are not organized and which may have that arrangement. By and large in auto and steel and IUE the direct tie-in with social security has been eliminated and it is no problem except for those people who don't have the protection of the union.

My conclusion there is that the organized segment of the economy has been able to protect its members so that the members get the full increase in social security when Congress so legislates by almost completely eliminating the direct tie-in of pension plans and social security.

Now the story with regard to integrated pension plans is somewhat different. Few, if any, of the pension plans negotiated since 1950 are integrated. Integrated plans are basically percentage plans in which the percentage for earnings covered by social security is smaller than for earnings above social security. For instance, a common plan may provide 1 percent of earnings up to social security plus 2 percent of earnings above that times years of service. We, in the IUE, have such integrated plans in GE, Westinghouse salaried, Singer, Sperry and RCA. Sometimes these plans may be contributory. Automatically benefits go down when social security increases.

To determine the impact of social security changes on benefits of integrated plans, I am now using one of our plans and assuring steady earnings of \$6,600 a year. In 1950 under this plan the credit would be \$8 a month. Now in 1951 it dropped to \$7.40 and it would have been at that level from that point on. In 1955 when the change was made again the pension dropped to \$6.80; the next time in 1959 to \$6.20. After the last change in social security that person earning \$6,600 would have had his pension dropped to \$5.50 a month per year.

I worked out a simple index. With 1950 as 100, the index would have dropped to 68.7 in 1966. In 1966 he would have received benefits of \$5.50 per month. Over a period of 20 years in the future, this person would lose \$50 a month.

We had quite a problem in our last negotiations with GE on the question of pension benefits. Our formula was tied into social security and on January 1, 1966, the benefit formula changed automatically, affecting both benefits and contributions. I estimated at that time that the drop to our average factory worker would be about 20 percent in pension benefits in 1966 as against 1955 because of the change in social security.

We were able to work this problem out in negotiations with the company whereby we improved the benefit formula almost enough to completely wipe out the loss and we also saved the contribution part of the employees and they were better off. We are negotiating right now with another company which has a slightly different formula. Again using the \$6,600 level of earnings, in 1950 the person would have got \$8.50 a month for that period; in 1966 it dropped to \$5.50 a month. Now in 1965 it was \$7 a month for the year's service and it has dropped \$1.50 from 1965 to 1966 because of the change in social security.

Now using again an index of 100 for 1950, the index in 1966 was 64.7. This means simply that his present pension benefits from the private plan is much less than if there had been no change in social security.

Senator CHURCH. With the benefit of hindsight you could have avoided many problems if the original plan had been set up without reference to social security.

Mr. SWIRE. That is correct. I am not specifically criticizing this, it makes it easier to negotiate. It makes it tough for the ones who don't belong to unions because they have no one to help them negotiate.

To illustrate the impact of the change in social security on one of our pension plan, let's assume that the employee earned an amount equal to the new social security coverage. Here is what happens to his pension benefits under this plan.

Year	Earnings	Benefit before change in social security (per month)	Benefit after change in social security (per month)
1950 .....	\$3,600	\$3.00	\$2.40
1954 .....	4,200	3.40	2.80
1958 .....	4,800	3.80	3.20
1965 .....	6,600	6.20	4.40

Because the social coverage in 1966 jumped three times as much as the past increases, the impact on pension benefits was more marked and the cries of pain were more vocal.

The IUE has a number of companies with integrated pension plans: GE, Singer, RCA, Sperry, Westinghouse Salaried.

Here is the present status with these companies:

GE: We completed negotiations last year, froze coverage at \$6,600, improved the benefit formula and the minimum. For the future, any change in social security coverage will not affect benefits.

Westinghouse salaried: Here we froze the coverage at \$6,600, made improvements for those between \$4,800 and \$6,600. Any change in social security coverage will not affect the benefits.

In Singer we made good improvements but the tie-in with social security remains. If there is a change and social security coverage goes up, we will have to handle it in 1970 when we negotiate again.

RCA is frozen at \$4,800. We are negotiating now with RCA and I presume we will resolve the problem somehow.

Sperry was the last one that I know where we have integrated plans. We are in the process of negotiating now and we will worry about that next month.

Now the auto and steel industries do not have the problem of integrated pension plans in their patterns. They may have a shop here and there with a plan introduced before unions negotiated, but by and large their basic patterns are not now affected by any change in social security coverage.

There are a number of companies with integrated plans that have no unions. These folks are the ones who will really suffer as social security coverage increases.

There are two types of integrated plans: (a) Those with career average formulas and (b) those with formulas based on final earnings, either those of the last 5 years or those of the best 5 of the last 10 years. In the latter type plan there can be a sudden drop in benefits. We don't have any of those that I know of except one we recently negotiated for the first time and it won't affect us. In 1970 if there is a change in social security, we may have to do something about it.

Now consider the situation where a plan provides coverage based on 1 percent of earnings of social security coverage and 2 percent of the excess based on the last 5 years' earnings. If social security coverage is \$4,800, employees averaging \$6,000 per year during the last 5 years and retiring after 30 years would expect pension benefits of \$180 per month. But if before retirement social security coverage went up to \$6,000, the benefits would be \$150 per month or \$30 less.

It is important to remember, broadly speaking, that every time social security coverage increased in these integrated plans, benefits and costs both were reduced. For instance, in one of our plans benefits were reduced from \$5.20 per month to \$4 per month for the average employee. This is a drop of about 24 percent in future service benefits and also in costs. This drop follows on the drop in cost every time there was a change in social security coverage. Now that was offset in part because wages have gone up, but automatically immediately there was a drop.

In the last 6 years I have noticed a development which seems new, and I raise this point because I presume you folks are concerned that

if something were done about preventing a drop in private pension benefits when there is a social security increase there might be an increased cost to the company and this next section deals with that. Many companies have cut their contributions to pension plans substantially. Because of the expanded economy and the increasingly attractive earnings of pension funds, actuaries have been able to modify interest assumptions.

When we first began negotiating in 1950 we assumed interest at two and a quarter or two and a half percent, and insurance companies today are paying five and a half percent. If we used the entire 3-percent difference, and we should not, we could get a 75-percent increase in benefits with no increase in cost to companies at all. Every time interest assumptions are increased, assuming no change for other assumptions, either they can improve benefits or cut cost. In the last 6 years a majority of companies have been able to affect their cost that way.

Now when they modify interest assumptions, two things can happen. The cost for future service is reduced immediately and also the liabilities for past service, even for those already retired, is reduced by approximately 25 percent. Many companies in recent years have had their actuarial assumptions modified and many companies have also used the actuarial gains from turnover, mortality, and earnings to cut their costs.

Let me make one comment on turnover. We have one company which employed 12,000; employment is now down to 3,000 people. I looked at some of the figures. Those laid off were worried about how to get by; so they asked the company for return of their own contribution plus interest, and in doing so they lost all the value of the company's contribution on their behalf.

In the years 1963, 1964, 1965, and 1966 the return to the corporation because of these people taking out their own contributions, amounted to an average of two and a half million dollars a year which is fairly substantial.

I am not saying this with any aspersion but because these people had taken the vested rights, the company saved two and a half million dollars which meant the company's cost had gone down substantially.

I check the cost figures for some of our companies. For instance, we had one company that paid about \$60 million a year annually during the late fifties. In 1961, the contribution dropped to \$22 million and remained in that area until 1965 when it rose to \$43 million.

I stress these figures because my experience in recent years indicates that many companies, taking advantage of the earnings of an expanding economy, have cut their pension contributions substantially. I have argued with many companies that they ought to share the gains with our people because the Democrats were responsible for some years now in expanding the economy and we ought to get credit for it. For some reason the companies don't seem to appreciate that particular type argument. I mention this point because of the worry that if legislation is passed not permitting private plans to cut benefits because of increased social security, there might be an incentive to cut down on private plans altogether.

Now this problem came up when the Internal Revenue was checking on integrated plans and there was quite a rumpus about the

fact if the Internal Revenue ruling held, some of the companies might have to increase the higher level for higher paid executives and the cost would be too high.

Even if the companies had felt impelled to raise the higher level for the higher paid people they would not have been paying as much as they would have 5 or 6 years ago, and they could well have afforded the cost.

My experience has been, with regard to plans originated 15 or 16 years ago, that contributions have been basically reduced since 1960. Again, I cannot make this generality with regard to all plans. I doubt, for instance, if they apply to the auto plans because of special provisions put in 1964 in the automobile industry, and we don't have the results of that yet.

One of our companies with an integrated plan has an old-fashioned group annuity program with conservative assumptions, and their contributions are less than what they were 10 years ago. I raise this because again they have been able to take advantage of the change in social security. However, because of the peculiar nature of this old-fashioned plan, the insurance company's funds on behalf of this one plan are far more than adequate for the need. In fact, in addition to reducing contributions in recent years, a rational approach to the funding problem by the company indicates that there would be an excess of \$40 million or about 25 percent of the value of the fund if present-day conventional funding methods were used. Now this again is an integrated plan.

What I am saying here is that I cannot imagine how legislation preventing reduction of pension benefits because of increased social security payments could be an incentive for this company to eliminate or reduce the impact of the private plan.

Our unions have objected strenuously when the purpose of Congress in increasing benefits is thwarted by a pension formula. I think it is a shame that some people get reduced benefits when Congress has determined that social security should be increased because of rising costs.

I do know that our unions over the years will do their best to protect our people, but members of unions are a minority in the country. Even if we can protect our people, there are others who do not have such protection and who have no recourse when their pension benefits are reduced as a result of congressional efforts to increase their standard of living.

My impression as a result of checking into company contributions in recent years is that, by and large, the larger companies have cut their contributions so substantially that any reasonable type legislation cannot have a deterrent impact on them.

Thank you.

Senator CHURCH. Obviously you are very familiar with the details of these various pension plans. I suppose you had a good deal to do with negotiating the most important ones.

Suppose Congress were to take a different turn. Instead of the waiver that the administration proposed, suppose the Congress were to write into the next Social Security Act involving increased benefits that no one on a pension plan or receiving any other kind of benefit should have his entitlement affected by virtue of the increase granted by the Congress in social security.

See what I mean?

Mr. SWIRE. Yes, sir.

Senator CHURCH. In other words, obviously our intention all along has been to increase the benefit because we felt that general conditions require an increase, and yet, obviously that has been frustrated in many cases by virtue of pension plans and by virtue of veterans pensions and other provisions of the law.

What would the impact of that kind of a provision be on these pension programs? Would it have any impact or would it result in passing along the increased benefit to the retiree, or what would be the effect?

Mr. SWIRE. I think it would be very important as a resolution or the statement to the effect that it is the intent of Congress that the benefits must not be reduced because of congressional raise in social security. It would be helpful to us in that we would bring it up immediately and say this is not the intent inasmuch as it does not increase the cost of the company. I don't know the full answer to the problem.

On the integrated plans, we are trying to either freeze them at \$6,600 or to eliminate the tie-in with social security completely. That is what we are trying to do at the present time. We have resolved the problem at General Electric. We hope to clean it up in Sperry and RCA. We don't have to worry about that for a few years. I do think that statement is important; I think it would be helpful. I don't know if you can pass legislation that will help the problem.

Senator CHURCH. What you are saying is that the pension plans are fixed upon a contractual agreement between employers and employees?

Mr. SWIRE. That is right.

Senator CHURCH. The Congress could not alter that contractual agreement by any general provision of the law. I think you are right there; I think that is beyond the power of Congress.

Mr. SWIRE. I think the thing you suggested is a minimal approach but I think it is important.

Senator CHURCH. Any questions?

Mr. NORMAN. Mr. Swire, speaking of possible solutions, as the acting chairman was speaking of a few minutes ago, what do you think of the proposed solution of a provision in a social security increase statute, to the effect that if any pension plan denies its beneficiaries the benefit of this social security increase it shall lose its qualification and thereby lose certain valuable tax privileges?

What would the reaction of your union and the reaction of labor generally be to that type of provision?

Mr. SWIRE. I cannot speak for labor in general because most every union has a different approach.

I am not sure I can speak for my own union actually because we have never discussed this.

I would hate to play around with the tax approach to this problem. I know some people think it should be done but I would shy away, automatically.

Now, maybe I am wrong; maybe I have to do a little more thinking about it. That is my immediate response.

Mr. NORMAN. That is helpful to know that is your response.

Another possible solution would be a provision giving the Commissioner of Social Security or the Secretary of HEW power to deny the social security increase to any pensioner when he finds the pensioner's



total retirement income would not benefit from the increase. In other words, if it is not going to do the man any good, Congress would say, we are not going to put any social security funds into raising his social security. What would your reaction be to that approach?

Mr. SWIRE. I don't get that question.

Mr. NORMAN. Here is the possible solution. I will try to explain it better than I did before. That is, provision in the social security increase legislation directing the Secretary of HEW or the Commissioner of Social Security not to pay any part of the social security benefit increase to a social security beneficiary which will not increase his overall retirement income.

In other words, if he finds that this man is not going to get any benefit from the social security increase because a private pension benefit would suffer a corresponding reduction or because his veteran's pension would be reduced, let the Commissioner of Social Security say he is not going to get the increase.

Mr. SWIRE. That would be handled almost completely on an individual basis. They would have to make a decision regarding each individual.

Senator CHURCH. What would be the administrative cost of that?

Mr. SWIRE. That would be rough. You would have all sorts of administrative problems. I am not sure it would resolve anything anyway.

Mr. NORMAN. Could it not be handled administratively with reference to each company's pension plan?

Mr. SWIRE. Each company and each individual.

Mr. NORMAN. Could they not find out from each company whether its plan has any provision of that type?

Mr. SWIRE. Let me put it this way: Take the integrated plan. In the integrated plan, unless you freeze the rate between the smaller percent and the higher, automatically every time social security goes up the benefit goes down. I don't think you resolve the problem by having this approach. Every integrated plan will be affected that way.

Assume automatically that the people covered who are retiring after social security get no increase in social security. There might be too many people involved. It would give you some tough problems there.

Mr. NORMAN. I am glad to get your reaction to that.

Here is another possible solution that would just permit the beneficiary to waive the increase if it is not going to do him any good.

Mr. SWIRE. Again, with integrated plans, it is a contractual relationship automatically. They have reduced credit not for past service but for future service. The plan is a legal document, made according to legal documents and individual waiver.

Mr. NORMAN. Yes.

Now, Mr. Swire, how many such pension plans do you believe there are left and how many workers would you estimate are covered; that is, the plan under which if Congress votes a social security increase a corresponding reduction will be made in the beneficiary's private pension?

Do you have any idea about that?

Mr. SWIRE. Well, the only ones that I know of are the production employees. Steel has an arrangement with tie-in pensions and they have reduced the deduction for social security to \$60 a month so it has no impact because the minimum worker does better than that.

In our industry right now I would say less than 100,000 are affected.  
Mr. NORMAN. I see.

To your knowledge, are there any private pension plans whose terms require that when a social security benefit increase is received the private pension will be reduced by more than the amount of the social security benefit increase and, if so, about how many plans would there be of that type? In other words, a situation like veterans' non-service-connected pensions?

Mr. SWIRE. I don't know.

Mr. NORMAN. You have never heard of any such pension plan whereby they would reduce the private pension by more than the amount of the social security benefit increase?

Mr. SWIRE. I don't know of any right now at all. We have none in the IUE. I don't know if there are any in auto, steel or not. Now, there may be. You may know them; I don't.

Senator CHURCH. Can you give me the figures which you previously gave—I didn't catch them when you gave them—as to the total number of people that are now on private pension plans?

Mr. SWIRE. That was a rough guess.

Senator CHURCH. You said 22 million?

Mr. SWIRE. 22 million; it might be between 22 and 25 million; I am not sure.

Senator CHURCH. How many people are presently receiving benefits under social security?

Mr. SWIRE. Social security? I had not checked with that but I assume it is around 12 million. You folks might know that.

Senator CHURCH. I suspect we do.

Mr. NORMAN. The Social Security Administration advises that roughly 12 to 15 million older individuals receive social security benefits. If you include recipients in younger age groups, it would be even more than that.

Senator CHURCH. 12 to 15 million and those actually receiving benefits under private plans are—

Mr. NORMAN. About 2 to 3 million. The report of the President's Committee on Corporate Pension Funds estimated almost 2.5 million as of January 1965. It must be approaching 3 million by now.

Senator CHURCH. 2 to 3 million.

Mr. SWIRE. That is right.

Senator CHURCH. Well, this is a very peculiar problem because I can see ways that Congress would deal effectively with veterans' pensions and other public pension plans which are regulated by law. Private pension plans are really determined by negotiation and fixed by contract. I think simply making it clear that the intent of Congress is to increase benefits for all those receiving them may be all that Congress can do in this field, and then leave it to the unions and management to renegotiate accordingly from time to time as opportunities present themselves, as contracts expire, and new contracts are entered into.

Isn't that about it?

Mr. SWIRE. That is my feeling, too.

Senator CHURCH. Thank you very much.

Mr. NORMAN. Mr. Swire, when the receipt of a social security increase causes a like reduction in a private pension benefit, the bene-

fiary fails to receive the benefit of the social security increase. Who does benefit? Do the other beneficiaries of the private plan benefit because the plan has more money with which to provide more liberal benefits? Does the employer benefit through reduced contributions?

Would an insurance company benefit if it is an insured benefit? Who does benefit when private pension benefits are cut back by reason of a social security increase?

Mr. SWIRE. The company's cost is reduced; the company benefits until the union gets onto them. The company's cost for the benefit is reduced.

Mr. NORMAN. It will reduce its contribution?

Mr. SWIRE. Over a period of years the company cost is reduced.

Senator CHURCH. Thank you, Mr. Swire for your helpful testimony. We have been promised a statement from the Treasury Department on the private pension aspects of the subject with which these hearings are concerned. It will appear at this point in the record.

TREASURY DEPARTMENT,  
*Washington, D.C., April 28, 1967.*

DEAR SENATOR RANDOLPH: This has reference to our prior correspondence concerning the hearings your subcommittee has held on the subject of "Reduction of Retirement Benefits Due to Social Security Increases." This letter is intended to provide the subcommittee with a discussion of the relevant tax provisions and appropriate background information.

Pension plans which meet the requirements contained in the Internal Revenue Code qualify for favorable tax treatment. One of the principal conditions that must be met is that contributions or benefits under the plan must not discriminate in favor of officers, stockholders, supervisors, or highly compensated employees.

However, the code specifically provides that, for the purpose of these requirements, a plan may qualify even though it excludes employees whose entire compensation is not in excess of the maximum wages subject to social security contributions. Alternatively, the plan may provide different rates of contributions or benefits for these employees than are provided for other, or higher paid employees. In general, by these provisions Congress intended to permit the qualification of plans which are designed to supplement the social security program. Therefore, under the code, if plan benefits are satisfactorily integrated with benefits under the Social Security Act, the plan will qualify, notwithstanding differences in coverage or benefits as between employees whose earnings are below the maximum social security wage base and those whose earnings are in excess thereof.

There are various types of integrated pension plans, each supplementing social security in a different manner. One type, commonly referred to as an "excess" plan, provides a retirement benefit equal to a specified percentage of the employee's average earnings in excess of the wage level at which the plan integrates with social security, frequently the maximum social security wage base. In order to qualify under the code, the pensions which these plans provide may not be relatively greater than the retirement benefits which the lower paid employees receive under the social security laws attributable to the employer's social security contributions. Under this type of plan,

plan benefits are not subject to modification by reason of increases in social security benefits payable to a retiree which occur subsequent to his retirement.

Under another type of integrated plan, the benefits provided by the employer's plan supplement the benefits provided by the social security program by an offset type of benefit formula. This type of plan provides the employee with the difference between a total amount specified in the plan and his social security retirement benefit, or a designated percentage thereof. Thus, the employee is granted a total pension of a fixed amount, with the excess over the portion furnished by the social security system being furnished by his employer's plan. These plans may qualify under the present code provisions if the amount of the reduction for social security benefits is not as great as to include any portion thereof which may properly be considered attributable to employee contributions to the social security system.

However, the offset for social security benefits may be adjusted following retirement by reason of increases in social security benefit schedules. Thus, the effect of such a plan may be to reduce plan benefits as social security benefits increase. However, in some cases employers have amended the pension plan to restore the reduction in plan benefits so that the retiree realizes the full increase in social security benefits.

The Internal Revenue Service advises that their statistical compilations do not reflect the number of tax qualified offset type pension plans. Accordingly, I am unable to furnish you with data indicating the incidence of these plans or the total number of present and retired employees covered by such plans.

I trust the foregoing will be of assistance to the subcommittee in its consideration of this important subject.

Sincerely yours,

STANLEY S. SURREY,  
*Assistant Secretary.*

Senator CHURCH. The subcommittee is also interested in reductions of State, county, and city pensions due to social security increases. We have invited witnesses to testify on this subject, but none were able to accept. However, a statement was received from the American Federation of State, County & Municipal Employees, AFL-CIO<sup>1</sup>, which will be included in the record at this point.

AMERICAN FEDERATION OF STATE, COUNTY,  
& MUNICIPAL EMPLOYEES, AFL-CIO,  
*Washington, D.C., April 21, 1967.*

HON. JENNINGS RANDOLPH,  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR RANDOLPH: We should like to thank you for inviting us to testify at the hearings on reduction of retirement benefits due to social security increases. We regret that we cannot appear at the hearings; however, we are herewith submitting a statement to the Subcom-

<sup>1</sup> See also letter and memoranda received from the American Association of Retired Persons and National Retired Teachers Association, reproduced beginning on p. 98 of the Appendix.

mittee on Employment and Retirement Incomes in which we express our position regarding this issue.

Upon receipt of your letter, I asked our department of education and research to scrutinize as many retirement plans as possible in order to learn the extent of provisions in State and local systems which reduce annuities when social security benefits increases are received. The department has reported to me the following:

One hundred and fifty-five retirement system laws were examined; the laws were effective as of 1962 or later. The systems apply to the employees of 48 States, 82 cities, 14 counties; and to employees of cities which participate in statewide municipal systems in 11 States. Public employees in all parts of the country belong to these various retirement plans.

Of the 155 plans, nine have provisions for offsets of all or part of the OASDHI benefit. The method of offset varies somewhat in these plans. The following is an explanation of the several different methods found and a listing of the systems where they occur:

(1) *Full offset.*—The retirement benefit is reduced by the full amount of the social security primary benefit: Norwalk, Conn. employees' retirement system.

(2) *Half offset.*—The amount of the retirement allowance is reduced by one-half of the OASDHI primary benefit: San Francisco city and county employees' retirement system; and Sacramento city employees' retirement system.

(3) *Partial offset.*—The amount of the retirement allowance is offset by one-half the amount of the OASDHI primary benefit which the employee would have received had he retired as of July 1, 1957, under the Vermont employees' retirement system; the full amount of the OASDHI benefit payable as of 1959 is offset against the pension paid by the New Jersey public employees' retirement system.

It should be noted that in both these systems, employees will receive the advantage of any increase in the OASDHI primary benefit formula after a given date.

(4) *Other variations of offset.*—The Stamford, Conn. classified employees pension plan has a fixed formula benefit which includes the Federal social security benefit. As a result, with each increase in social security benefits, the portion payable from the city system is reduced.

The Milwaukee city employees' retirement system applies a reduced formula to that portion of the salary subject to OASDHI tax; the reduction may run as much as 50 percent of the member's social security primary benefit.

West Hartford, Conn., pension system uses a similar method except that the reduction may amount to the full social security benefit.

The Bristol, Conn., retirement plan provides that 50 percent of any increase in the social security benefit after June, 1959 is deducted from the pension.

Although our studies show that nine of the 155 retirement systems examined have some form of offset, we are reluctant to extrapolate on the basis of these figures. This ratio might or might not prove valid if further studies were conducted.

We have fought, from the inception of social security coverage for State and local employees, to keep the offset provisions out of retirement plans. We have had a measure of success. A number of systems which originally used the offset subsequently repealed it, among them the Delaware State pension system, the Pennsylvania State employees' retirement system, and the Philadelphia city employees' pension system. Very recently the Milwaukee County employees' system removed the offset requirement. This is encouraging, for it shows that these employers recognize that the Federal system is intended to serve as a floor of retirement protection for employees, upon which additional retirement coverage is to be built.

However, there are enough people still affected by offset provisions in present retirement systems to warrant strong recommendations for complete elimination of the offset principle. If Congress desired to prohibit such provisions in pension plans in the private sector, this could be done by denying tax credits to those certain systems. In the public sector, this approach is obviously not applicable.

We, therefore, suggest that Congress make a policy statement regarding this matter as a preface to any new legislation on social security. We urge that Congress forcefully state its policy that increases in social security are intended to provide additional total benefits.

A policy statement by Congress as we have suggested would greatly strengthen efforts to abolish offset provisions in public employee retirement systems.

Respectfully yours,

JERRY WURF,  
*International President.*

(The following statement, requested for the record by the subcommittee, was subsequently received.)

STATEMENT SUBMITTED FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES BY ANDREW A. MELGARD, CLU, CPCU, SENIOR ASSOCIATE, HUMAN RESOURCES DEVELOPMENT GROUP

The Chamber of Commerce of the United States welcomes the invitation of Senator Jennings Randolph, chairman of the Subcommittee on Employment and Retirement Incomes, Special Committee on Aging, U.S. Senate, to submit a statement on "Reduction of Retirement Benefits Due to Social Security Increases." In keeping with the chairman's request, we will limit our response to private pension plans and particularly questions 5, 6, and 7.

PREVIOUS HEARINGS

At the hearings held before this subcommittee in 1965 on the subject of "Extending Private Pension Coverage," representatives of the National Chamber testified that there were two basic principles necessary to create a climate of certainty in which government unequivocally recognizes and encourages the private sector's role in aiding employers and employees to provide adequate retirement income. Those principles are:

- (1) Employees should be encouraged and aided by all proper means to provide money income for their retirement years by

savings of all kinds. Pension funds created by employers and placed in securities and other assets of productive enterprises and other economically sound investments are an important supplement to individual savings as well as a necessary support for our economy.

(2) The social security system for making payments to retired people should maintain the objective of providing a "floor of protection" against want and destitution at a cost which does not impose an unfair burden on those who are taxed.

The National Chamber supports the position that maximum encouragement should be given to continued growth and expansion of private pension plans. Governmental restrictions which would hamper such growth and expansion should be avoided. Employers and employees should remain free to work out pension plan arrangements best suited to their own needs and requirements. The Chamber thinks that all individuals should be encouraged during their working lives to build private retirement income out of earnings either on an individual or group basis. Restrictive tax provisions impeding this should be modified in an equitable manner. Individuals should be permitted to exercise maximum freedom of choice in the selection of savings and investment media for personal or group retirement.

As a result of these previous hearings, and because of the assistance of the expert witnesses who shared their experience and expertise with the subcommittee, the June 1965 report of the subcommittee, entitled "Extending Private Pension Coverage," contained sound findings and recommendations. We were particularly impressed by finding No. 4 which stated: "The Federal Government is not doing all it can do and should do to encourage and stimulate the extension of private pension coverage." Following that finding, the subcommittee made a series of helpful recommendations. The specific recommendations on the Self-Employed Individuals Tax Retirement Act of 1962 (H.R. 10 plans) were particularly significant in advancing the objective of this subcommittee: To provide more and better private pensions and more adequate income for the elderly.

On April 18, 1966, in a committee print entitled "Data on Self-Employed Retirement Deduction for Taxable Year 1964," the Committee on Ways and Means of the U.S. House of Representatives published a Treasury Department report on H.R. 10 plans. We think the Members of Congress were shocked to learn that less than 40,000 persons had availed themselves of the benefits provided by the Self-Employed Tax Retirement Act. It was well known that there were over 6 million self-employed persons who employed over 9 million individuals. Some authorities have estimated that close to 20 million are self-employed or work for the self-employed.

Although the Treasury Department strongly objected to changes in the law, it was obvious to the Members of Congress that restrictive tax provisions were destroying the opportunity for millions of persons in the self-employment segment of our economy to build effective retirement income. By an overwhelming vote of 291 to 0 the House of Representatives moved to ease the inequitable and restrictive tax provisions contained in the Self-Employed Tax Retirement Act. Subsequently, the Senate voted favorably and the easing of these tax provisions has been provided for in Public Law

89-809 of the 89th Congress. The removal of these restrictive tax provisions will not be effective until the end of this year. We have learned, however, that already additional, widespread interest in creating H.R. 10 plans has been in evidence. Unquestionably, the self-employed and their employees will look forward to more adequate retirement income because of the wise and foresighted action taken in this field by the 89th Congress.

We have emphasized the H.R. 10 action for two reasons. First, we think this subcommittee should justifiably take pride in the fact that its previous recommendations have already borne fruit in the H.R. 10 field. Secondly, and of utmost importance, the H.R. 10 controversy should be an object lesson for everyone concerned with the problem of old age income assurance. Unwise, inequitable, and unduly restrictive tax provisions destroy the opportunity for meaningful private pensions. When you compare the 40,000 individuals covered under self-employed pension plans with the over 27 million individuals covered under corporate plans, the disastrous effect that unwise tax legislation can have on the creation of adequate retirement income is clearly apparent.

#### CONTINUED GROWTH OF PRIVATE PENSIONS AND RELATED EMPLOYEE BENEFITS

Our American private pension plan system is a flourishing, growing, robust way of life. Major growth has come during the last 25 years. Pension plans have grown through the voluntary actions of employers, unions, and employees. Employers, for humanitarian, public relations, and economic reasons, have enthusiastically supported the year-by-year progress being made in our private retirement systems. The history of almost every pension plan shows a consistent trend to liberalization every few years.

It has been estimated that there are more than 50,000 private pension plans today covering close to 28 million employees, or over half of the nongovernmental, nonagricultural labor force. Yearly contributions to these plans are about \$7 billion, with over 80 percent of this amount coming from employers. Assets amount to over \$90 billion which will meet the benefit obligations of these plans. Most important, \$3 billion is being paid annually to about 3 million beneficiaries.

It has been predicted that, by 1980, 42 million employees will be covered by private pension plans. There will be over \$200 billion in assets. These plans will be paying \$9 billion per year in benefits.

What is true in the private pension field is true in the entire "fringe benefits" field. Employers through a variety of approaches have been increasing their aid to employees in helping them meet all the hazards that threaten their economic security and well-being. The latest fringe benefits survey of the National Chamber, based on over 1,000 reporting companies, shows that between 1955 and 1965, weekly benefit costs for pensions for each employee increased from \$2.94 to \$4.35. This is a 48-percent increase in weekly contributions per employee over a recent 10-year period. At the same time, there were equal or greater percentage increases in the contributions for life insurance, hospitalization insurance, workmen's compensation, unemployment compensation taxes, profit-sharing plans, and other fringe benefits. We can assure



the subcommittee that there has been continuous growth in all fringe benefits areas, including those that aid retired employees.

We have mentioned the advances made in the entire fringe benefits area to make an obvious point. Employers must consider the economic security needs of all their employees, just as Senators must consider the economic needs of all their constituents. Very often young single men and women have little interest in fringe benefits and would prefer to have more take-home pay. Contrariwise, young married men with children are interested in life and hospitalization insurance but not in far-off retirement pay. Middle-aged working widows who have inherited a small estate from their husband may be more interested in profit-sharing plans and paid vacations than in other fringe benefits. All older workers, however, are interested in pension and other retirement benefits. The Chamber's fringe benefit survey showed that 24.7 percent of payroll was going to all fringe benefits and that pension payments averaged 4.4 percent of payrolls. The average employer's problem is to have the freedom necessary to allocate out of the total fringe benefit payment reasonable percentages of payroll for each specific fringe benefit. This is a crucial freedom in all employee relations. Unduly restrictive tax provisions in any area of fringe benefits can play havoc with the average employer's approach to all the economic needs of all his employees.

The Chamber is concerned that, despite the enormous healthy growth of private pension plans, there is beginning to develop today a climate of uncertainty. There is a growing fear that the Federal Government, in one form or another, may start to move into the fringe benefit and private pension field with restrictive legislation. In such a climate, healthy growth is slowed, decisions are delayed, and those workers not covered—who could benefit from new pension and fringe benefit plans—suffer. This atmosphere of anxiety disserves the public interest in our private pension plan system. Any unfounded fears about restrictive legislation being enacted in this area should be relieved. The National Chamber asks the Senate Subcommittee on Employment and Retirement Incomes to help dispel this climate of uncertainty about a Federal "takeover" of the voluntary private pension plan system by endorsing again its support for the extension of our private pension system.

#### QUESTIONS POSED BY THE SUBCOMMITTEE

Question 1. What, if any, evidence is there in the historical background of social security to indicate that it was the intent of Congress and others who have participated in the development of our social security system that other retirement benefits should or should not be reduced as social security benefits are increased? Which of these statements would be closer to their intent?

Statement No. 1: As time goes on social security should play an increasingly important role in providing adequate retirement incomes. Therefore, as social security benefits are increased, other retirement benefits should be decreased.

Statement No. 2: Social security is designed to provide only a floor on retirement incomes. Therefore, if overall retirement incomes are to be adequate, other retirement benefits must be maintained at their former levels when social security benefits are increased.

The entire historical background of our social security system shows that Congress intended to provide a "floor of protection" upon which the individual can build through homeownership, individual savings and insurance, and fringe benefits including private pensions. The present law represents compromises, but we believe it is still the clear congressional intent that social security should act as a "floor of protection" and not the only source of retirement income.

We agree with the first sentence of statement No. 2. The second sentence presents problems. It may not be a non sequitur but simply a statement that calls for more clarification. We deem it important for the subcommittee to distinguish between current pension benefits being paid to retired persons at the time of a social security increase and future benefits for presently working employees.

With respect to current private pension benefits being paid to retired persons, we find no complete or authoritative statistics. We have, however, discussed this problem with knowledgeable industrial leaders, pension consultants, and bank and insurance executives who administer thousands of private plans. These pension experts unanimously agree that the overwhelming majority of current pension plans do not reduce benefits for retired persons when social security is increased. They consider such cases to be rare, isolated, and rapidly disappearing. Employers—and, in negotiated plans, management and unions—are acutely sensitive to inflation and cost-of-living increases and their impact on retired persons. Therefore, there appears to be no need for legislation in this area.

The situation with respect to future benefits for current employees is different. Both social security benefits and private pension benefits are favorably loaded for lower paid employees. In planning for the level of benefits in a private pension plan, an employer would be remiss if he did not keep social security taxes and benefits in mind. There are many ways that the employer can integrate or correlate the pension benefits with those under the social security system. The basic social security primary benefit is about 30 percent of pay subject to social security taxes and it is simply too large to ignore in terms of total retirement income objectives. Aside from the fixed-benefit-type programs for hourly employees in the automobile, steel, and other industries, private pension planners often consider providing pensions of about 40 percent of pay for high-salaried, long-service employees to about 60 percent for the lower paid long-service employees. Actually, the sources of this kind of benefit are the private pension and social security. Consequently, as social security changes, the factors composing the 40 to 60 percent will change. The foregoing, of course, is in terms of long-range plans.

If employers were compelled by fear of loss of tax qualification not to make necessary adjustments in their pension plans when social security taxes and benefits were changed, there would be a loss of control of nondiscriminatory pension planning for the various "generations" of future retirees. Imbalances would appear in the various percentages of payroll allocated to other fringe benefits. Fringe benefits, including pensions, would be less responsive to the developing needs and demands of employees.

These facts are made clear by examining the statistical figures compiled for the National Chamber by Ray M. Peterson, F.S.A. (Refer to

exhibit I and II.) Exhibit I displays the steadily increasing proportion of income replacement provided by OASDI benefits. Exhibit II demonstrates that unless some reduction in private plan benefits is permitted on the occasion of future increases in social security benefits, an unreasonable amount of income replacement is produced. In many cases, it would go beyond replacement of net take-home pay. Exhibit II shows, for example, that for a man with 40-years service under social security and a typical private pension plan, he and his wife would receive about 105 percent of average monthly earnings of \$300 under the present administration bill (H.R. 5710) if no adjustments in pension plans were permitted. Under the Kennedy bill (S. 1009), the same couple would receive over 22 percent more income after he retires than he was earning prior to retirement. At \$400 a month, retirement pay would be 112 percent of previous earnings; and, at \$500 a month, 105 percent of earnings. Such results would be viewed as being unfair and uneconomic. What would happen to the average citizen's incentive to save and the older worker's incentive to be employed? Would such results meet the overall objectives of the Senate Special Committee on Aging?

It should be obvious from the foregoing why the Treasury Department got in such a quandary about revising the formula for integrating pension, annuity, profit sharing, and stock bonus plans with old-age and survivor insurance benefits as changed by the 1965 amendments to the Social Security Act. When the Department called for background information on this subject in October 1966, it received over 3,000 replies from employers and other interested parties. There was grave concern that the new formula given by the Treasury Department would force a reduction in benefits promised employees or a substantial increase in the annual costs of providing private pensions.

The Chamber urged the Treasury Department to retain the present integration percentage. Otherwise, Secretary Fowler was urged to recommend to Congress, as an amendment to the Internal Revenue Code, a permanent integration rule that would not require periodic change. The Treasury Department announced in January 1967 that an advisory panel of experts had been appointed to furnish advice to the Department on this thorny problem. The Department promised that this panel will also consider the effects, on tax rules for integrating private pension plans, of further possible changes in the social security contribution and benefit structure. Meanwhile, various interested parties including the Chamber are continuing their own studies of this situation.

We are certain the Congress will be as anxious as the business community to see the conclusions reached by the Treasury Department and its advisory panel. In the interim, we recommend that no precipitate legislative action be taken in the private pension tax area.

Question No. 5. Is it desirable or undesirable to permit private pension plans to contain provisions reducing pensions of their beneficiaries as a result of social security benefit increases?

It is eminently desirable to permit private pension plans to adjust pension plans as a result of social security tax and benefit changes.

It is a fundamental policy of most pension plans to take into consideration the amount which social security will provide as part of an

employee's retirement income. The plan benefit formula is then designed to supplement expected social security payments by an amount which is deemed necessary to place each employee at a retirement income level appropriate to his compensation history and length of service. The plan, of course, must fall within the employer's ability to pay for the benefits provided. For example, if an employer feels that he would like his average long-service employee to have a retirement income of 50 percent of his final 5-year average compensation, and if social security will provide 30 percent, then he would supplement to the extent of 20 percent. Obviously then, if social security is increased in a manner that will project a 35-percent benefit in the future for active employees, the employer need only provide 15 percent to achieve the 50-percent goal. This does not mean that the employer will reap a retroactive bonanza. Such a correction may reduce both the future funding and the future tax deductions of the employer. There will be an offset to the extent the employer is required to pay increased social security taxes. However, past experience indicates that the funding level may remain the same or even increase. The reason for this is that social security increases follow inflation and rising living costs. Under such conditions, the actual dollar amounts of private pension benefits tend to increase or at least remain at the same level.

The situation is different for persons already retired. Most industrial pension plans freeze the benefits payable at actual retirement and therefore the full amount of subsequent social security increases are passed along to the pensioners and are not used to reduce the existing private plan payments. In that manner, the pensioners receive an adjustment to offset increases in cost of living. As a matter of fact, many employers periodically review their pension payrolls to see if further upward adjustments are deemed necessary.

The Chamber believes it is desirable to permit private pension plans to adjust benefits payable in the future for active employees as a result of increases in social security benefits. It is also appropriate to permit adjustments of pension plan benefits to reflect social security benefit increases where a minimum benefit is provided for. For example, a plan might provide a minimum benefit of \$250 a month, inclusive of social security, at age 65 for people who would not be entitled to that amount under the regular pension plan formula based on wages and length of service. This type of minimum is usually adjusted upward from time to time to conform to current wage levels and the effect of such adjustments would probably not reflect in full the total increase in social security benefits.

Question No. 6. If desirable, what is the best way of preventing such pension reductions?

We believe it should be left to employers—and, where present, unions also—to make adjustments consistent with our answer to question 5. Further, we believe there should be a clarification of terminology in hearings of this type to eliminate confusion as between adjustments in benefits payable in the future to currently active employees and in pension benefits being paid to already retired employees. As indicated in our answer to question 5, it seems perfectly appropriate to adjust the level of future benefits to take all outside factors into

consideration. Seldom, if ever, are pension payments to retired employees reduced by reason of social security increases unless this is stipulated in a collective bargaining contract.

In all candor, we would like to emphasize to the subcommittee that employers keep their pension plans current because of a number of pressures. First, there are all the normal humanitarian pressures of providing for employees when they retire. Second, there is the necessity to hold present and attract new manpower of a caliber to allow the enterprise to successfully compete. This demands an attractive pension and fringe benefits program. Third, there are the demands of employees and, where applicable, union pressures. Actually, there is serious doubt as to whether additional Federal requirements are at all necessary.

Question No. 7. How effective and appropriate would it be to require as a condition to qualification or continued qualification of a pension plan under Internal Revenue Code section 401 that the plan prohibits reduction in benefits as a result of social security benefit increases?

We believe such a condition is too broad for the reasons indicated in our previous answers.

#### CONCLUSIONS

The National Chamber thinks this subcommittee will wish to avoid any recommendations for legislation that would inhibit or restrict the growth and expansion of the voluntary private pension plan system. We recommend that in providing flexible, tailor-made pension plans, management should be able to look at the overall retirement benefits an employee will receive. Employers should be permitted to retain discretion in adjusting private pension benefits as social security benefits are changed.

Finally, we believe that this subcommittee should continue its positive policy of making recommendations similar to those made for self-employed pension plans. There is further need for the Federal Government to be urged to do all it can to encourage and stimulate the extension of private pension coverage.

#### EXHIBIT I.—Proportion of gross income replaced by OASI benefits for male worker and for male worker and wife

[In percent]

OASI act or bill	Average monthly earnings							
	\$200		\$300		\$400		\$500	
	PIA	H. & W.	PIA	H. & W.	PIA	H. & W.	PIA	H. & W.
1939.....	21.0	31.5	20.0	30.0	15.0	22.5	12.0	18.0
1950.....	32.5	48.8	26.7	40.0	20.0	30.0	16.0	24.0
1952.....	35.0	52.5	28.3	42.5	21.2	31.9	17.0	25.5
1954.....	39.2	58.9	32.8	49.2	27.1	40.7	21.7	32.6
1958.....	42.0	63.0	35.1	52.7	31.8	47.6	25.4	38.1
1965.....	45.0	67.5	37.6	56.4	34.0	51.0	31.4	47.1
H. R. 5710 (administration bill).....	51.7	77.6	43.1	64.6	39.1	58.6	36.1	54.2
S. 1009 (Kennedy bill).....	67.5	101.2	55.2	82.5	48.1	72.2	43.6	65.4

NOTE.—PIA is the primary insurance amount. H. & W. is the husband and wife benefit equal to 150 percent of the PIA.

EXHIBIT II.—*Proportion of gross income replaced by sum of (1) OASI husband and wife benefit, and (2) private plan benefit equal to 1 percent of earnings for each year of service*

[In percent]

UNDER THE 1965 AMENDMENTS

Years of service	Average monthly earnings			
	\$200	\$300	\$400	\$500
25.....	92.5	81.4	76.0	72.1
30.....	97.5	86.4	81.0	77.1
35.....	102.5	91.4	86.0	82.1
40.....	107.5	96.4	91.0	87.1

UNDER H. R. 5710 (ADMINISTRATION)

25.....	102.6	89.6	83.6	79.2
30.....	107.6	94.6	88.6	84.2
35.....	112.6	99.6	93.6	89.2
40.....	117.6	105.6	98.6	94.2

UNDER S. 1009 (KENNEDY BILL)

25.....	126.2	107.5	97.2	90.4
30.....	131.2	112.5	102.2	95.4
35.....	136.2	117.5	107.2	100.4
40.....	141.2	122.5	112.2	105.4

NOTE.—In order to determine the proportion of net take-home income replaced by total old-age income, adjustment of these percentages is necessary to allow for (i) tax-exempt social security, (ii) additional personal exemptions for those 65 and over, and (iii) the discontinuance of social security taxes. For such adjustment, the foregoing percentages should be increased at least 5 percent at the \$200-a-month level and at least 10 percent at the \$500-a-month level.

Senator CHURCH. This concludes the testimony from witnesses who were scheduled to testify orally during these hearings of the subcommittee. However, we have received statements which we will include in the record along with the testimony received orally by the subcommittee yesterday and today.

The hearing record will be printed soon and the subcommittee will send copies to those who have made contributions to our hearings.

On behalf of the Subcommittee on Employment and Retirement Incomes and on behalf of its chairman, Senator Jennings Randolph, I wish to thank all of you who have testified, those who have submitted statements and those who have served as our audience during these hearings.

If there is nothing further to come before the subcommittee at this time, we will stand adjourned.

(Whereupon, at 11:40 a.m., the subcommittee adjourned.)

# APPENDIX

## APPENDIX A

### LEGISLATIVE REFERENCE SERVICE MEMORANDUM

THE LIBRARY OF CONGRESS,  
LEGISLATIVE REFERENCE SERVICE,  
Washington, D.C., April 14, 1967.

To: Special Committee on Aging.

From: Education and Public Welfare Division.

Subject: Congressional efforts to prevent reductions in old-age assistance payments, veterans' pensions, and private pension benefits resulting from increases in social security cash benefits.

#### A. OLD-AGE ASSISTANCE

Under the provisions of the Federally-aided public assistance titles, States are required to take into account the income and resources position of an applicant for assistance in determining entitlement to, and the amount of, any public assistance payment. Included in such an income and resources test is that amount of social security cash benefits to which the applicant may be entitled under the old-age insurance program.

In the past improvements in the old-age insurance benefits structure have not necessarily been passed along to old-age assistance recipients entitled to such improvements. Increases in social security benefits have often been offset by reductions in the amount of the public assistance payment to which the recipient may have otherwise been entitled. In such instances, increases in social security benefits have resulted in little improvement in the relative income position of old-age assistance recipients receiving social security. In February 1966 approximately 1,014,000 old-age assistance recipients were receiving benefits under the old-age insurance program in addition to their public assistance payments. Failure to pass along increases in social security benefits could affect about one-half (48.7% in February 1966) of the total number of persons on old-age assistance.

On September 2, 1964, Senator Long (Louisiana) introduced an amendment with remarks (Congressional Record, Vol. 110, Part 16; pages 21350-51) to H.R. 11865, the proposed amendments to the Social Security Act, to permit States to disregard the increase in social security benefits proposed in the bill from the income and resources test applied to public assistance recipients. The Long amendment . . . subsequently included in the Senate version of the bill, would have permitted the States to disregard any monthly benefit payable under the title II of the bill equal to \$7 or 7 percent of such monthly benefit, whichever was greater, beginning for the months after the first month in which the bill was enacted and ending June 30, 1966. Beginning July 1, 1966, the States would have been required to disregard such amounts when applying the income and resources test to assistance recipients.

The House version of H.R. 11865 did not contain any such provision to pass along to recipients the social security increases contained in the bill without reductions in assistance payments. The proposed 1964 amendments to the Social Security Act were not enacted.

On July 9, 1965, Senator Long again introduced amendments to pass along the proposed increases in social security benefits to assistance recipients contained in H.R. 6675, the Social Security Amendments of 1965. These amendments (Congressional Record, Vol. 111, Part 12; page 16103) differed from Senator Long's 1964 proposal in that they would permit the States to disregard up to \$7 of any

income per month for purposes of determining entitlement to, or amount of, a public assistance payment. The 1965 Long amendments also differed from the 1964 proposal in that a maximum amount which could be disregarded (up to \$7), rather than a minimum amount (\$7 or 7%, whichever was greater) was incorporated in the amendments. The 1964 Long proposal would also have required the States to disregard the exempted amount after June 30, 1966. The 1965 amendments did not make it mandatory at any time for the States to disregard the amounts set forth in the proposals. Although the 1965 Long amendments were written to disregard any type of income up to the amount specified per month, and therefore has wider application than increases in social security benefits alone, it appears that the principal purpose of the amendments was to pass along the proposed social security increases contained in H.R. 6675.

Although the Senate agreed to the 1965 Long amendments, the House version of H.R. 6675 did not contain any comparable provision. In conference, the House receded with an amendment reducing the amount of the monthly exemption which States could disregard to \$5 or a lesser amount (Conference Report on the Social Security Amendments of 1965; House Report 682, 1st Session, 89th Congress; p. 68 . . .)

The Welfare Administration reports that as of December 31, 1966, 16 States have adopted the income exclusion permitted in P.L. 89-97, the 1965 Amendments to the Social Security Act . . .<sup>1</sup>

#### B. VETERANS' BENEFITS

Section 503 of title 38 of the U.S. Code sets forth certain types of payments which are exempt from the annual income test used in determining entitlement to, and the amount of, a non-service connected disability or survivors veterans pension. Social security cash benefits are counted as income under the annual income test required by the statute. Increases in the cash benefits program under social security have resulted in changes in the income categories established in the veterans pension system which have often meant a reduced pension, or no pension at all.

In its report of H.R. 11865, the proposed Social Security Amendments of 1964 (Senate Report No. 1513, 2nd session, 88th Congress; August 20, 1964; page 14 . . .), the Senate Finance Committee indicated that the proposed bill might have the unintended result of reducing or eliminating non-service connected pensions of certain veterans or their widows because of the receipt of increased social security benefits. The Finance Committee therefore amended H.R. 11865 to amend the veterans pension statute to exempt from the annual income test any increase resulting from enactment of the proposed social security amendments . . . The Senate agreed to the amendments which was sent to conference, but H.R. 11865 was not enacted.

H.R. 1927, introduced earlier in 1964, provided five new exclusions in the determination of annual income of pensioners, and provided in addition a new basis for the determination of eligibility where an individual is in receipt of a pension under any public or private retirement, annuity, endowment, or similar plan. The bill provided for the repeal of the contribution factor (which discounted social security payments as income until such time as they equalled the amount of his contribution) and substituted in lieu thereof a 10% exclusion formula of such benefits. In the report of the Veterans' Affairs Committee on H.R. 1927 (House Report No. 1694, 2nd Session, 88th Congress, August 5, 1964; page 5 . . .), the Committee stated that the 10% exclusion would more than compensate for the increases in social security payments proposed in the 1964 amendments to the Social Security Act, H.R. 11865. The 10% exclusion was subsequently enacted (P.L. 88-664) even though the social security increases proposed in H.R. 11865 were not.

The enactment of the 7% benefit increase in social security resulting from the Social Security Amendments of 1965, P.L. 89-97, did result in changes in the income categories of those who benefited from the liberalization of the income test brought about by the enactment of the 10% exclusion in 1964. It is estimated that some 26,000 pensioners suffered a reduction or loss of pensions with the new social security benefit increase. Senator Miller had amended H.R. 6675, the Social Security Amendments of 1965, from the floor of the Senate to exclude the 7% increase from the income test (Congressional Record, Vol. 111,

<sup>1</sup> Information of this type was given the Subcommittee by the Welfare Administration, as shown by the memorandum which appears on pp. 28 and 29.



Part 12, July 7, 1965; pages 15842-15843). The Senate receded from the amendment in conference with the House, most likely because the veterans' pension statute had been liberalized in 1964 to compensate for the increases in social security benefits which, though not enacted in 1964, were realized a year later.

Two other veterans' bills in 1965 were amended by the Senate to permit the disregard of the increases in social security benefits enacted by the Social Security Amendments of 1965 from the income provisions of the Veterans' Statute. H.R. 227, the War Orphans Benefits bill, was amended from the floor of the Senate by Senator Miller on August 20, 1965 (Congressional Record, Vol. 111, Part 16, August 20, 1965; pages 21240-21241; copy enclosed). This amendment was the same as the amendment offered by Senator Miller to H.R. 6675. The amendment was agreed to by the Senate and taken to conference. It failed to become part of Public Law 89-349.

H.R. 168, the Veterans' Compensation bill, was amended by the Committee on Finance to provide that the increases authorized by the Social Security Amendments of 1965 would not be counted in determining the annual income of pensioners (Senate Report No. 861, 89th Congress, 1st Session, page 5; copy enclosed). These amendments were agreed to by the Senate on October 15, 1965 (Congressional Record, Vol. 111, Part 20, October 15, 1965; pages 27075-27078; copy enclosed). As with H.R. 227, the amendment excluding the increases in social security benefits from the income test for veterans and their beneficiaries failed to become part of Public Law 89-311.

In 1966, the Senate Finance Committee amended H.R. 14347, a bill to liberalize dependency and indemnity compensation to the surviving parents and children of certain veterans, to provide that increases under the Social Security Amendments of 1965 and under future social security legislation would not be counted in determining the annual income of persons entitled to both V.A. payments and social security benefits. The Finance Committee, in its report on H.R. 14347 (Senate Report No. 1300, 2nd Session, 89th Congress, pages 6-7 . . .), did not view the 10% income exclusion enacted in 1964 as specifically aimed at the increase in social security benefits (contrast this view with that of the House Veterans' Affairs Committee in its report on H.R. 1927). The Senate amendment would have directed the Administrator of Veterans' Affairs to apply the exclusion of social security increases prior to the application of the 10% exclusion of retirement program payments.

The Senate version of the bill with amendments passed that body on June 28, 1966. On October 21, 1966, the House accepted all other Senate amendments except the provision to exempt social security increases from the veterans' income limitation provision. On October 22, the Senate accepted the House deletion of the social security provision clearing the remainder of the bill for signature by the President.

In the current session of Congress, the Administration's veterans' bill, H.R. 4788, would have added another exception to section 503 of the veterans' statute to disregard as income increases in retirement or pension benefits which are waived under a provision also contained in the bill to permit such a waiver by a person entitled to a veterans' pension.

In testimony before the Ways and Means Committee on the proposed social security amendments of 1967, the question of the relationship between the proposed increase in social security benefits and veterans' pensions has again arisen. When asked about the waiver provision contained in the Administration's veterans' bill (Hearings before the Ways and Means Committee on H.R. 5710, the Social Security Amendments of 1967; pages 328-329 . . .), the Commissioner of the Social Security Administration indicated that there were some problems regarding ways in which to integrate the proposed 1967 social security increases with the veterans' program. He pointed out, however, that the Administration is committed to the policy of some provision which would prevent a loss in VA payments because of increases in social security. Later the Undersecretary of HEW was asked if the two pieces of legislation, the social security and veterans' bills, might be tied together. The Undersecretary replied (pages 349-350; Hearings on H.R. 5710 . . .) that the last time the problem arose the logic was to resolve the problem in the same bill, but regrettably it was not done. The Undersecretary expressed the view that a closer, more intimate relationship between the two programs could be achieved if integration of the two programs were kept together in the social security bill.

H.R. 4788, the Administration's veterans' bill for 1967, has not been reported out in the House. Instead H.R. 2068 was favorably reported and passed the House on March 20, 1967. H.R. 2068 was subsequently laid on the table and S. 16 as

amended, passed in lieu thereof. The House report on H.R. 2068 (House Report No. 130, 1st Session, 80th Congress, March 15, 1967; page 10) points out that the bill does not provide for any change in income limitations in the veterans' pension program. The report indicates that no final action can be taken to change the income limitation provisions in the veterans' program until action is taken to increase social security benefits. The report argues that this will prevent any misunderstanding similar to that which resulted from changes in the veterans' program in 1964 before action was taken to increase social security benefits.

#### C. PRIVATE PENSIONS

Employers who qualify their private pension plans in order to secure the tax advantages extended to them on employer contributions under the provisions of the Internal Revenue Code of 1964 usually integrate the coverage and benefits of their plan with the social security benefits program. This integration of benefits must be accomplished in consonance with Treasury regulations designed to prevent benefit discrimination in favor of the more highly paid employees of the firm.

The variety of integration formulae developed in the private pension plan area has resulted, for many workers, in the removal of any reduction in private benefits which the pensioner may receive when social security benefits are increased. Most plans which do have features that offset increases in social security benefits have, since 1950, reduced the amount of the offset in their plans in addition to improving minimum pension amounts. Some large multiemployer plans, however, are not coordinated with the amount of social security benefits workers may receive (Hearings before the Ways and Means Committee on H.R. 5710, the Social Security Amendments of 1967; pages 413-414 . . .).

Congressional efforts to insure that increases in social security benefits are not offset with reductions in private pension benefits are usually in the form of amendments to the IRS Code of 1954 governing the tax advantages afforded employers with qualified pension plans. In the current session of the Congress, bills have been introduced (H.R. 688 and 6355) which provide that employers having pension plans under which payments are correlated with social security benefits shall be subject to an additional tax in cases where increases in such benefits result in reduction in their own contributions under such plans and are not passed on to their retired employees. Similar measures were introduced in the 88th and 89th Congresses, but no action was taken on these proposals.

Questions about the relationship between the social security program and the private pension field have been raised during testimony before the Ways and Means Committee holding hearings on the Social Security Amendments of 1967 (Hearings before the Ways and Means Committee on H.R. 5710, the Social Security Amendments of 1967; pages 401-417 . . .). The Administration has stated that, in their judgment, the proposals for revision of social security under H.R. 5710 does not conflict with current National policies governing the respective roles of the public and private retirement programs.

GLENN MARKUS.

## APPENDIX B

### PROVISIONS IN S. 186 TO WHICH REFERENCE WAS MADE IN SENATOR SMATHERS' TESTIMONY<sup>1</sup>

#### WAIVER OF MONTHLY INSURANCE BENEFITS

SEC. 3. (a) Title II of the Social Security Act is amended by adding after section 228 thereof the following:

#### "WAIVER OF MONTHLY INSURANCE BENEFITS

"SEC. 229. (a) (1) Any individual who is entitled to monthly insurance benefits under section 202 or 223 may waive entitlement to all or any part of such benefits for any one or more consecutive months by filing with the Secretary a waiver certificate in such form and in such manner as the Secretary shall by regulations prescribe.

"(2) Any such certificate shall be effective for such period of consecutive months as may be specified by the individual filing such certificate, except that no such certificate shall be effective with respect to any month prior to the second month following the month in which such certificate is filed.

"(3) Any individual who has filed such a certificate may revoke the same, by filing with the Secretary (in such form and manner as the Secretary shall by regulation prescribe) an order of revocation, except that no such order of revocation shall be effective with respect to any month prior to the second month following the month in which such order is filed.

"(b) The filing of a waiver certificate by an individual under subsection (a) shall not affect the entitlement—

"(1) of any person to the payment of any lump-sum death payment payable on account of such individual's death;

"(2) of any other individual to insurance benefits under this title to which such other individual is entitled on the basis of the wages and self-employment income of such individual; or

"(3) of such individual (or any other individual) to hospital insurance benefits under part A of title XVIII.

"(c) For the purposes of determining the eligibility of any individual for benefits under, or the amount of the benefits to which any individual is entitled under, any program—

"(1) which is established by or pursuant to any law of the United States,

"(2) which is administered by any department, agency, or instrumentality of the United States, and

"(3) the purpose of which is to provide—

"(A) annuity benefits, compensation, or pension to any individual who is a veteran, his dependents, or survivors, on account of the past performance by such individual of service in the armed forces of the United States,

"(B) retirement, pension, or disability benefits to any individual, his dependents, or survivors, on account of the past performance of service by such individual as an employee of the United States,

any individual who has filed a waiver certificate under subsection (a) shall, notwithstanding section 503 of title 38, United States Code, or any other provision of law, be deemed not to be entitled to so much of the monthly insurance benefits otherwise payable to him under this title as may be withheld from or denied to him by reason of his filing such waiver certificate."

(b) The heading to subsection (v) of section 202 of the Social Security Act is amended to read as follows: "Waiver of Benefits by Certain Tax-Exempt Individuals".

\* \* \* \* \*

<sup>1</sup> See p. 4.

## INTERRELATIONSHIP BETWEEN PUBLIC ASSISTANCE BENEFITS AND INCREASED SOCIAL SECURITY BENEFITS

SEC. 5. (a) Section 2(a)(10)(A) of the Social Security Act is amended (1) by striking out the word "and" at the end of clause (i) thereof and inserting in lieu of such word a comma, and (2) by inserting immediately before the semicolon at the end thereof the following: ", and (iii) the State agency may, prior to January 1, 1969, and on and after such date shall, disregard, with respect to any monthly insurance benefit payable to an individual under title II, an amount equal to the excess (if any) of such benefit over the amount of the monthly insurance benefit which would have been payable under such title to such individual if section 2 of the Social Security Amendments of 1967 had not been enacted".

(b) Section 402(a)(7) of such Act is amended (1) by striking out "and" at the end of clause (B) thereof and (2) by inserting immediately before the semicolon at the end thereof the following: ", and (D) the State agency may, prior to January 1, 1969, and on and after such date shall, disregard, with respect to any monthly insurance benefit payable to any such child or relative under title II, an amount equal to the excess (if any) of such benefit over the amount of the monthly insurance benefit which would have been payable to such child or relative if section 2 of the Social Security Amendments of 1967 had not been enacted".

(c) Section 1002(a)(8) of such Act is amended (1) by striking out "and" at the end of clause (B) thereof and (2) by inserting immediately before the semicolon at the end thereof the following: ", and (D) the State agency may, prior to January 1, 1969, and on and after such date shall, disregard, with respect to any monthly insurance benefit payable to an individual under title II, an amount equal to the excess (if any) of such benefit over the amount of the monthly insurance benefit which would have been payable under such title to such individual if section 2 of the Social Security Amendments of 1967 had not been enacted".

(d) Section 1402(a)(8) of such Act is amended (1) by striking out "and" at the end of clause (B) thereof, and (2) by inserting immediately before the semicolon at the end thereof the following: ", and (D) the State agency may, prior to January 1, 1969, and on and after such date shall, disregard, with respect to any monthly insurance benefit payable to an individual under title II, an amount equal to the excess (if any) of such benefit over the amount of the monthly insurance benefit which would have been payable under such title to such individual if section 2 of the Social Security Amendments of 1967 had not been enacted".

(e) Section 1602(a)(14) of such Act is amended (1) by striking out "and" at the end of subparagraph (C) thereof, (2) by striking out the semicolon at the end of subparagraph (D) thereof and inserting in lieu of such semicolon a comma followed by "and", and (3) by adding at the end thereof the following new subparagraph:

"(E) the State agency may, prior to January 1, 1969, and on and after such date shall, disregard, with respect to any monthly insurance benefit payable to an individual under title II, an amount equal to the excess (if any) of such benefit over the amount of the monthly insurance benefit which would have been payable under such title to such individual if section 2 of the Social Security Amendments of 1967 had not been enacted".

\* \* \* \* \*

## INTERRELATIONSHIPS BETWEEN INCREASED SOCIAL SECURITY BENEFITS AND BENEFITS UNDER PRIVATE PENSION PLANS

SEC. 7. Section 401(a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new paragraph:

"(11) Notwithstanding any other provision of this subsection, no plan shall constitute a qualified trust for any taxable year which begins after 1968 if, during such taxable year, the amount of contributions or benefits for any employee under the plan of which such trust is a part is reduced on account of any increase in monthly social security benefits payable under title II of the Social Security Act to such employee (or to any other person) brought about by reason of the Social Security Amendments of 1967 or any subsequent amendment to such title."

## APPENDIX C

### OTHER COMMUNICATIONS RECEIVED

UNITED STATES OF AMERICA,  
RAILROAD RETIREMENT BOARD,  
Chicago, Ill., April 13, 1967.

HON. JENNINGS RANDOLPH,  
Chairman, Subcommittee on Employment and Retirement Incomes  
U.S. Senate, Washington, D.C.

DEAR SENATOR RANDOLPH: This is in reply to your letter of April 6, 1967, requesting an outline of "the present situation with reference to the effect of increases in social security benefits upon railroad retirement benefits."

To answer your question, it is necessary to distinguish between (i) an annuity under the Railroad Retirement Act, and (ii) an increase in such annuity. While the annuity itself is not reduced by reason of an increase in the annuitant's monthly benefit under the Social Security Act, the increase in his annuity is, in two situations, reduced. To illustrate:

1. (a) A widow is entitled to a monthly annuity under the Railroad Retirement Act in the amount of, say, \$80, and to a primary insurance benefit under the Social Security Act in, say, the minimum of \$44. In such case, the widow is paid the \$80 a month without reduction.

(b) If, however, at the time the annuity in (a) above began to accrue the widow was not entitled to the social security benefit, her annuity would be computed under a special social security minimum formula (see the first proviso of section 3(e) of the Railroad Retirement Act) which requires that the Board determine what her widows benefit would have been under the Social Security Act if her deceased husband's service covered under the Railroad Retirement Act had been employment covered under the Social Security Act. Assume that such monthly benefit would have been \$82. In such case, this special minimum provision requires that her annuity be increased to \$82, plus 10 per cent, or to \$90.20—an increase of \$10.20. If, subsequent to this increase, the widow becomes entitled to the \$44 social security benefit, her annuity would be as in (a) above, beginning with the month with respect to which she is entitled to the social security benefit; i.e. her annuity would revert to \$80. Thus, her \$80 annuity under the Railroad Retirement Act would not be decreased, but the increase in her annuity by \$10.20 would no longer be payable. The social security minimum provision ceases to be applicable to add to the widow's annuity when she becomes entitled to her own social security benefit because under the Social Security Act a widow is entitled to a benefit, as such, only to the extent, if any, that the widow's benefit exceeds her own benefit.

2. Section 201(b) of Public Law 89-699 (approved October 30, 1966) increases an annuity by 7 per cent with the proviso that the annuity as so increased shall be reduced by the 7 per cent increase in the monthly benefit that the individual received under the 1965 amendments to the Social Security Act. The purpose was to increase the railroad retirement annuity by an amount which, with the 1965 raise in the social security monthly benefit of the individual entitled thereto, would be equal to 7 per cent of his railroad retirement annuity. Thus, if the individual's monthly annuity under the Railroad Retirement Act before the 1966 amendments was, say, \$150, it was increased by 7 per cent to \$160.50; but, if he is also entitled to a social security benefit of, say, \$107 (\$100 plus \$7 as increased by the 1965 amendments to the Social Security Act), the \$10.50 increase in his annuity was decreased by \$7 to \$3.50, and his annuity is \$153.50, instead of \$150. Future increases in his social security benefits would, however, not cause any further reduction in his annuity. Except as explained above, increases in social security benefits do not result in lower annuity payments under the Railroad Retirement Act.

Sincerely yours,

HOWARD W. HABERMAYER, *Chairman.*

NATIONAL SOCIAL WELFARE ASSEMBLY INC.,  
New York, N.Y., April 10, 1967.

HON. JENNINGS RANDOLPH,  
Chairman, Subcommittee on Employment and Retirement Incomes, U.S. Senate,  
Washington, D.C.

DEAR SENATOR RANDOLPH:

\* \* \* \* \*

On the relationship of assistance to social security benefit increases you and your staff might want to consider the possibility of following the precedent in Title XIX of the Social Security Act whereby states are given incentives to apply the savings brought about by social insurance improvements to raising standards of assistance. Such "maintenance of effort" provisions permit an up-grading of assistance programs without imposing a hardship on hard-pressed states like West Virginia or creating inequities among the various groups of recipients.

Sincerely yours,

ELIZABETH WICKENDEN,  
Technical Consultant on Public Social Policy.

CLARKSBURG, W. VA., April 8, 1967.

HON. JENNINGS RANDOLPH,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR: I note in the Exponent-Telegram paper where you and your Committee are going to give the Veterans Pension Consideration, where the Social Security raise has caused a loss to the Veteran, greater than the raise given by Soc. Sec.

I am one Veteran who feels discriminated against. The 7% raise given the last time allowed me \$8.61 increase on Soc. Sec. per month, and the Veterans Administration penalized me \$32.00 per month. The raise made by Social Security made me \$10.36 above the \$2000.00 permitted for the year, to permit me to draw the full \$80.00 per month. Therefore, now instead of drawing \$80.00, my pension has been reduced to \$48.00 per month.

\* \* \* \* \*

The Soc. Sec. raise after I deducted the \$8.61 raise from the \$32.00 that Veterans penalized me is costing me \$23.39 actual loss, rather than an increase of 7%.

Anything you may be in a position to do towards assisting Veterans in getting an adjusment will certainly be highly appreciated.

Respectfully yours,

EMORA DON RUSSELL.

APRIL 12, 1967.

HON. JENNINGS RANDOLPH,  
Member of Congress,  
Washington, D.C.

DEAR SENATOR: To you as Chairman of the Subcommittee on Employment and Retirement Incomes of the Senate Special Committee on Aging, I offer the following.

My employer . . . has a compulsory retirement age of 65 that establishes a certain percent of average wages as retirement pay. The Company supplements the Social Security benefits to bring the retirement pay to the determined amount. Each time Social Security payments are increased the company's portion of the retirement pay is decreased so the individual receives no increase.

The Company takes full credit for Social Security increases and if Social Security payments ever reached the amount of retirement pay set by the company then the company would pay nothing for retirement . . .

[name withheld]

ANNANDALE, VA., April 10, 1967.

Senator JENNINGS RANDOLPH,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR: I understand that on April 24, your Subcommittee on Employment and Retirement will begin hearings on ways to increase overall income of social security recipients.

I understand further that several bills have been introduced to tax employers who reduce pension contributions to an employee because his social security benefits increase.

These bills are ironic because the biggest offender for years has been the federal government itself.

My widowed Mother's sole income (other than what I give her) is from a non-service connected veteran widow's pension and social security. Every time her social security check increases her pension check decreases by more so that she ends up with less money.

Therefore, I respectfully urge that your Subcommittee concentrate on the biggest offender in the field, the federal government. Congress should put the federal government house in order before it can, with honor, criticize private enterprise.

Very truly yours,

W. EVERETT SMITH.

PATERSON, N.J., April 16, 1967.

JENNINGS RANDOLPH.

DEAR SIR: I am a widow on a veterans pension. I have fears every time they talk about raising social security. The way it looks now I will receive about five or six dollars on social security and lose twenty-five a month on veterans pension.

The money I receive on social security is counted as my income on veterans pension. If we were allowed the six hundred dollar exemption other people are on their income, we old people on other pensions would not have to worry every time they talk about raising social security for a long, long time.

If I lose the twenty-five this time, I will not be able to make ends meet, so I hope you will do all you can to raise the amount of money we are allowed. If we can't have the six hundred exemption other people have.

I am,

Mrs. A. J. MOSHIER.

CHARLES D. SPENCER & ASSOCIATES, INC., PUBLISHERS,  
Chicago, Ill., April 29, 1967.

HON. JENNINGS RANDOLPH,  
Chairman, Employment and Retirement Incomes,  
Subcommittee, Special Committee on Aging,  
U.S. Senate, Washington, D.C.

DEAR SENATOR: Section 7 of S. 186 which would add a new paragraph 11 to Section 401 (a) does not take into account the positive aspects of integrating pension plans with social security as authorized under paragraph 5.

It is generally recognized in our economy that compensation should reflect skills, ability, responsibility, etc. If one agrees with that principle, then it appears logical to provide retirement benefits in relation to compensation.

Thus, if A earns \$6,600 a year and B earns \$15,000 a year for example, a private pension plan which pays a normal retirement benefit of 25% of compensation is considered acceptable.

Integration with social security projects that system one step further to apply to total retirement income provided under social security and private pension plans.

Assume both A and B will receive \$1,980 in social security benefits at age 65 when they retire.

If both receive a private pension benefit of 25% of compensation A will receive \$1,650 plus \$1,980 in social security or \$3,630 a year. This is 55% of his \$6,600 in compensation.

B would receive \$3,750 from the private plan plus \$1,980 in social security or a total of \$5,730. This is 38.2% of his \$15,000 in compensation.

The general intent of integrating private pension plans with social security in this situation is to permit the employer to provide additional benefits for B so he will receive a benefit of 55% of compensation instead of 38.2%.

One way to accomplish that objective is to pay B (and others earning more than \$6,600, the present social security wage base) a benefit under the private pension plan based solely on compensation in excess of \$6,600. This is called stepped-up integration.

Another way to provide the equivalent result is to raise the private pension plan benefit to about 55% of compensation and to reduce that result by 100% of the individual's social security benefit.

This results in reducing A's benefit by 100% of social security as well as reducing B's benefit.

Although the participant actually receives 100% of his social security benefit the system, at first glance, appears to result in something being "taken away". In actual practice if there were no offset the percentage of compensation payable would be reduced.

The 100% offset is consistent with the theory of enabling a plan participant to receive comparable benefits in relation to compensation from the private pension plan and social security.

Although integration of private plan benefits with social security is 100% sound on a theoretical basis, the offset system has created adverse employee reaction in actual operation.

Misunderstanding of the basic theory has been created by using a 50% offset instead of 100%. Such an offset only partially projects the equivalent of the social security benefit over income in excess of the social security wage base. The explanation of the reason for a 50% offset is generally based on the concept that the employer pays 50% of the social security tax.

Although it is possible to justify the reduction of benefits resulting when a plan is reintegrated following an increase in social security benefits, in actual practice many employers have given up trying to gain acceptance of the theory.

A considerable number of plans freeze the social security offset as of retirement. This solves the situation as to retirees.

A few plans simply adjusted the benefit plan formula by substituting a fixed dollar amount for an offset related to the social security benefit.

It is fairly obvious what happens when the private plan formula calls for a reduction in the benefit by 50% or 100% of the social security benefit when the social security benefit is increased.

Such a reduction occurs under the stepped-up integration procedure when a private pension plan is reintegrated at a higher social security wage base. So if the proposal in S. 186 were enacted into law, it would not be possible for an existing plan to reintegrate its benefits if and when the social security wage base is raised.

Few pension plans remain constant. Benefit levels and supplementary benefits are constantly being added. Thus, although the reductions involved in connection with integration tend to offset the added cost of improved benefits.

Many plans calling for social security integration pay better overall benefits than plans without integration.

To isolate the "reduction factor" in connection with integration and to over-emphasize its effect without considering the entire framework of the plan results in unsound conclusions.

Congress generally recognizes the desirability of adjusting social security benefits, provisions, etc. to the growth in the economy. Private pension plans require the same general treatment. In gearing private pension plans to the economy and social trends, etc. it is desirable to permit a certain degree of flexibility since the problems involved are fairly complex.

Although it is easy to "build-up" the "evils" of reductions in connection with integrating private pension plans with social security, the reductions are actually incidental to carrying out the principle of providing comparable total retirement income regardless of compensation.

Yours very truly,

CHARLES D. SPENCER, *Editor*.



THE WYATT Co.,  
Washington, D.C., May 2, 1967.

SENATOR JENNINGS RANDOLPH,

*Chairman, Subcommittee on Employment and Retirement Income, Senate Special Committee on Aging, U.S. Senate, Washington, D.C.*

DEAR SENATOR RANDOLPH: The trade press yesterday carried a brief report of the hearings of April 24 and 25 together with a quoted text from S186 introduced by Senator Smathers. This latter text, appearing on page 19 of the Bill, and adding a paragraph to Section 401(a), would result in disqualification of any private pension plan that reduces benefits or contributions by reason of an increase in Social Security benefits.

Most employers probably do not reduce their benefits or contributions and the few who do frequently add more benefits to their plan later on. I would not generally recommend such reduction but even so, I would strongly defend the right of any employer to do so if that seemed necessary on the basis of his own special circumstances. Further, in my judgment, such a provision would be, in the final analysis, unworkable. Consider the following example:

(1) Employer A, always the humanitarian, and with sufficient profit to afford such luxury, now has a pension plan providing 2% of final pay for each year of service less the Social Security primary amount with a minimum private pension payment of \$200 a month.

(2) Assume that the Social Security changes annually from 1967 to 1975 end up by increasing present Social Security by 100% and relating benefits to final earnings. The end result is that Employer A will be providing many of his long-service workers with pensions which, along with Social Security primary and wives' benefits, will add up to more than their gross pay.

(3) Employer B, a competitor of A's, now has no plan at all either because he has a less generous attitude toward his fellow man or because he does not have enough money to pay for one. B may install a plan in the future with benefits more modest than A's but when he does, he may be able to take into account the then current Social Security benefits depending on the integration rules of the day.

(4) S186 would permit B to start out with a cost advantage over his competitor A which may well be permanent since A is not allowed to cut back his benefits and B is relieved of some employee pressure to put in a pension plan each time Social Security benefits rise.

(5) Eventually, Employer A finds himself providing benefits so generous that his most experienced employees are almost forced to retire since they can receive more income by retiring than by working. Further, his pension plan involves heavy costs which his competitor B does not have and with rising Social Security taxes, he finds profits eliminated and increases in the cost of his product become necessary.

(6) Eventually, Employer A, feeling the labor cost squeeze on profits, discovers that, even though he cannot lower benefits on account of Social Security increases (by S186), he can drop his pension plan entirely. Of course, as an intermediate step he might be able to change the benefit formula to 1% less 1965 Social Security benefits since such a change would be unrelated to any later Social Security amendments.

The problems illustrated in the above example are not likely to arise with occasional modest increases in Social Security benefits. There are, however, current proposals which would increase Social Security benefits by 50% or 100%. If any such substantial changes are adopted, then some private pension plans will be dropped, some potential new plans will be put in moth balls and many other plans will end up forever providing benefits at the status quo ante bellum.

Private pension plans impose a cost burden on current production that exceeds the cost of current benefits at the outset whenever advanced funding is employed. The employer who adopts a funded plan, however, can gauge his current ability to pay and put in only those benefits he can afford. Eventually, the pension fund assets that develop through advance funding will earn sufficient interest to bring future costs down below the level of future benefit payout.

The Social Security program builds relatively little in the way of invested funds and what little does accumulate earns only the low rate of interest that

is appropriate for the most conservative of all possible investments, U.S. government bonds. Thus, whenever benefits are shifted from private pension plans over to Social Security, the end result is to impose ever greater burdens on future production and future profits. Some experts have even suggested that by discouraging the growth of private pension plans, and lessening their pressure on the price of current investments, we may end up with a stock market collapse and severe depression (see Dr. Nelson McClung's report to the Joint Economic Committee).

There may well be a few citizens today who prefer to accept minimum subsistence if that is the price they must pay for a life of indolence. The vast majority, however, will continue to strive for something better than the common lot, even though they must then support not only themselves but the entire government operation including the growing welfare rolls as well. It would be nice if they occasionally got some encouragement in the process. Anything you can do to help would be most deeply appreciated.

Sincerely yours,

PAUL H. JACKSON,  
*Fellow, Society of Actuaries.*

STATEMENT SUBMITTED BY AMERICAN TELEPHONE & TELEGRAPH CO.

The purpose of submitting this statement for the consideration of the Committee is to express our viewpoint that the matter of integration of private pension plans with Social Security is indeed important and should be premised on a sound and logical basis. The history of the Bell System companies with respect to this integration appears relevant to the investigation being made by the Committee.

BASIS VIEW

Briefly stated, our viewpoint is that Social Security is and should continue to be the virtually universal system in our country of providing continued income after retirement to those who have worked for ten years or more, their wives, and other eligible dependents.

On the other hand private pension plans also provide retirement income but do not provide coverage for such a large portion of the population. Private pension plans are designed to deal with specific and varied individual needs of the enterprises which establish them. Thus the two systems, Social Security and private pensions do have to an extent the common purpose of providing retirement income.

Private pensions, however, have additional business purposes which are inadequately served by the Social Security System, as it now exists or as it seems likely to be in the foreseeable future.

In the opinion of the Bell System companies, the prime purpose of our pension plans is to further the efficiency of the business by making it possible to retire older long-service employees whose efficiency has or is likely to have declined. This cannot be done as a practical matter without providing such employees with retirement income in excess of that now available to them under Social Security, although what Social Security does provide decreases the amounts which our pension plans need to provide to accomplish our business purposes.

HISTORY OF INTEGRATION OF BELL SYSTEM PLANS WITH SOCIAL SECURITY

The pension plans of the Bell System companies were established in 1913, although Western Electric had a similar formal plan in 1906, and some of the telephone operating companies also were making informal retirement payments before 1913.

The plans established in 1913 provided for non-contributory pensions computed on the basis of 1% of pay for each year of service. The pay used was the employee's average annual rate of pay, excluding overtime, for the final (or highest) 10 consecutive years. (This is now 5 years.) Men could retire on pension at their own request at as early as age 60 if they had 20 or more years service, women with 20 or more years' service could retire at age 55. The plans also provided for retirements at these and even earlier ages at the option of the company, for reasons of incapacity or severe personal hardship.

In July of 1930 the companies introduced rules making retirement mandatory at age 65.

These pension rules and eligibility provisions have remained unchanged to the present time except that in 1963 employees reaching age 65 with 15 or more years' service became eligible for a pension.

Between 1913 and 1940, therefore, when Social Security old age insurance benefits first became payable, the companies provided pensions on the scale just described. In 1940, however, the scale was changed to take one-half of Social Security into account.

That was when the Bell System companies first faced the practical problem of integrating their plans with a functioning governmental pension system which is a reason for the Committee's investigation. It should be added, however, that from the beginning the Bell plans had anticipated that there might some day be a State or Federal pension system. The Bell plans had provided that if there were, their pension would only be the excess, if any, of the pensions over the governmental pensions. In other words, the original Bell plans provided for the deduction of the entire governmental pension.

However, in 1940 with the introduction of old age insurance benefits, the Bell System companies liberalized their plans to take only one-half of the primary Social Security benefit into account in determining the amounts of their pensions after the age of entitlement to Social Security benefits.

Several modifications of this manner of integrating with Social Security have taken place over the years since 1940. Currently the pension plans of the Bell companies provide:

1. The portion of Social Security old-age or disability insurance benefits taken into account in determining the amounts of service pensions and disability pensions respectively is one-quarter.

2. The amount of the Social Security benefit (of which one-quarter is used) is determined on the basis of service and wages in Bell System companies and on the basis of the law in effect at the time of retirement. Thus, the pension of an employee retiring today will not be decreased when he is eligible to draw Social Security benefits by any increases in such benefits which Congress may enact in the future. On the other hand, an employee who retires after a change in the law will have his pension determined on the basis of the new Social Security benefit. His pension will be smaller but the total of pension and Social Security will be larger.

3. The pension amount is adjusted for one-quarter of the Social Security benefit only when the retired employee has reached the Social Security eligibility age (or when in the case of disability pensions it is determined that he is eligible for the Social Security Disability Insurance Benefit).

#### GENERAL CONSIDERATIONS

The history of the integration of pension plans with Social Security has been a varied one, even for the Bell System, and there have been many different approaches in other industries.

It is reasonable, in the opinion of the Bell System companies that pension plans should be able to supplement Social Security benefits in whatever way is best in the judgment of the employers or is agreed upon in collective bargaining. The only limitation on the freedom of private plans with respect to Social Security should be absence of discrimination in total retirement benefits in relation to pay, in favor of higher-paid and supervisory employees.

It would be clearly unreasonable and inequitable for Congress to attempt to force private pension plans to continue any given level of pension benefits regardless of the level of Social Security benefits. Such decisions should be left to those who establish the plans as matters to be settled by contracts freely entered into or freely modified.

As will be recognized from the description of the history of the plans of the Bell System companies, there have never been provisions in those plans which have resulted in lower total combined Social Security and pension due to an increase in Social Security, if a pensioner was in fact receiving Social Security. Even under the Bell plans, however, where *potential* retirement income always increases when Social Security increases, it is possible that an employee retiring from a Bell company after an increase in Social Security is enacted will *actually* receive less total *retirement* income due to the change in the law. This

will result if he works for other employers, or is self-employed, after retirement from his Bell company, and as a consequence of his earnings does not actually receive Social Security benefits. The Bell System plans adjust their pensions on the basis of eligibility to Social Security at age 62 and later rather than on actual receipt of Social Security benefits. To do otherwise would require larger company pensions to individuals still working for other employers than to those retired from all employment.

The Bell System companies strongly urge that there be no additional restraints on the freedom of private pension plans to set their benefit scales and, where conditions dictate, to reduce those scales when Social Security increases.

AMERICAN ASSOCIATION OF RETIRED PERSONS,  
NATIONAL RETIRED TEACHERS ASSOCIATION,  
*Washington, D.C., May 15, 1967.*

HON. JENNINGS RANDOLPH,  
*Senate Office Building,  
Washington, D.C.*

DEAR SENATOR RANDOLPH: Officers and staff of the National Retired Teachers Association and the American Association of Retired Persons deplore the action when any State reduces the pension of its retired teacher because of increases in Social Security benefits.

At our request, the Florida Retired Teachers Association has submitted the enclosed materials to show pension reductions in that State, due to eligibility for Social Security payments.

Enclosed also for the use of your subcommittee is an editorial from the LOS ANGELES TIMES dealing with the same subject.

Sincerely yours,

ERNEST GIDDINGS,  
*Legislative Representative.*

(The following materials accompanied Mr. Giddings' letter:)

#### A BAD LAW PENALIZES RETIRED TEACHERS

(By A. R. Mead, Former President, Florida Retired Teachers)

Our state teacher retirement system was established in the 1930's when money was scarce and salaries very low. Teachers then began to make their meager contributions to the reserves as required by law. But the state has not built up its share of the reserves. Instead, each biennium it appropriates from general revenue a sum equal to its share, plus accrued interest. Because the salaries were low, the teachers' reserves had to be small and the state's contribution was also small. Now many of these same teachers are retired after 25, or 30, or 35, or 40 years of service. A few did have good salaries and their retirement is adequate. But of the 6,000 retired Florida teachers, 1,785 with service of 25 years or more are receiving less than \$200 per month. Compared with the dollar of 1940, the present dollar has a purchasing power of 44.8 cents. This \$200 is then worth \$89.60 in purchasing power.

Out of this meager amount, if the teacher had no other income, and many did not, she has to pay for food, clothing, shelter, taxes, doctors' bills, hospital bills, insurance, books and papers, her church and other benevolences, and if possible some recreation. Use your imagination and you will understand what these teachers do and how they worry about keeping their bills paid. The retired teachers group knew of this situation and some of the FEA officials knew also, and they have tried for ten years to get legislation to remedy this lack. Three or four changes have been made which have helped some adequately, but not the 1,785.

In 1961, a change was made which gave these teachers a privilege and then punished many of them if they took the privilege. By that law, a retired teacher could request a re-determination of her monthly payment by the simple formula of four times the number of years of her service. For example, one with 30 years of service would be entitled to a monthly payment of \$120 (now worth \$53.76).

But if she did apply for this change, and she had, during the years when she was not teaching, qualified for and was receiving social security payments, her PROMISED increase would be decreased by the amount of the social security received, but not less than the original retirement.

Many teachers did not know of this sleeper in that law. So they applied and those unaware of it received a rude shock. For example, Miss A receiving \$110 a month for 35 years of service had estimated she would receive a retirement checks for \$140 per month or \$30 increase. She had even made a few commitments for use of that \$30. But she discovered to her keen disappointment that she did *not* get any increase. She was receiving \$30 per month for social security (earned in other work when she was not a teacher). We do not know how many retired teachers had this experience but from letters of distress received there must have been a large number. In one case, the officers made an error, overlooked the teacher's social security and sent her the full increase. After some months, they found their error and billed her for \$300—to send back the over-pay. Can you imagine the distress experienced by this aged teacher? But she had to send them their \$300. She paid back to a state growing in wealth and income and in which many citizens are apparently quite indifferent to this injustice.

From data supplied by the system, we know that in August, 1966, there were 661 retired teachers who would have been so affected had they applied for re-determination. This would have saved the state the sum of \$124,004.28 per year, so this money could be used to increase salaries of some other state employees. The proponents of this ignoble and unethical plan argue that it saves the state money. This is a very worthy purpose. But do our state officers—all of them—exhibit a concern for saving the state money? We leave the answer to you.

The retired teachers is not the group where the State of Florida should concentrate its effort to save money. We recommend that our officials save money on many of the very expensive public buildings (now with an average cost of one million dollars), on the use of private airplanes used for trips when other methods were available, by using competitive bidding to secure state's supplies, and even by keeping down some of the salaries of state officers. The increases of the salaries of a large group of state officers in the present administration (some of which were needed) would more than equal this amount saved by taking it from retired teachers who have already earned it and more.

It is a common event to hear teachers praised and lauded while they are active and caring for the children, but once they are retired Heaven help them if their monthly retirement check is small! Are you citizens aware of this condition? Do you know of this mistreatment of old retired teachers? Do you accept it as just and decent? Please see your state representative and state senator and tell them to see that this deduction is eliminated from the law and that retired teachers be treated justly. You can do something about this. Talk is cheap and easy. Action counts.

#### A REPORT OF A RANDOM COLLECTION OF CASES OF INJURIOUS EFFECTS OF THE OPERATION OF THE LAW OF 1961

This law provides that a retired teacher can have her monthly payment re-determined by the simple formula of four (4) times the number of years of service. But if she has any social security income, the prospective increase will be decreased by the amount of the Social Security but not below the original amount. The following are cases compiled from letters sent to A. R. Mead, who still has the letters. Address: 1719 N. W. 6th Avenue, Gainesville, Florida. There are 14 cases considered serious as to injury and injustice in effects; and 18 cases with lesser injury.

#### SOME GENERAL FACTS TO BE CONSIDERED

Florida has over 6,000 retired teachers. Many of these taught during the depression years when salaries were low and sometimes paid in script, later redeemed, at a discount. They could not build an adequate reserve in the retirement system. As an index of this situation, there are 1,785 of these who have 25, 30, 35, 40, and up to 48 years of service with less than \$200.00 a month retirement income. Some of these payments are low, less than \$100.00 in many cases. The teachers of today and the school administrators even with inflation to face are building adequate reserves.

It is these older retired teachers who deserve better treatment at the hands of the state. Into the situation came the unjust law of 1961 which promised and then used the social security to withdraw the promise!!

Another fact is that teachers who retired in 1940 or earlier received better dollars. Their dollar in terms of purchasing power is now worth about 44 cents. So a teacher with \$200.00 monthly payments has a real purchasing power of about \$88.00. (This is based on indices from U.S. Bureau of Labor Statistics.)

SAMPLES OF THE MORE SERIOUS CASES VIEWED

1. Miss Dessie Hart, 1504 North Baylen, Pensacola, 32501. "I retired many years ago with disability benefits \* \* \* Now I am almost totally deaf. Because of the Social Security clause I was unable to receive an increase in my pension \* \* \* the two payments are not sufficient for the needs which I have today."

2. Eugenia R. Paine, 650 38th Avenue S. St. Petersburg. Taught 17 years in Florida and 10 years elsewhere. Receives some social security and retirement of \$121.93 per month. Knew she could not get an increase due to social security offset and did not ask for it. Not able to work for compensation now. About help from relatives she states: "I don't seek it but I'm very likely to get it." Has to keep up expense of house. Income hardly meets expenses. This is a case for another state to profit by 10 years reserves retained and not allowed to the teacher who earned them.

3. Mrs. Pearl D. Thurman, 542 Jenks Avenue, Panama City, 32421. 19 years in Florida teaching, and 10 in Georgia. No help from Georgia. Receives \$72.73 Florida retirement payments per months and small social security. Retirement Officer wrote her: "If you have been overpaid, an adjustment will be necessary." Fortunately she escaped that embarrassment.

4. Mrs. Blair Hathaway, former teacher in Gainesville schools, was granted an increase because the office overlooked her small social security income. Then they billed her for \$300.00 for monthly additions they had paid her.

5. Mrs. Alice M. Merbler, 1207 East Lloyd Street, Pensacola, 32503. She was also treated as Mrs. Hathaway and asked to return \$300.00! A little imagination will reveal to you the feelings of a teacher in retirement getting a note from the retirement system, after an adjustment, to pay back such a sum! Mrs. Merbler taught 36½ years in Florida, retired at age 56. First retirement was \$57.50 per month. Later a change in law raised it to \$75.00. Another change brought her up to \$140.80 provided she had no social security. Her husband qualified for social security and she began to receive \$26.00 per month from that source. Now she receives the sum of \$117.40 per month from a "grateful state" which she served for 36 years. (She is lucky that she has a husband with retirement income.) We hope they own their own home and can keep it up with their income. Fortunately as of December, 1966, the retirement office had not pressed the claim for the \$300.00.

6. Ethel Chase Robinson, 2138 46th Avenue, North, St. Petersburg. She has 25 years teaching in Florida and 10 elsewhere. Can do a small amount of work for compensation. No direct dependents. Receives \$104.47 retirement income and minimum social security. Can by "pinching pennies" pay her monthly bills. She wrote: "\* \* \* I earned my social security since I had retired from teaching and I felt that it was none of their business. I taught Florida through the lean years. Some of the time we were paid \$50.00 a month by the government and some of the time we were paid by scrip. When the stores became glutted and refused it, I sold mine at 25% discount, in order to eat. I felt I was entitled to a raise as much as other people but I never received it." Miss Ethel Chase Robinson.

7. Mrs. Henriette G. Dominis, 1505 Fifth Avenue S., St. Petersburg. Blind for 18 years. Receives \$22.00 per month from social security and \$82.00 from teacher retirement. Hence, she could not qualify for any increase under the law of 1961.

8. Emma F. Campbell, 5680 Seminole Road, Largo, Florida. 39 years teaching. Now receives \$130.00 per month retirement and \$36.00 per month from social security. Due to law of 1961 she lost an added increase in income of \$26.00 per month. "I have felt that this was most unfair. Teachers in my category all hope to get the social security offset deleted from the law of 1961."

9. Miss Lucile Nobles, 1302 North 9th Avenue, Pensacola. 25 years teaching service. Retired on payment of \$83.33 per month. Provided system with all information asked about her social security. Without the offset she qualified for \$100.000 per month which she continued to receive. They discovered their

oversight and demanded her to pay back \$600.00! What a shock for an aged person on very limited income.

10. Doris Mallory, 3599 18th Avenue, South, St. Petersburg. Taught over 22 years. A widow. Receives a small social security payment and \$80.23 from teacher retirement. Hence could not qualify for an increase under law of 1961. Has to keep up expense of house. Total income is inadequate to pay standard items of expense.

11. Mrs. B. Hotchkiss, 6285 S. W. 128th Street, Miami, 33156. Letter too long to quote entirely. Digest is: Retired at age 60 with 27 years service in Florida schools. She receives \$90.00 per month teacher retirement. Taught in a private school and obtained social security. No increase allowed because of operation of 1961 law. "I was disappointed and very indignant. I could have had any amount of income from other sources and still received a raise but because I *worked* for it, I was penalized." (Is it a just treatment to single out one source of income and use it to keep from paying retired teachers a slight addition to their retirement income?)

12. Mrs. George W. Hobbs, 1563 Maple Street, Lake City, 32055, Florida. 38 years of teaching in Florida. Has to help support husband who is a partial invalid. This costs her about \$250.00 per month. They are still buying their home and that costs about \$1000.00 a year. She gets \$132.33 state teacher retirement per month and \$38.80 social security. Pays for health insurance at \$5.00 per month. She was refused an increase under law of 1961 because of her small social security income. She does some tutoring to help keep expenses paid and states that their income is not adequate to meet expenses of standard items of cost of living now. "I thought then and I still think that the law of 1961 was most unfair to we older teachers who have taught so many years on almost nothing and have spent long hours in the classroom \* \* \* from sunrise to sunset in the earlier years." "I also wish some provision could be added for the one left to receive the income after the death of the retired teacher \* \* \* should I go first." Note. She was not eligible for survivors' benefits for these were (added to the system recently). Fortunately she did not have to repay the system as three others have been asked to do.

13. Mrs. William B. Maxwell, address not identified. Account No. 14210. 18 years of service. Retired in 1957. Retirement payment is \$59.78 per month. Husband had acute coronary attack in September, 1966. He had qualified for social security. He had been a pharmacist and then had to discontinue his work. His social security prevented Mrs. Maxwell getting an increase to the difference between \$59.78 and \$73.20. She writes: "My husband's income should not have penalized the retirement payment raise, and particularly after my husband's inability to work."

14. Mrs. Pauline Cooper, 3615 West Platt Street, Tampa, 33609. This is a disability case. Mrs. Cooper in 1951 fell ill with a stroke of paralysis of her left side. She has never been able to return to teaching. "I taught a special subject and had 85 in my glee club." She received a monthly retirement check of \$54.57 and a social security payment of \$106.00. By these two sources, she, a widow, had to meet her living expenses. The upkeep of her home which she owns, is a heavy expense. She has frequently called on relatives for help. She could not get an increase in retirement due to the law of 1961. Surely these total disability cases are worthy of more than what she gets from the retirement system.

#### SAMPLES OF LESSER DISCRIMINATION

1. Miss Nettie E. Hampton, Labelle, Florida, Box 135. "I cannot pay dues now. I am not receiving social security benefits. I turned them down for, the government wanted to take \$35.00 off my check. I told them money was money to me." (Probably confused about the exact status of the matter, but an example of the confusion caused by the law's operation among many retired teachers.)

2. Mrs. Eleanor R. Davis, 114 West 8th Street, Panama City. "I started teaching in 1905 \* \* \* taught until 1910 when I married. I started again in 1925 and taught until 1946, when I retired at age 60. The last raise in retirement pay I did not get as my husband and I draw social security. This with my retirement of \$78.60 brought me up over the \$100.00 mark." Twenty years service with teacher retirement of \$78.60. Not a very serious case but not a very just one.

3. Elizabeth M. Lean, 891 North 10th Avenue, Pensacola. 33 years of service in Florida schools. Retired at age 65 and now receives \$110.00 per month retirement. Lost an increase of \$32.00 per month because she had some social security.

4. When the law of 1961 went into effect, a series of letters came to A. R. Mead with complaints about the law. These he delivered to Mr. Paul Peters, Chairman of Legislative Committee for the Retired Teachers. There were some 7 or 8 such letters.

5. Mrs. R. L. Kennedy, 359 Bunker Cove Road, Panama City. Retired after 29½ years of service in Florida schools. Now receives \$97.80 retirement and a small amount of social security. No other data about this case. The retirement is not a very encouraging protection for the many costs of living she must face.

6. Gretchen Hayes, 6900 Portillo Street, Coral Gables. 29 years teaching. Receives \$97.93 per month retirement payment. Husband has social security, hence, not possible to obtain any increase. She is very fortunate that her husband does have social security. \$97.93 has about the purchasing power of \$43.87 at present inflated costs.

7. Ruth A. Crabtree, 1633 East Belmont Street, Pensacola. 22 years teaching. Retirement payment of \$73.33 per month. She would have been entitled to \$88.00 per month but she receives \$38.00 from social security, which is fortunate for her.

8. Mrs. F. A. Wheeler, 1002 West Garden Street, Pensacola, 32501. "Three of us who retired on \$100.00 per month \* \* \* we who were sharing in social security with our husbands were denied the increase and pushed aside \* \* \* so to speak. Now total check is \$106.40." She is lucky that they have social security also.

9. Annie Lou Carter, 441 East Madison Street, Pulaski, Tennessee, 38478. Retired in 1952 because of eye trouble after 31 years teaching in Orlando and one year in Mississippi. Gets \$118.48 retirement and \$33.00 per month retirement. Total is \$151.48. This person may have adequate total income. We do not know whether she has to keep up a home, dependents, or unusual expenses.

10. E. A. Carnley, 1402 Hamilton Building, Milton, Florida, 32570. Married. Gets \$118.00 retirement payment per month and some social security. Gave 37 years service to schools in Florida. Was teaching during the depression years when salaries were low and sometimes paid in scrip. Not happy for the treatment in refusing a small increase.

11. Callie D. Johnson Akery, 1450 Harrison Street, Jacksonville. 44 years of teaching service. Receives \$142.07 per month teacher retirement. Retired from an Orlando school in 1954. Much disappointed because she did not get an increase due to the law of 1961.

12. Mrs. Decia George, probably lives in Orlando because this was reported from there. 28½ years teaching service. Receives \$93.73 retirement payment and her husband has social security. "I feel that I was unjustly discriminated against at that time. To me it seems right and just that I should receive all raises awarded any teacher with similar qualifications."

13. Miss Bessie Bowen, 1312 Cincinnatti, Panama City, 32401. Taught 38 years. Retirement check is \$126.67. Failed to get any increase because of law of 1961. Hope she has a large social security check. She needs it!!!

14. Claudia C. McCurley, 1403 East Brainard Street, Pensacola. 39 years of teaching. Retirement check \$129.67. Also has \$28.00 per month social security income. "I have never felt as if that was quite fair, especially since the railroads have discontinued that practice."

15. Estelle C. Starling, Box 231, Panama City, 32401. 19 years teaching service. Receives \$67.63 retirement payment. \$38.00 social security. Without the offset, she would have under the law of 1961 received an increase of \$13.00 per month. Very fortunate to have social security.

16. Mrs. Emma Hunsberger, 8703 Brooks, Tampa. 25 years of teaching in Florida and 18 years elsewhere. \$116.67 retirement each month, reduced from possible \$140.00 due to the law of 1961. No report on amount of social security payments. Income insufficient to meet regular monthly expenses.

17. Mr. L. C. Minor, 2700 8th Avenue, North, St. Petersburg. Could not get any increase due to the law of 1961 with the social security offset. "We, in Pinellas county hope to get an increase and also to eliminate the social security clause."

18. Bertha Parker, Parker, Florida. 26 years service. Not able to work now. One dependent. Owns home. Retirement payment is \$86.62. Social security payment is \$82.00. Yet, income is insufficient to meet necessary expenses. Could not qualify for increase under 1961 law.

*Some samples of retired teachers' judgments about the law of 1961 with the social security offset*

1. A. R. Mead, 1719 N.W. 6th Avenue, Gainesville, Florida, 32601. "My analysis and judgment is expressed in the statement, A bad law penalizes some retired teachers."



2. Mrs. Floy McEachern, 1020 S. W. 11th Terrace, Gainesville, 32601. A retired teacher of many very successful years work in Florida schools she writes:

"In my opinion the law concerning the social security angle works an *unfair, discriminatory, and unjust* hardship on the lowest income group of retired teachers regardless of the standing of its sponsor. The law should be *declared* unconstitutional and these retirees who have been penalized should be reimbursed. How can any fair-minded, well fed, and independent citizen who is aware of the situation abide this situation?"

3. Mr. Orlo M. Shultz, Gainesville, Florida, 32601.

"The law in question is not a good one as it prevents a retired teacher, able and willing to return to employment under social security." Mr. Shultz is a teacher and counselor of many years experience.

4. Mrs. Margaret W. Boutelle, 421 N.E. 4th Street, Gainesville, Florida 32601. One of Florida's most outstanding teachers of many years.

"I think that the law should be changed—that it is unfair, really unjust to many."

5. Mrs. William A. Gager, 2616 S.W. 4th Place, Gainesville, Florida, 32601.

"I am not personally affected by the law but I feel very very strongly that the law is unjust and that it should be repealed. It is discriminating against people who can ill afford to have such penalties."

6. Mrs. Grace A. Stevens, 546 N.E. 6th Avenue, Gainesville, Florida 32601.

"I think the law is unjust. It seems to me that it is unconstitutional and therefore, I am willing to help it make a case. This law mitigates against a *certain* group of people."

#### OLDSTERS SHOULD GET RAISE, NOT STATE

[From Los Angeles Times, May 2, 1967]

When Social Security increases are voted by Congress will the benefit to oldsters be wiped out by reduction of other retirement income?

That question is concerning a subcommittee of the Special Senate Committee on Aging—because it is exactly what has happened in the past.

Sen. Jennings Randolph (D-W.Va.), subcommittee chairman, insists there must not be a repetition of prior disappointments experienced by older Americans who found other income reduced when Social Security payments were modestly increased. In some instances, he contends, the elderly wound up in even more impoverished circumstances.

The senator is particularly worried over possible cutbacks in state Old Age Security. But there is also the problem of slashes in veterans retirement income and the plight of persons enrolled in private pension plans. Randolph admits, however, that he is at a loss to know what Congress can do about the situation.

Perhaps Congress cannot act, but the California Legislature is already moving toward preventing OAS reduction which caused hardships in the past.

Sen. Stephen P. Teale (D-West Point), has introduced emergency legislation designed to insure that increases in Social Security will be passed on to Californians receiving state assistance funds.

His bill provides that lump sum payments received by Social Security recipients shall be excluded in computing income for state assistance purposes.

"By deducting the Social Security increase from state aid funds," Teale notes, "the state is taking away the economic shot in the arm the additional money was designed to create."

Two years ago, under similar circumstances, special legislation was enacted to prevent a potential loss of \$6 million to 170,000 elderly Californians.

The Teale bill should be passed and signed into law before Congress completes action on Social Security amendments.

It is economically unjustifiable and morally wrong that the state should siphon off the benefits Congress votes for the elderly.

## APPENDIX D

### NEWS ARTICLES SUBMITTED FOR THE RECORD BY MESSRS. EDELMAN AND HUTTON

[From the Wall Street Journal, Sept. 22, 1965<sup>1</sup>]

#### AGED QUICKLY SPEND SOCIAL SECURITY BONUS "TO MAKE LIFE EASIER"

CHECKS FOR RETROACTIVE BOOST GO FOR CLOTHES, FOOD, RENT;  
BONANZA IN ST. PETERSBURG

(By Kenneth G. Slocum)

ST. PETERSBURG, FLA.—William Wilkins, a retired bricklayer, has already spent his Social Security "bonus." "Nineteen dollars for a car repair job, \$10 for some overdue bills and a few dollars at the drugstore."

Gifford Adams, a former bookkeeper, will use his check "to put some new rags on the old frame."

And a frail old couple here will use the money to change hotel rooms. "Instead of a \$10-a-week room with cockroaches on First Street we're getting a clean \$13-a-week room on Sixth Street, where we also hope to meet a better class of people."

The money that is paying bills and changings plans in this retirement city is the 7% increase in Social Security payments, retroactive to Jan. 1. The initial batch of checks covering the back payments began pouring in here—and across the nation—Saturday morning, and by Saturday afternoon cash registers were zinging and the thousands of oldsters who daily sit on the tree-shaded benches lining St. Petersburg avenues were abuzz with talk of their new plans.

"SURE LOOKS MIGHTY GOOD"

"That extra \$5.90 a month wouldn't mean a thing to a guy making \$10,000 a year. But, boy, when you're 70 and everything is going out and nothing is coming in that extra sure looks mighty good," says Lonnie Hutchins, a former New York truck driver.

The money is already providing a spur to the economy of this typical city, where 28% of the 215,000 residents are 65 or older. "Our sales Saturday were the best in a long time," says the manager of a Food Fair supermarket. At Webb's City, a complex of stores catering to the elderly, Saturday sales of toothpaste, patent medicines and sundry items were \$5,000 above normal.

The impact of the extra Social Security disbursement can be seen most quickly here, where life is geared to the needs of the elderly, where sidewalks slope to street levels at each corner and where drug and dime stores advertise blood-pressure readings for 50 cents. But the impact isn't limited to this sunny city. Nationwide, about 9% of the population is 65 or older, and the retroactivity checks are supplying these people immediately with a hefty \$885 million in additional buying power.

Talks with scores of old folks here and studies by authorities on the problems of the aged indicate the recipients will spend the money as fast as they get it. Indeed, only one in 10 of the people interviewed expressed any thought of saving the money. "Most of it is already spent, but, shucks, isn't that what it's for?" says one retired man here. Adds George Malis, a retired steelworker: "At 72, there's no use saving money."

#### \$1.2 BILLION FOR THE ECONOMY

In addition to the back payments, the regular monthly Social Security checks for the 20.5 million recipients, mostly oldsters, will be fatter beginning with the

<sup>1</sup> See p. 8.

September payment, to be mailed out early next month. This rise, plus the retroactivity payments, will channel an estimated \$1.2 billion into the economy in the next four months, and another \$100 million a month thereafter. The money is being counted on by Johnson Administration experts to provide a major stimulus to the already booming economy.

The retroactive payments covering the months from January through August will average about \$48 for single retired workers, \$80 for aged couples, \$40 for aged widows, \$112 for a widow with two children, \$56 for disabled workers and \$104 or more for a disabled worker with a wife and at least one child. The monthly increase for a retired worker ranges from \$4 to \$8.90; a widow's monthly increase ranges from \$3.30 to \$7.40.

For many persons, the money will provide some basic necessities which they have been going without. Consider, for instance, the straits of Anthony Souza, 79, a retired carpenter from Rhode Island who lives entirely on his Social Security payment. The check was \$100 before the increase.

"My hotel room costs me \$40 a month, and, if I watch it, I can eat in cafeterias for \$2 a day," he explains. "So I can scrape by—except in those months with 31 days." The increase, which will lift Mr. Souza's check to \$107 a month, "will make life a little easier," he says.

A silvery haired widow of 70, sitting on the front porch of the old Detroit Hotel, is asked what she will do with her retroactivity check and pension increase. Reaching over to feel the quality of a visitor's suit coat, she asks: "Sonny, when was the last time *you* chewed gum for breakfast?"

On Saturday, the prescription drug department at Webb's City reported business was 15% above normal, "indicating that some of these people had been unable to pay for prescriptions until the retroactive checks arrived," says James Webb, executive vice president. The store also posted "very substantial" gains in the eyeglass and hearing-aid departments, he says.

Most of the money seems to be going for food, clothing and other ordinary, everyday expenses, however. "I've cashed so many blue Government checks today I'm blue in the face," says Willie Houchings, an executive at a huge Grand-way department store here. "Most of them seem to be spending it for household items such as pots and pans, and clothes—a housedress for her and a pair of slacks for him," he adds.

Holding up two fistfuls of Government checks, the manager of the Food Fair says: "This is all I've been doing. I've cashed over 500 retroactive checks in two days. It's apparent that a good part of the retroactive checks is going for food."

At Webb's City Saturday, gains of 17% were posted in the ladies' ready-to-wear department, 11% in men's wear and 1% in household furnishings, in comparison with normal Saturday business. By contrast, the jewelry and landscaping-nursery departments had no gains.

Some of the money, however, will go for increased prices, at least in this West Florida area. "Six months ago I paid 10 cents in a local cafeteria for a dish of grated carrots. Now I pay 18 cents," complains Clarence Wahlers, a retired toolmaker of 79. "A year ago I could get a decent meal for \$1; today it costs me \$1.25."

Eggs in the favorite restaurant of William Luth, a 73-year-old former construction laborer, now are 14 cents, up from 12 cents a week ago, he says. And Mr. and Mrs. Fred Weber complain that the "budget bacon" that cost them 35 cents a pound a few months ago now costs 70 cents.

The owner of a grocery store confirms that prices have been inching up the past few months because of "higher costs to us." A restaurant owner says he has raised prices because of an expected minimum-wage law governing the restaurant business.

Not all the elderly, of course, are living such a hand-to-mouth existence. For the nonimpoverished, the new Social Security money will just mean a windfall, to be frittered away in one manner or another. "It's nice, sure," says William Wright, a 71-year-old with a scampish grin. "But I didn't need it. I have a nice pension from Bethlehem Steel and a few bucks tucked away." Mr. Wright feels he is so sound financially that he recently married, even though his 42-year-old bride isn't old enough for Social Security.

But for others, it will, as Mr. Souza says, make life a little easier. For Manly Corbin, 68, the money will mean "my first new suit in years." For John Morrow, 71, a \$40 retroactive check will help buy an old car.

For still others, however, the money won't be enough, especially to cover medical expenses. These people, though, look to medicare to help solve their problems

and generally figure their ailments can wait' to be treated next July, when the Government program of medical care for the elderly takes effect.

"I have a tumor on my back but I figure both it and I can last until next year when medicare goes into effect," says John Doran, a gravel-voice man of 70 who used to buy food for a Buffalo, N.Y., restaurant chain. "I just can't spare the dough so Uncle Sam is going to pay for most of the operation."

Harvey Jackson, 79, concurs. "Several of my friends are putting off kidney and bladder operations until medicare goes into effect," he says. "Some don't have the money and others don't want to spend what they have."

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[From the Evening Star, Sept. 14, 1965<sup>2</sup>]

### YOUR MONEY'S WORTH—\$885 MILLION S.S. WINDFALL

(By Sylvia Porter)

The U.S. Treasury will mail out 17.6 million extra checks tomorrow, worth \$885 million and weighing more than 50 tons, to Social Security beneficiaries throughout the nation. Because the checks will be mailed from five different Treasury disbursing offices—New York, Philadelphia, Birmingham, Kansas City and San Francisco—the vast majority of today's 20 million Social Security beneficiaries should receive their checks by next Monday.

This windfall represents the 7 percent across-the-board Social Security raise voted by Congress in late July and retroactive to last January. In early October the regular checks will be upped by another \$105 million a month. These sums will be in addition to the \$1.4 billion already going each month to our nation's Social Security beneficiaries.

What will this massive benefit increase mean to the individual Social Security beneficiary and to the U.S. economy as a whole? Who will get how much of the total raise?

The minimum regular raise for the worker who retired at 65 is \$4 a month. Thus, this retired worker who is now receiving \$57 a month or less actually will get a raise of more than 7 percent, plus a minimum retroactive check of \$32. For a young widow with two children, the minimum extra check will be \$48.

The maximum retroactive checks now going into the mails are \$58.40 for an aged widow, \$71.20 for a retired worker, \$107.20 for an aged couple, and \$416 for a young widow with two children.

Average September bonuses will be \$48 for a retired worker, \$80 for an aged couple, \$40 for an aged widow, \$112 for a young widow with two children, \$56 for a disabled worker and \$104 for a disabled worker with a wife and one or more children.

Of course, beneficiaries who did not become eligible for Social Security until after January 1965 or who are earning more than \$1,200 this year will get relatively less than others.

To you, a prosperous working American today, such sums may seem picayune. But for the average Social Security beneficiary the September retroactive payment will amount to as much as 65 percent of a full month's regular benefits.

Also underlining the vital importance of the retroactive check is the fact that today Social Security amounts to nearly one-third of the total income of elderly Americans. For one in four, it's virtually the only source of income.

There is no doubt that the Social Security retroactive payments and the regular 7 percent monthly raise will have an immediately stimulating impact on the U.S. economy. Most of the individuals receiving the extra September payments will spend all of the money within days after the checks arrive.

Many already have earmarked the money for specific purposes, letters to Social Security offices indicate. No beneficiary, says Social Security, has indicated any plans to splurge on a luxury greater than "a steak dinner to celebrate."

Mind you, a full \$1.2 billion of extra money is pouring into the hands of people who will spend just about every penny in the next 100 days. Then, the continuing 7 percent across-the-board benefit hike will translate into \$1.4 billion of additional spending money in the full year of 1966.

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<sup>2</sup> See p. 9.

[From the Senior Citizens News, October 1965\*]

#### AGED POOR DENIED SOCIAL SECURITY GAINS

WASHINGTON, October 11.—More than a million of the aged poor—those who need public assistance to help boost their small social security payments—are being denied the benefit of cash increases won for them in Congress through the Social Security Amendments of 1965 signed by the President on July 30!

A quarter of a million older persons in five states—California, Colorado, Illinois, Kansas and Nebraska—got their public assistance payments reduced by exactly the same amount as the check they received from Social Security Administration in mid-September representing an eight month retroactive payment of the increase for January through August, 1965.

#### BUREAU'S APPEAL IGNORED

On August 10, the Bureau of Family Services of the U.S. Department of Health, Education, and Welfare sent out a letter explaining the 1965 Social Security Amendments to all state agencies administering approved public assistance plans.

The Bureau's letter reported that with respect to the lump sum retroactive benefit payment, authority is given under the welfare amendments in the new law to permit State agencies to disregard that sum in determining the need of public assistance recipients.

All but five State public welfare agencies—with 900,000 persons involved—have reported they are not counting as income this eight-month back payment received by public assistance recipients who are also social security beneficiaries.

The Bureau urged that States take advantage of the authority to disregard all or part of the retroactive payment.

#### CONGRESS INTENT DISREGARDED

With regard to the 7% across-the-board increase in monthly payments which began with the receipt of the October Social Security check, the Bureau of Family Services again advised state agencies that the disregard of up to \$5 of any income permitted by this amendment offered another opportunity for States to make the Social Security increases have meaning for beneficiaries receiving supplementation under the assistance titles. The Bureau's letter emphasized that this was the Congressional intent of this amendment.

Nevertheless, to date only nine States have reported they plan to disregard some amount of the income up to \$5. The States are Arkansas, Delaware, Georgia, Indiana, Iowa, Michigan, Oklahoma, South Dakota and Vermont. Affected in these nine states are an estimated 140,000 aged public assistance recipients. Another nine States are considering such action. The balance of the States apparently plan no action.

This means that as of this moment, over a million old people will have their public aid grants reduced by the amount of increase in Social Security which Congress has just enacted.

So, while the nation wages its war on poverty and launches all kinds of programs for younger people, the most needy of all, the indigent elderly, have been cruelly hoaxed by their States.

The National Council of Senior Citizens has urged its affiliated clubs in all affected states to protest the fattening of State coffers at the expense of the needy elderly. During the medicare victory celebrations which are being held in many areas, clubs have been asked to wire their Congressmen urging them to use their influence with Governors to ignore the social security increases when computing public assistance supplementation.

#### CONGRESSMAN WARNS HIS STATE

Rep. Kenneth J. Gray (D. Ill.) has warned the Illinois Dept. of Public Aid he will push for a cutback in federal funds if the Department continues to refuse to pass on social security increases. About half of Illinois' \$350,000,000 annual public aid budget comes from federal funds. By not passing on the increases Illinois gained \$1,100,000 from retroactive increases and as from October

\* See p. 9.

1 Illinois will gain \$110,000 a month by not passing on the authorized monthly increases.

One of the earliest successes as a result of local action comes from Massachusetts where clubs affiliated with the National Council have successfully urged the Commonwealth legislature to meet the problem. Only half of the Massachusetts oldsters getting Old Age Assistance draw Social Security—about 26,000 of them. The legislature decided to increase the leisure time OAA allowance \$5.50 a month, thus allowing those getting Social Security hikes to keep the raise. Those not on Social Security get the full \$5.50 from OAA.

#### CORPORATIONS REDUCE PENSIONS

In addition to the reprehensible attitude of the States, the National Council of Senior Citizens has also learned that the law granting social security increases is also being used by some corporations to reduce pensions to workers presently employed.

Certain companies have labor-management contracts which are so written that when Social Security benefits are increased, there is an automatic cut in pension benefits and in company costs. These corporations figure the amount of company pensions on a percentage basis of average earnings of the last five or ten years of employment. Those who retire after the change in Social Security benefits find themselves with smaller pensions than they expected to receive. The rise in Social Security benefits for this group will not be sufficient to make up for the cuts in pensions for those who retire after 1966.

Members of the National Council of Senior Citizens who were formerly employed by the General Electric and Westinghouse corporations have reported that the terms of the Social Security Act as amended this year will result in pension cuts for G.E. employees, especially those in the lower brackets, and substantial pension losses for salaried Westinghouse employees. At the same time, there will be automatic savings to the companies.

"Unless the collective agreements with these concerns are modified, there will be an estimated reduction of about \$1.20 a month per year of future service for an average G.E. employee and up to \$3.00 a month per year of future service for an average Westinghouse salaried employee," said National Council president John W. Edelman.

"Also, unless these contracts are now revised, the corporations have the opportunity to reduce their health and welfare benefits to retirees and let Medicare pick up the major part of the tab.

"The National Council of Senior Citizens is of the opinion that the Congress completely overlooked the possibility that the passing of the 1965 Social Security Act would be used by some companies to either reduce benefits to their own employees, or to shift a part of the obligations they had assumed under their contracts to the federal government."

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[From the Senior Citizens News, July 1966<sup>4</sup>]

#### STATES STILL DENY AGED BENEFITS GRANTED BY CONGRESS LAST YEAR!

WASHINGTON, July 1.—A half million elderly poor are still being denied the benefit of the 7 per cent increase in their social security checks enacted by Congress a year ago this month, John W. Edelman, president of the National Council of Senior Citizens, has charged.

Social security checks that go to an estimated 1,000,000 men and women are so small the recipients must ask for relief, Edelman points out. Their social security increases averaged from \$4 to \$5 a month.

Congress tried to protect these men and women, Edelman said, by providing in the 1965 social security amendments that States may disregard up to \$5 a month of income used in determining eligibility for relief.

The income factor is important because it can affect what the Federal Government grants the States to help them finance public assistance.

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<sup>4</sup> Reference to this article in testimony before the subcommittee is on p. 9 of these hearings. The Welfare Administration submitted a report concerning State action as of April 1967, which appears on pp. 28 and 29.

## ELDERLY HURT IN 24 STATES

Edelman said 15 states lend their less fortunate citizens a helping hand by taking advantage of the \$5 monthly income exemption under the 1965 social security amendments.

Another 24 States have notified the National Council of Senior Citizens they do not intend to avail themselves of this provision of the law and have slashed public assistance payments in the amount of the social security increase for relief clients who collect social security, Edelman revealed.

To justify their position, relief administrators in the States that withhold the social security increase from relief clients argue that to do otherwise would be unfair to their clients who get no social security, Edelman noted. He had this comment:

"That argument may hold water for States that have spread some or all the increase among relief recipients generally but, by their own admission, 17 of the 24 States reporting to the National Council of Senior Citizens, have not done so.

"In other words, these States believe in economizing at the expense of their poorest citizens."

## NCSO ASKED THE STATES

Reports by relief administrators on what they are doing about the social security increase resulted from a questionnaire distributed by the National Council of Senior Citizens to 33 States.

The 33 States are listed by the Department of Health, Education, and Welfare as having decided to withhold the amount of the social security increase from relief clients. The Senior Citizens' Council heard from 24 of the 33 States.

## STATES WHICH HINDERED

In their replies to the questionnaire, these States reported withholding the social security increase from relief clients without making any substantial compensatory adjustment:

Alaska, Arizona, California, Illinois, Louisiana, Maryland, Minnesota, Mississippi, Montana, New Mexico, New Jersey, North Carolina, North Dakota, Ohio, Oregon, Texas and Utah.

## STATES WHICH HELPED

While withholding the amount of the social security increase, these States reported making substantial compensatory adjustments in recognition of the increase:

Alabama, Colorado, Kansas, Kentucky, Maine, New Hampshire, and Rhode Island.

In its report on the social security increase, the Department of HEW's Bureau of Family Services said these States have taken advantage of the \$5 monthly income exemption allowing relief clients to keep their social security increase: Arkansas, Delaware, Florida, Georgia, Hawaii, Idaho, Indiana, Massachusetts, Missouri, Nevada, Pennsylvania, South Dakota, Vermont and Wyoming. Iowa was added to this group after issuance of the HEW report.

## MADE NO DECISION

According to this report, these units had made no determination on withholding the social security increase from relief clients when the HEW report was issued: District of Columbia, Michigan, Oklahoma, South Carolina, Tennessee and Wisconsin.

In addition to the 25 States that answered the senior citizens' questionnaire, the Department of HEW's Bureau of Family Services listed these units as reporting they withhold the social security increase from relief clients: Connecticut, Nebraska, Puerto Rico, Virgin Islands, Virginia, Washington and West Virginia.

However, these States and territories failed to reply to the Senior Citizens' Council questionnaire which was directed to them on two separate occasions.

Below are comments of relief administrators who answered this questionnaire. Shown in parenthesis is HEW's estimate of the number of social security beneficiaries on relief in each State:

Alabama (43,602), Ruben K. King, Commissioner of the Department of Pensions and Security: "Although we have not been able to disregard income, the monthly allowance for old age pensions and aid to the permanently and totally disabled was increased by \$4."

Arizona (5,296), John O. Graham, Commissioner of Public Welfare: "This department cannot make any adjustments under State law to disregard any income."

"The State law provides a grant-plus-income maximum of \$100 for one person, \$155 for two persons and \$220 for three or more persons in the same household. In event the social security benefit is increased, the old age assistance would be decreased in like amount . . . Undoubtedly, a bill will be introduced in the 1967 legislature to disregard \$5 of income."

California (159,808), Thomas Pyott, Chief, Aged Services Bureau: "State statutes do not permit implementation of any program (to disregard extra income for relief clients) except in the case of aid to the blind. . . . However, California law does provide for annual cost of living adjustments in all adult assistance programs and adjustments were made effective Dec. 1, 1965 . . ."

"During the last four years, basic and maximum old age assistance grants have increased \$13.50 a month. Basic and maximum aid to the blind grants have increased \$17.70 a month. Similar increases have been made in the program of aid to the disabled."

"The Legislature last year defeated a bill to take advantage of the \$5 additional income exemption. A similar bill is pending in the Legislature now."

Colorado (21,124), Department of Public Welfare: "An interpretation of the State Constitution indicates all (relief clients extra) income must be deducted. However, the old age pension grant was increased \$2 to \$118 a month and grants in other categories were increased."

Illinois (21,782), Harold O. Swank, Director, Department of Public Aid: "Illinois does not intend to disregard the \$5 allowable under the (1965 social security) amendments."

"This State was and is operating its old age assistance program on the basis of 100 per cent payment of its budgetary standard which is designed to meet full needs of all recipients."

"To disregard any item of income would create an indefensible discrepancy between recipients of social security benefits and those not on social security . . ."

"It (Illinois' standard of assistance) has been revised upward on several occasions and in several respects since the Federal amendments permitting States to disregard income. For example, the amount allowed for food has been adjusted upward in accordance with our rule that a 3 per cent increase in prices calls for a similar increase in budgets. This has happened once in the past year and will probably occur again shortly."

Kansas (8,341), Department of Social Welfare: "Kansas will not implement the Federal law allowing States to disregard \$5 additional income but we granted increases in allowances effective Aug. 1, 1966."

Kentucky (18,635), C. Leslie Dawson, Commissioner, Department of Economic Security: "Kentucky did not implement the option to disregard the \$5 a month of income in determining need of public assistance recipients."

"It would appear inequitable to disregard their income if comparable increases could not be made for the needy aged who fail to qualify for this benefit."

"However, we have implemented many program improvements within the past six months. More sizeable increases in cases of individuals with special needs will be effectuated by removal of all maximums on payments and granting 100 per cent need."

"We are extending the option for disregarding earned income of the aged from \$10 and half the balance of the first \$50 to \$20 and half the balance of the first \$80 as we believe recipients gain both monetary and social value from an earning situation."

Louisiana (54,602), Department of Public Welfare: "Because of inadequate funds, we will not implement the social security provision permitting States to disregard up to \$5 of any income in determining need of public assistance recipients."

Maine (5,876), Pauline A. Smith, Director of Family Services: "We took advantage of the 7 per cent increase in (social security) benefits by adding a household maintenance allowance to our standard budget for each recipient in our aid to the aged, blind and disabled category and each family in the category of aid to families with dependent children. The amount was \$5 a month."



"However, we have not implemented the Federal exemption of income up to \$5 a month and do not contemplate doing so."

Maryland (3,216), Raleigh C. Hobson, Director of the Department of Public Welfare: "In Maryland, we have not been able to revise the policy so as to disregard up to \$5 a month in income of public assistance recipients since available funds did not make this possible.

"Effective Jan. 1, 1966, because of funds available from revised Federal matching in public assistance categories, we were able to increase allowable standards for clothing, fuel and household items . . ."

Minnesota (17,658), Department of Public Welfare: "We have not implemented the authorization for an increase up to \$5 a month in income of public assistance recipients. It is our intention to ask the Legislature next year to implement fully the 1965 amendments to the social security act."

Mississippi (26,925), Evelyn Gandy, Commissioner of Public Welfare: "We will not implement the social security provision allowing States to disregard up to \$5 in income of public assistance recipients because of a lack of funds and because State law does not include this provision.

"We will make effective in December, 1966, an increase of \$5 for each recipient or each person in the budget by means of a wholesale change in adult category assistance checks . . ."

Montana (2,345), Department of Public Welfare: "We will not implement the social security provision permitting States to disregard up to \$5 a month in relief recipients' income as we would have to also disregard the \$5 for recipients not on social security and we would not have funds to do so . . ."

New Hampshire (2,095), George E. Murphy, Director of the Division of Welfare: "We have not implemented the Federal exemption because this requires legislative action. Food standards have been adjusted upward in assistance programs by 8 per cent."

New Mexico (2,964), Leo T. Murphy, Director of Public Welfare: "The State appropriation to this department in 1965 and 1966 was not sufficient to meet the additional cost of implementing the Federal exemption.

"The cost of disregarding the first \$5 a month of any income in determining need for public assistance will be included in our next budget request."

New Jersey (6,243), Irving J. Engleman, Director of the Division of Welfare: "New Jersey has not adopted the policy of disregarding up to \$5 a month of income in determining need of public assistance recipients.

"Our standards for public assistance grants were increased last year shortly before the Federal action to increase social security and permit certain income exemptions. We are currently reviewing, updating and costing standards, taking into account increased living costs . . ."

"We believe the existing Federal system which permits artificial ceilings, percentage reduction, outdated, unpriced standards and consequent inadequate grants, should concentrate on correcting the gross existing inequities rather than on devices which serve to perpetuate and increase such inequities."

New York (24,009), Department of Social Welfare: "New York does not disregard extra income up to \$5 a month for public assistance recipients. To do so would be inequitable to those not receiving social security benefits. However, basic needs of public assistance recipients have been increased to allow 5.9 per cent more for fuel and utility allowance."

North Carolina (10,933), Mrs. Myra J. Mitchiner, Director, Division of Public Assistance: "The State Board of Public Welfare has decided not to implement the authorization to disregard up to \$5 a month of income in determining the need of public assistance recipients.

"We are in the process of updating public assistance budget for recipients in all categories with a view to increasing payments to all individuals receiving assistance."

North Dakota (1,729), Donald K. Johnson, Director, Division of Public Assistance: "All States are required to go into a simplified (public assistance) budgeting procedure by July 1, 1966 . . . From preliminary studies, it now appears grants in aid to the blind will increase at least 8 percent and grants in aid for dependent children will increase at least 10 percent on the average.

"We believe in view of this very substantial increase we were justified in not electing the option to disregard up to \$5 per month of public assistance recipients' income. We also felt an increase for social security beneficiaries on public assistance would be unfair to other public assistance recipients."

Ohio (34,870), Department of Public Welfare: "We do not intend to use the authority given States to disregard up to \$5 a month in the income of public assistance recipients. Requirements for all recipients were increased \$4 a month last November."

Oregon (5,659), Andrew F. Juras, Administrator, Public Welfare Commission: "We feel strongly that to disregard \$5 a month income for those fortunate enough to be entitled to it would be unfair to other public assistance recipients.

"We have announced we intend to urge the next Legislature to give us enough money to increase the standards for all our grants. Our food standards have not been raised for 13 years and are highly unrealistic in terms of today's prices . . ."

Rhode Island (3,086), Augustine W. Riccio, Director, Department of Social Welfare: "In our assessment of the 1965 social security act amendments, we concluded it would be far more significant to concentrate on an overall increase in assistance to all public assistance recipients than exclude up to \$5 a month in the determination of need for social security beneficiaries. To this end, \$1,656,725 has been provided to increase standards of assistance to all public assistance recipients. The increases are based on guidelines of approximately \$7.50 per adult recipient and \$1.90 per child recipient."

Texas (87,864), Department of Public Welfare: "State law requires consideration of all income and resources with social security benefits being considered like any other income. As a result, the 1965 social security exemption of income up to \$5 a month for public assistance recipients is not being implemented."

Utah (1,764), Ward C. Holbrook, Chairman, Department of Public Welfare: "Grants to Utah public welfare recipients are fixed by state law. Provisions of our law do not provide for cost of living increases. An increase of \$2 a month was granted our old age recipients July 1, 1965, and we are planning to make another increase of \$2 a month July 1, 1966. This is the only leeway we have to meet the problem of enabling social security beneficiaries realize something from the 1965 increase in their benefits."

