his earnings rose in proportion to the rise in earnings generally, will be earning about $13,000, and under the $4,800 base now in effect would get a benefit that would equal only 11 percent of his earnings today. Today about two-thirds of the regularly employed men have earnings above the maximum which can be counted for benefit purposes. The Council believes that improvement of the benefits payable at earnings levels above $4,800 for people retiring in the future through increasing the base is necessary in order to preserve the wage-related character of the program and to make it more effective for the average and above-average earner.

The other recommendations of the Council for improving the benefit structure are discussed in detail in the following pages.

1. THE PERIOD FOR COMPUTING BENEFITS FOR MEN

The period for computing benefits (and insured status) for men should be based, as is now the case for women, on the period up to the year of attainment of age 62, instead of age 65 as under present law, with the result that 3 additional years of low earnings would be dropped from the computation of retirement benefits for men.

The Council recommends that the period used for computing benefits for men in retirement cases should be shortened by 3 years, making it the same as for women. While retirement benefits are payable to men and women at age 62, and while the reduction rates applicable where benefits are taken before age 65 are the same for men as for women, the average monthly earnings for men are computed over a period equivalent to the number of years (less 5 years) up to attainment of age 65, whereas for women they are determined over a period equivalent to the years (less 5 years) up to age 62. If a man does not work after age 62 his average monthly earnings and the resulting benefits generally will be reduced, but a woman's failure to work past age 62 generally has little or no adverse effect on her benefits.[25]

The Council is concerned about the low benefits payable to men who have been coming on the benefit rolls before age 65, especially those whose retirement has been involuntary. Almost one-half of the men awarded old-age benefits in the fiscal year 1964 get reduced benefits because they came on the rolls before age 65, and their benefits are, on the average, much lower than the benefit amounts payable to men who come on the rolls at age 65 or after—for fiscal year 1964 awards, $75 for men who came on before 65 as compared to $103 for men who came on at or after 65.

The reduced benefits which are now paid to men and their wives who start to get old-age benefits before age 65 are below what they can be expected to live on. As a result it may be anticipated that many will sooner or later have to apply for assistance; and the role of public assistance in providing income for people who can no longer work—a role which has diminished over the years as the social security program has grown—can be expected to expand. The proposal to end the computation period for men at 62 instead of 65 will alleviate this situation.

The Council is not certain, however, that this change will improve benefits enough for people who are forced into early retirement. It may be necessary later to consider providing for a smaller-than-acturial reduction in benefits for people who come on the rolls before age 65. Provision for a smaller reduction, though, would be relatively expensive and could have adverse effects on private pension plans. It might also have effects on retirement policies and on the general patterns of work and retirement in the later years of life.

Because of the importance of such a change, the Council does not want to make any recommendation on the basis of the present limited experience with the age-62 acturial-reduction provision for men. The provision permitting men to get benefits at 62 was enacted in 1961, and available data, much of which relates only to the year 1962, may not be representative of the ongoing situation. The

[25] The following example illustrates the effect on benefit amounts of shortening by 3 years the period over which a man's average monthly earnings are figured: A man who earned $3,000 in each year, 1951 through 1958, became unable to continue at his regular work in 1959 and his earnings decreased to $1,500 a year in 1959 through 1964. He reached age 62 in 1965, had no earnings in that year, and took his reduced old-age benefit. Under present law, only 5 years, including the 3 years from age 62 to 65 in which he had no earnings, could be omitted in figuring his average monthly earnings, with the result that he would get a benefit of $68.80 at age 62 (his average monthly earnings of $208 would yield an unreduced benefit of $86). Under the recommendation an additional 3 years would be dropped from the computation and his benefit would be $73.60 (based on average monthly earnings of $236 and an unreduced benefit amount of $92).

With the general benefit increase recommended by the Council the man would get a benefit of $87.20 (based on an unreduced benefit of $109) with the shorter computation period, while under the benefit increase alone and with the present age 65 closing point he would get a reduced benefit of $82.40.

Council recommends that the Social Security Administration continue to collect information about the people who come on the benefit rolls before age 65. The information should include data relative to both their past work experience and their current financial situation, and should provide answers to such questions as the following: how many have been regular full-time workers over the greater part of their lives, and how many have been only intermittently or casually employed; how many have been the primary earners in their families, and how many have been secondary earners; how many are unskilled workers, how many have skills that have become obsolete because of technological or economic change, and how many have skills that are still useful and in demand; and how many are retiring voluntarily, how many are being forced to retire, and how many have already been out of employment for some time.

Shortening by 3 years the period for computing benefits for men will, of course, benefit men who retire at or after age 65 as well as those who retire before age 65; it will also result in the payment of higher benefits in some cases to the dependents of retired men and to the survivors of men who die after reaching age 62. The proposal will also make payable more quickly, as far as men are concerned, the higher benefits that will become possible with the increased contribution and benefit base that is being recommended by the Council. The reason why this happens is that with a computation period shorter by 3 years than it would be under present law, fewer years prior to the effective date of the new base would have to be included in the computation and the average monthly earnings would consequently be higher.[26]

2. A GENERAL INCREASE IN BENEFITS

A general increase in benefit amounts, accomplished by a change in the way the benefit formula is constructed, should be provided to take into account increases in wages and prices since the last general benefit increase in 1958, and the maximum on monthly family benefits should be related to earnings throughout the benefit range.

The council recommends a general benefit increase which will average about 15 percent but which will be accomplished, not by increasing each benefit by 15 percent, but rather by a change in the way the benefit formula is constructed. About half of the 15 percent will go to restoring the purchasing power of the benefits, taking account of increases in prices since 1958, the time of the last general benefit increase. The remainder will be used to adjust in part to the increase in earnings that has taken place and so improve the real value of the benefits.

The Council believes that while the increase to make up for the increase in the cost of living, amounting to about 7 percent should be applicable at all benefit levels, the improvement in the real value of the benefits should not be uniformly applicable at all levels.

Instead of the large increase in the percentage factor applicable to the lower part of the average monthly earnings that would arise from such a uniform application, the Council proposes to increase the amount of average monthly earnings to which the heavier weighting applies.[27] The purpose of having a weighted formula is to give recognition to the fact that the lower-paid worker and his family have less margin for reduction of their income and are less likely to have other resources than higher-paid workers; and the level of earnings that marks what can be considered a lower-paid worker goes up as earnings go up generally. In recognition of this fact, the amount of average monthly earnings to which the higher percentage applies was increased from the original level of $50, set in 1939, to $100 in 1950 and to $110 in 1954. In view of the increase in wages that has occurred since 1954, when the amount was last changed, the Council believes that in effect the definition of what constitutes a low-paid worker should be changed again by an increase in the level of earnings to which

[26] For example, take the case of a man who has always earned at or above the maximum taxable level and who attains age 65 and retires on January 1, 1971. Assuming that the Council's recommendations with respect to the contribution and benefit base and the benefit formula were enacted, but the years up to 65 had to be used in computing the average monthly earnings, this man's average would be figured over his highest 15 years of earnings after 1950 and thus would be based on 3 years of earnings at $4,200, 7 years at $4,800, 2 years at $6,000, and 3 years at $7,200. His average monthly earnings would be $443 and his benefit would be $153. If, on the other hand, the recommendation for dropping out 3 more years in such cases is adopted, the 3 years in which his earnings were $4,200 would be dropped from the computation, his average monthly earnings would be $466 and his monthly benefit would be $158.

[27] In order to provide a larger benefit relative to earnings for lower-paid people than for higher-paid people, social security benefit amounts have always been based on a formula that is weighted to pay a relatively larger percentage of average earnings up to a certain amount and a smaller percentage of earnings above that amount. The formula underlying the benefit table now in the law is 58.85 percent of the first $110 of average monthly earnings and 21.4 percent of the remainder.

the higher percentage is applied, and the Council recommends an increase from $110 to $155.[38]

The reason for not applying more than a 7-percent cost-of-living increase at the lower levels of average monthly earnings is that the increase at average monthly earnings below, say, $100 would go mostly to people who have not worked regularly under the program, and whose benefits are already almost as large for a couple as the earnings on which the benefits are based.

Although no substantial increase should be made in the percentage factor applying to the lower part of the average monthly earnings, since this would tend to increase benefits for people who work under the program only part time, such as people who spend most of their lives as Federal workers, as housewives, or in noncovered State and local government employment, the Council does favor improving the situation for the low-paid worker who is regularly covered. The Council believes that if the social security program is to do an adequate job as the basic system providing retirement income. one goal must be that such a low-paid worker will get benefits high enough so that he will not have to turn to public assistance to meet regular living expenses. Low-paid workers are not likely to have significant savings or private pensions; and in the absence of adequate social security benefits, most of them will have to turn to assistance to supplement their benefit income. In the opinion of the Council supplementation of benefits by assistance on a large scale to meet regular recurring expenses is undesirable. The goal should be to have social security benefits meet regular, ordinary living expenses and to have assistance serve as a backstop to meet special and unusual needs. The Council believes therefore that the level of benefits should be such that a regular full-time worker at low earnings levels will ordinarily not have to apply for assistance.

Under present law, if a worker has average monthly earnings of $200 a month (the equivalent of full-time earnings at the Federal minimum wage) he and his wife will get a retirement benefit of $126 starting at age 65. Forty-one of the fifty States have old-age assistance standards for a couple that are higher than $126 a month (not counting any allowance made for medical care), and the median standard for a couple is $147 a month. With the benefit increase that the Council is recommending, a worker earning $200 a month and his wife would get total monthly social security benefits of $151.50, an amount that would be more than or within a few dollars of the assistance standards of 30 of the 50 States. Workers who earn more than minimum wages would of course get higher benefits.

The following tables illustrate benefit amounts that would be payable under the Council's recommendations for changing the method of computing the benefits. The effect of the Council's recommendation for increasing the contribution and benefit base is also shown in the tables.

[38] The result of the Council's recommendation for a change in the level of earnings to which the higher percentage is applied is that benefit amounts payable at average monthly earnings above $155 (and up to the present maximum average monthly earnings of $400) will be increased by a flat amount of about $17. (See table on p. 90). Above the present maximum average monthly earnings of $400, of course, the increase in the contribution and benefit base will gradually produce benefits, for those who pay on the higher base and retire in the future, that will be considerably more than $17 above the present maximum benefit of $127.

Benefits payable to a married couple coming on the benefit rolls at age 65 or over under present law and under the Council's recommendations

Average monthly earnings	Benefit amount		Percent replacement of average monthly earnings	
	Present law	Proposal	Present law	Proposal
$67 [1]	$60.00	$64.50	89.6	96.3
$100	88.50	94.50	88.5	94.5
$110 [2]	97.50	105.00	88.6	95.5
$124 [3]	102.00	109.50	82.3	88.3
$155 [4]	111.00	136.50	71.6	88.1
$200	126.00	151.50	63.0	75.8
$300	157.50	183.00	52.5	61.0
$400 [5]	[5] 190.50	216.00	47.6	54.0
$500	[5] 190.50	247.50	38.1	49.5
$600 [6]	[5] 190.50	[6] 279.00	31.8	46.5

[1] The highest amount of average monthly earnings on which the minimum benefit of $40 is payable under present law.
[2] The highest amount of average monthly earnings to which the higher percentage in the benefit formula in present law is applied.
[3] The smallest amount of average monthly earnings to which the recommended formula applies; at all lower average monthly earnings levels the 7-percent increase is larger.
[4] The highest amount of average monthly earnings to which the higher percentage in the formula would be applied under the Council's recommendation.
[5] The maximum under present law.
[6] The maximum under the $7,200 contribution and benefit base which the Council recommends go into effect in 1968.

Benefit amounts payable to a retired worker who comes on the benefit rolls at age 65 or over under present law and under the Council's recommendations

Average monthly earnings	Primary insurance amounts		Percent replacement of average monthly earnings	
	Present law	Proposal	Present law	Proposal
$67 [1]	$40	$43	59.7	64.2
$100	59	63	59.0	63.0
$110 [2]	65	70	59.1	63.6
$124 [3]	68	73	54.8	58.9
$155 [4]	74	91	47.7	58.7
$200	84	101	42.0	50.5
$300	105	122	35.0	40.7
$400 [5]	[5] 127	144	31.8	36.0
$500	[5] 127	165	25.4	33.0
$600 [6]	[5] 127	[6] 186	21.2	31.0

[1] The highest amount of average monthly earnings on which the minimum benefit of $40 is payable under present law.
[2] The highest amount of average monthly earnings to which the higher percentage in the benefit formula in present law is applied.
[3] The smallest amount of average monthly earnings to which the recommended formula applies; at all lower average monthly earnings levels the 7-percent increase is larger.
[4] The highest amount of average monthly earnings to which the higher percentage in the formula would be applied under the Council's recommendation.
[5] The maximum under present law.
[6] The maximum under the $7,200 contribution and benefit base which the Council recommends go into effect in 1968.

The Council recommends also that the method of determining family maximum benefits be changed. At present, over a wide range of average monthly earnings at the higher levels, the maximum family benefit is a flat dollar amount unrelated to the average monthly earnings on which the individual benefits are based.[29] Under the Council's recommendation the family maximum would no longer have a flat dollar limit but would be determined by a weighted formula under which the family maximum at the higher earnings levels, as well as at the lower levels, would

[29] Specifically, the maximum family benefit under present law is $254 (twice the maximum benefit payable to a retired worker) or 80 percent of the average monthly earnings (but it is not permitted to reduce the family benefits to less than 1½ times the worker's primary insurance amount. The $254 limit applies at all levels of average monthly earnings above $314.

be related to previous average monthly earnings.[30] Such an approach would get away from a fixed dollar limit yet would continue to avoid the payment of excessively large family benefits at the higher earnings levels.

This new approach was embodied in the omnibus social security bill that passed both the Senate and the House of Representatives in 1964, but did not become law because the Conference Committee was unable to agree on other provisions in the bill.

The following table illustrates family maximum benefit amounts that would be payable under the Council's recommendations:

Maximum family benefits payable under present law and under the Council's recommendations

Average monthly earnings	Family maximum		Average monthly earnings	Family maximum	
	Present law	Proposal		Present law	Proposal
$67 [1]	$60.00	$64.50	$200	$161.60	$161.60
$100	88.50	94.50	$300	240.00	240.00
$110 [2]	97.50	105.00	$400 [5]	[5] 254.00	320.00
$124 [3]	102.00	109.50	$500	[5] 254.00	360.00
$155 [4]	124.00	136.50	$600 [6]	[5] 254.00	[6] 400.00

[1] The highest amount of average monthly earnings on which the minimum benefit of $40 is payable under present law.
[2] The highest amount of average monthly earnings to which the higher percentage in the benefit formula in present law is applied.
[3] The smallest amount of average monthly earnings to which the recommended formula applies; at all lower average monthly earnings levels the 7-percent increase is larger.
[4] The highest amount of average monthly earnings to which the higher percentage in the formula would be applied under the Council's recommendation.
[5] The maximum under present law.
[6] The maximum under the $7,200 contribution and benefit base which the Council recommends go into effect in 1968.

3. THE MAXIMUM LUMP-SUM DEATH PAYMENT

The maximum lump-sum death payment should not be set in terms of an absolute dollar limit but rather should be the same as the highest family maximum monthly benefit.

Under present law the lump-sum death payment is equal to 3 times the primary insurance amount of the deceased worker but it may not exceed $255. The $255 limit on the maximum lump-sum death payment was established by the Congress in 1952 and it has not been changed since that time. This limit, which applies at all levels of primary insurance amounts above $85 (average monthly earnings levels above $207), is becoming increasingly outdated because it is unrelated to earnings levels or benefit amounts and has not been increased as earnings levels have risen or as monthly benefit levels have been increased.

Since 1952 the Consumer Price Index has risen by more than 16 percent. More significantly, over the same period the average cost of an adult's funeral has gone up at least 30 percent; and medical costs, much of which in the case of the last illness is likely to have to be met from the estate, or by the survivors, have increased almost 50 percent.

The Council believes that the lump sum should not be subject to a dollar limit that is allowed to remain stationary when other provisions of the law are changed, but rather that the dollar limit should be adjusted with other provisions of the law as earnings levels rise. The Council recommends specifically that the provision governing the amount of the maximum lump sum be changed from the present one prescribing an absolute dollar limit of $255 to a provision that the maximum lump sum shall be equal to the highest family maximum monthly benefit. Lump-sum death payments up to the new maximum would continue

[30] Specifically, the family maximum would be 80 percent of the average monthly earnings up to the point at which the average monthly earnings amount is two-thirds of the maximum possible average monthly earnings under the contribution and benefit base specified in the law. The family maximum at earnings levels above this breaking point would be increased by 40 percent of the amount of the average monthly earnings over the breaking point. For example, if the contribution and benefit base were $6,000 the family maximum would be 80 percent of the average monthly earnings at earnings levels up to $333; at earnings levels between $333 and $500 it would be 80 percent of the first $333 plus 40 percent of any additional average monthly earnings, so that at the $500 level the maximum would be $333, or two-thirds of the average monthly earnings to which it applies.

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to be equal to 3 times the primary insurance amount. And the maximum lump sum would increase whenever the maximum family benefit is increased so that it would not remain stationary in the future as it has over the past 12 years.

Dependents' and Survivors' Benefits

Since the decision in 1939 to provide family protection—that is, to protect those who normally depend on the worker for support as well as the worker himself—Congress has provided benefits in most situations where it is necessary and appropriate to replace the support lost by a dependent or survivor as a result of the retirement, disability, or death of the worker. The Council has concluded, however, that there are a few additional dependency situations for which protection should be provided.

4. CHILDREN OVER AGE 18 ATTENDING SCHOOL

Benefits should be payable to a child until he reaches age 22, provided the child is attending school between ages 18 and 22.

Benefits under the social security program should be paid to a child as long as it is reasonable to assume that he is dependent on his family. Under the present law, child's insurance benefits (except for a disabled child) are payable only until age 18, presumably on the theory (not an unreasonable one at the time that benefits were first provided for children by the 1939 amendments) that by age 18 a child can be expected to support himself.[31] With the growing importance of education in modern life it is becoming increasingly clear that this is not a reasonable expectation. Today at least some education beyond high school is rapidly becoming part of our general level of living and will increasingly be necessary because of rapid technological advancement and the growth in the number of professional, technical, and other jobs requiring higher levels of education. As a consequence the period of dependency of children has been lengthening.

There is precedent in other Federal programs for paying benefits to children after they reach the age of 18 while they are in school. The civil service retirement program generally pays benefits up to the end of the academic year in which the student reaches age 21. Under three veterans' programs—the dependency and indemnity compensation program, the non-service-connected death pension program, and the war orphans education assistance program—a child may get benefits after he reaches age 18 while he is attending school. Under an amendment enacted in 1964 to the program of aid to families with dependent children the Federal matching share in assistance payments may be continued up to age 21 where a child is attending a high school or a vocational school.

The Council does not recommend that mother's benefits be made payable to a mother where the only child getting benefits is age 18 or over and is getting benefits on the basis of being a student. Benefits are paid to a wife or widow under age 62 who has a child in her care if she does not have earnings from work above specified limits, in recognition of her need to stay at home to care for the child. Where the only child is age 18 or over there is not the same reason to pay mother's benefits, since there is no need for the mother to stay home to care for the child.

An amendment similar to that recommended by the Council, to continue social security benefits after a child reaches age 18 when the child is still in school, was passed by both houses of Congress in 1964 but failed to become law because the Conference Committee was unable to agree on other provisions in the omnibus bill.

5. DISABLED WIDOWS

The disabled widow of an insured worker, if she became disabled before her husband's death or before her youngest child became 18, or within a limited period after either of these events, should be entitled to widow's benefits regardless of her age.

The Council believes that the disabled widow, like the widow who is aged 62 or over or the widow who has a child of the deceased worker in her care, needs benefits when her husband dies. The Council therefore recommends that benefits be paid to the widow so disabled that she cannot work—provided, however, that she was disabled at the time of her husband's death or before her youngest child reached age 18, or within a limited period after either of these events.

The widows who would be protected are those who, when their husbands die, suffer a loss of support and who, because they are disabled themselves, have no

[31] Under the 1939 provision, benefits could not be paid to a child over 16 for any month in which he was not regularly attending school unless school attendance was not feasible; the school attendance requirement was srepealed in 1946.

opportunity to work and thus to substitute their own earnings for that loss of support. On the other hand, the Council does not believe it would be in keeping with the purpose of the program to pay widow's benefits on account of disability to a woman whose disability occurred after she could have reasonably been expected to have worked long enough to earn disability insurance benefits in her own right. For example, it would not seem of high priority to pay widow's benefits to a widow who was, say, 30 years old and childless when her husband died and who did not become disabled until many years later. Such a widow would most likely have gone to work and earned disability protection in her own right, and, if she had not worked after she was widowed, it would seem unreasonable to pay her a benefit on the grounds that a physical or mental impairment that developed later in life was preventing her from working.

A theoretical case can also be made, perhaps, for providing benefits for other disabled dependents (almost all of them would be disabled wives who are under age 62) of retired or disabled workers. However, it cannot be assumed that younger wives of older retired men and wives of disabled men look to employment for support to anywhere near the extent that widows do. Thus extending the group of disabled dependents to include wives would result in the payment of benefits in many cases where the couple had not experienced any loss of earned income as a result of the disability of the wife. Considering this fact, the Council believes that additional information is needed to determine whether it would be desirable to pay benefits to disabled wives as well as widows.

6. DEFINITION OF CHILD

A child should be paid benefits based on his father's earnings without regard to whether he has the status of a child under State inheritance laws if the father was supporting the child or had a legal obligation to do so.

Under present law, whether a child meets the definition of a child for the purpose of getting child's insurance benefits based on his father's earnings depends on the laws applied in determining the devolution of intestate personal property in the State in which the worker is domiciled. The States differ considerably in the requirements that must be met in order for a child born out of wedlock to have inheritance rights. In some States a child whose parents never married can inherit property just as if they had married; in others such a child can inherit property as the child of the man only if he was acknowledged or decreed to be the man's child in accordance with requirements specified in the State law; and in several States a child whose parents never married cannot inherit his father's intestate property under any circumstances. As a result, in some cases social security benefits must be denied even where a child is living with his mother and father in a normal family relationship and where neither the child nor his friends and neighbors have any reason to think that the parents were never married.

The social security program is national in scope, covering the worker without regard to the State in which he resides, and the program is intended to pay benefits as a partial replacement of lost support to those relatives of the worker who normally look to him for support. The Council believes that in such a program whether a child gets benefits on the earnings record of a person who has been determined to be his father and who has an obligation to support him should not depend on whether he can inherit that person's intestate personal property under the laws of the State in which the person happens to live.

There is precedent in the veterans' laws for paying benefits to children who do not meet the definition of "child" under State law. Under the veterans' program the child of a veteran may get benefits regardless of State law if the veteran had acknowledged the child in writing, or had been ordered by a court to contribute to the child's support, or before his death had been judicially decreed to be the child's father, or is shown by other satisfactory evidence to be the child's father. The Council believes that a similar provision should be included in the social security program.

DISABILITY BENEFITS

Disability insurance is the newest part of the social security program, having been established by amendments enacted in 1954 and 1956. Since then, this part of the program has been improved by providing benefits for the dependents of disabled workers and by extending disability protection—as the original provisions did not—to workers at all ages. As a result it has played a growing role in meeting the needs of the disabled. The Council believes that this development

should continue as experience with the program grows, and recommends that two improvements be made at this time.

The Council recognizes that there is ground for considering still other changes in the program, since there are many totally disabled people who face the prospect of having their resources depleted during periods when they are not eligible to receive benefits under either private plans or the social security system. The Council is aware that such consideration will be enhanced by several studies now in progress or being planned by the Social Security Administration which will produce additional information on, for example, the characteristics of applicants who are denied social security disability benefits, the income and other financial resources of severely disabled people, and the extent to which social security disability beneficiaries are dependent upon public assistance. The Council believes that these studies may point up the need for further consideration of proposals to eliminate gaps in the protection now afforded totally disabled people.

7. YOUNG DISABLED WORKERS

Young workers who become disabled should have their eligibility for benefits determined on the basis of a test of substantial and recent employment that is appropriate for such workers.

Under present law, in order to be eligible for disability benefits, a worker must meet a requirement of 5 years of work in the 10-year period before he became totally disabled. This requirement assures that the benefits will be paid only to people who have both substantial and relatively recent employment. However, the effect of the 5-years-of-work requirement on a worker disabled while young is to make it difficult, or even impossible, for him to get disability benefits. For example, the worker who becomes totally disabled at age 25 and who started to work at age 21 has a total of only 4 years of covered work and therefore cannot meet the requirement.

The restriction of disability insurance protection to workers who have had substantial and recent employment can be achieved for younger workers by an alternative provision under which a worker disabled before age 31 would be eligible for benefits if he had been in covered work for at least one-half of the period between age 21 (the age from which fully insured status is figured under present law) and the point in time at which he became disabled, or, in the case of those becoming disabled before age 24, for at least one-half of the 3 years preceding disablement.[32]

This provision would be somewhat similar to a provision now in the law under which the survivors of a worker who died while young can qualify for benefits even though he had only a short period of covered work.

8. REHABILITATION OF DISABILITY BENEFICIARIES

The social security program should pay the costs of rehabilitation for disability beneficiaries likely to be returned to gainful work through such help, with the rehabilitation services being provided through State vocational rehabilitation agencies.

Disability insurance beneficiaries show less potential for rehabilitation than people who, though disabled, do not meet the strict definition of disability in the social security law. Because the beneficiaries have less potential, rehabilitation services for them may be given a relatively low priority by the State vocational rehabilitation agencies, and because of limitations on funds and therefore on the extent of services that can be offered by the agencies, some beneficiaries who could profit from rehabilitation services do not get them.

The Council believes that those disability beneficiaries who can reasonably be expected to be returned to gainful employment through rehabilitation services should get such services. Increasing the number of disabled workers who are rehabilitated would benefit not only the people involved but also society in general. For the rehabilitated person the gain would not only be increased income but also the satisfaction flowing from his restoration to a useful economic role in society.

The Council recommends, therefore, that money be made available from the social security trust funds to finance the rehabilitation of selected disability beneficiaries. The expenditure of social security funds is clearly justified so long as

[32] Under this proposal, a worker who becomes disabled before attaining age 24 would have to have been in covered work 1½ years in the 3-year period before he became disabled; a worker who became disabled after age 24 and before age 31 would have to have been in covered work half the time after age 21 and before becoming disabled; and a worker who becomes disabled after age 31 would, just as under present law, have to have been in covered work for 5 out of the 10 years before he became disabled.

the savings from the amount of benefits that would otherwise have to be paid exceed, or at least equal, the money paid from the trust funds for rehabilitation costs. It is wasteful and shortsighted for the social security system to be paying benefits to disabled persons if a lesser expenditure of funds would assure their return to work.

ELIGIBILITY FOR BENEFITS

9. INSURED STATUS

The Council recommends retention of a requirement of covered work as a test of eligiblity for benefits, and has no major changes to recommend in the present provisions.[33]

The present requirement of a "fully insured" status—covered work for a period of time equal to about one-fourth of the time after 1950 (or age 21, if later) and up to death or retirement age—is, in the opinion of the Council, a reasonable one.[34] Some prescribed requirement of attachment to covered work is essential under a program which pays a substantial minimum benefit. The present requirement makes the program effective for older workers in the early years and, at the same time, gives equitable treatment to those now young, since the short-run requirement for fully insured status (1 quarter of coverage for each 4 quarters after 1950) is comparable to the long-run requirement (10 years out of a working life of 40 years or so). The alternative requirement for survivor benefits, the "currently insured" [35] status requirement in present law, serves well as a test of dependence upon covered earnings for support. The Council believes that both requirements for old-age and survivors insurance should be retained as they are, except that the end point for determining fully insured status for men should be changed from 65 to 62, as recommended in the section of this report on benefit amounts (p. 87).

In connection with its consideration of the work requirements of the program, the Council has given attention to proposals for paying minimum benefits, financed either from social security funds or from general revenues, to older people who have not met these requirements. Whatever theoretical merit these proposals might have had at an earlier stage in the development of the program, there do not seem to be persuasive reasons for adopting any of them now. Only about 15 percent of the aged today are unprotected by social security and this figure is becoming smaller all the time. Over 90 percent of the people now reaching age 65 are eligible for benefits and, over the long run, virtually everyone who was dependent on earnings will qualify for benefits. About 50 percent of the 2.7 million aged persons not under social security or railroad retirement are getting old-age assistance, and the payment of minimum benefits to them would in effect be substituting either general revenue funds or social security funds, depending on the particular proposal, for a portion of the Federal-State payments which they are getting now, without removing very many from the assistance rolls. Another 20 to 25 percent of those not eligible for social security benefits are beneficiaries of other governmental retirement systems or of veterans' programs and additional numbers are in governmental institutions.

Since the remaining problem is now so small, the Council believes it is undesirable to risk the public misunderstanding that might result from such a "blanketing-in."

10. RETIREMENT TEST

The provision in the law that prevents the payment of benefits to a person with substantial earnings from current work—the retirement test—is essential in a program designed to replace lost work income and should be retained.

The purpose of social security benefits is to furnish a partial replacement of earnings which are lost to a family because of death, disability, or retirement in old age. In line with this purpose the law provides that, generally speaking, the

[33] As previously indicated, the Council is recommending a change in the disability insured status requirement as it applies to young workers and a change from age 65 to age 62 in the ending point for determining fully insured status for men.

[34] More specifically, to be fully insured a person must have at least as many quarters of coverage (earned at any time after 1936) as the number of years elapsing after 1950 (or after the year in which he attains age 21, if later) and up to the year in which he reaches age 65 (62 for women), becomes disabled, or dies, whichever occurs first. (For most kinds of employment a person acquires 1 quarter of coverage for each calendar quarter in which he is paid $50 or more in wages; generally speaking, a person acquires 4 quarters of coverage for each year in which he is covered as a self-employed person.) The minimum requirement for fully insured status is 6 quarters of coverage; the maximum is 40 quarters of coverage.

[35] A person is currently insured if he has approximately 1½ years of covered work out of the 3-year period immediately preceding his death or entitlement to benefits. In death cases, child's benefits, mother's benefits, and a lump-sum death payment can be paid if the worker was currently insured even though he was not fully insured.

benefits for which a worker, his dependents, and his survivors are otherwise eligible are to be withheld if they earn substantial amounts.

If benefits were paid without a test of retirement, the cost of the program would be substantially increased and the combined additional contributions which would have to be paid by employers and employees to support the provision would amount to nearly 1 percent of covered earnings. In 1964 about $2 billion in additional benefits would have been paid, and most of this money would have gone to those who are working full-time and generally earning as much as they ever did. The great majority of the older people who are eligible for benefits—those who are unable to work, those who can do some work but cannot earn more than $1,200 a year, and those who are aged 72 and over and therefore no longer subject to the test—would not be helped by elimination of the test. Indeed they might be hurt; the increased cost might well stand in the way of improvements which *would* be of help to them. Thus if the concept of partially replacing work income lost through retirement were dropped and a straight annuity concept adopted, the costs would be incurred mostly to pay benefits to those fortunate older people with regular jobs at the expense of all the rest.

The test of retirement is essential to implement the purpose of the program—insurance against the loss of earned income. It is not to be confused with a test of individual need or income. The Council believes it is of the greatest importance that benefits continue to be paid without regard to the nonwork income or assets of the beneficiary. Only by paying benefits without regard to nonwork income can the program continue to sustain the motivation of the individual to save on his own and to buy private insurance. Only in this way can the partnership of social security with private pension plans be continued. Moreover, it is the absence of any test of need or income that, together with the concept of earned right, gives the program its distinctive character as a program of self-support and self-reliance.

The Council has not only considered the desirability of retaining the test of retirement, but has evaluated various alternative ways of liberalizing the test. The Council recognizes that the present test does discourage some people who are retired from their regular jobs from earning as much as they could, or would like to, in part-time or irregular employment. Because only $1 in benefits is withheld for each $2 of earnings between $1,200 and $1,700, additional earnings always mean more total income from benefits and earnings up to that point, but above $1,700, a person loses $1 in tax-exempt benefits for each $1 of taxable earnings. Because his earnings are reduced by the amount of income tax he must pay, while the benefits he foregoes would not have been taxable, he may be worse off financially as he earns more. Even those who, because of extra exemptions or extraordinary medical expenses, for example, do not have any income tax liability may be worse off financially because they must pay the social security tax on their earnings and because of expenses connected with working.

If the limit on the span of earnings to which the $1-for-$2 adjustment applies were raised, people would not be faced with a financial deterrent to earning somewhat more than $1,700 a year, and there would be relatively little increase in the cost of the program.

On the other hand, if the limit were extended very far and at the same time the benefit formula were liberalized and the benefit and contribution base raised as the Council recommends, people would be able to earn quite high amounts and still get some benefits. For example, if the present $1,700 figure were extended as far as $3,000 (and if the benefit increases recommended by the Council were adopted) a person getting benefits for himself and his wife based on average earnings of $6,000 a year would be able to earn $5,000 and still get some benefits. And such a substantial liberalization of the test would increase substantially the number of people who could keep on working at their regular jobs and get benefits.

On balance, while the Council does not recommend any change in the retirement test, it believes that if nevertheless a change were to be made it would be best to go a limited way in the direction of extending the $1-for-$2 band.

Extending the Coverage of the Program

Practically all working people are now covered by social security. At any given time the employment of nearly 9 out of 10 people in the paid labor force is covered. Of the employment which is not covered, about one-half is that of governmental employees—Federal, State and local—almost all of whom are covered under governmental staff retirement systems. Almost two-fifths of the employment not covered is that of people who work irregularly—part-time house-

hold and farm work performed by people (in many cases housewives, school children, or retired persons) who do not meet the relatively low earnings tests required for coverage in these employment areas, or self-employment by people who earn less than $400 in a particular year. The other major exclusion is self-employment in the practice of medicine. Approximately 170,000 doctors have their self-employment earnings in the practice of medicine excluded from coverage. In addition, a very substantial part of the work income of one group of covered workers, those who customarily receive tips in the course of their employment, is not subject to tax nor creditable toward benefits, and as a consequence, the social security protection of these workers is inadequate.

The changes in the coverage provisions of the program which the Council recommends would extend coverage to the self-employment earnings of physicians, provide social-security protection for Federal employees when they are not eligible for civil service retirement benefits, facilitate the coverage of additional State and local government employees, and provide social security credit for tips.

To the extent feasible, everyone who works should be covered by the social security program. Every occupational group contains substantial numbers of people who at one time or another will need the protection of the program and it is impossible to foresee, over the course of a lifetime, who will and who will not have this need. Moreover, all Americans have an obligation to participate, since an effective social security program helps to reduce public assistance costs, and reduced public assistance costs mean lower general taxes. There is an element of unfairness in a situation where practically all contribute to social security while a few profit from the tax savings but are excused from contributing to the program.

It is essential that the coverage of the program remain on a compulsory basis. If coverage were voluntary, the program could not effectively carry out its purpose of providing basic protection for all. The improvident would not be inclined to elect coverage. Many workers who have great need for protection and limited opportunity to acquire it through private means—low-income workers, workers with large families and workers in poor health—would choose not to pay social security contributions because of pressing day-to-day needs. Moreover, permitting individual voluntary coverage would increase program costs and give those allowed such coverage an unfair advantage over workers who are covered on a compulsory basis.

Social security was designed to operate under a benefit structure which would protect all Americans and their families regardless of the worker's age, the size of his family, or any other factor which might make the value of the protection high in relation to the worker's own contributions. Because social security is financed in part by employer contributions, it can provide in virtually all cases protection worth more than the employee contributions and still take care of the higher-cost risks, such as older workers and workers with large families (where the protection provided may be much more valuable than the contributions). This type of benefit structure, which is highly desirable from the standpoint of enabling the program to accomplish its goals, is practical only under compulsory coverage. Only through compulsory coverage can there be assurance that those covered will include not only the high-cost risks but also the lower-cost risks. And only in a system that provides for compulsory coverage of employees is it reasonable to require employer contributions to help finance the benefits. If employees could choose to be covered or not to be covered by social security, employers would have good grounds for resisting any requirement that they pay contributions on the earnings of those employees who elected not to participate. It would not be practical, on the other hand, to require an employer to contribute with respect to only those of his employees who elected coverage. Aside from the constitutional question of whether a tax can be imposed on one party as a result of a voluntary choice of another, such a provision would create an undesirable economic incentive to employ workers who chose not to be covered.

The only provision now in the program for individual election of coverage is that applying to ministers, and the general objections to voluntary coverage have been borne out in the experience with this provision. Coverage has been elected by a large proportion of those ministers who are approaching retirement age—ministers who can confidently expect a large return for their social security contributions. On the other hand, the proportion of younger ministers who have elected coverage is not nearly as large. Thus the net effect on the trust funds is unfavorable in comparison with the cost of the general compulsory coverage of

the program.[36] The Council strongly recommends against adoption of any changes that would make social security coverage voluntary for additional groups.

The Council is not recommending any changes in the minimum earnings required for coverage of work in household and farm employment and self-employment. There are difficult administrative problems in such changes and, although in general the results would be desirable, there are also some drawbacks. A large proportion of the people who would be brought into coverage by a lowering of the minimum earnings requirements would be short-term or casual workers, such as housewives and school children working as local seasonal labor in agriculture, who ordinarily are not in the labor force and are already protected as dependents of covered workers. The Council recognizes that as earnings levels rise there is an automatic increase of the coverage of people engaged in the kinds of work which are subject to the minimum-earnings requirements, and considers the additional coverage which will gradually arise in the future from this process desirable.

11. DOCTORS OF MEDICINE

Self-employed doctors of medicine should be covered on the same basis as other self-employed people now covered, and interns should be covered on the same basis as other employees working for the same employer.

Self-employed physicians, numbering about 170,000, are the only professional group whose self-employment income is not covered under social security. The Council sees no reason why this discriminatory treatment should be continued. There are no technical or administrative barriers to the coverage of doctors. Nor is there any question that many doctors have a need for coverage as great as that of other professional self-employed people. A provision for covering self-employed doctors was approved by the House of Representatives in 1964.

Apparently physicians have been excluded up to now because spokesmen for the profession have indicated opposition to coverage. The Council believes that the wishes of a particular group are not a sufficient basis for the continued exclusion of the group. Social security is not only a mechanism in which a person participates because of the benefits he as an individual expects to receive. It is an institution through which all Americans together promote economic security by financing, from the contributions of all, a continuing income to families whose earnings are cut off by the old age, death, or disablement of the worker. Physicians, like all other Americans, benefit in general tax savings and in other ways from the prevention of dependency through social security. Like other Americans, they should share in its support. In fact, failure to cover the self-employment income of physicians has the effect that many of them have an unfair advantage under the program, since it is possible for them to acquire insured status through working for a time in covered employment, and then, because those who do so have low average monthly earnings under the program, they get the advantage of the weighted benefit formula that is intended for low-income people. Thus many of those who do qualify get a very large return in relation to the contributions they pay, in comparison with self-employed people who spend all of their working lifetimes in covered work.

The present exclusion from social security coverage of interns employed by hospitals is closely related to the exclusion of self-employed physicians. The Council believes that when self-employed physicians are covered, coverage should be extended to interns on the same basis as that on which coverage is now made available to other employees of hospitals.

[36] There have been repeated extensions of the time limit specified in the law for ministers to elect coverage, thus increasing the original advantage ministers were given and the unfavorable effect on the trust funds, since a minister who first did not choose to be covered may later—if he marries and has a family, for example—decide that coverage would be to his advantage, while one who has no dependents may continue to stay outside of the program.

The Council is not now recommending any change in the coverage provisions for ministers. While the Council believes there are better methods of covering ministers, the improvements it has considered tend to be offset by the problems created by a drastic change from a method which has been known and used over a number of years. The Council recommends that the Social Security Administration explore further whether it would be feasible to change to a plan under which ministers employed by churches or other nonprofit organizations would be covered as employees, and to develop methods of minimizing the transitional problems. The Council believes that any coverage of ministers on this basis should be at the option of the nonprofit employer, and that the church or other employer should be able to provide social security coverage for lay employees and not for ministers if it chose to do so. If a church decides to cover its ministers its current minister (or ministers) could choose to continue to be excluded from coverage, but any minister employed in the future would be covered.

12. TIPS

Social security contributions should be paid on tips an employee receives from a customer of his employer, and tips should be counted toward benefits.

More than a million employees now covered under the social security program have an important part of their income from work excluded from coverage because it is received in the form of tips.[37] The Social Security Administration has estimated that the amount of tips received by employees who regularly receive tips is more than $1 billion a year. Tip income is estimated to represent, on the average, more than one-third of the work income of regularly tipped employees; in many cases, of course, tips represent a much larger part, or even all, of the employee's income. For example, a waiter in a large city may get only $35 a week in wages and may average another $55 a week in tips.

Under present law, with only his wages counted toward benefits, the waiter who gets $35 a week in wages and $55 a week in tips would receive a monthly retirement benefit, beginning at age 65, of $74. If his tips were also covered, his benefit amount would be $125. Because their tips are not counted toward benefits, tipped employees are not adequately protected under the social security program. Moreover, since tipped workers pay income tax on earnings they get in the form of tips, it seems particularly unfair to them that these earnings are not counted for social security purposes. This situation should be corrected.

Since tips received by an employee from a customer of his employer are given for services performed in an employment relationship, they should, to the extent possible, be credited to the employee's social security account in the same way that his wages are credited. This would mean that both the employee and the employer would pay their share of the social security taxes on tips, and the employer would report the tips along with the wages he pays the employee.

The Council recognizes that there are difficulties in requiring the employer to report and pay taxes on his employees' tips, since the amount of tips that would have to be reported may not be readily determinable by the employer. The Council believes, however, that most of the difficulties for employers can be overcome if they are not held responsible for reporting and paying taxes on tips that the employee was required to report but did not. A plan for covering tips on this basis was approved by the House of Representatives in 1964.

The Council is aware that some employers have argued that they should not be required to pay social security taxes on their employees' tips because they cannot count tips in determining whether they meet the requirements of minimum wage laws. The Council has been informed, however, that of the States in which tipping occupations are covered by operative minimum wage laws, only 14 make no allowance for tips. It does not seem reasonable to argue that the fact that tips are not counted toward the minimum wage in 14 States should preclude Federal action to count tips under the basic social security system. As a practical matter, Federal legislation requiring employees to report their tips to their employers for social security credit would help to remove a major obstacle to counting tips toward the minimum wage.

13. FEDERAL EMPLOYEES

Social security credit should be provided for the Federal employment of workers whose Federal service was covered under the civil service retirement system but who are not protected under that system at the time they retire, become disabled, or die.

Unlike almost all private pension plans and a high proportion of State and local retirement systems, the Federal civil service retirement system is not supplementary to the social security program. Thus when a person leaves Federal employment, his years of previous Federal service do not count toward social security benefits. Moreover, protection under the civil service retirement system does not start until after 5 years of Federal employment. As a result, although the civil service retirement system provides good protection for people who stay in Federal employment, Federal workers who leave, or those who die or become disabled before having worked for the Government for 5 years, may have inadequate protection or none at all under either civil service retirement or social security.

[37] Tips an employee receives directly from someone other than his employer are covered for social security purposes only if the employer requires an accounting of the tips. Very few tips are covered on this basis. Tips received by self-employed persons are covered in the same way as other types of self-employment income.

A practicable and relatively inexpensive way of filling the most serious gaps that result from this situation is to provide for social security credit for the Federal employment of those workers who are not protected under the civil service system at the time they retire, become disabled, or die. As part of the financing arrangement, the civil service retirement system would withhold, from the returns of contributions that are made from the civil service retirement system to separating employees, amounts equal to the social security employee contributions which would have been payable if their Federal work had been covered under social security. These withholdings would be transferred to the social security fund and additional financial adjustments made between the two systems to take account of the transfers of credit.

The plan includes the following principal elements, all of which the Council considers essential to its effective operation:

1. Credit would be transferred to social security for the Federal service of individuals who die, become disabled, or separate from work covered under the civil service retirement system after less than 5 years of Federal service. (At present, the only provision made where a person with less than 5 years of service dies or terminates his employment is for a refund of employee contributions.)
2. Credit would be transferred to social security for the Federal service of people who separate after 5 or more years of Federal work and obtain refunds of their contributions to the civil service retirement system. (The civil service retirement system does not provide any protection for people who separate from the civil service and take refunds.)
3. Former civil service employees who have not taken refunds of their civil service contributions and who die or who become disabled before age 62 could have credit for their Federal service transferred to social security. (Former employees do not have disability or survivorship protection under the civil service retirement system after separation.)

This transfer-of-credit approach would forego certain advantages which would be achieved by a straight extension of social security coverage. For example, an extension of social security coverage would provide superior protection for workers who become disabled or die relatively early in their careers. However, the transfer-of-credit approach the Council is suggesting would be considerably less costly for the Federal Government than a straight extension of social security coverage. Equally important, whereas an extension of social security coverage would require substantial modification of the civil service retirement system to take account of social security benefits and contributions, no modifications would be required to carry out the Council's recommendation except for the financing of the transfer of credits.

14. STATE AND LOCAL GOVERNMENT EMPLOYEES

The coverage of additional State and local government employees should be facilitated by making available to all States the option of covering only those present members of State and local government retirement system groups who wish to be covered, with coverage of all new members of the group being compulsory. Also, policemen and firemen in all States should be provided the same opportunity for coverage as other State and local government employees.

The provisions of present law which make social security coverage available to employees of States and their political subdivisions under voluntary agreements between the States and the Federal Government have proved generally effective in an area of employment where, by reason of constitutional barriers against Federal taxation of the States, compulsory coverage has not seemed feasible. About 7 out of 10 full-time State and local government employees are now covered under social security, and about three-fourths of those covered have supplemental protection under a staff retirement system.

Although the present approach to coverage of State and local government employment has been effective, the Council believes that improvements can and should be made within the existing framework. Over the years a number of special provisions, each applying only to a State or States named specifically in the law, have been enacted. Special provisions not only complicate administration but result in inequalities of treatment as between different groups in similar employment situations—inequalities which are inappropriate in a national social insurance system. In the main, these inequalities arise under provisions which permit a number of States named in the Federal law much greater latitude in bringing retirement-system members under social security than is permitted other States.

In all but 18 States, which are named in the law, coverage is available only by means of a referendum among members of any retirement-system group for which social security coverage is contemplated; if a majority of the members vote for social security coverage, all members of the group are covered. The 18 States named in the law are permitted to use either the referendum procedure or an alternative known as the "divided-retirement-system" provision. Under this alternative, the 18 States may extend social security coverage to only those current members of a retirement-system group who desire such coverage, with coverage being required for all employees who later become members of the retirement-system group. The requirement that all future members of the group must be covered under social security protects the social security trust funds against continuing adverse selection.

Making the divided-retirement-system procedure generally available would make it possible for a State to provide in an orderly way for the protection of future members of retirement-system groups on a coordinated basis.

Under another provision all but 19 States (named in the law) are prohibited from providing social security coverage for retirement-system groups made up of policemen and firemen. The Council sees little justification for the prohibition. There are strong reasons why policemen and firemen should be covered under staff retirement systems in addition to social security because the benefits of staff retirement systems can be tailored to meet their special needs. However, their arduous and dangerous duties make the survivor and disability protection of social security particularly valuable to policemen and firemen. Their own systems are often seriously deficient in providing survivor protection, and their over-all disability and retirement protection, like that of other State and local government employees, could be improved considerably if they were covered under both the basic social security program and a supplementary staff-retirement system.

Some organizations of policemen and firemen that have opposed social security coverage for their members have expressed fear that their State or local government systems would be curtailed, or perhaps abandoned, if social security coverage were obtained. The Council is impressed, though, by the fact that the extension of social security protection to millions of State and local government workers who are under staff-retirement plans has given rise to no instances, to the knowledge of the Council, where there has been a reduction in over-all protection.

The Council supports the policy declaration of the Congress contained in the present social security law, which states that there should be no impairment of the protection of members of a State or local government retirement system by reason of the extension of social security coverage to employment covered by the system.

Meeting the Cost of the Changes Recommended

The increase in the contribution and benefit base and the extensions of coverage recommended by the Council will decrease the cost of the program relative to taxable payroll. On the other hand, the benefit liberalizations recommended by the Council will increase the cost of the program relative to taxable payroll.[38] On balance, the changes recommended by the Council would require a somewhat higher ultimate contribution rate than does present law. The following table summarizes the cost effects of the Council's recommendations and the actuarial status of the program under those changes, exclusive of hospital insurance. These matters are discussed in detail in Appendix B, "Actuarial Cost Estimates for the Council's Recommendations."

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[38] The supplementary views of one member on this subject appear in Appendix A.

Actuarial balance under the Council's proposals to modify the cash-benefit provisions

[Costs expressed as a percentage of taxable payroll according to intermediate-cost estimate]

	Page of Council's report	OASI	DI	Total
Level-cost of the benefits of the present program		8.46	0.63	9.09
Level-cost effect of changes:				
$6,000-7,200 contribution and benefits base	70	-.55	-.04	-.59
Revised basis for the self-employed contribution rate	72	+.13	+.01	+.14
Extensions of coverage	96	-.05		-.05
Age-62 computation points for men	87	+.10		+.10
Benefits for disabled widows	92	+.05		+.05
Child's benefits to age 22 if in school	92	+.09	+.01	+.10
Liberalized definition of "child" for child's benefits	93	+.01		+.01
Special disability insured status at ages 30 and under	94		+.02	+.02
Rehabilitation of disability beneficiaries	94			
Increase in the maximum lump-sum death payment	91	+.02		+.02
Revised benefit formula	88	+1.15	+.09	+1.24
Level-cost of proposed program		9.41	.72	10.13
Level-equivalent of contribution schedule		9.42	.75	10.17
Actuarial balance		+.01	+.03	+.04

The recommended schedule outlined below would finance the Council's recommendations discussed in Part III and would carry out the financing principles discussed in Part I. Under the proposed schedule, the rates, beginning in 1966, would increase at 5-year intervals until the full rates scheduled are reached in 1976. The 1971 rate of 4.7 percent would be about sufficient under the low-cost estimates to cover the cost of the improved cash-benefit program for the next 75 years. Whether the final scheduled rate of 5.3 percent should actually be put into effect in 1976 as scheduled should depend on conditions existing at that time and on expected conditions over the ensuing 15 to 20 years. Contribution rates for hospital insurance are discussed separately, on page 82 in Part II.

Period	Contribution rates			
	Employee and employer, each		Self-employed	
	Present law [1]	Recommended [2]	Present law [1]	Recommended [2]
1965	3.625	3.625	5.4	5.4
1966-67	4.125	4.3	6.2	5.8
1968-70	4.625	4.3	6.9	5.8
1971-75	4.625	4.7	6.9	6.0
1976 and after	4.625	5.3	6.9	6.3

[1] Applicable to annual earnings up to $4,800.
[2] Would apply to annual earnings of $4,800 in 1965, $6,000 in 1966 and 1967 and $7,200 in 1968 and thereafter.

OTHER FINDINGS

In accordance with its mandate to study and report its findings with respect to all aspects of the program the Council has considered a number of matters which are worthy of comment but which do not, at least at this time, call for recommendations for changes in law or policy.

Simplification of the Law

The Council believes that it is important that complexities in the social security law be avoided to the extent that this is possible. Therefore, the Council recommends that a complete re-examination of the Act be conducted by the technical experts of the Social Security Administration and the Congress, and that considerable weight be given to simplification of the law even where this involves deliberalization for rare and special cases. The Council has been informed that much work looking toward an eventual simplification and recodification of the law has already been carried on in the Social Security Administration, and the Council urges that this work be pressed to a successful conclusion.

Public Information Activities

The Council strongly endorses the Social Security Administration's program of wide public dissemination of information about social security. In its formal statement of operating objectives and in its day-to-day administration of the social security program, the Social Security Administration recognizes the importance of an effective public information system. People need to be informed so they can act to secure their rights under the law and discharge their obligations under the law. They need to know ahead of time what rights they have. Security is not only a matter of getting benefits when they are due but of being conscious ahead of time that the protection is there. The responsibility of safeguarding the rights of every individual covered by the program and of providing the full measure of service to which he is entitled can be discharged more economically, as well as more effectively, with the help of a good public information program.

Confidentiality of Records

The Council has been made aware of the interest of some groups in changing the social security law, or in getting a broader application of the authority of the Commissioner to disclose information under present law, so that information from the records of the Social Security Administration would be available for a wide variety of purposes not related to the social security program. The Council believes that maintenance of the existing restrictions on the use of the personal and private information that has been furnished to the Social Security Administration with the understanding that it will be used only for administering the social security program is essential to protect the right to privacy of employers and all those covered under the program. Moreover, if all persons could not count on the information being kept confidential, some would have an incentive to obtain social security numbers under assumed names or would submit other incorrect data. The Social Security Administration must depend on public cooperation for the effective administration of the program. Inaccurate or incomplete information would threaten the integrity of the records and result in serious problems of administration, including the payment of incorrect benefits and the incurring of increased costs.

The Council endorses the restrictions on disclosure of confidential information prescribed by the social security law and the limited exceptions permitted under Regulation No. 1 of the Social Security Administration, including the special restrictions on disclosure of medical information obtained in connection with claims based on disability. While the Council recognizes that many of the purposes for which information is requested are worthwhile, it is convinced that the Social Security Administration should nevertheless maintain the strict confidentiality of the social security records.

Social Security Benefits and Workmen's Compensation

In some cases, disability benefits or survivors' benefits may be paid by both the social security program and a State workmen's compensation program, each program's payment being made without regard to the payment being made under the other program. The Council recognizes that in these dual entitlement cases the combined benefits of the two programs may occasionally be excessive when measured against previous earnings. At present the volume of these situations is not large but the number of cases where combined payments may be excessive in relation to previous earnings can be expected to increase somewhat in the future. Moreover, the issue is not entirely a matter of volume; it would be desirable to prevent any excessive payments resulting from dual entitlement to whatever extent they may occur.

For these reasons the Council has examined various possible ways of meeting the overlap problem through Federal action. None has seemed satisfactory to the great majority of the Council members. Effective administration of a reduction of social security benefits where workmen's compensation is payable would be very difficult to achieve, and the withholding of a contributory benefit because of payment by another system would be hard to defend. The majority of the Council believe that if any adjustment is made it should be made by the workmen's compensation system in those cases where the State considers the combined benefit amount to be too high.

The Council understands that a cooperative study of dual entitlement cases is now being considered by the Social Security Administration and State workmen's compensation agencies. Such a study, the Council believes, would provide