

**TRANSACTIONS OF SOCIETY OF ACTUARIES
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DIGEST OF INFORMAL DISCUSSION

SOCIAL SECURITY

- A. What are the problems presented by the proposed legislation to provide cash total and permanent disability benefits under OASI?
- B. What are the main considerations involved in the proposal to lower the OASI retirement age for women from age 65 to age 62?
- C. What are the advantages and disadvantages of bringing the personnel of the United States armed forces under OASI, thereby substituting a uniform system of survivorship benefits for them in lieu of the present variety of benefits?
- D. To what extent have state and municipal employees been brought under OASI?
- E. What are the current developments in Canada?

MR. W. R. WILLIAMSON stated that the problems presented by disability in social security are the same problems that have been presented in old age benefits and later in survivors' benefits. The problems are definition, adjudication, economic conditions, federal-state rivalry, the extent of encouraging people to nurse and increase their maladies so that they will support them, and the fact that initial low costs are misleading. He thought that it would be a good idea to struggle with the problems still unsolved in existing benefits.

MR. R. J. MYERS stated that under the proposed legislation, benefits beginning at age 50 after a 6 months' waiting period would be provided for permanently and totally disabled persons who meet certain insured status requirements. At the Senate public hearings, arguments expressed in favor of disability benefits were centered primarily on the social need and the desirability of the social insurance approach rather than the public assistance approach. Opponents of this proposal pointed out that (1) disability determinations are very difficult to make; (2) costs are substantial and subject to wide variation; (3) the main approach should be through vocational rehabilitation, which might be hindered by the availability of cash benefits; and (4) the assistance program, the OASI disability freeze, and vocational rehabilitation can adequately handle the problem. It was indicated that the age 50 limitation would be difficult to maintain and that cash disability benefits without age limitation would have a substantially higher cost.

Arguments given at the public hearings in favor of lowering the OASI minimum retirement age for women from 65 to 62 were: (1) since wives are usually somewhat younger than their husbands many husbands cannot retire when they reach age 65 because their own benefit is not sufficient to support both of them; and (2) employment at the older ages is difficult to find. Arguments given at the hearings against lowering the retirement age for females were: (1) it conflicts with current trends of increased female longevity; (2) it might reduce employment opportunities for women if employers follow suit and reduce retirement ages; (3) there is no indication that women in their 60's have any more difficulty in continuing at work than men; (4) experience seems to show men do not continue at work beyond age 65 solely because the wife has not attained that age; and (5) a very substantial increase in cost is involved. Both of the benefit changes would be financed by an immediate increase of 1% in the combined employer-employee tax rate. Cost estimates indicate the increased income would be sufficient over the long run to meet the increased outgo. In the public hearings, Secretary Folsom expressed strong opposition to both of the benefit changes for reasons given above.

Turning to section D, Mr. Myers said 1.4 million state and municipal employees, representing about one-third of all such employees, were covered under OASI at the end of 1955. Of this number, about 610,000 had both OASI and a supplementary plan, while the remainder had only OASI. The percentage covered varies widely by state and type of employing unit. In 46 referendums studied, all but 3 voted for OASI coverage; in 21 cases the favorable vote was 80% or more.

MR. J. H. MILLER reported that the Joint Social Security Committee of the Life Insurance Association of America and the American Life Convention continues to oppose the inclusion of disability benefits under the OASI system. Principal stress was given to the fact that disability pensions discourage rehabilitation and the return to employment. He felt that the rehabilitation program should be given the central role in the government's program for the disabled. The assistance program should be improved and relied upon where rehabilitation cannot be accomplished.

MR. D. C. BRONSON called attention to the fact that if disability benefits are provided under OASI it may result in the government setting the criteria for what constitutes disability generally. If the government adopted a liberal definition of disability—and eventually it is likely that it would—then it would be difficult to maintain a sound definition of disability for underwriting, premiums and reserves in such fields as group life insurance, waiver of premiums, and income disability, and in the private pension field.

MR. B. B. KENDRICK, referring to sections A and B, raised a question of how far social security can be liberalized before damaging the American economy. He mentioned a recent study made for the Institute of Actuaries on the economic impact of pensions in England. That study had indicated that the British had about reached the danger zone, or may already have gone beyond it. Mr. Kendrick said the Life Insurance Association of America is interested in stimulating impartial, objective research on the same general topic in the United States. To such end, it has made a grant of funds to the National Bureau of Economic Research for an exploratory study of research needs in the economics of social security and pension plans. The exploratory study is drawing to a conclusion, and thereafter the main study contemplated may be launched.

DR. J. P. STANLEY presented the disability experience of three large rubber companies and three automobile manufacturers over the period 1950-1954, as shown in the accompanying tables. For these companies,

THREE RUBBER COMPANIES

Age Group	Exposed to Risk— Life Years (about 20% Female)	Actual Disable- ments	Expected Disablements R.R.B. Mod.
Under 35.....	15,400	4	28
35 to 39.....	16,400	8	38
40 to 44.....	19,400	14	62
45 to 49.....	24,800	27	124
50 to 54.....	22,900	43	211
55 to 59.....	14,200	58	284
60 to 64.....	10,200	125	438
All Ages.....	123,300	279	1,185

THREE AUTOMOBILE MANUFACTURERS

Age Group	Exposed to Risk— Life Years (Males Only)	Actual Disablements (Males Only)	Expected Disablements R.R.B. Mod.
50-54.....	108,400	242	997
55-59.....	104,900	523	2,098
60-64.....	89,800	1,265	3,852
All Ages.....	303,100	2,030	6,947

where benefits were allowed only on a strict definition of permanent and total disability, the ratios of the actual disablements to the expected dis-

ablements based on a modification of the rates used in the fourth valuation of the Railroad Retirement System were very low.

He said that providing disability benefits under OASI would preserve the dignity of the individual and avoid the penalty now suffered by the thrifty individual who is ineligible for public assistance benefits. After taking into account the savings which would be effected under public assistance and other welfare programs, the net cost to the economy would, he thought, be small.

MR. E. A. LEW, speaking on section C, thought it highly desirable to bring the personnel of the U.S. Armed Forces under OASI on a continuing basis if measures were taken to simplify and integrate the present patchwork of benefits. He felt that OASI benefits to armed forces personnel might reduce political pressure for unwarranted expansion of separate programs. He thought that all men entering the armed forces should automatically be given insured status, thus immediately entitling them to survivorship benefits. It is also important to place reasonable ceilings on the over-all amounts of survivorship benefits provided under the several programs. Furthermore, if veterans were entitled to at least the minimum OASI old age benefits merely by virtue of their military service, some impetus might be taken out of the drive for veterans' old age pensions.

MR. R. A. HOHAUS, speaking on section D, summarized the developments in New York State. The 1950 amendments to the Social Security Act made OASI coverage available to state and local government employees who were ineligible for membership in any public retirement system, provided the state elected to authorize such coverage. By the end of 1955 approximately 100,000 state and local government employees, representing over 85% of the total probably eligible for OASI coverage under the 1950 amendments, had been brought under OASI in New York State.

The 1954 amendments of the Social Security Act authorized further extension of OASI coverage to state and local government employees who are eligible for membership in a public pension system, except that policemen and firemen are expressly excluded. At the request of the New York Legislature, the State Commission on Pensions studied the effects of the amendment and made two special reports. The first report (see *TSA VII*, 180) was emphatic in stating that the "social need of survivorship protection for public employees, especially protection for widows with young children, is so cogent and urgent as to transcend in importance any of the objections" and that "some practical and desirable plan of coordination can be formulated." In the second report the Commission presented vari-

ous methods, and their costs, of supplementing or coordinating OASI benefits with benefits provided by public employee pension systems.

The need for actuarial cooperation with public officials, commissions, or study groups concerned with the question of bringing government employees under OASI is great and nationwide. He urged actuaries to render public service by interesting themselves in this matter.

MR. R. W. WALKER warned against the danger of possible duplication of benefits as more and more state and municipal employees become covered under OASI. Not only should duplication of benefits be avoided, but all state and municipal employees should be treated in a consistent manner.

He said that, in Wisconsin, state employees have been brought under OASI through integration with their present retirement plan. Teachers, on the other hand, are seeking OASI benefits in addition to their present retirement plan. If the idea of consistency is followed, shouldn't the state employees' plan be amended if teachers are to receive OASI benefits in addition to present benefits? Or if OASI benefits for teachers are to be integrated in the same manner as for state employees, would the contract rights of teachers be impaired since their present retirement benefits are a part of the contract? Another problem is to avoid the situation where one school district uses one method for adopting OASI benefits while another district uses a different method. This would be the result if the method of adopting OASI benefits is left to the local school district.

A recent summary of teachers' plans showed that 7 states provide OASI benefits on top of their state system; 13 integrate OASI benefits into their plan by modification of the plan; and 28 have not yet included OASI benefits on any basis.

MR. C. G. WHITE, in a discussion of section E, reviewed the Disabled Persons Act under which the federal government shares with the provinces the cost of allowances to persons totally and permanently disabled. This act became effective January 1, 1955 and at the end of 1955 there were nearly 25,000 recipients under this program which was in effect in all provinces.

Commenting on the financing of the Canadian program of universal pensions of \$40 a month, he presented figures showing that, for the last 4 years, benefit payments from the Old Age Security Fund have exceeded the income payable to the fund from taxes. The loans made to the fund as a result of the excess of expenditures over revenue have not been repaid, but have been written off each year. The presence of a sizable deficiency each year may tend to reduce the pressure for increases in benefits.

MR. B. R. POWER, speaking on section E, said that the main development in Canada is that the federal government has made a definite offer to extend financial assistance to the provinces for the cost of provincial hospital insurance plans provided a majority of the provinces representing a majority of the population indicate their willingness to proceed. He reviewed the developments that have led up to the Dominion's offer to give such financial aid and stated that the action of the Province of Ontario will probably determine whether or not the program is adopted. He remarked further that Ontario had played a leading role in developments and was responsible for this subject being included on the agenda for a Dominion-Provincial Conference held in October 1955.