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LEGISLATIVE DEVELOPMENTS

A. What are the current developments in the United States and in Canada in regard to Social Security Legislation (health care for the aged—extension of disability coverage—eligibility for retirement benefits—other benefit and contribution revisions)? What are the advantages and disadvantages of the various proposals?

B. What are the developments in regard to individual retirement legislation, *viz.* Keogh-Simpson Bill?

MR. ROBERT J. MYERS reported that the House Ways and Means Committee was currently considering changes in the Old-Age, Survivors, and Disability Insurance system, ranging from such minor matters as bringing Guam into the program and "validating" certain marriages made in good faith that were not legally accomplished to such important ones as the earnings base, the retirement test, the benefit level, blanketing-in, and the Forand Bill, which would provide hospital, surgical, and nursing home benefits for all OASDI beneficiaries and for people who would be beneficiaries if they were not gainfully employed. He said that it is the usual procedure of the Committee to consider all proposals that have been made and all bills introduced by members of the House. From these bills and proposals, the Committee reaches decisions as to desirable changes and incorporates them into a Social Security omnibus bill. The omnibus bill is brought up under a closed rule under which the House must accept the bill without amendment or reject it. Thus, no changes will be made in the OASDI system which are not adopted by the House Ways and Means Committee.

Mr. Myers said newspaper reports indicated that the Forand Bill would not be adopted by the Ways and Means Committee. There was, however, the possibility that a similar bill would be added by the Senate either in the Finance Committee or on the floor. For instance, Senator Kennedy had introduced a bill similar to the Forand Bill, but providing only hospital and nursing home benefits for all OASDI beneficiaries and eligibles. If such a bill were adopted by the Senate, a conference between the House and the Senate might result in rejection or in complete adoption or in a compromise such as providing hospital benefits only for the aged beneficiaries or for beneficiaries who are at least age 72.

Mr. Myers reported that the Administration was strongly opposed to the Forand Bill, their position being that the portion of the aged with voluntary coverage was increasing rapidly and that the problem should be solved on a voluntary basis. The Administration also felt that government action in providing benefits for the aged would lead to provision of similar benefits for the entire population. Such an extension would be in conflict with its belief in voluntary coverage. The Administration had no plan to recommend to the Ways and Means Committee, but was studying a proposal to help aged persons with low incomes meet the cost of premiums for voluntary coverage. The amount of government assistance would be on a graduated basis according to ability to pay, and the financing presumably would be by the Federal and State governments jointly.

With respect to the disability benefits provided by the OASDI system, Mr. Myers said that the present requirement that a recipient of the benefits be at least age 50 would very likely be eliminated, the change being favored by both the Administration and the Ways and Means Committee. The original cost studies indicated that the one-half percent employer-employee tax rate would be more than adequate to finance the benefits as initially enacted, and the experience to date has been a good deal more favorable than the original estimates, even after taking into account the lag in starting a new program of benefits. The disability incidence experience for men has been approximately what was expected, but the experience for women has been unusually favorable with incidence rates about 25% below the level for men. New cost estimates indicate that the age 50 requirement can be eliminated and the benefits financed by the present contributions even without giving full credence to the very favorable female experience.

Mr. Myers reported only one other major proposed change that seems to be generally agreed upon. The change would provide a benefit of 75% of the primary benefit for each survivor child instead of 75% for the first child and 50% for each other one. He indicated that the cost of this liberalization would be small because of the strong effect of the maximum provisions.

Mr. Myers also reported that the Ways and Means Committee is quite concerned that any extension of the benefits be fully financed according to the best estimates obtainable.

MR. W. RULON WILLIAMSON stated that the legislative proposals for the OASDI system in 1960 were about the same as they had been in previous years in depending on the Fabian principle of gradualism enunciated in Great Britain in the course of her descent from personal self-sufficiency into the welfare state. Claim payments, excluding disability, had grown from about one million dollars in 1937 to nearly a billion in 1950 and 10 billion in 1959. Benefits at first were only for retirement. Survivor benefits were added and then disability benefits. Now, attempts are being made to include medical care benefits in the system.

Mr. Williamson said that while the theory of a "sound contributory self-sufficient plan" has been used by many legislators to explain the financing of the plan, it will be many years before the beneficiaries of the plan will have made more than a token contribution toward their benefits. Of the beneficiaries at end of 1959, the cohort of persons who became primary beneficiaries in 1940 seem to have contributed about two-tenths of one percent as much as the aggregate potential benefits after retirement, the 1950 cohort about one percent, the 1959 cohort nearly four percent and all beneficiaries together about two and one-half percent. Meanwhile, committees such as the White House Conference on the Aged, the McNamara Sub-Committee on the Aged, and the Advisory Council on Assistance and Child Welfare all report that the American citizen is totally incompetent to look after his own mental, moral and physical health and that, in spite of the huge subsidy, the present benefits are niggardly.

MR. MORTON D. MILLER reported briefly on the White House Conference on the Aged, which Mr. Williamson had mentioned previously. He said the Conference was originated by Congress last year in a bill providing for a national conference to study all of the problems of our increasing advanced age population. Included among the problems are those of income maintenance, housing, employment, health and medical care. The bill provided $15,000 for each state to hold a series of smaller conferences which could lead to a gigantic one in Washington in 1961. Practically all of the states appear to be taking advantage of the offer.

Mr. Miller urged each member of the Society to avail himself of any opportunity to participate in these state conferences and attempt to bring a balanced point of view to the problems which would be discussed.

MR. JOHN H. MILLER said that proposals to amend the Social Security system to include health insurance benefits are extremely significant because they enter an entirely new area. Government health insurance benefits cannot be held to the "floor of protection" applicable to retirement, death and disability benefits, but must, by their nature, preempt the field within the boundaries established. He said a plan such as the Forand Bill not only would redistribute the present cost of medical care, but would actually increase the aggregate cost by providing reimbursement for large amounts of free physicians' services and subsidized hospital care now provided to low income groups. Some feel that benefits such as those proposed under the Forand Bill could be entirely financed by payroll tax without new disturbances of the federal budget, but it is important to note that each dollar of payroll tax paid by corporations reduces its income tax about fifty cents. Also, higher employee taxes lead to higher wages and these in turn lead to higher consumer prices.

Mr. Miller stated that too much time and energy were expended on problems of the aged which were not necessarily new to this generation. He felt that the aged were more capable of caring for themselves than they were given credit for. The same time and energy could better be spent on improving the education of our youth, on reducing the burden of taxation and on curbing inflation. It is important to differentiate between the real problems and the synthetic or temporary ones.

MR. ALBERT PIKE reported on the Simpson-Keogh Bill which provides that a self-employed person may set aside in semirestricted funds up to ten percent of his income, with an annual limit of $2,500 and a lifetime limit of $50,000. Self-employed persons would then have the advantage of tax deferment on retirement income funds which is already available to owners and managers of small corporations.

Mr. Pike said the U.S. Treasury has opposed the bill. Although removing certain disadvantages for the self-employed, it creates others against the employed. First, it would not impose on the self-employed the same requirement to include their employees under a plan that is imposed on owners of corporations. The Treasury says that the self-employed should be required to include their employees if they are to be granted the tax deferment privileges. Second, the revenue loss under the bill would be sizable, and if it were extended to permit similar tax deductions for employed persons whose employers did not have pension plans, the loss could amount to two or three billion dollars.

The Treasury's proposal would extend the existing provisions of the Internal Revenue Code to the self-employed. The annual limit of ten percent of income or $2,500 would be retained. However, since present owners of small corporations are allowed substantially greater deductions than this under existing rules, the Treasury would limit contributions for the owners (anyone with at least a ten percent share) to thirty percent of the entire pension cost or to the amount permitted by the $2,500 rule, whichever is greater.

Mr. Pike indicated that the Treasury also proposed several other revisions which would save revenues, such as eliminating the capital gains treatment for lump-sum settlements and the estate tax advantage for survivor annuities.

Mr. Pike said that while on the whole the Treasury's proposals appeared logical and consistent, they contained one disadvantage. Under the proposal, the tax advantages to the owner of an incorporated business would be substantially less than under the present regulations. He felt, however, that this disadvantage to insurers of small pension plans might be more than offset by the opportunities to provide pensions for unincorporated businesses.