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} REPORT  
No. 1806

## SOCIAL SECURITY ACT AMENDMENTS OF 1952

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Mr. GEORGE, from the Committee on Finance, submitted the following

### R E P O R T

[To accompany H. R. 7800]

The Committee on Finance, to whom was referred the bill (H. R. 7800) to amend title II of the Social Security Act to increase old-age and survivors insurance benefits, to preserve insurance rights of permanently and totally disabled individuals, and to increase the amount of earnings permitted without loss of benefits, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

#### PURPOSE AND SCOPE OF THE COMMITTEE-APPROVED BILL

This bill provides for four urgently needed changes in the old-age and survivors insurance program:

1. Benefit increases.
2. Liberalization of the retirement test to \$100 a month.
3. Wage credits for military service during emergency period.
4. Correction of defects in benefit computation provisions.

Your committee believes that all of these changes require immediate attention. They are all within areas which were intensively studied by your committee prior to the enactment of 1950 amendments, and thus do not require prolonged consideration now. These changes do not affect the fundamental principles of the program. They will not require any amendment of the present contribution schedule, nor will they disturb the self-supporting basis of the system. These four changes in the old-age and survivors insurance program have been selected because of their urgency and because of the widespread agreement on their desirability.

In addition, the bill corrects a defect in the public assistance provisions of the Social Security Act with respect to earned income of recipients of aid to the blind.

Your committee has deleted the provisions contained in the House bill which would have (1) preserved the insurance rights of permanently and totally disabled persons and (2) extended to the States the option of bringing under old-age and survivors insurance certain State and local employees covered by existing local or State retirement systems. In deleting these provisions, your committee did not prejudge the merits of these proposals. There was insufficient time for full hearings which would have been necessary if proper consideration were given to these two provisions and the numerous amendments suggested thereto. Thus, hearings were waived in order not to delay action on the other important revisions in our Social Security System so urgently needed at this time. If the House of Representatives should choose to send back to the Senate a bill containing the deleted provisions at a later date when public hearings can be held, the committee will give them careful attention and take appropriate action.

#### A. OLD-AGE AND SURVIVORS INSURANCE BENEFIT INCREASES

The rapid rise in wages and prices during the last few years makes immediate benefit adjustments imperative. While the money income of many groups in the population has gone up since the outbreak of hostilities in Korea, the benefit rates of over 4½ million persons now on the old-age and survivors insurance rolls were determined in the early part of 1950, prior to the beginning of the present emergency period. As a consequence, retired aged persons and widows and orphans are finding it very difficult to meet their costs of living.

Adjustment of the program to keep its provisions in line with major changes in economic conditions is of great personal significance to nearly all Americans. Nearly 8 out of every 10 persons at work in paid civilian employment are covered by old-age and survivors insurance. Over 60 million persons (in addition to those now receiving benefits) are insured. More than three out of every four mothers and children in the Nation can count on monthly survivors insurance benefits if the family breadwinner dies.

Four and a half million persons (nearly 3.5 million of them aged 65 or over) receive payments from this program every month. For most of these people the monthly insurance payments are their chief source of dependable income, and often their only source. A recent survey of beneficiaries has shown that even when all of their money income is taken into account (such as annuities, company pensions, earnings from part-time work, public assistance payments, and contributions from relatives) nearly three-fourths of all retired aged individuals and married couples have less than \$50 a month per person in addition to their benefits.

Today the average old-age-insurance benefit for a retired worker is about \$42 a month. For an aged couple, the average is \$70; for an aged widow it is \$36. These incomes must perforce be used almost entirely to procure the bare essentials of existence. Consequently, unless the old-age and survivors insurance program is adjusted to major economic developments, many more beneficiaries will have to turn to public assistance to make up the deficiency between their income and the minimum necessary to meet living costs.

From the beginning of the social security program in 1935 it has been the intent of Congress to establish contributory social insurance,

with benefits related to individual earnings, as the foundation of social security. Public assistance is less satisfactory for the individual than the insurance program and the cost of assistance falls on the general taxpayer. Old-age and survivors insurance benefits, on the other hand, are payable without the humiliation of a test of need, and the cost of those benefits is met by the contributions of covered workers and their employers. A major objective of the amendments of 1950, therefore, was to strengthen the insurance program and thereby cut down the need for further expansion of public assistance.

Toward achievement of this goal, Congress broadened the coverage of old-age and survivors insurance, increased the benefit amounts payable and modified the eligibility requirements so that more persons already aged could qualify. As a result, in 1951, for the first time since the establishment of the social security programs, more people were receiving old-age-insurance payments than were receiving old-age assistance. To maintain the gains which already have been made and to prevent more and more people from having to turn to the less satisfactory assistance program for supplementation of their insurance benefits, it is necessary that benefits under old-age and survivors insurance be increased.

Such an increase can be accomplished at this time without changing the contribution schedule or the self-supporting nature of the system. Under the benefit formula the percentage of a worker's average wage paid in benefits declines as his average wage increases. For the program as a whole, therefore, benefit costs measured as a percentage of payroll drop as those covered have higher average wages. Thus the percentages of payroll in the contribution schedule allow for benefit increases as wage levels rise.

The schedule of contributions in existing law was based on a 1950 estimate that the level-premium cost of the present program was 6.05 percent. These estimates were based on the wage levels of 1947. Based on 1951 wage levels, which are some 20 percent higher, and on current interest rates applicable to the trust fund (2.25 percent) the level-premium cost of the program under these amendments will be about 6 percent.

#### *General explanation of benefit increases*

The bill would increase old-age and survivors insurance benefit amounts for both present and future beneficiaries. The increases are accomplished by a revision of the conversion table and of the benefit formula provided in existing law. For nearly all persons now on the rolls, the benefit increases would be derived from the liberalized conversion table. On the other hand, most of those who will come on the rolls in the future will receive the larger benefits provided through the revised formula in this bill.

*Increase in benefits computed by conversion table.*—Individuals receiving benefits based on earnings from 1937 on (who constitute almost the entire beneficiary roll at this time) would have their benefits increased at least 12½ percent, subject to certain maximum provisions applying to the larger families. The increase in the primary insurance amount (the amount payable to a retired insured individual or the amount on which benefits of dependents and survivors are based) would be \$5 or 12½ percent, whichever is greater. For retired workers, the increases would range from \$5 to \$8.60 and would average about

\$6. These increases would apply also to future beneficiaries whose benefits are based on earnings beginning with 1937.

The following table gives examples of increases in primary insurance amounts.

<i>Present old-age insurance benefit, from present conversion table</i>	<i>Old-age insurance benefit as increased under table in bill</i>
\$20. 00	\$25. 00
30. 00	35. 00
40. 00	45. 00
50. 00	56. 30
60. 00	67. 50
68. 50	77. 10

Dependents' and survivors' benefits (which are a proportion of the primary insurance amount) are increased for those now on the rolls by 12½ percent (if the primary insurance amount is increased by 12½ percent) or by the appropriate proportion of \$5 (if the primary insurance amount is increased by \$5). These increased amounts would be subject to the provisions limiting the total monthly amount payable to a family on the basis of the wages and self-employment income of an insured individual.

*Increase in benefits computed by the new benefit formula.*—Beneficiaries whose benefits are based on earnings after 1950 (a very small number now on the old-age and survivors insurance benefit rolls and the great majority of those coming on the rolls in future), would have their primary insurance amounts computed by the revised formula provided in the bill. The formula would be 55 percent of the first \$100 of average monthly wage and 15 percent of the next \$200, rather than 50 percent of the first \$100 and 15 percent of the next \$200, as in present law. The new formula thus results in an increase of \$5 in the primary insurance amount where the average monthly wage is \$100 and over, with smaller increases where the average monthly wage is below \$100. The following table illustrates the increases in benefit amounts provided by the new formula in the bill:

*Illustrative monthly benefits*

Average monthly wage	Retired worker alone		Retired worker and wife		Aged widow	
	Present law	H. R. 7800	Present law	H. R. 7800	Present law	H. R. 7800
\$50.....	\$25. 00	\$27. 50	\$37. 50	\$41. 30	\$18. 80	\$20. 70
\$100.....	50. 00	55. 00	75. 00	80. 00	37. 50	41. 30
\$150.....	57. 50	62. 50	86. 30	93. 80	43. 20	46. 90
\$200.....	65. 00	70. 00	97. 50	105. 00	48. 80	52. 50
\$250.....	72. 50	77. 50	108. 80	116. 30	54. 40	58. 20
\$300.....	80. 00	85. 00	120. 00	127. 50	60. 00	63. 80

  

Average monthly wage	Widow and 1 child		Widow and 2 children		Widow and 3 children	
	Present law	H. R. 7800	Present law	H. R. 7800	Present law	H. R. 7800
\$50.....	\$37. 60	\$41. 40	\$40. 00	\$45. 20	\$40. 20	\$45. 00
\$100.....	75. 00	80. 00	80. 00	80. 10	80. 10	80. 20
\$150.....	86. 40	93. 50	115. 20	120. 20	120. 00	120. 30
\$200.....	97. 60	105. 00	130. 20	140. 10	150. 00	160. 20
\$250.....	109. 80	116. 40	144. 80	155. 20	150. 10	168. 80
\$300.....	120. 00	127. 60	160. 10	168. 90	150. 30	168. 90

*Increase in minimum primary amount.*—The present minimum primary insurance amount of \$20 would be raised to \$25.

*Increase in maximum family benefits.*—The act now provides that the total of benefits payable on one record may not exceed the smaller of 80 percent of the average monthly wage on which the benefits are based, or \$150, except that the 80 percent maximum cannot reduce the total family benefits below \$40. The bill raises the dollar maximum to \$168.75 and raises to \$45 the amount below which total family benefits cannot be reduced by the operation of the maximum. Both the \$168.75 and the \$45 amounts are 12½ percent higher than the present amounts. The provision that total family benefits cannot exceed 80 percent of the average monthly wage is retained.

#### B. LIBERALIZATION OF THE RETIREMENT TEST

Payments to beneficiaries under 75 are designed as replacements for earnings lost through retirement or death and not as annuities payable to those who remain in full-time-work status.

Under the present program the average age at which people first claim old-age-insurance benefits is 68½ rather than 65. The contribution schedule which supports the program takes this into account. The removal of the retirement test would be very expensive. If there were no retirement test the long-run cost of the program would be increased by over 1 percent of payrolls; in 1953 alone it would cost the trust fund an additional billion dollars. This amount would be paid largely to people over 65 who are employed full time and who are no more in need of benefits than regularly employed people at younger ages.

It is desirable to allow old-age beneficiaries and dependent and survivor beneficiaries to supplement their benefits with part-time work. In the light of current wage levels a \$100 test rather than the present \$50 test is more in keeping with this objective.

Under the committee-approved bill, a beneficiary will be able to earn \$100 of wages in a month (rather than \$50 as in existing law) and still receive his benefits for the month. Similarly, a beneficiary may derive net earnings from self-employment averaging \$100 a month in a taxable year (rather than \$50 as in existing law) and receive all his benefits for the year.

Under the House-approved bill, the retirement test would have been \$70 per month.

#### C. WAGE CREDITS FOR MILITARY SERVICE DURING EMERGENCY PERIOD

The Korean conflict has made urgently necessary an adjustment to protect servicemen's rights under the system. In the 1950 amendments to the Social Security Act, your committee provided wage credits of \$160 for each month of active military or naval service during World War II. No credit was provided for any month after the end of World War II. The millions of men and women who will have served their country during the present emergency, especially those who have fought in Korea, should have the same opportunity to build up old-age and survivors insurance rights as people in covered employment and those who served in World War II. Your committee believes that credit should be given, also, for service between the end

of World War II and the beginning of the Korean hostilities. If such credit is not given the survivors of many of the men already killed in Korea would not be able to qualify for benefits.

Your committee believes that it is proper for credits given to servicemen for this emergency period to be financed out of the trust fund. The cost of the credits would average about \$5 million annually over the next 50 years.

Under the House-approved bill the credits would have been financed by general revenues.

#### *General explanation of wage credit provision*

The bill provides wage credits of \$160 for each month of active military or naval service after July 24, 1947, and before January 1, 1954. Veterans would be eligible for these credits if they died in service or were discharged from service, under conditions other than dishonorable, after active service of at least 90 days or by reason of a service-connected disability.

As in the case of World War II wage credits, the credits provided by the bill would not be given in any case where another benefit based on the same period of service is payable by any Federal agency other than the Veterans' Administration. Thus, for example, if credit is given under the civil service retirement system or any of the military retirement systems for the service in question, it could not be credited under old-age and survivors insurance.

#### *Reinterment of deceased veterans*

An extension of the time normally permitted for claiming a lump-sum death payment as reimbursement for burial expenses is provided where a serviceman dies abroad on or after June 25, 1950, and prior to January 1954, and is later returned to the United States for burial or reburial. Persons incurring such burial expenses could claim reimbursement within 2 years of the date of burial or reburial. Existing law requires that such claims be filed within 2 years of the date of death.

#### D. CORRECTION OF DEFECTS IN BENEFIT COMPUTATION PROVISIONS

The bill contains several technical amendments. The most important of these would correct inequities arising in 1952 under the benefit computation provisions of the present law. One such amendment permits self-employment income derived in any taxable year beginning or ending in 1952, to be used in benefit computations made for persons who die or become entitled to benefits in 1952 or in a fiscal year beginning in 1952. This change is particularly important for 1952 because the minimum divisor of 18 used in computing average monthly wage would cause serious reductions in the benefit if only years prior to 1952 may be counted. Another such change would permit individuals who die or become entitled to benefits in 1952 and who have six quarters of coverage after 1950 to have all their covered wages up to the quarter of death or entitlement included in the initial computation of the benefit amount.

The bill would also allow beneficiaries aged 75 or over whose benefits have been determined only under the conversion table to have their benefits recomputed under the new benefit formula if they have at least six quarters of coverage after 1950.

A minor amendment was added by your committee to facilitate prompt payment of the increased benefits provided in the bill.

#### E. EARNED INCOME OF RECIPIENTS OF AID TO THE BLIND

In 1950 the provisions of the Social Security Act relating to State plans for aid to the blind were amended to provide that such plans (a) could provide for disregarding the first \$50 of earned income of needy blind recipients in determining their need, and (b) had to provide for disregarding such income after June 30 of this year if the plans were to continue to be approved. However, this income is disregarded only in determining the need for aid to the blind of the individual who earned it. Where that individual is a member of a family which also includes another individual claiming or receiving aid under the same or another State plan approved under the Social Security Act (relating to old-age assistance, aid to the dependent children, or aid to the permanently and totally disabled), the income available to such other individual from the blind individual who earned it is considered a resource in determining such other individual's need for assistance. This prevents giving full effect to the special consideration which your committee felt the blind deserved and which was the purpose of the Congress in enacting the 1950 amendment. In order to remedy this deficiency in the law, the committee-approved bill would also permit the States, up to June 30, 1954, to disregard the earned income of the recipient of aid to the blind in determining the need of any other individual under the same or any of the other State public-assistance plans approved under the Social Security Act. After June 30, 1954, this requirement would become mandatory thus permitting any State legislature ample time to make any necessary changes in State laws governing State-Federal public assistance.

The House-approved bill does not contain the mandatory provision.

### ACTUARIAL COST ESTIMATES FOR THE OLD-AGE AND SURVIVORS INSURANCE SYSTEM AS MODIFIED BY THE COMMITTEE-APPROVED BILL

#### A. INTRODUCTION

The long-range cost estimates for the old-age and survivors insurance provisions of the committee-approved bill are set forth below.

From an actuarial-cost standpoint the main features of this bill are as follows:

(1) Monthly primary insurance amount is based on 55 percent of the first \$100 of average monthly wage (determined from covered earnings after 1950) plus 15 percent of the next \$200, as contrasted with the formula in present law which is 50 percent of the first \$100 and 15 percent of the next \$200. Minimum primary insurance amount is \$26, unless average wage is less than \$35—in which case the benefit is \$25. Maximum family benefits are \$168.75 or 80 percent of average wage, if less. Retired worker beneficiaries on the roll are to be given an increase of either \$5 or 12½ percent, whichever is larger, with corresponding increases generally for other beneficiaries; this is done by means of a conversion table which is also applicable for those retiring in the future, if on the basis of average wage after 1936, it yields more favorable results.

(2) Amount of earnings permitted under the work clause is raised from \$50 per month to \$100 per month.

(3) Wage credits of \$160 for each month of military service are given for such service after the close of World War II and during the present emergency (through calendar year 1953).

Estimates of the future costs of the old-age and survivors insurance program are affected by many factors that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable. Because of numerous factors, such as the aging of the population of the country and the inherent slow but steady growth of the benefit roll in any retirement-insurance program, benefit payments may be expected to increase continuously for at least the next 50 years.

The cost estimates for the amendments proposed in the bill are presented here first on a range basis so as to indicate the plausible variation in future costs depending upon the actual trend developing for the various cost factors in the future. Both the low-cost and high-cost estimates are based on "high" economic assumptions, intended to represent close to full employment, with average annual earnings at about the level prevailing in 1951, or probably somewhat below current experience. Following the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low-cost and high-cost estimates (by averaging them) are shown so as to indicate the basis for the financing provisions of the bill.

In general, the costs are shown as a percentage of covered payroll. It is believed that this is the best measure of the financial cost of the program. Dollar figures taken alone are misleading, because, for example, extension of coverage will increase not only the outgo but also to a greater extent the income of the system with the result that the cost relative to payroll will decrease.

Both the House and the Senate very carefully considered the problems of cost in determining the benefit provisions of the 1950 act and were of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis. Accordingly, the act contained a tax schedule which it was believed would, under a level-wage assumption, make the system self-supporting as nearly as could be foreseen under circumstances then existing. The amendments proposed by the bill will not affect the actuarial balance of the program, which will remain virtually the same as in the estimates made at the time the 1950 act was enacted; this is the case because of the rise in earnings levels in the past 3 or 4 years. Future experience may be expected to differ from the conditions assumed in the estimates so that this tax schedule, at least in the distant future, may have to be modified. This may readily be determined by future Congresses after the revised program has been in operation for a decade or two.

#### B. BASIC ASSUMPTIONS FOR ACTUARIAL COST ESTIMATES

The estimates have been prepared on the basis of high-employment assumptions somewhat below conditions now prevailing. The estimates are based on level-earnings assumptions (slightly below the present level). If in the future the earnings level should be considerably above that which now prevails, and if the benefits for those on the roll are at some time adjusted upward on this account, the increased outgo resulting will be offset. This is an important reason for considering costs relative to payroll rather than in dollars.



The cost estimates, however, have not taken into account the possibility of a rise in earnings levels, as has consistently occurred over the past history of this country. If such an assumption were used in the cost estimates, along with the unlikely assumption that the benefits nevertheless would not be changed, the cost relative to payroll would, of course, be lower. If benefits are adjusted to keep pace with rising earnings trends, the year-by-year costs as a percentage of payroll would be unaffected. However, in such case this would not be true as to the level-premium cost. If earnings do consistently rise, thorough consideration would need to be given to the financing basis of the system since under such circumstances the relative value of the accumulated reserves would be diminished.

The low-cost and high-cost assumptions relate to the cost as a percent of payroll in the aggregate and not to the dollar costs. The two cost assumptions are based on possible variations in fertility rates, mortality rates, retirement rates, remarriage rates, etc.

In general, the cost estimates have been prepared according to the same assumptions and techniques as those contained in Actuarial Studies Nos. 23, 27, and 28 of the Social Security Administration, and also the same as in the estimates prepared for the Advisory Council on Social Security of the Senate Committee on Finance (S. Doc. 208, 80th Cong., 2d sess.) and for the congressional committees which considered the 1950 amendments. The only changes made in the assumptions as used in the present estimates are the use of an interest rate of 2¼ percent instead of 2 percent (since interest rates have risen significantly) and the use of higher earnings assumptions, namely corresponding to the experience during 1951 (as contrasted with the previous estimates having been based on the 1947 experience).

The earnings assumptions used in the current cost estimates, along with the actual recorded earnings of the past few years, are indicated in the following table which shows for men and women separately the average annual taxable earnings for persons working in covered employment during all four quarters of the year:

Average annual taxable earnings—	Men	Women
Used in 1950 cost estimates, \$3,600 base <sup>1</sup> .....	\$2, 550	\$1, 625
Used in present cost estimates, \$3,600 base.....	2, 950	2, 030
Actual 1944, \$3,000 base.....	2, 301	1, 402
Actual 1945, \$3,000 base.....	2, 293	1, 384
Actual 1946, \$3,000 base.....	2, 269	1, 450
Actual 1947, \$3,000 base.....	2, 393	1, 611
Actual 1948, \$3,000 base.....	2, 493	1, 733
Actual 1949, \$3,000 base <sup>2</sup> .....	2, 493	1, 750
Actual 1950, \$3,000 base <sup>2</sup> .....	2, 558	1, 811
Estimated 1950, if \$3,600 base <sup>2</sup> .....	2, 800	1, 860

<sup>1</sup> Based on 1947 experience adjusted for \$3,600 base.

<sup>2</sup> Preliminary.

### C. RESULTS OF COST ESTIMATES ON RANGE BASIS

Table 1 gives the estimated taxable payrolls, which are the same under the bill as under present law. Because of increased earnings the estimates of payroll shown are about 20 percent higher than in the 1950 estimates; total earnings increased by somewhat more than 25 percent, but taxable earnings had a smaller increase because of the effect of the \$3,600 maximum taxable earnings base. Since both

the low-cost and the high-cost estimates assume a high future level of economic activity, the payrolls are substantially the same under the two estimates in the early years. In later years the estimated payrolls increase in accordance with the population assumptions, and a spread develops between the low-cost and high-cost estimates. The assumptions which affect benefits, however, have widely different effects even in the early years of the program. The range of error in the estimates, nevertheless, may be fully as great for contributions as it is for benefits.

TABLE 1.—Estimated taxable payrolls under present act and under H. R. 7800

[In billions]

Calendar year	Low-cost estimate	High-cost estimate
1953.....	\$130	\$129
1955.....	132	131
1960.....	136	137
1970.....	150	150
1980.....	160	156
1990.....	170	159
2000.....	181	160

The estimates of the number of monthly beneficiaries (see table 2) are substantially the same as for the present law. However, there will be slight increases in most categories because of the liberalized work clause.

TABLE 2.—Estimated numbers of beneficiaries under committee-approved bill

[In thousands]

Calendar year	Monthly beneficiaries <sup>1</sup>							Total	Lump-sum death payments <sup>2</sup>
	Retirement beneficiaries <sup>3</sup>			Survivor beneficiaries					
	Old-age	Wife's <sup>4</sup>	Child's	Widow's <sup>4</sup>	Parent's <sup>4</sup>	Mother's	Child's		
Actual data for present law									
1952.....	2,345	663	69	403	20	208	804	4,512	475
Low-cost estimate									
1960.....	3,082	925	77	1,101	37	391	1,135	6,748	687
1970.....	4,469	1,214	102	2,031	42	450	1,317	9,025	890
1980.....	6,110	1,403	130	2,709	42	496	1,446	12,336	1,090
1990.....	8,209	1,425	150	3,029	39	538	1,676	14,966	1,290
2000.....	9,329	1,329	143	3,008	34	586	1,714	16,143	1,472
High-cost estimate									
1960.....	4,648	1,314	110	1,183	69	387	901	8,562	627
1970.....	7,226	1,605	127	2,074	90	368	808	12,498	811
1980.....	10,665	2,309	138	2,788	97	343	718	17,058	999
1990.....	14,924	2,617	128	3,141	94	324	653	21,881	1,246
2000.....	17,820	2,704	90	3,083	90	311	602	24,700	1,468

<sup>1</sup> In current payment status as of middle of year. Actual figures for 1952 are for March.  
<sup>2</sup> Number of insured deaths during year for which payments are made. Actual figure for 1952 based on experience during first 3 months.

<sup>3</sup> I. e., for benefits paid to retired workers and their dependents.

<sup>4</sup> Does not include those also eligible for old-age benefits. For wife's and widow's benefits, includes husband's and widower's benefits, respectively.

Table 3 shows the estimated average benefits under the bill; these are given only for 1952, 1960, and 2000, since in general there is a smooth trend in the intervening periods. Also shown are the estimated average payments under the present system as of August 1952.

TABLE 3.—Estimated average monthly benefit payments and average lump-sum death payments under present law and under committee-approved bill

Category	Under present law in August 1952	Under H. R. 8000		
		September 1952	1960	2000
Old-age (primary).....	\$42	\$48	\$50	\$57
Male.....	44	50	62	66
Female.....	33	38	46	44
Wife's <sup>1</sup> .....	23	26	32	35
Widow's <sup>1</sup> .....	36	40	46	52
Parent's <sup>2</sup> .....	37	41	46	51
Mother's.....	33	36	43	48
Child's <sup>3</sup> .....	27	30	39	42
Lump-sum death <sup>4</sup> .....	150	170	185	178

<sup>1</sup> Does not include those eligible for primary benefits. Includes husband's and widower's benefits.

<sup>2</sup> Does not include those eligible for primary, widow's or widower's benefits.

<sup>3</sup> Includes child's benefits for both children of old-age beneficiaries and child survivor beneficiaries.

<sup>4</sup> Average amount per death.

NOTE.—A range of figures is not shown because there is relatively little difference between the low-cost and high-cost benefits. Also the figures for child's and mother's benefits are consistent with operating procedures (which grant benefits to all family members, subject to the maximum benefit provisions) rather than the estimates following (which assume only sufficient persons file as to reach such maximum).

It will be noted that for old-age beneficiaries separate figures are given for men and women, since the results differ greatly and since a combination would obscure the trend. For men the average old-age benefit increases from 1952 to 1960, and also to some extent thereafter, due to the effect of the "new start" average wage and, in addition, due to the fact that the conversion table produces somewhat lower results than will arise under the new benefit formula. On the other hand, for women the average old-age benefit shows a small decrease over the long-range future because there will ultimately be a large number of women receiving such benefits who did not engage in covered employment for their entire adult lifetime after 1950.

Table 4 presents costs as a percentage of payroll for each of the various types of benefits. As used here, "level-premium cost" may be defined as the level contribution rate charged from 1951 on, which together with interest on invested assets would meet all benefit payments after 1950. This level-premium rate, which is based on a level-earnings assumption, would produce a substantial excess of income over disbursements in the early years, the interest on which would help considerably in meeting the higher benefit outgo ultimately.

TABLE 4.—Estimated relative costs in percentage of payroll for committee-approved bill, by type of benefit

Calendar year	Old-age	Wife's <sup>1</sup>	Widow's <sup>1</sup>	Parent's	Mother's	Child's <sup>2</sup>	Lump-sum death	Total
Low-cost estimate								
1960.....	1.61	0.26	0.44	0.02	0.17	0.45	0.09	3.04
1970.....	2.25	.33	.81	.02	.19	.49	.11	4.20
1980.....	2.83	.36	1.06	.02	.20	.51	.13	5.11
1990.....	3.46	.35	1.16	.02	.20	.52	.14	5.86
2000.....	3.61	.31	1.11	.01	.21	.53	.16	5.93
Level premium: <sup>3</sup>								
At 2 percent.....	2.89	.31	.91	.01	.19	.49	.13	4.94
At 2¼ percent.....	2.82	.31	.89	.01	.19	.49	.13	4.84
High-cost estimate								
1960.....	2.39	.37	0.46	0.03	0.16	0.36	0.08	3.86
1970.....	3.52	.49	.83	.04	.15	.31	.10	5.45
1980.....	4.91	.61	1.13	.04	.14	.27	.12	7.22
1990.....	6.55	.70	1.30	.04	.13	.24	.14	9.10
2000.....	7.62	.74	1.33	.03	.12	.22	.16	10.23
Level premium: <sup>3</sup>								
At 2 percent.....	5.41	.59	1.02	.03	.13	.26	.13	7.58
At 2¼ percent.....	5.21	.58	.99	.03	.13	.27	.12	7.34

<sup>1</sup> Included are excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widower's benefits, respectively.

<sup>2</sup> Includes child's benefits for both children of old-age beneficiaries and child-survivor beneficiaries.

<sup>3</sup> Level-premium contribution rate for benefit payments after 1950 and into perpetuity, not taking into account the accumulated funds at the end of 1950 or administrative expenses.

Table 5 presents the estimated operations of the trust fund under the expanded program. The trust fund at the end of 1952 is estimated to be about \$17.3 billion. The figures for 1952 reflect the operation of the present act for the entire year as to contribution receipts, but as to benefit disbursements the figure includes payments made under the present act for the first 9 months of the year and under the bill for the remainder of the year; the liberalized benefit conditions will be effective in September, with the first payments coming out of the trust fund in October. The future progress of the trust fund has been developed here on the basis of a 2¼ percent interest rate, which is about what the trust fund is currently earning.

TABLE 5.—Estimated progress of trust fund for committee-approved bill

(In millions)

Calendar year	Contributions <sup>1</sup>	Benefit payments	Administrative expenses	Interest on fund <sup>2</sup>	Fund at end of year
Actual data for present law					
1951.....	\$3,367	\$1,885	\$81	\$417	\$15,540
Low-cost estimate					
1952 <sup>3</sup> .....	\$3,763	\$2,300	\$88	\$365	\$17,290
1955.....	5,140	3,124	91	493	23,367
1960.....	6,428	4,152	103	740	34,690
1970.....	9,352	6,291	141	1,511	70,116
1980.....	10,096	8,153	173	2,494	114,239
1990.....	10,735	9,944	203	3,411	155,318
2000.....	11,470	10,753	219	4,370	198,834
High-cost estimate					
1952 <sup>3</sup> .....	\$3,763	\$2,300	\$88	\$365	\$17,290
1955.....	5,105	3,597	117	468	21,995
1960.....	6,454	5,286	151	614	28,402
1970.....	9,359	8,169	209	992	45,583
1980.....	9,850	11,239	269	1,197	53,501
1990.....	10,041	14,441	331	718	30,282
2000.....	10,092	16,318	367	(4)	(4)

<sup>1</sup> Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950-53, 4 percent for 1954-59, 5 percent for 1960-64, 6 percent for 1965-69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.

<sup>2</sup> Interest is figured at 2¼ percent on average balance in fund during year.

<sup>3</sup> See text for description of assumptions made for 1952.

<sup>4</sup> Fund exhausted in 1996.

Under the low-cost estimate, the trust fund builds up quite rapidly and even some 50 years hence it is growing at a rate of \$5 billion per year and at that time is about \$200 billion in magnitude; in fact, under this estimate benefit disbursements never exceed contribution income and even in the year 2000 are almost 7 percent smaller.

On the other hand, under the high-cost estimate the trust fund builds up to a maximum (of \$54 billion in 1978), but decreases thereafter until it is exhausted (1996). In each of the years prior to the scheduled tax increases (namely, 1953, 1959, 1964, and 1969) benefit disbursements are over 5 percent lower than contributions. Benefit disbursements exceed contribution income after 1975.

These results are consistent and reasonable, since the system on an intermediate-cost estimate basis is intended to be approximately self-supporting, as will be indicated hereafter. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice under the philosophy in the 1950 amendments and set forth in the committee reports therefor, the tax schedule would be adjusted in future years so that neither of the developments of the trust fund shown in table 5 would ever eventuate. Thus, if experience followed the low-cost estimate, the contribution rates would probably be adjusted downward or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution

rates would have to be raised above those scheduled. At any rate, the high-cost estimate does indicate that under the tax schedule adopted there would be ample funds for several decades even under relatively unfavorable experience.

#### D. INTERMEDIATE-COST ESTIMATES

In this section there will be given intermediate-cost estimates, developed from the low-cost and high-cost estimates of this report. These intermediate costs are based on an average of the low-cost and high-cost estimates (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). It should be recognized that these intermediate-cost estimates do not represent the "most probable" estimates, since it is impossible to develop any such figures. Rather, they have been set down as a convenient and readily available single set of figures to use for comparative purposes.

The Congress, in enacting the 1950 amendments, was of the belief that the old-age and survivors insurance program should be on a completely self-supporting basis. Therefore, a single figure is necessary in the development of a tax schedule which will make the system self-supporting, according to a reasonable estimate. Any specific schedule will be different from what will actually be required to obtain exact balance between contributions and benefits. However, this procedure does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, exact self-support cannot be obtained from a specific set of integral or rounded fractional rates, but rather this principle of self-support should be aimed at as closely as possible.

The tax schedule contained in present law is as follows:

Calendar year	Employee	Employer	Self-employed
	Percent	Percent	Percent
1951-53 .....	1½	1½	2¼
1954-59 .....	2	2	3
1960-64 .....	2½	2½	3¾
1965-69 .....	3	3	4½
1970 and after .....	3½	3½	4¾

This tax schedule was determined to be roughly equivalent to the level-premium cost under the intermediate estimate for the 1950 amendments when they were enacted and, as will be shown on the basis of the following actuarial cost analysis, continued to be so for the bill according to current estimates.

Table 6 gives an estimate of the level-premium cost of the bill, tracing through the increase in cost over the present program according to the major types of changes proposed.

TABLE 6.—*Estimated level-premium costs as percentage of payroll by type of change*

Item	Level-premium cost
Cost of present law: <sup>1</sup>	<i>Percent</i>
1950 estimate, using 2-percent interest.....	6.05
1950 estimate, using 2¼-percent interest.....	5.85
Current estimate, using 2¼-percent interest.....	5.35
Effect of proposed changes:	
Increased benefits.....	+.40
Military service credits.....	+.05
Liberalized work clause.....	+.20
Cost of program as amended by committee approved bill, using 2¼-percent interest <sup>1</sup> .....	6.00

<sup>1</sup> Including adjustments for existing trust fund and for future administrative expenses.

NOTE.—Figures relate to benefit payments after 1950 and represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future.

It should be emphasized that in 1950 neither committee recommended that the system be financed by a high, level tax rate from 1951 on but rather recommended an increasing schedule, which—of necessity—will ultimately have to rise higher than the level-premium rate. Nonetheless, this graded-tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will arise, although not as large as would arise under a level-premium tax rate; this fund will be invested in Government securities (just as is much of the reserves of life insurance companies and banks, and as is also the case for the trust funds of the civil-service retirement, railroad retirement, national service life insurance, and United States Government life insurance systems), and the resulting interest income will help to bear part of the increased benefit costs of the future. For comparing the cost of various possible alternative plans and provisions, the use of level-premium rates based on a level-earnings assumption is helpful as a convenient yardstick instead of considering the relative year-by-year costs, regardless of whether future wages remain level.

As will be seen from table 6, the level-premium cost of the present law—taking into account 2¼ percent interest—is about 5½ percent of payroll; this is approximately 0.7 percent of payroll lower than the cost was estimated to be on a 2-percent interest basis when the program was revised in 1950, partially because of the higher assumed interest rate and partially because of the rise in the earnings level which has occurred in the past 3 or 4 years (higher earnings result in lower annual costs as a percentage of payroll because of the weighted nature of the benefit formula).

Under the committee-approved bill the level-premium cost of the system is increased to 6.00 percent of payroll using a 2¼-percent interest rate. This is about 0.05 percent of payroll lower than the estimated cost, on an intermediate-cost basis, of the 1950 act according to the estimates made during congressional consideration of the legislation, which used a 2-percent interest rate.

Table 7 compares the year-by-year cost of the benefit payments according to the intermediate-cost estimate, not only for the bill but also for the present act. These figures are based on a future level-earnings assumption and do not consider business cycles (booms and depressions) which over a long period of years tend to average out about the trend.

The dollar amount of the increased cost in 1952 of the bill over the present act is about \$100 to 125 million; this relatively small rise is due to the fact that the increased benefits under the bill would be disbursed from the trust fund during only the last 3 months of the year. The increase for 1953, the first full year of operation, is roughly \$400 to \$450 million.

TABLE 7.—Estimated cost of benefit payments under present law and under committee-approved bill, intermediate-cost estimate

Calendar year	Amount (in millions)		In percent of payroll	
	Present law	H. R. 7800	Present law	H. R. 7800
1955.....	\$2, 775	\$3, 358	2. 11	2. 55
1960.....	4, 119	4, 720	3. 01	3. 45
1970.....	6, 402	7, 229	4. 27	4. 83
1980.....	8, 689	9, 696	5. 51	6. 15
1990.....	10, 995	12, 193	6. 09	7. 42
2000.....	11, 879	13, 536	7. 20	7. 94
Level premium: <sup>1</sup>				
At 2 percent.....			5. 58	6. 22
At 2½ percent.....			5. 42	6. 05

<sup>1</sup> Level-premium contribution rate for benefit payments after 1950 and into perpetuity, not taking into account the accumulated funds at the end of 1950 or administrative expenses.

NOTE.—These figures represent an intermediate estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future.

Table 8 presents estimates of the numbers of beneficiaries and is comparable with table 2.

TABLE 8.—Estimated number of beneficiaries under committee-approved bill, intermediate-cost estimate

[In thousands]

Calendar year	Monthly beneficiaries <sup>1</sup>							Total	Lump-sum death payments <sup>2</sup>
	Retirement beneficiaries <sup>3</sup>			Survivor beneficiaries					
	Old-age	Wife's <sup>4</sup>	Child's	Widow's <sup>4</sup>	Parent's <sup>4</sup>	Mother's	Child's		
Actual data for present law									
1952.....	2, 345	663	69	403	20	208	804	4, 512	475
Intermediate-cost estimate									
1955.....	2, 875	860	81	654	38	337	934	5, 779	570
1960.....	3, 865	1, 120	94	1, 117	53	389	1, 018	7, 656	657
1970.....	5, 848	1, 510	114	2, 052	66	409	1, 062	11, 061	850
1980.....	8, 388	1, 856	134	2, 748	70	420	1, 082	14, 698	1, 044
1990.....	11, 567	2, 021	139	3, 085	66	431	1, 114	18, 423	1, 268
2000.....	13, 574	2, 016	116	3, 046	62	448	1, 158	20, 420	1, 470

<sup>1</sup> In current payment status as of middle of year. Actual figure for 1952 is for March.

<sup>2</sup> Number of insured deaths during year for which payments are made. Actual figures for 1952 based on experience during first 3 months.

<sup>3</sup> I. e., for benefits paid to retired workers and their dependents.

<sup>4</sup> Does not include those also eligible for old-age benefits. For wife's and widow's benefits, includes husband's and widower's benefits, respectively.



Table 9 presents costs of benefits under the bill as a percent of payroll for each of the various types of benefits and is comparable with table 4.

TABLE 9.—*Estimated relative costs in percentage of payroll for committee-approved bill, by type of benefit intermediate-cost estimate*

Calendar year	Old-age	Wife's <sup>1</sup>	Widow's <sup>1</sup>	Parent's	Mother's	Child's <sup>2</sup>	Lump-sum death	Total
1960.....	2.00	0.32	0.45	0.02	0.17	0.41	0.09	3.45
1970.....	2.88	.41	.82	.03	.17	.40	.11	4.83
1980.....	3.85	.49	1.10	.03	.17	.39	.12	6.15
1990.....	4.96	.52	1.23	.03	.17	.39	.14	7.42
2000.....	5.49	.51	1.21	.02	.17	.38	.15	7.94
Level premium: <sup>3</sup>								
At 2 percent.....	4.11	.45	.96	.02	.16	.38	.13	6.22
At 2¼ percent....	3.98	.44	.94	.02	.16	.38	.12	6.05

<sup>1</sup> Included are excesses of wife's and widow's benefits over old-age benefits for female old-age beneficiaries also eligible for wife's or widow's benefits. Also includes husband's and widow's benefits, respectively.

<sup>2</sup> Includes child's benefits for both children of old-age beneficiaries and child-survivor beneficiaries.

<sup>3</sup> Level-premium contribution rate for benefit payments after 1950 and into perpetuity, not taking into account the accumulated funds at the end of 1950 or administrative expenses.

Table 10 presents the estimated operation of the trust fund according to the intermediate estimate (using a 2¼-percent interest rate) and is comparable to table 5 of the previous section.

TABLE 10.—*Estimated progress of trust fund for committee-approved bill, intermediate-cost estimate*

[In millions]

Calendar year	Contributions <sup>1</sup>	Benefit payments	Administrative expenses	Interest on fund <sup>2</sup>	Fund at end of year
	Actual data for present law				
1951.....	\$3,367	\$1,885	\$81	\$417	\$15,540
	Intermediate-cost estimate				
1952 <sup>3</sup> .....	\$3,763	\$2,300	\$88	\$365	\$17,280
1953.....	3,787	2,900	93	398	18,469
1954.....	4,878	3,129	98	434	20,554
1955.....	5,117	3,358	102	481	22,692
1960.....	6,441	4,720	127	677	31,567
1970.....	9,355	7,229	175	1,252	57,869
1980.....	9,973	9,696	221	1,847	83,943
1990.....	10,388	12,193	267	2,066	92,838
2000.....	10,781	13,436	293	1,920	85,782

<sup>1</sup> Combined employer, employee, and self-employed contributions. The combined employer-employee rate is 3 percent for 1950-53, 4 percent for 1954-59, 5 percent for 1960-64, 6 percent for 1965-69, and 6½ percent for 1970 and after. The self-employed pay ¾ of these rates.

<sup>2</sup> Interest is figured at 2¼ percent on average balance in fund during year.

<sup>3</sup> See text for description of assumptions made for 1952.

The trust fund grows steadily reaching a maximum of almost \$93 billion in 1990, and then declines slowly. The fact that the trust fund declines slowly after 1990 indicates that, under the bill, the proposed tax schedule is not quite self-supporting under a level-wage assumption but is sufficiently close for all practical purposes considering the uncertainties and variations possible in the cost estimates. This same

situation was the case for the 1950 amendments according to estimates made at the time they were being considered, but to a somewhat greater extent. In regard to the ultimate 6½-percent employer-employee rate, your committee concurred in the following statement made by the House Ways and Means Committee when the 1950 amendments were being considered.

If a 7-percent ultimate employer-employee rate had been chosen, the cost estimates developed would have indicated that the system would be slightly overfinanced. Your committee believes that it is not necessary in such a long-range matter to attempt to be unduly conservative and provide an intentional overcharge—especially when it is considered that it will be many, many years before any deficit or excess in the ultimate rate will be determined and even at that time it will probably be of only a small amount.

#### E. SUMMARY OF COST OF COMMITTEE-APPROVED BILL

The old-age and survivors insurance system, as modified by the committee-approved bill has a cost, on the basis of the continuation of 1951 wage levels and interest rates, slightly below the estimated cost of the 1950 act at the time it was enacted. In other words, the system as amended by the bill would be more nearly in actuarial balance, according to the estimates made, than were the 1950 amendments when they were considered by the Congress. Although in both instances the system is shown to be not quite self-supporting under the intermediate estimate, there is very close to an exact balance especially considering that a range of error is necessarily present in long-range actuarial cost estimates and that rounded tax rates are used in actual practice and hence an exact balance would not be possible even if exact future conditions were known.

#### SECTION-BY-SECTION ANALYSIS OF THE BILL

##### SECTION 1. SHORT TITLE

The first section of the bill contains a short title, "Social Security Act Amendments of 1952."

##### SECTION 2. INCREASE IN BENEFIT AMOUNTS

Under title II of the Social Security Act, as amended in 1950, two methods are provided for computing the primary insurance amount. (All benefit amounts are derived from this primary insurance amount, the retired worker getting a monthly benefit equal to this amount and dependents or survivors getting between one-half and three-fourths thereof, subject to the maximum imposed on the total payable on the basis of one individual's wages and self-employment income.) For those on the benefit rolls on August 31, 1950, a conversion table was included in the law, showing the primary insurance amount for each of the primary insurance benefits (in dollar intervals) derived by application of the preexisting law. For those coming on the rolls thereafter, who obtained six quarters of coverage after 1950 and were 22 before 1951, their primary insurance amount is computed (generally) in the same way or, if it gives them a larger amount, it is computed by use of a formula prescribed in section 215 (a) (1) of the act. This formula (50 percent of the first \$100 of the worker's

average monthly wage plus 15 percent of the next \$200) is used also for computing the primary insurance amount of any worker who became 22 after 1950 and obtained six quarters of coverage after 1950.

Section 2 of the bill provides an increase in primary insurance amounts whether derived from use of the conversion table or from the formula. This section of the bill is the same as section 2 of the bill as passed by the House of Representatives.

*Changes in benefits computed by conversion table*

Section 2 (a) of the bill amends section 215 (c) of the Social Security Act to increase the primary insurance amount of individuals whose benefits are computed through use of the conversion table.

Paragraph (1) of section 2 (a) amends section 215 (c) (1) of the act by striking out the table and inserting in lieu thereof a new table.

The primary insurance amounts in column II of the new table were derived by taking the amounts in the table in existing law, and increasing them by 12½ percent (rounding each resulting amount, where not then a multiple of 10 cents, to the next higher multiple of 10 cents). If, however, this resulted in any case in an increase of less than \$5—as it would where the present primary insurance amount is less than \$40—the present amount was raised by \$5.

The new table also increases the amounts of the average monthly wages contained in column III, which are used under section 203 (a) of the Social Security Act in determining the maximum amount which the beneficiaries receiving benefits on the same wages and self-employment income may receive for any month. These increased amounts in column III were obtained by determining the average monthly wage which would be necessary to obtain each of the increased primary insurance amounts by application of the formula contained in section 215 (a) (1) of the Social Security Act, as amended by the bill (55 percent of the first \$100 plus 15 percent of the next \$200 of the average monthly wage). These amounts were then rounded to the nearest dollar.

Section 215 (c) (2) of existing law provides that when the conversion table is to be used, and an individual's primary insurance benefit falls between the amounts shown on any two consecutive lines in column I of the table (i. e., where it is not a multiple of \$1), his primary insurance amount and average monthly wage shall be determined by regulations which will yield results consistent with those obtained under the table in existing law for individuals whose primary insurance benefits are a multiple of \$1. Paragraph (2) of section 2 (a) of the bill would amend this provision of the law so as to provide, for individuals whose primary insurance amounts are determined under these regulations, the same increase as is provided for individuals whose primary insurance amounts are in the new conversion table—i. e., \$5, or 12½ percent of the existing amount (rounded to the next higher multiple of 10 cents), whichever is larger.

Paragraph (3) of section 2 (a) of the bill adds a new paragraph (4) to section 215 (c) of the Social Security Act. This new paragraph (4) provides a method for determining average monthly wage amounts corresponding to the primary insurance amounts derived pursuant to paragraph (2) of section 215 (c) of the act as amended by this bill. This method relates each new average monthly wage amount to its corresponding primary insurance amount in the same manner as each

average monthly wage amount appearing in the new table is related to its corresponding primary insurance amount.

*Revision of the benefit formula; revised minimum and maximum amounts*

Section 2 (b) (1) of the bill amends section 215 (a) (1) of the Social Security Act to provide a new benefit formula for the computation of benefits based entirely on wages paid and self-employment income derived after 1950. The new benefit formula is 55 percent of the first \$100 of average monthly wage plus 15 percent of the next \$200. The formula in existing law is 50 percent of the first \$100 of average monthly wage plus 15 percent of the next \$200.

The minimum primary insurance amount is raised by section 2 (b) (1) to \$25 from the present range of \$20-\$24 for individuals with average monthly wages of \$34 or less; individuals with average monthly wages ranging from \$35 through \$47 would have a primary insurance amount of \$26, rather than the \$25 provided for them in existing law.

Section 2 (b) (2) amends section 203 (a) of the Social Security Act to provide that the maximum monthly amount of benefits payable to a family on the basis of the same wages and self-employment income may not exceed the lesser of \$168.75 (rather than \$150 in existing law) or 80 percent of the average monthly wage of the insured individual on whose record the benefits are based. The amount below which the limitation of 80 percent of average monthly wage could not operate to reduce total family benefits would be increased from the present \$40 per month to \$45.

*Effective date for increase in benefits derived from conversion table*

Section 2 (c) (1) of the bill provides that the amounts computed pursuant to section 2 (a) of the bill shall (except as provided in sec. 2 (c) (2)) apply in the case of lump-sum death payments with respect to deaths occurring after, and in the case of monthly benefits for any month after, August 1952.

*Computation of increased benefits for dependents and survivors on benefit rolls for August 1952 with benefit amounts derived from conversion table*

Section 2 (c) (2) provides a special method for increasing the monthly benefit amounts of dependents and survivors who are entitled to benefits for August 1952 (without regard to sec. 202 (j) (1) of the Social Security Act, relating to the retroactive effect of an application) and whose benefit amounts are based on primary insurance amounts determined under section 215 (c) of the act, relating to determinations made by the conversion table.

Subparagraph (A) provides for computing such increased benefits by raising the benefit amount for August 1952 (as reduced by the maximum benefit provisions in existing law, and as rounded to the next higher multiple of 10 cents) to the larger of (1) 112½ percent of such benefit amount for August 1952, or (2) such benefit amount for August 1952 increased by an amount equal to the product obtained by multiplying \$5 by the fraction applied to the primary insurance amount which was used in determining such benefit. Any amount so computed, if not a multiple of 10 cents, would then be increased to the next higher multiple of 10 cents. The resulting amount would be subject to the maximum provisions as amended by this bill, and, after application of such provisions, rounded, if not a multiple of 10 cents, to the next higher multiple of 10 cents.

Subparagraph (B) provides that the benefit amounts computed under subparagraph (A) are to be redetermined upon (1) the entitlement of an additional individual to benefits on the basis of the same wages and self-employment income, (2) the termination of any other individual's entitlement to benefits on the basis of the same wages and self-employment income, or (3) any change in the benefit amount of any individual entitled on the same record, as compared with what would have been payable to him for August 1952 had the provisions of this bill been applicable in that month. The redetermination would be made by the application of the appropriate provisions of the Social Security Act as amended by this bill; and the redetermined benefit amount would be payable beginning with the first month for which subparagraph (A) ceases to apply.

*Effective date for revised benefit formula and for new minimum and maximum provisions*

Section 2 (c) (3) provides that the revised benefit formula and the new minimum and maximum provisions relating to benefits computed under either the benefit formula or the conversion table will be applicable in the case of lump-sum death payments with respect to deaths occurring after August 1952, and in the case of monthly benefits for months after August 1952.

*Saving provisions*

In a small number of retirement cases the increase in the benefit of the old-age insurance beneficiary would, in the absence of a saving provision, decrease the benefits payable to his dependents, because his own increase exceeds the maximum increase allowable for the entire family. Section 2 (d) (1) of the bill would guarantee that the amount payable to the dependents would be at least as much as was payable to them for August 1952. This guaranty would be effective only so long as the old-age insurance beneficiary lives, since it would be unnecessary after his death.

Section 2 (d) (2) provides that any recomputation of benefits made pursuant to section 2 of this bill shall not be regarded as a recomputation for purposes of section 215 (f) of the act.

**SECTION 3. INCREASE IN AMOUNT OF EARNINGS WITHOUT DEDUCTIONS**

Section 3 (a) of the bill amends section 203 (b) (1) of the act to raise from \$50 to \$100 the amount of wages a beneficiary under age 75 may earn in covered employment in any month without being subject to a deduction from his benefits. It also amends section 203 (c) (1) of the act to raise from \$50 to \$100 the amount of wages an old-age insurance beneficiary under age 75 may earn in covered employment in any month without having the benefits of his dependents (his spouse or child) subject to deduction.

Section 3 (b) amends section 203 (b) (2) of the act to raise from \$50 to \$100 the amount of net earnings from self-employment with which an individual under age 75 must be charged for any month before he becomes subject to a deduction from his benefits.

Section 3 (c) amends section 203 (c) (2) of the act to raise from \$50 to \$100 the amount of net earnings from self-employment with which an old-age-insurance beneficiary under age 75 must be charged for a month before his dependents become subject to deductions from their benefits.

Section 3 (d) amends section 203 (e) of the act to raise from \$50 to \$100, the amount used in the method prescribed by section 203 (e) for charging net earnings from self-employment to months of the taxable year. Section 3 (d) also amends section 203 (g) of the act, which describes the circumstances under which beneficiaries with net earnings from self-employment are required to file reports with the Federal Security Administrator, by changing the figure of \$50 to \$100.

Section 3 (e) provides when the amendments made by section 3 will take effect. In general, these amendments will apply, in the case of wages, to monthly benefits for months after August 1952, and, in the case of net earnings from self-employment, to monthly benefits for months in any taxable year ending after August 1952.

The House bill increased from \$50 to \$70 per month the amount of wages a beneficiary might earn without deductions from his benefits or those of any other individual receiving benefits on the basis of his wages and self-employment income (and it made a similar amendment in the case of earnings from self-employment).

#### SECTION 4. WAGE CREDITS FOR CERTAIN MILITARY SERVICE; REINTERMENT OF DECEASED VETERANS

##### *Wage credits for certain military service*

Section 4 (a) of the bill provides old-age and survivors insurance wage credits of \$160 per month for service in the active military or naval service of the United States from July 25, 1947, through December 31, 1953. With but one exception, these credits will be provided on the same basis as credits are provided under section 217 (a) of existing law for World War II service. The exception is the provision making it unnecessary for the Federal Security Administrator to ascertain whether another benefit has been determined by a Federal agency other than the Veterans' Administration to be payable on the basis of the same service in cases in which the denial of the wage credits, otherwise required because of such a determination, would make a difference of 50 cents or less in the amount of the primary insurance amount of the serviceman. Section 4 (d) of the bill, however, adds the same provision (effective in the case of applications for benefits filed after August 1952) to section 217 (a) of existing law.

In the House bill, these new provisions differed from those in the law relating to credits for World War II service in another respect.

The bill as passed by the House also authorized appropriations from the General Treasury funds to the Federal old-age and survivors insurance trust fund to meet the additional cost resulting from the wage credits provided by the new section 217 (e) of the act. Under the bill as reported, as is the case with the World War II credits, this additional cost would be borne by the trust fund.

Where a serviceman has served in July of 1947 both before and on or after July 25, it is not intended that he shall receive more than \$160 in wage credits for his active military or naval service during that month.

##### *Technical amendment*

Section 4 (b) makes a technical amendment in section 205 (o) of the Social Security Act necessitated by the addition of the new section 217 (e).

*Effective date*

Section 4 (c) of the bill provides effective dates for the new wage credits given by section 217 (e) and extends the time for the filing of proof of support by certain survivors of deceased servicemen.

Paragraph (1) of section 4 (c) provides that wage credits granted under section 217 (e) of the Social Security Act will, except in the case of beneficiaries already on the rolls, apply in the case of monthly benefits for months after August 1952 and in the case of lump-sum death payments with respect to deaths after August 1952. In the case of beneficiaries already on the rolls, recomputation of the benefit amounts of all persons entitled on the basis of the same wages and self-employment income will be authorized only upon the filing of an application for such recomputation by one of them. Upon such filing a recomputation will be made for all of them, effective for and after September 1952 or the sixth month before the month in which the application is filed, whichever is later.

Paragraph (2) of section 4 (c) of the bill extends the time within which proof of support may be filed by the surviving dependent parent or widower of a veteran of active service after July 24, 1947, who died before September 1952. Proof of support in such cases can be filed at any time before September 1954 instead of within 2 years of the date of death.

*Reinterment of deceased veterans*

Section 4 (e) of the bill (sec. 4 (d) was explained above) extends the time allowed for filing a claim for reimbursement of burial expenses in certain cases where a serviceman who dies outside the United States is later returned to the United States for burial or reburial.

Paragraph (1) of subsection (e) amends section 101 (d) of the Social Security Act Amendments of 1950 to extend the time allowed for filing application for reimbursement of burial expenses in the case of a serviceman who died outside the 48 States and the District of Columbia on or after June 25, 1950, and before September 1950, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands for burial or reburial. Under the amendment an application for reimbursement of burial expenses may be filed, by or on behalf of the person who paid such expenses, prior to the expiration of 2 years after the date of that burial or reburial. Existing provisions require that such an application be filed within 2 years of the date of death.

Paragraph (2) of section 4 (e) of the bill makes a similar extension of the time limitation on the filing of applications for reimbursement, prescribed in section 202 (i) of the Social Security Act, in the case of deaths after August 1950 and before January 1954.

*House bill*

With the one exception noted above, this section of the bill is the same as the section on the same subject as passed by the House.

## SECTION 5. TECHNICAL PROVISIONS

*Recomputation of benefits of certain individuals aged 75 and over*

Section 5 (a) of the bill amends section 215 (f) (2) of the Social Security Act to provide that, upon application, an individual will have his benefit recomputed by the new formula prescribed in section

215 (a) (1) of the Social Security Act as amended by the bill, if (1) in or before the month of filing such application he attained the age of 75, and (2) he is entitled to an old-age insurance benefit which was computed and could have been computed only under the conversion table, and (3) he has at least 6 quarters of coverage after 1950 and before the quarter in which he filed application for such recomputation. This change would provide these individuals with an opportunity, not now available, to have their benefits computed by the benefit formula rather than by the conversion table if this alternative results in a larger primary insurance amount.

*Recomputation of benefits for certain self-employed individuals*

Section 5 (b) renumbers the present paragraph (5) of section 215 (f) as paragraph (6) and adds a new paragraph (5). The new paragraph (5) provides for a recomputation of benefits to take into account certain self-employment income which was omitted from the initial computation of the benefit amounts.

Under existing law (sec. 215 (b) (4)) an individual's self-employment income for the taxable year ending in or after the month in which he became entitled to old-age insurance benefits or died, whichever first occurred, cannot be taken into account in a computation of his average monthly wage. Under section 215 (b) (1), in computing an individual's average monthly wage, a minimum divisor of 18 is required. As a result, an individual who, for example, becomes entitled or dies in 1952 can in the computation of his average monthly wage have at most only 1 year of self-employment income divided by 18. This lowers the average monthly wage and primary insurance amount.

Under the new paragraph (5) in the case of any individual who becomes entitled to an old-age-insurance benefit in 1952, or in 1953 in a taxable year which began in 1952, and whose self-employment income for the taxable year in which he became entitled (without the application of the provisions for retroactivity in sec. 202 (j) (1)) was not, because of the provisions of section 215 (b) (4), used in the initial computation of his average monthly wage, such individual would have his benefit recomputed if he files an application for such recomputation after the close of such taxable year. In recomputing his benefit, the Administrator would include the self-employment income during the taxable year in which the individual became entitled. Any increase in the amount of the benefit resulting from any such recomputation would be paid retroactively to the first month of entitlement, including months for which benefits can be paid pursuant to the provisions of section 202 (j) (1) of the act.

Similarly, where an individual, on the basis of whose wages and self-employment income survivors' benefits are payable, dies in 1952, or dies in 1953 in a taxable year which began in 1952, and where he had self-employment income in the taxable year which ended with his death, the primary insurance amount of the deceased individual would be recomputed to include the self-employment income derived by him during the taxable year ending with his death. No such recomputation would be made, however, if the individual, on the basis of whose wages and self-employment income benefits are payable to his survivors, became entitled to old-age insurance benefits prior to 1952. Any increase resulting from a recomputation under this provision would be paid retroactively to the first month of entitlement, including



months for which benefits can be paid pursuant to section 202 (j) (1) of the act. Further, no such recomputation would affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation would render erroneous any such payment certified by the Administrator prior to the effective date of the recomputation.

*Change of wage closing date in certain cases to the first day of the quarter of death or entitlement*

Section 5 (c) provides that in the case of an individual who died or became entitled to old-age insurance benefits in 1952, and had at least six quarters of coverage after 1950 and prior to the quarter following the quarter in which he died or became entitled, the wage closing date for computation of his average monthly wage shall be the first day of the quarter in which he died or became entitled, whichever first occurred, rather than the first day of the second quarter preceding that quarter, as provided in existing law. This provision will apply only if it will yield a higher primary insurance amount.

*Maintenance of existing relationship between the old-age and survivors insurance system and the railroad retirement system*

Section 5 (d) of the bill, as reported, amends the Railroad Retirement Act of 1937. These amendments are designed to maintain the relationship between the old-age and survivors insurance system and the railroad retirement system that was established by the amendments made in 1951 to the Railroad Retirement Act by Public Law 234, Eighty-second Congress.

Paragraph (1) of section 5 (d) amends section 1 (q) of the Railroad Retirement Act so as to provide that references in the Railroad Retirement Act to the "Social Security Act" and to the "Social Security Act, as amended," are references to the Social Security Act, as amended to date (that is, as amended by all previous acts and by this bill).

Paragraph (2) of section 5 (d) amends section 5 (i) (1) (ii) of the Railroad Retirement Act so as to raise from \$50 to \$100 a month the work clause which is applicable to individuals receiving survivor benefits under the Railroad Retirement Act. This amendment conforms this provision with the work clause of the Social Security Act, as amended by section 3 of the bill. In the bill as passed by the House, the \$50 would have been raised to only \$70 (consistently with the amendment to the work clause of the Social Security Act contained in the House bill).

Paragraph (3) of section 5 (d) amends section 5 (l) (6) of the Railroad Retirement Act so as to include in the definition of Social Security Act wages the military wage credits provided in the amendment made by section 4 (a) of the bill, but only to the extent the military service is not creditable under section 4 of the Railroad Retirement Act.

It should be noted that for the purposes of section 5 (d) of the bill the effective dates will be those set forth in the appropriate provisions of the bill.

*Technical amendment relating to computation of new benefit amounts under section 2 (c) (2) (A) of bill*

Section 5 of the bill as reported by your committee contains a subsection which was not in the analogous section of the House bill. This new subsection (e) would facilitate the application of the maxi-

imum provisions to benefit amounts computed under section 2 (c) (2) (A) of the bill (relating to a special method of computing increased benefits for dependents and survivors receiving for August 1952 benefits the amounts of which were derived from the conversion table in section 215 (c) of the Social Security Act). The subsection provides that where an existing benefit amount could have been derived from either of two (and not more than two) primary insurance amounts which differ from each other by not more than \$0.10, then in computing the maximum applicable to this benefit under the amended act, the existing benefit amount shall be presumed to have been derived from the higher of such two primary insurance amounts from which it could have been derived. The maximum on the total of benefits payable to a family under the amended act is derived ultimately from the primary insurance amount on which the existing benefits are based (raised by 12½ percent or \$5); and it is, therefore, necessary to determine that amount in order to apply the maximum provision. The amendment makes it possible to avoid references to basic records and other extra administrative steps in many cases while generally yielding identical benefit results. In the rare case where the results do differ, the difference is insignificant. This amendment is necessary in order to make possible the rapid mailing of the increased benefit checks to existing beneficiaries whose new benefits are subject to the maximum provisions.

#### SECTION 6. EARNED INCOME OF RECIPIENTS OF AID TO THE BLIND

In order for a State to be eligible under title X of the Social Security Act for Federal payments toward the cost of assistance provided by it to its needy blind individuals, it must provide such assistance in accordance with a State plan which meets the requirements set forth in section 1002 of that act. One of these requirements is that the plan must provide for taking into consideration any income and resources of a claimant for aid in determining his need therefor, except that, in making such determination, the first \$50 per month of his earned income may be disregarded and, effective July 1, 1952, must be disregarded.

Section 6 of the bill would amend title XI of the Social Security Act by the addition of a new section 1109, providing that the amount of earned income so disregarded may also be disregarded by the State until June 30, 1954, and must be disregarded by the State after that date, in determining the need of any other individual applying for or receiving old-age assistance, aid to dependent children, aid to the blind, or aid to the permanently and totally disabled under a State plan approved under the Social Security Act. The bill as passed by the House provided only that the State could, if it so desired, disregard this earned income in determining the need of other individuals. There was no requirement that it do so.

#### CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

## SOCIAL SECURITY ACT

TITLE II—FEDERAL OLD-AGE AND SURVIVORS INSURANCE  
BENEFITS\* \* \* \* \*  
REDUCTION OF INSURANCE BENEFITS

## Maximum Benefits

SEC. 203. (a) Whenever the total of monthly benefits to which individuals are entitled under section 202 for a month on the basis of the wages and self-employment income of an insured individual exceeds ~~[\$150]~~ \$168.75, or is more than ~~[\$40]~~ \$45 and exceeds 80 per centum of his average monthly wage (as determined under subsection (b) or (c) of section 215, whichever is applicable), such total of benefits shall, after any deductions under this section, be reduced to ~~[\$150]~~ \$168.75 or to 80 per centum of his average monthly wage, whichever is the lesser, but in no case to less than ~~[\$40]~~ \$45, except that when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall, after any deductions under this section, be reduced to ~~[\$150]~~ \$168.75 or to 80 per centum of the sum of the average monthly wages of all such insured individuals, whichever is the lesser, but in no case to less than ~~[\$40]~~ \$45. Whenever a reduction is made under this subsection, each benefit, except the old-age insurance benefit, shall be proportionately decreased.

## Deductions on account of work or failure to have child in care

(b) Deductions, in such amounts and at such time or times as the Administrator shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month—

(1) in which such individual is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than ~~[\$50]~~ \$100; or

(2) in which such individual is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than ~~[\$50]~~ \$100; or

(3) in which such individual, if a wife under retirement age entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit; or

(4) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

(5) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child, of her deceased former husband, who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.

## Deductions From Dependents' Benefits Because of Work by Old-Age Insurance Beneficiary

(c) Deductions shall be made from any wife's, husband's, or child's insurance benefit to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month—

(1) in which the individual, on the basis of whose wages and self-employment income such benefit was payable, is under the age of seventy-five and in which he rendered services for wages (as determined under section 209 without regard to subsection (a) thereof) of more than ~~[\$50]~~ \$100; or

(2) in which the individual referred to in paragraph (1) is under the age of seventy-five and for which month he is charged, under the provisions of subsection (e) of this section, with net earnings from self-employment of more than ~~[\$50]~~ \$100.

\* \* \* \* \*

## Months to Which Net Earnings From Self-Employment Are Charged

(e) For the purposes of subsections (b) and (c)—

(1) If an individual's net earnings from self-employment for his taxable year are not more than the product of **[\$50]** \$100 times the number of months in such year, no month in such year shall be charged with more than **[\$50]** \$100 of net earnings from self-employment.

(2) If an individual's net earnings from self-employment for his taxable year are more than the product of **[\$50]** \$100 times the number of months in such year, each month of such year shall be charged with **[\$50]** \$100 of net earnings from self-employment, and the amount of such net earnings in excess of such product shall be further charged to months as follows: The first **[\$50]** \$100 of such excess shall be charged to the last month of such taxable year, and the balance, if any, of such excess shall be charged at the rate of **[\$50]** \$100 per month to each preceding month in such year until all of such balance has been applied, except that no part of such excess shall be charged to any month (A) for which such individual was not entitled to a benefit under this title; (B) in which an event described in paragraph (1), (3), (4), or (5) of subsection (b) occurred, (C) in which such individual was age seventy-five or over, or (D) in which such individual did not engage in self-employment.

(3) (A) As used in paragraph (2), the term "last month of such taxable year" means the latest month in such year to which the charging of the excess described in such paragraph is not prohibited by the application of clauses (A), (B), (C), and (D) thereof.

(B) For the purposes of clause (D) of paragraph (2), an individual will be presumed, with respect to any month, to have been engaged in self-employment in such month until it is shown to the satisfaction of the Administrator that such individual rendered no substantial services in such month with respect to any trade or business the net income or loss of which is includible in computing his net earnings from self-employment for any taxable year. The Administrator shall by regulations prescribe the methods and criteria for determining whether or not an individual has rendered substantial services with respect to any trade or business.

\* \* \* \* \*

## Report to Administrator of Net Earnings From Self-Employment

(g) (1) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has net earnings from self-employment in excess of the product of **[\$50]** \$100 times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Administrator of his net earnings from self-employment for such taxable year. Such report shall be made on or before the fifteenth day of the third month following the close of such year, and shall contain such information and be made in such manner as the Administrator may by regulations prescribe. Such report need not be made for any taxable year beginning with or after the month in which such individual attained the age of seventy-five.

(2) If an individual fails to make a report required under paragraph (1), within the time prescribed therein, of his net earnings from self-employment for any taxable year and any deduction is imposed under subsection (b) (2) by reason of such net earnings—

(A) such individual shall suffer one additional deduction in an amount equal to his benefit or benefits for the last month in such taxable year for which he was entitled to a benefit under section 202; and

(B) if the failure to make such report continues after the close of the fourth calendar month following the close of such taxable year, such individual shall suffer an additional deduction in the same amount for each month during all or any part of which such failure continues after such fourth month;

except that the number of the additional deductions required by this paragraph shall not exceed the number of months in such taxable year for which such individual received and accepted insurance benefits under section 202 and for which deductions are imposed under subsection (b) (2) by reason of such net earnings from self-employment. If more than one additional deduction would be imposed

under this paragraph with respect to a failure by an individual to file a report required by paragraph (1) and such failure is the first for which any additional deduction is imposed under this paragraph, only one additional deduction shall be imposed with respect to such first failure.

(3) If the Administrator determines, on the basis of information obtained by or submitted to him, that it may reasonably be expected that an individual entitled to benefits under section 202 for any taxable year will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year, the Administrator may, before the close of such taxable year, suspend the payment for each month in such year (or for only such months as the Administrator may specify) of the benefits payable on the basis of such individual's wages and self-employment income; and such suspension shall remain in effect with respect to the benefits for any month until the Administrator has determined whether or not any deduction is imposed for such month under subsection (b). The Administrator is authorized, before the close of the taxable year of an individual entitled to benefits during such year, to request of such individual that he make, at such time or times as the Administrator may specify, a declaration of his estimated net earnings from self-employment for the taxable year and that he furnish to the Administrator such other information with respect to such net earnings as the Administrator may specify. A failure by such individual to comply with any such request shall in itself constitute justification for a determination under this paragraph that it may reasonably be expected that the individual will suffer deductions imposed under subsection (b) (2) by reason of his net earnings from self-employment for such year.

\* \* \* \* \*

EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

Sec. 205. (a) \* \* \*

\* \* \* \* \*

Crediting of Compensation Under the Railroad Retirement Act

(o) If there is no person who would be entitled, upon application therefor, to an annuity under section 5 of the Railroad Retirement Act of 1937, or to a lump-sum payment under subsection (f) (1) of such section, with respect to the death of an employee (as defined in such Act), then, notwithstanding section 210 (a) (10) of this Act, compensation (as defined in such Railroad Retirement Act, but excluding compensation attributable as having been paid during any month on account of military service creditable under section 4 of such Act if wages are deemed to have been paid to such employee during such month under [section 217 (a)] subsection (a) or (e) of section 217 of this Act) of such employee shall constitute remuneration for employment for purposes of determining (A) entitlement to and the amount of any lump-sum death payment under this title on the basis of such employee's wages and self-employment income and (B) entitlement to and the amount of any monthly benefit under this title, for the month in which such employee died or for any month thereafter, on the basis of such wages and self-employment income. For such purposes, compensation (as so defined) paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee rendered services for such compensation.

\* \* \* \* \*

COMPUTATION OF PRIMARY INSURANCE AMOUNT

Sec. 215. For the purposes of this title—

Primary Insurance Amount

(a) (1) The primary insurance amount of an individual who attained age twenty-two after 1950 and with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage shall be [50] 55 per centum of the first \$100 of his average monthly [wage plus] wage, plus 15 per centum of the next \$200 of such wage; except [that if] that, if his average monthly wage is less than [\$50] \$48, his primary insurance amount shall be the amount appearing in column II of the following table on the line on which in column I appears his average monthly wage.

I Average Monthly Wage	II Primary Insurance Amount
\$30 or less	\$20
\$31	\$21
\$32	\$22
\$33	\$23
\$34	\$24
\$35 to \$49	\$25

  

I Average Monthly Wage	II Primary Insurance Amount
\$34 or less	\$25
\$35 through \$47	\$26

\* \* \* \* \*

Determinations Made by Use of the Conversion Table

(c) (1) The amount referred to in paragraph (3) and clause (B) of paragraph (2) of subsection (a) for an individual shall be the amount appearing in column II of the following table on the line on which in column I appears his primary insurance benefit (determined as provided in subsection (d)); and his average monthly wage shall, for purposes of section 203 (a), be the amount appearing on such line in column III.

I	II	III
If the primary insurance benefit (as determined under subsection (d)) is:	The primary insurance amount shall be:	And the average monthly wage for purpose of computing maximum benefits shall be:
\$10	\$20.00	\$40.00
\$11	22.00	44.00
\$12	24.00	48.00
\$13	26.00	52.00
\$14	28.00	56.00
\$15	30.00	60.00
\$16	31.70	63.40
\$17	33.20	66.40
\$18	34.50	69.00
\$19	35.70	71.40
\$20	37.00	74.00
\$21	38.50	77.00
\$22	40.20	80.40
\$23	42.20	84.40
\$24	44.50	89.00
\$25	46.50	93.00
\$26	48.30	96.60
\$27	50.00	100.00
\$28	51.50	110.00
\$29	52.80	118.60
\$30	54.00	126.60
\$31	55.10	134.00
\$32	56.20	141.30
\$33	57.20	148.00
\$34	58.20	154.60
\$35	59.20	161.30
\$36	60.20	168.00
\$37	61.20	174.60
\$38	62.20	181.30
\$39	63.10	187.30
\$40	64.00	195.00
\$41	64.90	210.00
\$42	65.80	220.00
\$43	66.70	230.00
\$44	67.60	240.00
\$45	68.50	250.00
\$46	68.50	250.00

I If the primary insurance benefit (as determined under subsection (d) is:	II The primary insurance amount shall be	III And the average monthly wage for purpose of computing maximum benefits shall be:
\$10	\$25.00	\$45.00
\$11	27.00	49.00
\$12	29.00	53.00
\$13	31.00	56.00
\$14	33.00	60.00
\$15	35.00	64.00
\$16	36.70	67.00
\$17	38.20	69.00
\$18	39.50	72.00
\$19	40.70	74.00
\$20	42.00	76.00
\$21	43.50	79.00
\$22	45.30	82.00
\$23	47.50	86.00
\$24	50.10	91.00
\$25	52.40	95.00
\$26	54.40	99.00
\$27	56.30	109.00
\$28	58.00	120.00
\$29	59.40	129.00
\$30	60.80	139.00
\$31	62.00	147.00
\$32	63.30	155.00
\$33	64.40	163.00
\$34	65.50	170.00
\$35	66.60	177.00
\$36	67.80	185.00
\$37	68.90	193.00
\$38	70.00	200.00
\$39	71.00	207.00
\$40	72.00	213.00
\$41	73.10	221.00
\$42	74.10	227.00
\$43	75.10	234.00
\$44	76.10	241.00
\$45	77.10	250.00
\$46	77.10	250.00

(2) In case the primary insurance benefit of an individual (determined as provided in subsection (d)) falls between the amounts on any two consecutive lines in column I of the table, the amount referred to in [paragraph (3) and clause (B) of paragraph (2) of subsection (a) for such individual, and his average monthly wage for purposes of section 203 (a), shall be determined in accordance with regulations of the Administrator designed to obtain results consistent with those obtained for individuals whose primary insurance benefits are shown in column I of the table] paragraphs (2) (B) and (3) of subsection (a) for such individual shall be the amount determined with respect to such benefit (under the applicable regulations in effect on May 1, 1952), increased by 12½ per centum or \$5, whichever is the larger, and further increased, if it is not then a multiple of \$0.10, to the next higher multiple of \$0.10.

(3) For the purpose of facilitating the use of the conversion table in computing any insurance benefit under section 202, the Administrator is authorized to assume that the primary insurance benefit from which such benefit under section 202 is determined is one cent or two cents more or less than its actual amount.

(4) For the purposes of section 203 (a), the average monthly wage of an individual whose primary insurance amount is determined under paragraph (2) of this subsection shall be a sum equal to the average monthly wage which would result in such primary insurance amount upon application of the provisions of subsection (a) (1)

*of this section and without the application of subsection (e) (2) or (g) of this section; except that, if such sum is not a multiple of \$1, it shall be rounded to the nearest multiple of \$1.*

\* \* \* \* \*

### Recomputation of Benefits

(f) (1) After an individual's primary insurance amount has been determined under this section, there shall be no recomputation of such individual's primary insurance amount except as provided in this subsection or, in the case of a World War II veteran who died prior to July 27, 1954, as provided in section 217 (b).

(2) (A) Upon application by an individual entitled to old-age insurance benefits, the Administrator shall recompute his primary insurance amount if application therefor is filed after the twelfth month for which deductions under paragraph (1) or (2) of section 203 (b) have been imposed (within a period of thirty-six months) with respect to such benefit, not taking into account any month prior to September 1950 or prior to the earliest month for which the last previous computation of his primary insurance amount was effective, and if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed such application are quarters of coverage.

(B) Upon application by an individual who, in or before the month of filing of such application, attained the age of 75 and who is entitled to old-age insurance benefits for which the primary insurance amount was computed under subsection (a) (3) of this section, the Administrator shall recompute his primary insurance amount if not less than six of the quarters elapsing after 1950 and prior to the quarter in which he filed application for such recomputation are quarters of coverage.

(C) A recomputation under subparagraphs (A) and (B) of this paragraph shall be made only as provided in subsection (a) (1) and shall take into account only such wages and self-employment income as would be taken into account under subsection (b) if the month in which application for recomputation is filed were deemed to be the month in which the individual became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the month in which such application for recomputation is filed.

(3) (A) Upon application by an individual entitled to old-age insurance benefits, filed at least six months after the month in which he became so entitled, the Administrator shall recompute his primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he became entitled to old-age insurance benefits. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.

(B) Upon application by a person entitled to monthly benefits on the basis of the wages and self-employment income of an individual who died after August 1950, the Administrator shall recompute such individual's primary insurance amount if such application is filed at least six months after the month in which such individual died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be made in the manner provided in the preceding subsections of this section for computation of such amount except that his closing dates for purposes of subsection (b) shall be deemed to be the first day of the quarter in which he died or became entitled to old-age insurance benefits, whichever first occurred. Such recomputation shall be effective for and after the month in which such person who filed the application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph shall affect the amount of the lump-sum death payment under subsection (i) of section 202 and no such recomputation shall render erroneous any such payment certified by the Administrator prior to the effective date of the recomputation.

(4) Upon the death after August 1950 of an individual entitled to old-age insurance benefits, if any person is entitled to monthly benefits, or to a lump-sum death payment, on the basis of the wages and self-employment income of such individual, the Administrator shall recompute the decedent's primary insurance amount, but (except as provided in paragraph (3) (B)) only if—

(A) the decedent would have been entitled to a recomputation under paragraph (2) if he had filed application therefor in the month in which he died; or

(B) the decedent during his lifetime was paid compensation which is treated, under section 205 (o), as remuneration for employment.



If the recomputation is permitted by subparagraph (A), the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) in the month in which he died, except that such recomputation shall include any compensation (described in section 205 (o)) paid to him prior to the divisor closing date which would have been applicable under such paragraph. If recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were taken into account in the last previous computation of his primary insurance amount and the compensation (described in section 205 (o)) paid to him prior to the divisor closing date applicable to such computation. If both of the preceding sentences are applicable to an individual only the recomputation which results in the larger primary insurance amount shall be made.

(5) *In the case of any individual who became entitled to old-age insurance benefits in 1952 or in a taxable year which began in 1952 (and without the application of section 202 (j) (1)), or who died in 1952 or in a taxable year which began in 1952 but did not become entitled to such benefits prior to 1952, and who had self-employment income for a taxable year which ended within or with 1952 or which began in 1952, then upon application filed after the close of such taxable year by such individual or (if he died without filing such application) by a person entitled to monthly benefits on the basis of such individual's wages and self-employment income, the Administrator shall recompute such individual's primary insurance amount. Such recomputation shall be made in the manner provided in the preceding subsections of this section (other than subsection (b) (4) (A)) for computation of such amount, except that (A) the self-employment income closing date shall be the day following the quarter with or within which such taxable year ended, and (B) the self-employment income for any subsequent taxable year shall not be taken into account. Such recomputation shall be effective (A) in the case of an application filed by such individual, for and after the first month in which he became entitled to old-age insurance benefits, and (B) in the case of an application filed by any other person, for and after the month in which such person who filed such application for recomputation became entitled to such monthly benefits. No recomputation under this paragraph pursuant to an application filed after such individual's death shall affect the amount of the lump-sum death payment under subsection (i) of section 202, and no such recomputation shall render erroneous any such payment certified by the Administrator prior to the effective date of the recomputation.*

[(5)] (6) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.

\* \* \* \* \*

#### BENEFITS IN CASE OF [WORLD WAR II] VETERANS

SEC. 217. (a) (1) For purposes of determining entitlement to and the amount of any monthly benefit for any month after August 1950, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any World War II veteran, such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States during World War II. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran during World War II is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

*The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based.*

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other

agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran during World War II, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service during World War II shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active military or naval service of the United States shall be deemed to have died a fully insured individual whose primary insurance amount is the amount determined under section 215 (c). Notwithstanding section 215 (d), the primary insurance benefit (for purposes of section 215 (c)) of such veteran shall be determined as provided in this title as in effect prior to the enactment of this section, except that the 1 per centum addition provided for in section 209 (c) (2) of this Act as in effect prior to the enactment of this section shall be applicable only with respect to calendar years prior to 1951. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application;

(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

(2) Upon an application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any World War II veteran, the Federal Security Administrator shall make a decision without regard to paragraph (1) (B) of this subsection unless he has been notified by the Veterans' Administration that pension or compensation is determined to be payable by the Veterans' Administration by reason of the death of such veteran. The Federal Security Administrator shall thereupon report such decision to the Veterans' Administration. If the Veterans' Administration in any such case has made an adjudication or thereafter makes an adjudication that any pension or compensation is payable under any law administered by it, it shall notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment, or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection. Any payments theretofore certified by the Federal Security Administrator on the basis of paragraph (1) of this subsection to any individual, not exceeding the amount of any accrued pension or compensation payable to him by the Veterans' Administration, shall (notwithstanding the provisions of section 3 of the Act of August 12, 1935, as amended (38 U. S. C., sec. 454a)) be deemed to have been paid to him by such Administration on account of such accrued pension or compensation. No such payment certified by the Federal Security Administrator, and no payment certified by him for any month prior to the first month for which any pension or compensation is paid by the Veterans' Administration shall be deemed by reason of this subsection to have been an erroneous payment.

(c) In the case of any World War II veteran to whom subsection (a) is applicable, proof of support required under section 202 (h) may be filed by a parent at any time prior to July 1951 or prior to the expiration of two years after the date of the death of such veteran, whichever is the later.

(d) For the purposes of this section—

(1) The term "World War II" means the period beginning with September 16, 1940, and ending at the close of July 24, 1947.

(2) The term "World War II veteran" means any individual who served in the active military or naval service of the United States at any time during World War II and who, if discharged or released therefrom, was so discharged or released

under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of the wages and self-employment income of any veteran (as defined in paragraph (4)), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of \$160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to January 1, 1954. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

(A) a larger such benefit or payment, as the case may be, would be payable without its application; or

(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1954, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by \$0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit or payment is based.

(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Federal Security Administrator shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1954, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Federal Security Administrator shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Federal Security Administrator, and the Administrator shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to January 1, 1954, shall, at the request of the Federal Security Administrator, certify to him, with respect to any veteran, such information as the Administrator deems necessary to carry out his functions under paragraph (2) of this subsection.

(4) For the purposes of this subsection, the term "veteran" means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to January 1, 1954, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense.

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TITLE XI—GENERAL PROVISIONS

\* \* \* \* \*

EARNED INCOME OF BLIND RECIPIENTS

SEC. 1109. Notwithstanding the provisions of sections 2 (a) (7), 402 (a) (7), 1002 (a) (8), and 1402 (a) (8), a State plan approved under title I, IV, X or XIV may, until June 30, 1954, and thereafter shall provide that where earned income has

been disregarded in determining the need of an individual receiving aid to the blind under a State plan approved under title X, the earned income so disregarded (but not in excess of the amount specified in section 1002 (a) (8) shall not be taken into consideration in determining the need of any other individual for assistance under a State plan approved under title I, IV, X, or XIV.

SECTION 101 (d) OF THE SOCIAL SECURITY ACT AMENDMENTS OF 1950 (PUBLIC LAW 734, 81ST CONGRESS)

(d) Lump-sum death payments shall be made in the case of individuals who died prior to September 1950 as though this Act had not been enacted; except that in the case of any individual who died outside the forty-eight States and the District of Columbia after December 6, 1941, and prior to August 10, 1946, the last sentence of section 202 (g) of the Social Security Act as in effect prior to the enactment of this Act shall not be applicable if application for a lump-sum death payment is filed prior to September 1952. and except that in the case of any individual who died outside the forty-eight States and the District of Columbia on or after June 25, 1950, and prior to September 1950, whose death occurred while he was in the active military or naval service of the United States, and who is returned to any of such States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands for interment or reinterment, the last sentence of section 202 (g) of the Social Security Act as in effect prior to the enactment of this Act shall not prevent payment to any person under the second sentence thereof if application for a lump-sum death payment under such section with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment.

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

DEFINITIONS

SECTION 1. For the purposes of this Act—

(g) The terms "Social Security Act" and "Social Security Act, as amended" shall mean the Social Security Act as amended in [1950] 1952.

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. \* \* \*

(i) Deductions from Annuities.—(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

(i) will have rendered compensated service within or without the United States to an employer;

[(ii) will have rendered service for wages of not less than \$50;]

(ii) will have rendered service for wages as determined under section 209 of the Social Security Act, without regard to subsection (a) thereof, of more than \$100, or will have been charged under section 203 (e) of that Act with net earnings from self-employment of more than \$100;

(l) Definitions.—For the purposes of this section the term "employee" includes an individual who will have been an "employee", and—

(6) The term "wages" shall mean wages as defined in section 209 of the Social Security Act (except that for the purposes of section 5 (i) (1) (ii) of this Act such wages shall be determined without regard to subsection (a) of said section 209). In addition, the term shall include (i) "self-employment income" as defined in section 211 (b) of the Social Security Act (and in determining "self-employment income" the "net earnings from self-employment" shall be determined as provided in section 211 (a) of such Act and charged to correspond with the provisions of section 203 (e) of such Act), and (ii) wages deemed to have been paid under section 217 (a) or (e) of the Social Security Act on account of military service which is not creditable under section 4 of this Act.

