July 5, 1952

Brief Summary and Explanation
of Social Security Act Amendments of 1952,
H.R. 7800, As Agreed Upon by Conference Committee
and Passed by the House and the Senate on July 5, 1952

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THE NEW BILL CONTAINS 8 SECTIONS:

Section 1. Short Title: Social Security Act Amendments of 1952.

Section 2. Increases in Federal Old-Age and Survivors Insurance Benefits.

Section 3. Preservation of Insurance Rights of Permanently and Totally Disabled.

Section 4. Liberalization of Retirement Test.

Section 5. Wage Credits for Military Service.

Section 6. Technical Provisions for Federal Old-Age and Survivors Insurance.

Section 7. Earned Income of Blind Assistance Recipients.

Section 8. Increase in Public Assistance for the Needy Aged, Blind, Disabled and Dependent Children.

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The following is a brief explanation of each of the these sections:

Section 1. Short Title: Social Security Act Amendments of 1952.

Section 2. Increase in Insurance Benefits -- Provides for an increase in old-age and survivors insurance benefits for both present and future beneficiaries. This section is the same as in the bill passed by the House. This section provides as follows:

1. Raises benefits for retired persons whose benefits were computed by use of the conversion table (and based on total earnings after 1936) by $5 or 12½ percent, whichever is larger. The maximum monthly benefit for an individual of $68.50 is increased $8.60 to $77.10. The maximum for a retired man and wife of $102.80 is increased $12.90 to $115.70. Applies generally to old-age insurance beneficiaries now on the rolls. Section 2 (a).

2. Increases benefits for retired persons (where total earnings after 1950 are used) by raising the percentage in the formula applicable to the first $100 of the average monthly wage from 50 to 55 percent. The remainder of the formula, 15 percent of the next $200, will remain unchanged. Applied generally to persons who will retire in the future. Section 2 (b).

3. Increases proportionately the benefits for wives, widows, children and the other categories of beneficiaries, subject to certain provisions limiting benefits payable to a single family (such as 80 percent of average wages).

4. Raises from $20 to $25 the minimum benefit payable to a retired person and from $150 to $168.75 the largest possible amount payable to a family. Section 2 (b)(2).

5. The four changes listed above would be effective beginning with the month of September 1952. Section 2 (c).

The increased insurance benefits under this section are estimated to cost about $300 million for the first full year of operation.

Section 3. Preservation of Insurance Rights of Permanently and Totally Disabled. -- Section 3 of the House bill provided for freezing benefit rights under the insurance program for periods during which the individual was permanently and totally disabled. This is similar to the "waiver of premium" provided in private life insurance contracts. Aged beneficiaries now on the rolls, as well as those who come on in the future, would have had their benefits increased under this provision if permanent and total disability had prevented them from working for a substantial period before reaching aged 65.

The effect of the action agreed upon by the conferees is to accept the House provision but to provide (1) that no applications may be accepted under the House provision prior to July 1, 1953, (2) that the House provision shall cease to be effective at the close of June 30, 1953, and (3) that determinations with respect to whether or no an individual is permanently and totally disabled and the duration of any such disability shall be made by appropriate State agencies rather than by the Administrator.

The action recommended by the conferees will permit appropriate steps to be taken for the working out of tentative agreements with the States for possible administration of these provisions. It is the intent of the conferees that hearings will be held on this entire matter early in 1953 and at that time the congressional committees will go into the administrative and other provisions. It is intended to obtain the views at that time of interested groups on the methods of obtaining evidence of disability, under what circumstances and by whom determinations should be made, and whether or not these provisions or any modification thereof should be enacted into permanent law.

Section 4. Liberalization in Retirement Test -- Provides for a liberalization of the retirement test from $50 a month in the present law to $75. Effective date - the month of September 1952 for earnings from wages and the first taxable year which ends after August 1952 (generally calendar year 1952) for self-employment earnings.

Section 5. Wage Credits for Military Service — Credits of $160 per month are provided members of the armed forces serving since the close of World War II through 1953. These credits are the same as those provided in the Social Security Act Amendments of 1950 for servicemen of World War II. This section provides that such credits be paid out of the Trust Fund rather than be financed by general revenues as provided in the House bill.

Section 6. Technical Amendments — Makes five technical changes in the insurance program which will correct certain inequities and simplify administration. In addition, makes necessary corresponding changes to maintain the present coordination between old-age and survivors insurance benefits and benefits under the Railroad Retirement Act by increasing minimum benefits and liberalizing the retirement test under the Railroad Retirement program.

The five technical changes are as follows:

1. Recomputation of Insurance Benefits for Certain Individuals Aged 75 and Over — This section of the bill provides that, upon application, an individual will have his benefit recomputed by the new formula (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.

2. Recomputation of Insurance Benefits for Certain Self-Employed Individuals in Case of Death or Entitlement in 1952 — Under existing law 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. 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 provision 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 was not 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 result from any such recomputation would be paid retroactively to the first month of entitlement.

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 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 reco putation 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 provi would be paid retroactively to the first month of entitlement. No such recomputation would affect the amount of the lump-sum death payment.

3. <u>Including Lag Wages in Initial Computation in Case of Deat or Entitlement in 1952</u> — This amendment makes it possible to make payments to certain individuals by counting all their wages in thei initial payment rather than making two separate computations. It will save administrative time and money and make it possible to award the full benefit due in one payment at the time of the initia computation.

4. <u>Maintenance of Existing Relationship Between the Old-Age and Survivors Insurance System and the Railroad Retirement System</u> — Th provision in the bill amends the Railroad Retirement Act in three instances:

(1) Increases the minimum insurance benefits payable und the Railroad Retirement Act to conform with the increases provided in section 2 of the bill.

(2) Increases the work clause applicable to individuals receiving survivor benefits under the Railroad Retirement Act from $50 to $75 a month.

(3) Includes in the definition of Social Security Act wag the military service credits provided in section 5 of the bil but only to the extent the military service is not creditable under the Railroad program.

5. <u>Simplification of Computation of Benefits for Dependents and Survivors</u> — Permits computation of benefits for dependents an survivors from the existing benefit without having to look up the

original record showing the existing primary insurance amount. Saves administrative time and money and expedites payment of benefits.

Section 7. Amendment to Income Exemption Provision for Blind Assistance Recipients — Provides, effective July 1, 1952, that States may disregard the first $50 of earned income of a needy blind recipient in determining the need of other members of his family receiving old-age assistance, or aid to dependent children, or aid to the blind, or aid to the disabled. The Conference Committee adopted the Senate amendment making this provision mandatory upon the States after June 30, 1954.

Section 8. Additional Federal Funds for Public Assistance for the Needy — Provides for additional Federal funds to the States for public assistance to needy aged, blind, dependent children and the disabled. This section in the bill was added on the floor of the Senate by Senator McFarland by a voice vote. Its objective is to make it possible for the States to increase public assistance payments $5 per month for the aged, blind, and disabled and $3 per month for each recipient of aid to dependent children. The attached table of "Provisions for Federal Participation in Payments of Public Assistance" shows the changes made by the amendments in comparison with the present law. The increased Federal funds are made available for a 2-year period, i.e., for the 24 months beginning with the month of October 1952. The increased Federal funds will terminate with the month of September 1954 unless the Congress extends or modifies this provision.

This section is estimated to cost an additional $242 million a year to the Federal Government (based upon March 1952 caseloads and average payments) if all States pass on the full amount to the beneficiaries on the rolls. There is no requirement in the bill that the States must pass on these amounts. If all the States do not pass on the full amount, the estimated additional cost to the Federal Government will be less than $242 million.

The estimated cost of the amendment for the various programs by groups of States is as follows: (See table on page following)

Program	United States	States with Per Capita Income Above National Average**	States with Per Capita Income Below National Average***
	(in	millions of	dollars)
Total	$242.7*	$118.4	$124.3
Old-Age Assistance	159.0	76.6	82.4
Aid to the Blind	5.8	3.1	2.7
Aid to Dependent Children	70.4	34.7	35.7
Aid to Permanently & Totally Disabled	7.5*	4.0	3.5

* Exclusive of any estimate for 19 States which did not have plans for aid to the disabled in March 1952.
** There are 24 States with per capita incomes <u>above</u> the national average.
*** There are 27 States with per capita incomes <u>below</u> the national average.

General Explanation

The actuarial effect of the amendments on the insurance program can be summarized as follows:

Estimated Level-Premium Costs as Percentage of Payroll

Item		Percent of Payroll
1. Cost of 1950 Act:		
A. 1950 estimate, using 2 percent interest rate.		6.05
B. Current estimate, using 2-1/4 percent interest rate.		5.35
2. Effect of proposed changes		+ .50
A. Increase in insurance benefits	+.40	
B. Liberalization of retirement test	.07	
C. Credits for military service	.03	
3. Cost of program, as amended by H.R. 7800		5.85

At the present time average old-age insurance benefits are about $42 a month and old-age assistance payments are about $45 a month. Both benefits have been increasing. The immediate effect of the amendments in the bill is to increase old-age insurance benefits about $6 a month and old-age assistance payments by $5 a month if all States pass on the increase to beneficiaries on the rolls. The result may be that in 1953 the new average may be about \$50 for old-age insurance and about \$49-50 for old-age assistance.

Public assistance expenditures in March 1952 were running at an annual rate of about \$2¼ billion of which \$1¼ billion came from Federal funds and about \$1 billion from State and local sources. If the entire amount of the additional Federal funds made available by the McFarland amendment is passed on by the States, the total Federal expenditures are estimated to reach about \$1½ billion per year. Assuming that State and local funds remain the same, the total expenditures for public assistance will be running at an annual rate of \$2½ billion. However, the old-age assistance rolls have been declining. Moreover, the increased insurance benefits may make it possible to make some further reductions in the old-age assistance and aid to dependent children expenditures. On balance, however, it would appear that total expenditures for public assistance when all of the new amendments are fully in effect will still be running at a rate of \$2¼ to \$2½ billion a year.

Provisions Deleted in Conference

The following provisions were deleted from the bill:

1. Section 6 of the House bill extending the option of State governments to enter into agreements with the Federal Government so that these agreements could also cover members of retirement systems (including universities and public housing agencies but specifically excluding policemen, firemen, and elementary and secondary school teachers) if two-thirds of the members of the retirement system voting elect to be covered; extending for another two years the time within which State governments may make agreements for old-age and survivors insurance coverage retroactive to the effective date of the 1950 amendments (January 1, 1951); and permitting the State of Wisconsin to extend old-age and survivors insurance coverage to persons under a retirement system (excluding policemen, firemen, and elementary and secondary school teachers) without requiring a vote by members of the system. (The Conference Report stated that the deletion of these provisions did not "imply that they do not favor the inclusion of similar provisions in the law; it is the intent of the conferees that the entire matter of the extension of Federal coverage to employees already covered by State and local retirement systems will be explored thoroughly early in 1953, when the disability provisions are to be reexamined.")

2. The amendment requiring the States to pass on the additional Federal funds for public assistance.

3. The amendment permitting States to exempt for one year agricultural and nursing income from old-age assistance.

PROVISIONS FOR FEDERAL PARTICIPATION IN PAYMENTS OF PUBLIC ASSISTANCE

Legislation	Maximum amounts of individual monthly payments subject to Federal participation			Federal share of expenditures within specified maximums	
	Aged blind, and (beginning 1950) disabled	Aid to dependent children		Aged, blind, and (beginning 1950) disabled	Aid to dependent children
		First child	Each additional child		
1950 Law	50	\$27 + \$27 for 1 adult in each family	18	3/4 of first \$20 (av.) + 1/2 of the balance	3/4 of first \$12 (av. pe[r] person) + 1/2 of the balance
Puerto Rico* Virgin Islands**	30	18	12	1/2	1/2
1951 McFarland amendment	55	\$30 + \$30 for 1 adult in each family	21	4/5 of first \$25 (av.) + 1/2 of the balance	4/5 of first \$15 (av. pe[r] person) + 1/2 of the balance
Puerto Rico* Virgin Islands**	Same as 1950 law				

* Maximum Federal payment in a fiscal year, \$4,250,000.
** Maximum Federal payment in a fiscal year, \$160,000.

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