
AUTHORIZING CALIFORNIA, CONNECTICUT, MINNESOTA,
AND RHODE ISLAND TO DIVIDE RETIREMENT SYSTEMS
FOR SOCIAL-SECURITY PURPOSES

AUGUST 13, 1957.—Ordered to be printed

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

R E P O R T

[To accompany H. R. 8753]

The Committee on Finance, to whom was referred the bill (H. R. 8753) to amend title II of the Social Security Act to include California, Connecticut, and Rhode Island among the States which are permitted to divide their retirement systems into two parts so as to obtain social-security coverage, under State agreement, for only those State and local employees who desire such coverage, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

GENERAL STATEMENT

H. R. 8753, as passed by the House of Representatives, would amend title II of the Social Security Act, as amended in 1956, to include the States of California, Connecticut, and Rhode Island under the provision of present law which permits specified States to divide a retirement system into two parts and provide social-security coverage for the part consisting of the positions of those employees who desire such coverage. At the request of Minnesota, your committee has amended the bill to make it applicable to that State also.

The House-approved bill also provided that coverage agreements or modifications entered into prior to 1959 could be made effective with respect to services performed at any time after December 31, 1955, by employees obtaining coverage under the provisions in the bill. Your committee has amended this provision to make it applicable to such services under coverage agreements, or modifications thereof entered into prior to 1960.

EXPLANATION OF COVERAGE EXTENSION

The Social Security Amendments of 1956 included a provision permitting the States of Florida, Georgia, New York, North Dakota, Pennsylvania, Tennessee, Washington, Wisconsin, and the Territory of Hawaii to divide a State or local government retirement system into two parts for purposes of old-age and survivors insurance coverage, one part to consist of the positions of members who desire coverage and the other to consist of the positions of members who do not desire coverage. Services performed by the members in the part consisting of the positions of members who desire coverage may then be covered under old-age and survivors insurance, and, once these services are covered, the services of all persons who in the future become members of the retirement system must also be covered. This provision was made applicable to the eight specified States and the Territory of Hawaii at their request. While recognizing that old-age and survivors insurance legislation applying only to certain States has disadvantages, your committee believes that the provision should be extended at this time to the four additional States—California, Connecticut, Minnesota, and Rhode Island—that have expressly requested such extension.

POSTPONEMENT OF DEADLINE FOR OBTAINING RETROACTIVE COVERAGE

Under a provision enacted in 1954, coverage provided under an agreement between a State and the Department of Health, Education, and Welfare can take effect as early as January 1, 1955, if the coverage is agreed to before January 1, 1958.

In order to assure sufficient time for the four States to make arrangements for covering employees pursuant to the provisions in this bill, it is desirable to provide an extension of the time within which a retroactive coverage agreement can be entered into with respect to these employees. Under the House-approved bill a 1-year extension was provided. Your committee has amended the bill to provide a 2-year extension. Your committee believes that the 1-year extension might not be long enough to permit the four States affected by the bill, and the interested subdivisions, to take the necessary action by the end of 1958. These States and their subdivisions would of course need a certain amount of time in order to inform interested groups of the amendment and to provide for and carry out the actions which are a prerequisite to securing social-security coverage for them. A further delay would result if State enabling legislation necessary to action by the State has not been enacted. The problems that would arise in getting any needed State legislation if the extension of the deadline for obtaining retroactive coverage were extended for only 1 year might be particularly acute in Minnesota, since the legislature in that State ordinarily meets only in odd-numbered years.

While, as indicated above, it is possible under present law for coverage provided under a State agreement to take effect as early as January 1, 1955, your committee concurs in the provision in the House-approved bill under which coverage for the employees affected could begin no earlier than January 1, 1956. In 1954, when January 1, 1955, was fixed as the earliest date for retroactive coverage under the provisions applicable to State and local government employees, coverage on or before this date was necessary in order to minimize the

adverse effect on old-age and survivors insurance protection that might result due to late entry into coverage. As a result of provisions enacted in 1956, however, coverage beginning January 1, 1956, generally speaking, now minimizes the adverse effects of late entry into coverage to the same extent as did coverage beginning January 1, 1955, at the time the 1954 provisions were enacted.

Accordingly, your committee's bill provides that agreements or modifications applicable to services to which the bill applies may, if they are entered into prior to 1960, be made effective with respect to such services performed as early as January 1, 1956.

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 are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

SECTION 218 (d) (6) OF THE SOCIAL SECURITY ACT

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

Purpose of Agreement

SEC. 218. (a) (1) * * *

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Positions Covered by Retirement Systems

(d) (1) * * *

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(6) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned. If a retirement system covers positions of employees of one or more institutions of higher learning, then, for purposes of such preceding paragraphs there shall, if the State so desires, be deemed to be a separate retirement system for the employees of each such institution of higher learning. For the purposes of this paragraph, the term "institutions of higher learning" includes junior colleges and teachers' colleges. For the purposes of this subsection, any retirement system established by the State of *California*, *Connecticut*, *Florida*, *Georgia*, *Minnesota*, *New York*, *North Dakota*, *Pennsylvania*, *Rhode Island*, *Tennessee*, *Washington*, *Wisconsin*, or the Territory of *Hawaii*, or any political subdivision of any such State or Territory, which, on, before, or after

the date of enactment of this sentence is divided into two divisions or parts, one of which is composed of positions of members of such system who desire coverage under an agreement under this section and the other of which is composed of positions of members of such system who do not desire such coverage, shall, if the State or Territory so desires and if it is provided that there shall be included in such division or part composed of members desiring such coverage the positions of individuals who become members of such system after such coverage is extended, be deemed to be a separate retirement system with respect to each such division or part. The position of any individual which is covered by any retirement system to which the preceding sentence is applicable shall, if such individual is ineligible to become a member of such system on the date of enactment of such sentence or, if later, the day he first occupies such position, be deemed to be covered by the separate retirement system consisting of the positions of members of the division or part who do not desire coverage under the insurance system established under this title. For the purposes of this subsection, in the case of any retirement system of the State of Florida, Georgia, Minnesota, North Dakota, Pennsylvania, Washington, or the Territory of Hawaii which covers positions of employees of such State or Territory who are compensated in whole or in part from grants made to such State or Territory under title III, there shall be deemed to be, if such State or Territory so desires, a separate retirement system with respect to any of the following: (A) the positions of such employees; (B) the positions of all employees of such State or Territory covered by such retirement system who are employed in the department of such State or Territory in which the employees referred to in clause (A) are employed; or (C) employees of such State or Territory covered by such retirement system who are employed in such department of such State or Territory in positions other than those referred to in clause (A).

