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COMMITTEE PRINT

REDUCTION OF RETIREMENT BENEFITS  
DUE TO SOCIAL SECURITY INCREASES

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A R E P O R T

BY THE

SUBCOMMITTEE ON EMPLOYMENT AND  
RETIREMENT INCOMES

TO THE

SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE

TOGETHER WITH MINORITY VIEWS



AUGUST 21, 1967

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## LETTER OF TRANSMITTAL

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U.S. SENATE,  
*August 21, 1967.*

Senator HARRISON A. WILLIAMS, Jr.,  
*Chairman, Special Committee on Aging,*  
*U.S. Senate.*

DEAR MR. CHAIRMAN: I have the honor of transmitting a report resulting from a study and hearings by the Subcommittee on Employment and Retirement Incomes on the subject "Reduction of Retirement Benefits Due to Social Security Increases."

Since enactment of the Social Security Act in 1935, there have been seven increases in old-age insurance benefits, which were enacted in 1939, 1950, 1952, 1954, 1958, 1961, and 1965. Those increases were enacted to improve retirement incomes of our older compatriots, and to keep benefits abreast of current economic developments. As far as many social security beneficiaries were concerned, these increases failed to achieve these purposes, because, as a result of the social security increases, there were corresponding, or even greater, reductions in various other sources of incomes for the elderly. In these cases, the Nation received nothing in return for its increased outlay of social security funds, or even worse, actually reduced total retirement incomes of some as a result of the additional social security outlay.

In beginning this study, the subcommittee was interested in determining whether there is any justification for reductions in retirement benefits due to social security increases, and, if not, in finding the wisest and best solutions to the problem. We considered this enquiry particularly timely inasmuch as serious consideration is now being given in Congress to the possibility of another social security increase.

Two days of hearings on this subject were held in Washington, D.C., on April 24 and 25, 1967.\* This report summarizes our findings and conclusions resulting from our studies and those hearings, and gives our recommendations for action by Congress to solve this problem. After the introduction, the report is divided into five parts, each of which deals with one of the major aspects of the problem.

Our work on this problem has convinced us that there need not be reductions in retirement benefits due to social security increases, and that sound, reasonable provisions can be written into future social security increase legislation to assure that each dollar of social security increase produces an improvement in incomes of America's elderly, or, at least, results in no detriment to their incomes.

We commend this report to those who share our hope that this will be done.

Sincerely,

JENNINGS RANDOLPH,  
*Subcommittee Chairman.*

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\*Hearings entitled, "Reduction of Retirement Benefits Due to Social Security Increases" before Subcommittee on Employment and Retirement Incomes, Senate Special Committee on Aging, 90th Cong., first sess. (1967). Hereafter, referred to as "hearings."

# **REDUCTION OF RETIREMENT BENEFITS DUE TO SOCIAL SECURITY INCREASES**

**A Report of the Subcommittee on Employment and Retirement  
Incomes to the Senate Special Committee on Aging**

## **INTRODUCTION**

The President, in his January 23, 1967 message to Congress on "Aid for the Aged" recommended a substantial increase in social security benefits. On March 1, the House Ways and Means Committee began hearings on H.R. 5710, the administration bill to enact this and other improvements in legislation for the Nation's elderly. On August 7, the House Ways and Means Committee reported H.R. 12080, a revised version of the administration bill. It is evident as this report is released that one of the principal proposals considered by the 1967 session of Congress will be the proposal to increase social security cash benefits.

While total retirement incomes of the vast majority of older Americans would be augmented by the proposed increase, there is a substantial minority of social security beneficiaries whose total retirement incomes, as a result, either will remain the same or will actually shrink. These are our older compatriots who receive, in addition to social security, incomes from Federal, local, or private programs whose amounts depend upon the size of their social security entitlements. Benefits of this type which have been reduced in the past whenever social security was increased include old-age assistance in some States, veterans' non-service-connected pensions, and some pension plans of private concerns and of State and local governments.

The subcommittee undertook this study convinced that Congress must do better than it has before to protect these older Americans from reductions in retirement benefits due to social security increases. Our studies and hearings on this subject have confirmed us in our conviction that such reductions need not be the inevitable consequence of social security increases, and that there need be no repetition of the disappointment experienced by too many older Americans in the past, who have eagerly anticipated social security increases, only to find that when they were enacted, some other benefit they were receiving was reduced or eliminated altogether.

**The subcommittee has concluded that it is most in keeping with the purposes of the Social Security Act and the intentions of Congress in voting social security increases to assure that such increases will improve the total incomes of senior citizens, or, at least, that their total incomes will not suffer as a consequence.**

The legislative history of the enactment of the Social Security Act in 1935 shows that the dominant purpose of Congress in enacting that landmark legislation was to provide old-age security on a reason-

ably adequate basis. The Senate Finance Committee, in reporting the bill favorably, said: <sup>1</sup>

In view of the growing number of the aged \* \* \* and the desirability of providing old-age security \* \* \* this bill proposes also inauguration of a system of Federal old-age benefits, computed on a reserve basis. Under this system it will be possible to pay annuities which will provide something more than merely reasonable subsistence \* \* \*

The House Ways and Means Committee report on the bill contained the following language: <sup>2</sup>

\* \* \* to assure support for the aged \* \* \* and in amounts which will insure not merely subsistence but some of the comforts of life, title II of the bill establishes a system of old-age benefits \* \* \*

Furthermore, Congress has shown an intention of taking maximum advantage of other sources of retirement income to supplement social security in achieving the goal of financial security in old age. For this reason, there has never been any serious consideration of reducing social security benefits for those over 65 on account of the recipient's retirement incomes of other types, such as private pensions, governmental pensions, and investment income. This concept has been expressed as "establishing a level of social security benefits which will represent a realistic floor of protection in line with current price and wage levels." <sup>3</sup>

#### PURPOSE OF INCREASES

Each time Congress has increased social security benefits, an intention of improving retirement incomes has been clearly indicated in the legislative history. Typical of the justifications for increases voted in 1950, 1952, 1954, 1958, and 1965 is the following statement in the Senate and House reports on the Social Security Amendments of 1965:

The committee believes that the need for a benefit increase at this time is obvious. The last general benefit increase was enacted in 1958 and was effective with benefits payable for January 1959. Since that date there have been changes in wages, prices, and other aspects of the economy. <sup>4</sup>

There are statements to similar effect in committee reports on social security increase legislation passed in previous years. <sup>5</sup>

<sup>1</sup> P. 7, S. Rept. 628, 74th Cong., first sess. (1935).

<sup>2</sup> P. 5, H. Rept. 615, 74th Cong., first sess. (1935).

<sup>3</sup> P. 15, H. Rept. 1698, 83d Cong., second sess. (1954).

<sup>4</sup> P. 95 of S. Rept. 404, 89th Cong., first sess. (1965). An almost identical statement appeared in the House report on this bill, on p. 84, H. Rept. 213, 89th Cong., first sess. (1965).

<sup>5</sup> P. 20, S. Rept. 1669, 81st Cong., second sess. (1950); p. 16, H. Rept. 2771, 81st Cong., second sess. (1950); p. 2, S. Rept. 1806, 82d Cong., second sess. (1952); p. 12, S. Rept. 1987, 83d Cong., second sess. (1954); p. 15, H. Rept. 1698, 83d Cong., second sess. (1954); p. 3, S. Rept. 2388, 85th Cong., second sess. (1958); p. 4, H. Rept. 2288, 85th Cong., second sess. (1958).

## PART 1

### OLD-AGE ASSISTANCE

The Social Security Act requires<sup>1</sup> “\* \* \* that the State agency \* \* \* in determining need for [Old-Age Assistance], take into consideration any other income and resources of an individual claiming Old-Age Assistance \* \* \*” There is no exception to this requirement for payments received under the old-age, survivors, and disability insurance program (referred to throughout this report as “social security,” in accordance with the usage of that term by the average citizen). Accordingly, with few exceptions, the social security increases enacted in 1939, 1950, 1952, 1954, 1958, 1961, and 1965 resulted in corresponding reductions in old-age assistance grants, leaving the OAA recipient no better off from the standpoint of his total income than he had been before the social security increase. The principal exception relates to the social security increase enacted as a provision in the Social Security Amendments of 1965 (Public Law 89-97). That act permitted the States to disregard up to \$5 per month of any income in fixing OAA grants. While this permissive disregard provision was not limited to social security income, it was generally regarded as having been intended to permit States to disregard up to that amount of the social security increase voted by that act.

**Finding:** The subcommittee has found that few States have taken advantage of the 1965 permissive disregard provision to avoid reduction in old-age assistance benefits due to the 1965 social security increase.

The Welfare Administration of the Department of Health, Education, and Welfare submitted for the record of our hearing a memorandum summarizing the response of the States to the \$5 disregard provision since it was enacted in 1965.<sup>2</sup> It revealed that only 14 jurisdictions have, at some time during the past 2 years, disregarded up to \$5 of any income in fixing OAA grants, as permitted by the Social Security Amendments of 1965. They are: Arkansas,<sup>3</sup> Delaware, Florida,<sup>4</sup> Georgia,<sup>5</sup> Guam,<sup>6</sup> Hawaii, Idaho, Iowa,<sup>7</sup> Indiana, Missouri, Nevada, South Dakota, Vermont,<sup>8</sup> and Wyoming. Four other jurisdictions have disregarded up to \$5 of any income in fixing grants for aid for the blind, including those for blind persons over the age of 65: Alabama,<sup>9</sup> California,<sup>10</sup> Massachusetts,<sup>9</sup> and Pennsylvania.<sup>9</sup>

<sup>1</sup> Sec. 2(a)(1)(A).

<sup>2</sup> P. 28 of hearings.

<sup>3</sup> Disregard limited to \$3.

<sup>4</sup> Provision rescinded on June 1, 1966.

<sup>5</sup> Disregard limited to \$4.

<sup>6</sup> Began disregarding \$5 of any income on Feb. 1, 1966.

<sup>7</sup> Began disregarding \$5 of any income on May 1, 1966.

<sup>8</sup> Provision rescinded on July 1, 1966.

<sup>9</sup> Have raised standard of assistance in OAA since October 1965.

<sup>10</sup> Has made annual “cost-of-living” adjustments in OAA.

Some other States, while reducing public assistance grants due to social security increases, have enriched their public assistance programs for the elderly in other ways, thus permitting the social security increases indirectly to benefit their elderly public assistance recipients. Thus, 17 jurisdictions have raised the standard of assistance in OAA, and seven jurisdictions have raised or removed maximums on regular money payments to OAA recipients. In those jurisdictions, OAA recipients who also receive social security, while not permitted to keep their social security increases without reduction of their OAA grants, benefit along with other OAA recipients from the resulting improvements in the public assistance programs.

#### SUBCOMMITTEE RECOMMENDATION

**Recommendation:** The subcommittee recommends that legislation providing future social security increases contain a provision prohibiting reduction of old-age assistance grants due to a social security increase, but giving the Secretary of Health, Education, and Welfare or his deputy power to permit such reductions in whole or in part for States which can prove to his satisfaction that (1) the funds saved by such reductions will be used to enrich public assistance programs for the elderly, or (2) the State's old-age assistance program provides cash payments sufficient for minimum subsistence needs.

In voting past social security increases, Congress has never intended the increases to serve as an invitation to the States to slacken their own efforts to provide adequately for the old-age security of their citizens. Regardless of the intent of Congress, six of the seven increases have not only *invited* the States to do so, but have *required* this result.

Implementation of our recommendation will assure that future social security increases will result in no reduction of a State's efforts to provide cash payments sufficient for minimum subsistence needs, unless it has already achieved that goal.

At the same time, it would provide flexibility to permit a State, while maintaining its effort to provide adequately for its needy elderly, to apply its funds for this purpose as it sees fit, provided it can convince the Secretary of Health, Education, and Welfare or his deputy that its plans are reasonable.

One type of improvement a State might particularly desire to make is to increase the incomes of OAA recipients who have no other income such as social security. For example, a State might have a ceiling of \$75 per month on OAA payments, even though it recognizes that \$125 is the minimum needed by a single elderly person in that State.

In comparing the needs of a recipient who receives the \$75 maximum with those of one who receives social security of \$75, supplemented by \$50 of OAA, the State might decide that it would prefer to reduce the OAA grant of the latter by the amount of his social security increase and raise the grant of the other recipient by that amount. Although the subcommittee might prefer that it not do so, this would be a reasonable alternative for the State in maintaining its public assistance effort for the elderly, and it should have no difficulty obtaining permission to do so.

Contrast this, however, with the action States have been free to take as a result of most social security increases. Except in the case

of the 1965 increase, they have been able to reduce OAA grants of social security recipients and to divert the funds thus "saved" to entirely different State purposes. Their freedom to do so as a result of the 1965 increase was limited by a provision in the bill <sup>11</sup> which required the States to maintain their public assistance expenditures at the same level as immediately before the 1965 act. Thus, there is a precedent for our recommendation that States be required to maintain their public assistance efforts in behalf of their older citizens.

One argument which has been advanced against proposals to require that social security increases be disregarded is that some States have already achieved the goal of providing OAA cash payments sufficient for minimum subsistence needs, and that requiring them to disregard the social security increase will force them to pay OAA recipients more than they need, at taxpayer expense. Our recommendation meets this argument by giving the Secretary of Health, Education, and Welfare or his deputy power to permit reductions due to social security increases if it can be shown to his satisfaction that the goal of adequate OAA payments has been reached. The Department of Health, Education, and Welfare has shown a disposition to accept the State's own judgment of adequacy, and it would probably do so in making this determination, unless obviously too low.

<sup>11</sup> Sec. 1117, Social Security Act, added by sec. 405, Public Law 89-97 (July 30, 1965).



## PART 2

### VETERANS' BENEFITS

Unlike veterans who receive compensation for service-connected disabilities, veterans who receive pensions on account of non-service-connected disabilities must meet a needs test and can suffer a loss or reduction of their pension if their incomes from other sources exceed certain limits. The pension schedule now<sup>1</sup> provided by the "new law"<sup>2</sup> for non-service-connected disabled veterans is as follows:

<i>A veteran with no dependents who receives annual income of—</i>	<i>May receive a monthly pension of—</i>
\$600 or less.....	\$100.
Between \$600 and \$1,200.....	\$75.
Between \$1,200 and \$1,800.....	\$43.
Over \$1,800.....	None.

<i>A veteran with dependent who receives annual income of—</i>	<i>May receive a monthly pension of—</i>
\$1,000 or less with 3 dependents.....	\$115.
\$1,000 or less with 2 dependents.....	\$110.
\$1,000 or less with 1 dependent.....	\$105.
Between \$1,000 and \$2,000 with any number of dependents.....	\$80.
Between \$2,000 and \$3,000, with any number of dependents.....	\$48.
Over \$3,000, with any number of dependents..	None.

As an example of how some of these pensions were reduced by the 1965 social security increase, assume that a veteran with a non-service-connected disability was receiving a social security benefit of \$90 per month (\$1,080 per annum) before the 1965 increase, and that this was his only income other than his veteran's pension. Ten percent of his social security benefit would have been disregarded, as required by Public Law 88-664, enacted on October 13, 1964, leaving \$81 per month (\$972 per annum) of income counted for pension purposes. Thus, if he had three dependents, he would have received a monthly pension of \$115 (\$1,380 per annum) under the schedule above. Adding his pension of \$1,380 per annum to his social security of \$1,080 per annum would have given him a total annual income of \$2,460.

The 7 percent social security increase voted by Congress in 1965 would have raised his monthly social security to \$96.30, of which \$9.63 would have been disregarded, leaving him with a monthly social security income of \$86.67 (\$1,040.04 per annum) counted as income for pension purposes. This \$1,040.04, being over the \$1,000 income limit, would have caused his monthly pension, against his will, to be reduced from \$115 to \$80. Therefore, by receiving a monthly increase in social security of \$6.30 he would have suffered a reduction in his veteran's pension of \$35 per month. This would have reduced

<sup>1</sup> This schedule is subject to the changes proposed in S. 16, 90th Cong.

<sup>2</sup> The so-called "new law" is Public Law 86-211 (Aug. 29, 1959) which, among other changes changed eligibility requirements for non-service-connected pensions, effective July 1, 1960. Veterans then receiving pensions were given the election to receive pensions under that statute (the "new law") or to continue under the law then in effect (the "old law").

his already inadequate total income from \$2,460 per annum to \$2,115.60.

The schedules of pension benefits and income limits for so-called "old law" veterans and for widows of veterans who died of non-service-connected causes is different from those given above, but are such that a veteran or widow whose income was forced above permissible limits by the 1965 social security increase either lost the pension or suffered a reduction in it.

**Finding: The subcommittee finds that there was no way whereby a veteran or his widow whose income was slightly below income limits before the 1965 increase could have protected himself or herself from loss of pension as a result of that increase.**

There is a provision in the statute pertaining to veterans' nonservice pension benefits which requires that any waiver of certain types of income (including social security benefits) be disregarded in determining annual income for purposes of veterans' pensions. Section 503 of title 38, U.S. Code, in pertinent part, provides as follows:

In determining annual income under this chapter, all payments of any kind or from any source (including salary, retirement, or annuity payments, or similar income, which has been waived, irrespective of whether the waiver was made pursuant to statute, contract, or otherwise) shall be included \* \* \*

There has always been a problem as to whether social security payments should be considered income for purposes of veterans' pensions. It is clear that a portion of amounts received by a veteran as social security benefits is due to his own social security contributions, and thus should be considered a return of his investment rather than as income. Before 1964, in accordance with this consideration, social security payments were not counted as income to the veteran until total social security benefits received equaled the amount of his contributions. Public Law 88-664 (Oct. 13, 1964), replaced this type of treatment by providing that 10 percent of each social security payment would be excluded in determining income.

**Conclusion: The subcommittee concludes that if Congress waits until after another social security increase is voted to address itself to this problem, it runs the risk that the increase will again produce disproportionate veterans' pension reductions, at least temporarily.**

Should an increase in social security benefits be enacted during 1967, it would not result in the immediate, drastic pension reduction suffered by some pensioners in 1965. Recognizing the need for an interval within which to consider the effect of increases in public or private retirement payments upon pensions, Congress included in Public Law 89-730 (Nov. 2, 1966) a provision which delays the effect of such increases on veterans' pensions. Section 3 of this act provides:

\* \* \* when a change in income is due to an increase in payments under a public or private retirement plan or program the effective date of reduction or discontinuance resulting therefrom shall be the last day of the calendar year in which the change occurred.

Admittedly this gives some time after a social security increase is voted within which to consider remedial legislation. However, there can be no assurance that the interval between the social security increase and the end of the year will be long enough to give sufficient deliberation to the various alternatives. For this reason, it may be necessary to enact a hasty makeshift solution, or it may prove impossible for Congress to reach agreement upon any solution. Therefore, the subcommittee believes the only safe course will be to solve the problems as a part of the social security increase legislation itself.

#### LONG-RANGE SOLUTION

**Finding:** The subcommittee finds that the basic reason why some veterans and their survivors lose more in pension incomes than they gain in social security increases is that there are so few steps in the schedule of income limits that this result is inevitable; there appears to be no logical reason why there could not be established a sufficient number of steps that this result could be prevented.

As shown earlier in this part,<sup>2</sup> there are only four steps in the schedule of income limits for a veteran without dependents, as follows:

<i>A veteran with annual income of—</i>	<i>May receive a monthly pension of—</i>
\$600 or less.....	\$100.
Between \$600 and \$1,200.....	\$75
Between \$1,200 and \$1,800.....	\$43
Over \$1,800.....	None.

These income limits could be refined to prevent greater pension losses than the amounts of additional income received from Social Security or other sources by adopting a schedule with more steps, like the following:

<i>A veteran with annual income of—</i>	<i>May receive a monthly pension of—</i>
\$600 or less.....	\$100.
Between \$600 and \$700.....	\$96
Between \$700 and \$800.....	\$92
Between \$800 and \$900.....	\$88
Between \$900 and \$1,000.....	\$84
Between \$1,000 and \$1,100.....	\$80
Between \$1,100 and \$1,200.....	\$75
Between \$1,200 and \$1,300.....	\$70
Between \$1,300 and \$1,400.....	\$65
Between \$1,400 and \$1,500.....	\$60
Between \$1,500 and \$1,600.....	\$55
Between \$1,600 and \$1,700.....	\$49
Between \$1,700 and \$1,800.....	\$43
Between \$1,800 and \$1,900.....	\$36
Between \$1,900 and \$2,000.....	\$27
Between \$2,000 and \$2,100.....	\$18
Between \$2,100 and \$2,200.....	\$9
Over \$2,200.....	None.

If a schedule with this many steps were enacted, very few pensioners could ever suffer as great a reduction in their pensions as the amount of their social security increases, as the result of the increases, and for even the few who would suffer such a reduction, the net decrease in income would be negligible.

It will be noted that the above schedule is based upon the income limits now in effect. If the standing committees with jurisdiction over

<sup>2</sup> See p. 6.

veterans' pension legislation should determine that income limits should be raised, refinements similar to those discussed above could be put into effect at the new higher levels.

**Recommendation:** The subcommittee recommends enactment of a refined schedule of income limits as the best long-range solution to the problem of losses of veterans' pensions due to social security increases.

#### EMERGENCY SOLUTION

While our recommendation above would be the best long-range, permanent solution of the problem, it might not be possible to consider and adopt it as part of the social security legislation now before Congress, H.R. 5710. Accordingly, the subcommittee recognizes the need for an emergency solution to be enacted as a provision in H.R. 5710. The solution should not require a fundamental change in veterans' pension statutes. If it does, an additional complication will be added to a measure which is already extremely complex.

**Recommendation:** The subcommittee recommends, as an emergency solution, amending H.R. 5710 to permit waiver of all or any part of a beneficiary's social security entitlement, and prohibiting the counting of the benefit so waived as income for purposes of veterans' pensions.

The only way Congress can be certain that future social security increases which it votes will not again reduce retirement incomes is to provide that the recipient may waive all or any part of his Social Security benefit. This would not only enable recipients to protect themselves against erosion of their retirement incomes, it would also save money for the social security trust fund, thus helping to finance the increase which was voted, or to finance future increases.

#### ADMINISTRATION WAIVER PROPOSAL

Our recommendation is similar to an administration proposal. The President, in his message to Congress of January 31, 1967, entitled, "America's Servicemen and Veterans," said:

Last week I proposed to Congress a 20 percent overall increase in social security payments—representing the greatest increase in benefits since the act was passed in 1935. Although these increases will benefit millions of older Americans, we must make certain they do not adversely affect the pensions paid to those veterans and dependents who are eligible for both benefits. Accordingly, *I propose that the Congress enact the necessary safeguards to assure that no veteran will have his pension reduced as a result of increases in Federal retirement benefits such as social security.*

There is a provision in the administration bills to increase veterans' pensions (Senator Carlson's S. 1046 and Congressman Teague's H.R. 4788) which would permit such a waiver. It reads as follows:

WAIVER OF FEDERAL RETIREMENT BENEFIT INCREASES FOR  
PENSION PURPOSES

SEC. 6. (a) Section 503 of title 38, United States Code, is amended by substituting a semicolon for the period at the end of paragraph (13) and adding the following new paragraph:

"(14) all or any portion of any future increase in benefits under any Federal retirement program as may be waived by any person entitled to such a retirement benefit and pension under this chapter for the month (or any portion thereof) in which any such increase is enacted. The department or agency administering the retirement program concerned shall, for the purpose of this provision, give due recognition and effect to any request for such a waiver."

(b) In computing the income of persons whose pension eligibility is subject to the first sentence of section 9(b) of the Veterans' Pension Act of 1959, there shall be excluded all or any portion of any future increase in benefits under any Federal retirement program as may be waived by any person entitled to such a retirement benefit and pension under this chapter for the month (or any portion thereof) in which any such increase is enacted. The department or agency administering the retirement program concerned shall, for the purpose of this provision, give due recognition and effect to any request for such a waiver.

While concurring with the principal provisions of the administration's waiver proposal, the subcommittee does not endorse some of its minor features. First, we do not agree that the privilege of waiving social security benefits should be restricted to amounts received as increases in the future. If the waiver privilege is justified as to increases received this year and in future years, it is also justified as to increases received in 1965 and prior years. In equity and good conscience, those who suffered from the failure of Congress to protect veterans and their survivors from income losses due to social security increases in 1965 and before should be permitted at this late date to protect themselves now as they should have been able to protect themselves long ago. Therefore, the waiver privilege should extend to all social security benefits.

Second, we agree with the position of the American Legion and Veterans of Foreign Wars, presented by their witnesses at our hearing,<sup>4</sup> that the waiver privilege should not be restricted to Federal retirement benefits, but should extend to all retirement incomes, from whatever sources derived. As long as the schedule of income limits is structured in such a way as to penalize severely those who are so unfortunate as to have nonpension incomes slightly above the limits, it seems only fair to permit veterans and their survivors to avail themselves of the waiver privilege, regardless of the sources of their retirement incomes. Incidentally, adoption of our recommendation

<sup>4</sup> Mr. Golembieski (American Legion) on p. 45 of hearing; Mr. Jones (VFW) on hearings p. 53.

that the schedule of income limits be refined would make all waivers to protect veterans' pensions less necessary since a veteran would suffer little, if any, reduction in his total income as a result of having an income slightly above limits.

Third, we agree with one of the witnesses who represented the Veterans of Foreign Wars at our hearing<sup>5</sup> that it is inequitable to restrict the waiver privilege to veterans who are on pension rolls at the time a particular increase is enacted. We respect the argument in favor of this feature of the administration's waiver proposal that there is a particular hardship upon pensioners in reducing their total incomes after they have become accustomed to living at the former levels of income. Nevertheless, we believe that new pensioners should be protected against the arbitrary and unreasonable losses of income which result from the present unrefined income limits, just as it is proposed to protect those who are in receipt of pensions at the time of an increase.

Fourth, while we have been assured by Administrator of Veterans' Affairs, W. J. Driver, that "Pensioners would be permitted to make, modify, and cancel waivers at will",<sup>6</sup> we have found nothing in the waiver provision quoted above to support this assertion. We feel that the administration's waiver proposal is deficient without an amendment clearly permitting the veteran to rescind or modify his waiver if, due to changing circumstances or a change in applicable laws, it should later be to his advantage to receive the full amount of his social security. Without a clear provision to this effect, the waiver is likely to be useless in many cases, as veterans who would benefit from its use will fear to take an irrevocable step which might be detrimental to them in the long run.

#### ARGUMENTS AGAINST WAIVER

The subcommittee has examined the arguments against permitting waivers of social security income for purposes of veterans pensions, and have found that they are not persuasive. First, it has been argued that it would be better to solve the problem by merely raising limits on the amount of income a veteran or his survivor may have without suffering loss or reduction of his pension. Whether income limits are too low is outside the scope of this study. That is an entirely different question from that which concerns us, preventing losses of retirement incomes due to social security increases. It is clear that if income limits were raised, there would still remain the problem with which we are concerned. Some pensioners would still be forced willy-nilly over income limits by future social security increases. In any event, even if those who advance this argument are entirely correct in urging higher income limits, there is very little chance that that can be accomplished before the enactment of a social security increase or as part of the social security increase legislation. Therefore, if the waiver is rejected because of a preference for increased limits as the solution to the problem, an opportunity will have been lost to provide an emergency solution which will prevent hardship upon pensioners.

If the waiver is enacted as an emergency solution, there is no reason why it could not contain a provision permitting the waiver to be

<sup>5</sup> Mr. Jones, on pp. 53, 54 of hearings.

<sup>6</sup> Hearings, p. 61.

rescinded if income limits are later raised and it is no longer to the advantage of the veteran to waive a portion of his social security. As we have previously stated,<sup>7</sup> the subcommittee believes any waiver provision which may be enacted will be deficient if it does not clearly and unequivocally provide the privilege of rescinding the waiver.

Second, the argument has been made that permitting the pensioner to waive social security benefits would mean that he would derive no benefit from a social security increase, although it is admitted that it would enable him to prevent a decrease in his total income. Those who advance this argument overlook the fact that waivers of portions of social security increases would be permitted; the veteran could keep any portion of the increase which would not force him over income limits, and his total income would be enhanced to that extent.

Third, it has been argued that reduction of veterans' benefits due to social security increases should not be considered in the House in connection with H.R. 5710, since it is a question relating to veterans' affairs which should be left to the House Veterans' Affairs Committee. This problem of committee jurisdiction does not arise in the Senate, inasmuch as the Senate Finance Committee is the Senate committee which exercises jurisdiction over both social security legislation and legislation on veterans' pensions. In any event, the subcommittee regards this as a social security issue. The question is whether the proposed social security increase will reduce total incomes of some recipients. Without having an answer to this question, Members of Congress cannot be expected to understand the implications of the social security bill or to vote intelligently upon it. The House Ways and Means Committee is wise in being reluctant to consider non-service-connected veterans' income limits in connection with the complex social security measure now before it. However, amending H.R. 5710 or its successor, H.R. 12080, by adding a simple waiver provision would entail minimum involvement in veterans' pension policy.

Fourth, the argument has been advanced that the best solution would be merely to provide that the amount of the social security increase must be excluded in determining a pensioner's nonpension income. Whether or not this would be the best solution, the subcommittee is convinced that it might be futile for the Senate to insert such a provision in H.R. 12080 when and if it passes the House and comes to the Senate. On five different occasions, the Senate has approved such provisions as amendments to House-passed bills, only to find that House opposition was so strong that it was necessary to yield. Four of these efforts were described as follows in a memorandum given the subcommittee by the Legislative Reference Service of the Library of Congress, which was reproduced in the appendix of our hearings:<sup>8</sup>

\* \* \* Senator Miller had amended H.R. 6675, the Social Security Amendments of 1965, from the floor of the Senate to exclude the 7-percent increase from the income test (Congressional Record, vol. 111, pt. 12, July 7, 1965; pp. 15842-15843). The Senate receded from the amendment.

Two other veterans' bills in 1965 were amended by the Senate to permit the disregard of the increase in social

<sup>7</sup> See p. 10.

<sup>8</sup> Hearings, pp. 86, 87.

security benefits enacted by the Social Security Amendments of 1965 from the income provisions of the veterans' statute. H.R. 227, the war orphans benefits bill, was amended from the floor of the Senate by Senator Miller on August 20, 1965 (Congressional Record, vol. 111, pt. 16, Aug. 20, 1965; pp. 21240-21241; copy enclosed). This amendment was the same as the amendment offered by Senator Miller to H.R. 6675. The amendment was agreed to by the Senate and taken to conference. It failed to become part of Public Law 89-349.

H.R. 168, the veterans' compensation bill, was amended by the Committee on Finance to provide that the increases authorized by the Social Security Amendments of 1965 would not be counted in determining the annual income of pensioners (S. Rept. 861, 89th Cong., first sess., p. 5 \* \* \*). These amendments were agreed to by the Senate on October 15, 1965 (Congressional Record, vol. 111, pt. 20, Oct. 15, 1965; pp. 27075-27078 \* \* \*). As with H.R. 227, the amendment excluding the increases in social security benefits from the income test for veterans and their beneficiaries failed to become part of Public Law 89-311.

In 1966, the Senate Finance Committee amended H.R. 14347, a bill to liberalize dependency and indemnity compensation to the surviving parents and children of certain veterans, to provide that increases under the Social Security Amendments of 1965 and under future social security legislation would not be counted in determining the annual income of persons entitled to both VA payments and social security benefits \* \* \*. The Senate amendment would have directed the Administrator of Veterans' Affairs to apply the exclusion of social security increases prior to the application of the 10-percent exclusion of retirement program payments.

The Senate version of the bill with amendments passed that body on June 28, 1966. On October 21, 1966, the House accepted all other Senate amendments except the provision to exempt social security increases from the veterans' income limitation provision. On October 22, the Senate accepted the House deletion of the social security provision clearing the remainder of the bill for signature by the President.

The fifth unsuccessful Senate effort in behalf of a provision of this type was made in connection with S. 16, which went to conference on June 20, 1967. As this report went to press, the House conferees had again successfully insisted upon deletion of this Senate-passed provision.

In view of this legislative history, the subcommittee feels that reliance upon such a provision again, instead of concentrating Senate efforts behind an acceptable waiver provision could well thwart an excellent opportunity to solve the problem, at least on a temporary emergency basis.

Other arguments against the waiver are based upon criticisms of certain features of the administration proposal. As shown above, we agree with some of these criticisms. However, those features are by no means necessary, and can and should be deleted in drafting a proper waiver provision.



Representatives of veterans' organizations who presented oral testimony at our hearings expressed the opinion that their organizations would not oppose a waiver provision to solve this problem. When Mr. Golembieski of the American Legion was asked if his organization is opposed to permitting waiver of social security benefits, he replied: <sup>9</sup>

No, I am not saying we are firmly opposed. I say our approach would be to increase the annual income limits, but if Congress in its wisdom sees fit to approach it from the waiver standpoint then we would say that if you are going to do it, do it to all of the Federal type retirement benefits and not just to the social security \* \* \* that is one advantage of the waiver \* \* \* you could give up some of the social security benefit to retain a greater total annual income.

Mr. Stover of the Veterans of Foreign Wars testified: <sup>10</sup>

\* \* \* VFW would not oppose a waiver provision if that in the wisdom of the Congress was what was finally approved \* \* \* we will certainly not oppose this because we suffered considerably last year and the year before because of the 7-percent increase which caused 29,000 veterans and widows to either suffer a reduction in their pension payments, and in many instances it caused their payments to stop \* \* \* a half loaf of bread is certainly better than none and certainly we would go for the waiver if in the wisdom of the Congress that is what the Congress wants.

National Commander A. Leo Anderson of AMVETS testified: <sup>11</sup>

\* \* \* we feel that until the Veterans' Administration income limitations are raised, then there should be a protective clause in this proposed amendment to the social security law which would allow the Veterans' Administration pension recipient the prerogative of waiving that portion of a social security increase which would cause him to either lose annuity income or be eliminated from the VA pension roll entirely.

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<sup>9</sup> Hearings, p. 46.

<sup>10</sup> Hearings, p. 53.

<sup>11</sup> Hearings, p. 55.

## PART 3

### PRIVATE PENSIONS

After the 1965 social security increase, there was some congressional mail from private pension recipients who pointed out that the terms of their plans required reduction of their private pensions by the amount of 1965 social security increase.

An example of such a plan was presented in a letter to the subcommittee's chairman, Senator Randolph, written in response to a news article announcing our hearings. The writer of the letter <sup>1</sup> advised:

My employer \* \* \* has a compulsory retirement age of 65 that establishes a certain percent of average wages as retirement pay. The company supplements the social security benefits to bring the retirement pay to the determined amount. Each time social security payments are increased the company's portion of the retirement pay is decreased so the individual receives no increase.

The company takes full credit for social security increases and if social security payments ever reached the amount of retirement pay set by the company then the company would pay nothing for retirement \* \* \*.

The subcommittee is interested in such reductions as well as other reductions due to social security increases, and, for the record of its hearings, received pertinent oral testimony <sup>2</sup> and written statements.<sup>3</sup> According to opinions expressed therein, there are few private pension plans in existence in the United States which call for pension reductions due to social security increase.<sup>4</sup> While not as many social security beneficiaries are affected by such reductions as by reductions in old-age assistance and veterans' pensions, the hardship upon those who are affected is just as great as if they were part of a much larger group.

In the subcommittee's view, reduction of private pension benefits by the amounts of social security increases should be avoided wherever possible. Where such reductions are made, the objective of the social security increase of improving retirement incomes is frustrated. Consequently, there is an increased outlay of social security funds without an improvement of the beneficiary's economic status. The only result is a windfall to the private pension fund, which, according to one witness at our hearings,<sup>5</sup> merely results in reducing the cost of the plan to the employer.

Since indications are that there are few such plans in existence and that their numbers are diminishing, the subcommittee is unwilling to recommend drastic solutions of this problem. However, we

<sup>1</sup> Excerpts are reproduced in the appendix of our hearings on p. 92.

<sup>2</sup> Mr. Swire, IUE, AFL-CIO, hearings p. 61.

<sup>3</sup> Assistant Secretary Surrey, Treasury Department, hearings, p. 72; Mr. Melgard, Chamber of Commerce of the United States, hearings, p. 75; Mr. Spencer, publisher, hearings, p. 93; Mr. Jackson, actuary, hearings, p. 95; American Telephone & Telegraph Co., hearings, p. 96.

<sup>4</sup> Hearings, pp. 14 (Mr. David); 70 (Mr. Swire); 79 (Mr. Melgard); and 95 (Mr. Jackson).

<sup>5</sup> Mr. Swire, hearings p. 72.

believe our recommendation below, though a modest approach, would be one effective means of preventing unjust enrichment of private pension funds at the expense of the social security system.

#### WAIVER PRIVILEGE

**Recommendation:** The subcommittee recommends that all social security beneficiaries, including those who also receive private pension benefits, be given the privilege of waiving all or any portion of their social security benefits, and of rescinding or modifying their waivers at any time.

The waiver privilege we recommended in part II should not be restricted to those who receive non-service-connected veterans' pensions. It should be available to all social security beneficiaries, both to make it possible for them to protect themselves against disproportionate reductions in other benefits and to preserve social security funds.

As far as the subcommittee has been able to determine during its study of this matter, there are very few, if any, private pension plans which contain income limits analogous to those applicable to veterans' non-service-connected pensions, under which a social security increase may sometimes result in a larger private pension reduction. If there are any such plans, their beneficiaries should be able to protect themselves by waiving all or any portion of the social security increase, as we recommend be permitted for non-service-connected pensions.

If the waiver privilege is enacted, it is possible that some private pension, as a countermeasure, will be amended to require that all waivers be disregarded, just as is now provided by law with respect to non-service-connected pensions. The waiver provision should, therefore, include language prohibiting such provisions.

Even where the private pension reduction is no greater than the social security increase, some pensioners might wish to waive their social security increases. Every encouragement and cooperation should be accorded them in their desire to do so, since this action would serve two desirable ends. First, their waivers would save social security funds which make no contribution to increasing overall retirement incomes. Second, such waivers would strike a blow against undesirable private pension provisions which now frustrate the purposes of social security increases, and would thus hasten the demise of such provisions.

## PART 4

### STATE AND LOCAL GOVERNMENT PENSIONS

Unfortunately, it has been impossible for the subcommittee to determine during the course of this study, the extent to which State and local government pension plans require reductions when social security increases are enacted. However, it is clear from two statements submitted for the record of our hearing<sup>1</sup> that there is some problem in this area.

Congress cannot legislate directly to prohibit State and local pension plan provisions requiring reductions due to social security increases. However, there is one type of legislative action which Congress can and should take:

**Recommendation:** The subcommittee believes the waiver privilege which it recommended earlier in this report would help to take away the incentives for State and local governments to include in their pension plans provisions permitting or requiring reduction of their pensions due to social security increases.

The limited information reaching our subcommittee on these plans does not reveal whether there are any such plans under which there can be reductions in pensions greater than the amount of a social security increase, analogous to the non-service-connected veterans pension provision now in effect. If there are, their recipients should be permitted, by waiving a portion of their social security benefits, to protect themselves against a net reduction of retirement incomes.

The social security waiver privilege would be valuable, however, even if there are no such provisions in State and local pensions. Where the pension plan requires reductions equal to the social security increase, the beneficiary could waive the increase as a means of protesting against the invidious provision and frustrating its objective of unjustly enriching the pension fund at the expense of social security. Again, this would help save social security funds and thus assist in financing increases.

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<sup>1</sup> Hearings, pp. 73 (statement of American Federation of State County and Municipal Employees AFL-CIO) and 98 (statement of American Association of Retired Persons and National Retired Teachers Association).

## PART 5

### RAILROAD RETIREMENT

In a letter which is reproduced in the record of our hearing,<sup>1</sup> Chairman Howard W. Habermeyer of the Railroad Retirement Board advised that with two highly technical exceptions, increases in social security benefits do not result in lower annuity payments under Railroad Retirement. Specifically, Chairman Habermeyer advised:

DEAR SENATOR RANDOLPH: This is in reply to your letter \* \* \* requesting an outline of "the present situation with reference to the effect of increases in social security benefits upon railroad retirement benefits."

To answer your question, it is necessary to distinguish between (i) an annuity under the Railroad Retirement Act, and (ii) an increase in such annuity. While the annuity itself is not reduced by reason of an increase in the annuitant's monthly benefit under the Social Security Act, the increase in his annuity is, in two situations, reduced. To illustrate:

1. (a) A widow is entitled to a monthly annuity under the Railroad Retirement Act in the amount of, say, \$80, and to a primary insurance benefit under the Social Security Act in, say, the minimum of \$44. In such case, the widow is paid the \$80 a month without reduction.

(b) If, however, at the time the annuity in (a) above began to accrue the widow was not entitled to the social security benefit, her annuity would be computed under a special social security minimum formula (see the first proviso of section 3(e) of the Railroad Retirement Act) which requires that the Board determine what her widow's benefit would have been under the Social Security Act if her deceased husband's service covered under the Railroad Retirement Act had been employment covered under the Social Security Act. Assume that such monthly benefit would have been \$82. In such case, this special minimum provision requires that her annuity be increased to \$82, plus 10 percent, or to \$90.20—an increase of \$10.20. If, subsequent to this increase, the widow becomes entitled to the \$44 social security benefit, her annuity would be as in (a) above, beginning with the month with respect to which she is entitled to the social security benefit; i.e., her annuity would revert to \$80. Thus, her \$80 annuity under the Railroad Retirement Act would not be decreased, but the increase in her annuity by \$10.20 would no longer be payable. The social security minimum provision ceases to be applicable to add to the widow's annuity when she becomes entitled to her own social security benefit because under the Social Security Act a widow is entitled to a benefit, as such, only to

<sup>1</sup> Hearings, p. 91.

the extent, if any, that the widow's benefit exceeds her own benefit.

2. Section 201(b) of Public Law 89-699 (approved October 30, 1966) increases an annuity by 7 percent with the proviso that the annuity as so increased shall be reduced by the 7 percent increase in the monthly benefit that the individual received under the 1965 amendments to the Social Security Act. The purpose was to increase the railroad retirement annuity by an amount which, with the 1965 raise in the social security monthly benefit of the individual entitled thereto, would be equal to 7 percent of his railroad retirement annuity. Thus, if the individual's monthly annuity under the Railroad Retirement Act before the 1966 amendments was, say, \$150, it was increased by 7 percent to \$160.50; but, if he is also entitled to a social security benefit of, say, \$107 (\$100 plus \$7 as increased by the 1965 amendments to the Social Security Act), the \$10.50 increase in his annuity was decreased by \$7 to \$3.50, and his annuity is \$153.50, instead of \$150. Future increases in his social security benefits would, however, not cause any further reduction in his annuity. Except as explained above, increases in social security benefits do not result in lower annuity payments under the Railroad Retirement Act.

Formerly, there were dual benefit restrictions in the Railroad Retirement Act, as a result of which a social security increase could result in an equal reduction in railroad retirement benefits. Under those dual benefit restrictions, the amount of a retired rail worker's social security benefit was deducted from his railroad retirement annuity. The railroad retirement annuities of wives and widows of such retirees were also reduced by amounts of social security benefits received by the wives and widows.

Recent enactments have almost completely eliminated these dual benefit restrictions. Since Public Law 398, 83d Congress (June 16, 1954), no railroad retirement benefit based upon the recipient's own railroad service has been subject to reduction on account of his social security benefit. Public Law 746, 83d Congress (Aug. 31, 1954) repealed the dual benefit restrictions on railroad retirement benefits received by widows, widowers, and parents of rail workers. Public Law 89-212 (Sept. 29, 1965) repealed the dual benefit restriction on railroad retirement benefits received by wives of retired rail workers.

Since it appears that there is now almost no problem with regard to reduction of railroad retirement benefits due to social security increases, the subcommittee refrains from making any recommendations in this area.

## CONCLUSION

The subcommittee concludes that reductions of other retirement incomes due to social security increases are contrary to the intent of Congress in several respects:

(1) They impede the achieving of the basic goal of the Social Security Act, which is to provide old-age security on a reasonably adequate basis;

(2) They frustrate the intent of Congress that social security "represent a realistic floor of protection" to which other sources of retirement income will be added until an air-tight structure of retirement security has been built;

(3) They cancel social security increases voted by Congress in an effort to keep retirement incomes abreast of "changes in wages, prices, and other aspects of the economy."

We offer the recommendations in this report with the hope that they will be found to be wise solutions to the difficult problems involved in this subject, "Reduction of Retirement Benefits Due to Social Security Increases."

## MINORITY VIEWS OF MESSRS. PROUTY, FONG, AND MILLER

We believe it appropriate and timely for the Subcommittee on Employment and Retirement Incomes to look at problems and questions relating to increases in old-age, survivors and disability insurance benefits under social security and their interrelationships with—

1. Veterans' pensions;
2. Old age assistance payments;
3. Certain private pension benefits; and
4. Certain State and local government employee retirement benefits.

As members of the subcommittee we have been and are concerned about how to assure that social security increases voted by the Congress reach all old-age, survivors, and disability insurance beneficiaries.

We do not believe that a narrow approach that isolates these matters from the total income problem of older people or from the individual context of these four specific types of program will or can lead to effective solutions.

We are disturbed that old-age assistance programs in most States and some non-Federal government employee and private retirement plans have denied recent social security increases to their beneficiaries.

In the case of many veteran pensions, social security increases have actually reduced the veteran's pension.

### VETERANS PENSIONS AND OLD-AGE ASSISTANCE

Problems relating to veterans pensions and old-age assistance are responsive to correction through Federal action because these programs depend on Federal funds. The question arises as to whether corrective measures should consist of reaction to changes in social security or should be enlarged to give full recognition to the needs or rights of respective beneficiaries under these programs.

We believe that narrow approaches based solely on reactions to social security increases ignore the basic purpose of old-age assistance and the veterans program and are at best but partial responses to the needs of their beneficiaries. Basic improvements in these programs themselves, on the other hand, can be devised in such a way as to permit each to do its special task and make specific readjustments related to social security changes unnecessary. The thrust of testimony heard by the subcommittee appears to support this view.

This can be accomplished by bringing to these programs the same type of improvement that the minority advocates for social security itself and railroad retirement benefits—(1) realistic benefit schedules and (2) immediate, built-in responses to the loss of purchasing power which comes from inflation.

While we support the principle that old age assistance programs should pass on to their recipients increases in social security and



**Railroad Retirement Act benefits, our major position consists of two recommendations for consideration by appropriate legislative committees of the Congress:**

**1. That States which currently have inadequate old-age assistance standards or whose actual payments fall short of standards already established be given incentive to develop adequate programs.**

**2. That there should be appropriate Federal-State action to assure prompt cost-of-living increases in payments to these 2 million people with the greatest economic need among the older population.**

No group is more seriously hurt by the ravages of inflation—the No. 1 problem of older Americans—than these persons at the lowest income level.

Previous minority reports of the Committee on Aging repeatedly have pointed to income inadequacies common in old-age assistance programs. We reaffirm our belief in the need for positive corrective action. It should go beyond shortcomings accumulated through the years, however, and provide protection against injury from future inflation.

America's veterans drawing disability pensions, service-connected or not, deserve at least equally favorable consideration.

**We recommend that appropriate legislative committees of the Congress consider action to:**

**1. Develop new veteran pension eligibility and benefit schedules which will recognize changed economic conditions, including social security increases and higher living costs.**

**2. Provide for automatic cost-of-living increases in veterans pensions both with regard to eligibility requirements and payment schedules.**

We share the reluctance of witnesses who testified before the subcommittee to use the waiver of social security benefit increases as a device to correct income losses produced by such increases and their preference for adequate eligibility and benefit schedules in the veterans program itself.

We believe further that there is need to go beyond development of new eligibility and benefit schedules, important as they are.

As with old age assistance recipients and, indeed, social security and railroad retirement program beneficiaries, pensioned veterans remain subject to the serious threat of continuing inflation.

Corrective steps in none of these programs can ignore inflation as a root cause of the older person's income problem. There is no evidence that the living cost spiral of recent years has been or will be contained in the near future. Fiscal policies of the Democratic-controlled Congress and national administration, on the contrary, continue to lead the Nation toward more and more inflation.

For this reason we urge most strongly consideration of automatic cost-of-living adjustments in old-age assistance, veterans pensions, and any other federally supported program providing cash benefits to older Americans as such.

Our support of automatic cost-of-living adjustments in old-age assistance and veterans pensions is an appropriate and logical extension of the minority position in favor of such increases in social security and Railroad Retirement Act benefits.

If this approach is adopted along with realistic income standards and schedules for all such programs, the kind of problems created by

the 1965 or subsequent social security increases—as reviewed by the subcommittee—can largely be avoided. If such broad action is not taken, this type of specific problem will continue to plague us from time to time.

Because the greatest absolute injury produced by social security increases, as disclosed in the subcommittee hearing, is that being experienced by many veterans who suffer actual loss of dollar income, we believe an additional word about possible emergency action is appropriate.

Rather than use of a waiver of social security benefits by the veteran, we would prefer that part or all of such benefits be disregarded in determining his eligibility for pension.

We recognize that this, like any narrow approach, fails to take into account the veteran who receives income increases—which may not increase his purchasing power—from sources other than social security. It is partly because the piecemeal, stopgap approach so commonly generates new inequities that we urge the long-range, fundamental approach to such problems.

With reference to proposals that all States be required to pass social security increases on to eligible old-age assistance recipients, we cannot concur with the majority recommendation to give the Secretary of Health, Education, and Welfare power to relieve a State of this responsibility. Considering recent experience with some discretionary powers granted that agency, such authorization appears inappropriate.

#### PRIVATE AND STATE, LOCAL GOVERNMENT RETIREMENT PLANS

The subcommittee also considered the problems created because certain private pension plans and some State and local government employee retirement systems contain provisions so that social security increases are balanced off by equal reductions in payments by the pension or retirement fund. In consequence such pensioners experience neither gain nor loss in benefits when social security payments are increased.

Neither of these contractual arrangements appears responsive to Federal corrective action of benefit to the retiree except, possibly, in the case of private employers, through changes in tax treatment under the Internal Revenue Code.

We recommend, however, that both private and non-Federal government employers carefully review their policies so as to permit receipt of social security increases as a matter of equity.

We reject the majority proposal for waiver of social security benefits where such tie-in arrangements between pension and social security benefits do exist, because its legality is questionable, it controverts the concept of social security as an earned right, and it would in no way increase the pensioner's income.

We are happy to note that this type of problem is diminishing. We note also that labor organization testimony before the subcommittee expressed the hope that such recommendation not be adopted and voiced a preference that such matters be resolved through normal employer-employee negotiations.

WINSTON L. PROUTY.  
HIRAM L. FONG.  
JACK MILLER.