SURVIVOR BENEFIT ACT

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-FOURTH CONGRESS

SECOND SESSION

ON

H. R. 7089

AN ACT TO PROVIDE BENEFITS FOR THE SURVIVORS OF SERVICEMEN AND VETERANS, AND FOR OTHER PURPOSES

JUNE 4, 5, 6, 7, AND 8, 1956

Printed for the use of the Committee on Finance

UNITED STATES
GOVERNMENT PRINTING OFFICE
78543 WASHINGTON : 1956

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SURVIVOR BENEFIT ACT

MONDAY, JUNE 4, 1956

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Frear, Long, Millikin, Martin (of Pennsylvania), Williams, Malone, Carlson and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order.

We are having hearings on H. R. 7089, the survivor benefit bill.

(H. R. 7089 is as follows:)

[H. R. 7089, 84th Cong., 1st sess.]

AN ACT To provide benefits for the survivors of servicemen and veterans, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—SHORT TITLE AND DEFINITIONS

SEC. 101. This Act, divided into titles and sections according to the following table of contents, may be cited as the "Servicemen's and Veterans' Survivor Benefits Act".

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DEFINITIONS

SEC. 102. For the purposes of this Act —

(1) "Administrator" means the Administrator of Veterans' Affairs.

(2) "Member of a uniformed service" means a person appointed, enlisted, or inducted in a component of the Army, Navy, Air Force, Marine Corps, or Coast Guard (including a reserve component of a uniformed service), or in one of those services without specification of component, or as a commissioned officer of the Coast and Geodetic Survey or the Regular or Reserve Corps of the Public Health Service, and any person serving in the Army or Air Force under call or conscription. The term includes—

(A) a retired member of any of those services;

(B) a member of the Fleet Reserve or Fleet Marine Corps Reserve;

(C) a cadet at the United States Military Academy, a midshipman at the United States Naval Academy, and a cadet at the United States Coast Guard Academy or United States Air Force Academy;

(D) a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps, or the Air Force Reserve Officers' Training Corps, when ordered to annual training duty for fourteen days or more, and while performing authorized travel to and from that duty; and

(E) any person while en route to or from, or at, a place for final acceptance or for entry upon active duty in the military or naval service—

(i) who has been provisionally accepted for such duty; or

(ii) who, under the Universal Military Training and Service Act, has been selected for active military or naval service;

and has been ordered or directed to proceed to such place.

The term does not include a temporary member of the Coast Guard Reserve.

(3) "Reserve component of a uniformed service" means—

(A) The Army Reserve:

(B) The Naval Reserve;

(C) The Marine Corps Reserve;

(D) The Air Force Reserve;

(E) The Coast Guard Reserve;

(F) The Reserve Corps of the Public Health Service;

(G) The National Guard of the United States;

(H) The Air National Guard of the United States;

(I) The federally recognized National Guard or Air National Guard of the several States and Territories, and the District of Columbia.

(4) "Active duty" means (A) full-time duty performed by a member of a uniformed service in the active military or naval service, other than active duty for training, (B) full-time duty as a commissioned officer in the Coast and Geodetic Survey, or in the Regular Corps of the Public Health Service, or in the Reserve Corps of the Public Health Service (other than for training purposes), (C) service as a cadet at the United States Military, Air Force, or Coast Guard Academy, or as a midshipman at the United States Naval Academy, and (D) authorized travel to or from such duty or service.

(5) "Active duty for training" means (A) full-time duty performed by a member of a reserve component of a uniformed service in the active military or naval service of the United States for training purposes, (B) full-time

duty as a commissioned officer in the Reserve Corps of the Public Health Service for training purposes, (C) annual training duty performed for a period of fourteen days or more by a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps, or the Air Force Reserve Officers' Training Corps, and (D) authorized travel to or from such duty. The term does not include duty performed as a temporary member of the Coast Guard Reserve.

(6) (A) "Inactive duty training" means any of the training, instruction, duty, appropriate duties, or equivalent training, instruction, duty, appropriate duties, or hazardous duty, performed with or without compensation by a member of a reserve component of a uniformed service, prescribed by the appropriate Secretary pursuant to section 501 of the Career Compensation Act of 1949 or any other provision of law. The term does not include (1) work or study performed by a member of a reserve component of a uniformed service in connection with correspondence courses of the Army, Navy, Air Force, Marine Corps, Coast Guard, or Public Health Service, (2) attendance at an educational institution in an inactive status under the sponsorship of the Army, Navy, Air Force, Marine Corps, Coast Guard, or Public Health Service, or (3) duty performed as a temporary member of the Coast Guard Reserve.

(B) Any member of a reserve component of a uniformed service—

(i) who, when authorized or required by competent authority, assumes an obligation to perform active duty for training or inactive duty training; and

(ii) who dies from an injury incurred on or after January 1, 1956, by him while proceeding directly to or returning directly from such active duty for training or inactive duty training, as the case may be:

shall be deemed to have been on active duty for training or inactive duty training, as the case may be, and entitled to basic pay at the time such injury was incurred. For purposes of title III the Secretary concerned, and for purposes of title II the Administrator, shall determine whether such member of a reserve component of a uniformed service was so authorized or required to perform such duty, and whether he died from injury so incurred. In making such determinations, the Secretary concerned or the Administrator, as the case may be, shall take into consideration the hour on which the member of a reserve component of a uniformed service began to so proceed or so return; the hour on which he was scheduled to arrive for, or on which he ceased to perform, such duty; the method of travel employed; his itinerary; the manner in which the travel was performed; and the immediate cause of death. Whenever any claim is filed alleging that the claimant is entitled to benefits by reason of this subparagraph, the burden of proof shall be upon the claimant.

(C) Training or duty performed by a member of the National Guard of the United States, the Air National Guard of the United States, or the federally recognized National Guard or Air National Guard of any of the several States and Territories, or the District of Columbia, under section 5, 81, 92, 94, 97, 99, or 113 of the National Defense Act, approved June 3, 1916, as amended, shall be deemed to be "active duty for training," or "inactive duty training," according to the charter of the training or duty performed.

(7) The terms "child" and "parent" have the meanings assigned to them by Veterans Regulation Numbered 10, as amended.

(8) The term "widow" means a woman who was married to a person—

(A) before the expiration of fifteen years after the termination of the period of active duty, active duty for training, or inactive duty training, in which the injury or disease causing the death of such person was incurred or aggravated; or

(B) for five or more years; or

(C) for any period of time if a child was born of the marriage.

(9) "Secretary concerned" means—

(A) The Secretary of the Army with respect to the Army;

(B) The Secretary of the Navy with respect to the Navy and Marine Corps;

(C) The Secretary of the Air Force with respect to the Air Force;

(D) The Secretary of the Treasury with respect to the Coast Guard;

(E) The Secretary of Commerce with respect to the Coast and Geodetic Survey; and

(F) The Secretary of Health, Education, and Welfare with respect to the Public Health Service.

(10) (A) "Basic pay" means the monthly pay prescribed by section 201 (a), 201 (e), 201 (f), or 508 of the Career Compensation Act of 1949, as may be appropriate, for a member of a uniformed service on active duty.

(B) The pay received by members of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps, and the Air Force Reserve Officers' Training Corps during periods of annual training duty of fourteen days or more shall be considered to be "basic pay", and the rank and years of service of such members shall be a rank (and years of service) comparable to the pay grade and years of service to which their pay is related.

(11) (A) With respect to a member of a uniformed service who died while on active duty, active duty for training, or inactive duty training, the term "basic pay" (for purposes of title II) means the basic pay (as defined in paragraph (10)) prescribed on January 1, 1956, or on the date of his death (whichever is the later date) for a member of a uniformed service on active duty of the same rank (with the same cumulative years of service for purposes of pay) as that of the deceased member of a uniformed service on the date of his death.

(B) With respect to a deceased member or former member of a uniformed service who did not die on active duty, active duty for training, or inactive duty training, the term "basic pay" (for purposes of title II) means the basic pay (as defined in paragraph (10)) prescribed on January 1, 1956, or on the date of his death (whichever is the later date) for a member of a uniformed service on active duty of the same rank (with the same cumulative years of service for purposes of pay) as that of the deceased member or former member of a uniformed service on the date of his last discharge or release from active duty under conditions other than dishonorable; however, if his death results from disease or injury incurred or aggravated while on active duty for training, or from injury incurred or aggravated while on inactive duty training, after such last discharge or release from active duty, his rank and years of service for purposes of pay shall be those held by him on the date of his discharge or release from the period of active duty for training or inactive duty training in which such injury or disease was incurred or aggravated.

(C) With respect to a deceased person who is not a member or former member of a uniformed service, but who had a compensable status on the date of his death under laws administered by the Veterans' Administration, the head of the department under which such person performed the services by which he obtained a compensable status shall determine a pay grade for such person under section 201 (a) of the Career Compensation Act of 1949, as amended, and a rate of pay within that pay grade (taking into consideration his duties, responsibilities, and years of service). His "basic pay" shall be that prescribed on January 1, 1956, or the date of his death, whichever is the later date, under such section 201 (a) for the pay grade and rate of pay so determined. For the purposes of title II of this Act, only, such persons shall be deemed to have been on active duty during the period of service by which they obtained a compensable status.

(D) Whenever basic pay prescribed by section 201 (a), 201 (e), 201 (f), or 508 of the Career Compensation Act of 1949 is increased or decreased, "basic pay" determined pursuant to this paragraph (11) shall increase or decrease accordingly.

(E) Any person described in paragraph (2) (E) who suffers an injury or disease resulting in disability or death while en route to or from, or at, a place for final acceptance or entry upon active duty in the military or naval service shall be deemed to be on active duty when such incident occurs, and to be entitled to the basic pay of the pay grade which he would receive upon final acceptance or entry upon active duty in such service.

(F) The Secretary concerned shall, at the request of the Administrator, certify to him the rank or grade and cumulative years of service for pay purposes of deceased persons with respect to whose deaths applications for benefits are filed under title II of this Act. The certification of the Secretary concerned shall be binding upon the Administrator.

(12) Where an individual is discharged or released on or after January 1, 1956, from a period of active duty, such individual shall be deemed to continue on active duty and to be entitled to basic pay (and any special or incentive pays) at the rate to which he was entitled on the day prior to his discharge or release from such duty, during the period of time determined

by the Secretary concerned to be required for him to proceed to his home by the most direct route, and in any event, until midnight of the date of such discharge or release.

TITLE II—DEPENDENCY AND INDEMNITY COMPENSATION

DEATHS ENTITLING SURVIVORS TO DEPENDENCY AND INDEMNITY COMPENSATION

SEC. 201. When any person dies on or after January 1, 1956—

(1) from disease or injury incurred or aggravated in line of duty while on active duty or active duty for training;

(2) from injury incurred or aggravated in line of duty while on inactive duty training; or

(3) from a disability compensable under laws administered by the Veterans' Administration,

the Administrator shall pay dependency and indemnity compensation under this title to his widow, children, and dependent parents upon application therefor.

DEPENDENCY AND INDEMNITY COMPENSATION TO A WIDOW

SEC. 202. (a) Dependency and indemnity compensation shall be paid under this title to a widow at a monthly rate equal to $112 plus 12 per centum of the basic pay of her deceased husband, with the total amount adjusted to the next highest dollar.

(b) If there is more than one child of a deceased person, and the deceased person did not die a fully or currently insured individual (for purposes of title II of the Social Security Act), or if his average monthly wage (for purposes of that title) is less than $160, the dependency and indemnity compensation paid monthly to the widow shall be increased by $20 for each such child in excess of one; however, the total of such increases shall not exceed the difference between—

(1) the total of the monthly benefits to which such widow and children would be entitled under such title II if the deceased person's average monthly wage had been $160; and

(2) the total of the monthly benefits to which such widow and children are entitled under such title II.

It shall be assumed for purposes of clause (1) that such widow and all such children are entitled to such benefits and that the deceased person died a fully and currently insured individual. The amounts referred to in clauses (1) and (2) shall be determined by the Secretary of Health, Education, and Welfare, making all reductions required by section 203 (a) of the Social Security Act, and shall be certified by him to the Administrator.

DEPENDENCY AND INDEMNITY COMPENSATION TO CHILDREN

SEC. 203. (a) Whenever there is no widow of a deceased person entitled to dependency and indemnity compensation under this title, dependency and indemnity compensation shall be paid to the children of the deceased person at the following rates:

(1) One child, $70 per month.

(2) Two children, $100 per month.

(3) Three children, $130 per month.

(4) More than three children, $130 per month, plus $25 per month for each child in excess of three.

(b) Dependency and indemnity compensation prescribed by this section shall be paid eligible children in equal shares.

SUPPLEMENTAL DEPENDENCY AND INDEMNITY COMPENSATION TO CHILDREN

SEC. 204. (a) In the case of a child entitled to dependency and indemnity compensation who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, the dependency and indemnity compensation paid monthly to him shall be increased by $25.

(b) If dependency and indemnity compensation is payable monthly to a woman as a "widow" and there is a child (of her deceased husband) who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of dependency and indemnity compensation to the widow, in the amount of $70.

(c) If dependency and indemnity compensation is payable monthly to a woman as a "widow" and there is a child (of her deceased husband) who has attained the age of eighteen and who, while under the age of twenty-one, is pursuing a course of instruction at an approved educational institution, dependency and indemnity compensation shall be paid monthly to each such child, concurrently with the payment of dependency and indemnity compensation to the widow, in the amount of $35.

DEPENDENCY AND INDEMNITY COMPENSATION TO PARENTS

SEC. 205. (a) Dependency and indemnity compensation shall be paid monthly under this title to dependent parents of a deceased person in the amounts prescribed by this section.

(b) Except as provided in subsection (d), if there is only one dependent parent, dependency and indemnity compensation shall be paid to him at a monthly rate equal to the amount under column II of the following table opposite his total annual income as shown in column I:

Column I		Column II
Total annual income		
More than—	but Equal to or less than—	
	$750	$75
$750	$1,000	$60
$1,000	$1,250	$45
$1,250	$1,500	$30
$1,500	$1,750	$15
$1,750	------	No amount payable

(c) Except as provided in subsection (d), if there are two dependent parents, but they are not living together, dependency and indemnity compensation shall be paid to each at a monthly rate equal to the amount under column II of the following table opposite the total annual income of each as shown in column I:

Column I		Column II
Total annual income		
More than—	but Equal to or less than—	
	$750	$50
$750	$1,000	$40
$1,000	$1,250	$30
$1,250	$1,500	$20
$1,500	$1,750	$10
$1,750	------	No amount payable

(d) If there are two dependent parents who are living together, or if a dependent parent has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to each such dependent parent at a monthly rate equal to the amount under column II of the following table opposite the total combined annual income of the dependent parents, or of the dependent parent and his spouse, as the case may be, as shown in column I:

Column I		Column II
Total combined annual income		
More than—	but Equal to or less than—	
	$1,000	$50
$1,000	$1,350	$40
$1,350	$1,700	$30
$1,700	$2,050	$20
$2,050	$2,400	$10
$2,400	----------	No amount payable

(e) The Administrator shall require as a condition of granting or continuing dependency and indemnity compensation to a dependent parent that such dependent parent file each year with him (on the form prescribed by him) a report showing the total income which such dependent parent expects to receive in that year and the total income which such dependent parent received in the preceding year. The dependent parent or parents shall file with the Administrator a revised report whenever there is a material change in the estimated annual income.

(f) If the Administrator ascertains that there have been overpayments to a dependent parents under this section, he shall deduct such overpayments (unless waived) from any future payments made to such dependent parent under this section.

(g) (1) In determining income under this section, all payments of any kind or from any source shall be included except—

(A) payments of the six-months' death gratuity;

(B) donations from public or private relief or welfare organizations;

(C) payments under this title; and

(D) payments of death compensation under any other law administered by the Veterans' Administration.

(2) The Administrator may provide by regulation for the exclusion from income under this section of amounts paid by a dependent parents for unusual medical expenses.

DEPENDENCY AND INDEMNITY COMPENSATION IN CASES OF PRIOR DEATHS

SEC. 206. (a) (1) Any person who, on or after December 31, 1955, is eligible as a widow or child for death compensation under any other law administered by the Veterans' Administration by reason of a death occurring on or before that date may receive dependency and indemnity compensation under this title upon application therefor, without regard to clause (1) of section 209 (c).

(2) Any person who, on or after December 31, 1955, is eligible as a dependent parent, or, but for his annual income, would be eligible as a dependent parent, for death compensation under any other law administered by the Veterans' Administration by reason of a death occurring on or before that date may receive dependency and indemnity compensation under this title upon application therefor, without regard to clause (1) of section 209 (c); however, the annual income limitations established by section 205 shall apply to each such dependent parent.

(b) (1) Whenever the widow of a deceased person is granted dependency and indemnity compensation by reason of this section, payments to her and to the children of the deceased person shall thereafter be made under this title, and shall not thereafter be made to them by reason of the death of the deceased person under (A) any other law administered by the Veterans' Administration providing for the payment of compensation or pension or (B) the Federal Employees' Compensation Act.

(2) Whenever the child or dependent parent of any deceased person is granted dependency and indemnity compensation by reason of this section, payments shall not thereafter be made to such child or dependent parent by reason of the death of the deceased person under (A) any other law administered by the Veterans' Administration providing for the payment of compensation or pension or (B) the Federal Employees' Compensation Act.

(c) If children of a deceased person are receiving death compensation under any other law administered by the Veterans' Administration, and all such children have not applied for benefits under this title, (1) benefits paid to each such child under this title shall not exceed the amounts which would be paid if the application had been made by, or on behalf of, all such children, and (2) benefits paid to each child under any law administered by the Veterans' Administration providing for the payment of death compensation or death pension, or under the Federal Employees' Compensation Act, shall not exceed the amounts which would be paid to him if no such application had been made.

(d) If there are two dependent parents of a deceased person eligible for benefits by reason of subsection (a), and an application for benefits under this title is not made by both dependent parents, (1) benefits paid to the dependent parent who applies therefor shall not exceed the amounts which would be paid to him if both dependent parents had so applied, and (2) benefits paid to the other dependent parent under any other law administered by the Veterans' Administration providing for the payment of death compensation, or under the Federal Employees' Compensation Act, shall not exceed the amounts which would be paid to him if no such application had been made.

(e) (1) Except as provided in paragraph (3), no person who, on January 1, 1956, is a principal or contingent beneficiary of any payments under the Servicemen's Indemnity Act of 1951 may receive any such payments based upon the death giving rise to such payments after he has been granted dependency and indemnity compensation by reason of this section. No principal or contingent beneficiary who assigns his interest in payments under the Servicemen's Indemnity Act of 1951 after June 28, 1955, may receive any payments under this title based upon the death giving rise to such payments until the portion of the indemnity so assigned is no longer payable to any person.

(2) Where a beneficiary is barred from the receipt of payments under the Servicemen's Indemnity Act of 1951 by virtue of the first sentence of paragraph (1), no payments of the portion of indemnity in which such beneficiary had an interest shall be made to any other beneficiary.

(3) Where a child is eligible for dependency and indemnity compensation by reason of this section, and is also eligible for payments under the Servicemen's Indemnity Act of 1951 by reason of the death giving rise to his eligibility for dependency and indemnity compensation, he shall receive the greater amount. Where a child receives payments under such Act and such child is also eligible for dependency and indemnity compensation, no payments of the portion of the indemnity in which such child had an interest shall be made to any other person except another child of the deceased person.

DETERMINATIONS BY THE VETERANS' ADMINISTRATION

SEC. 207. The standards and criteria for determining incurrence or aggravation of a disease or injury in line of duty under this title shall be those applicable under disability compensation laws administered by the Veterans' Administration.

DUPLICATION OF BENEFITS

SEC. 208. No person eligible for benefits under this title by reason of any death occurring on or after January 1, 1956, shall be eligible by reason of such death (1) for death compensation or death pension under any other law administered by the Veterans' Administration, or (2) for any payments under the Federal Employees' Compensation Act.

ADMINISTRATIVE PROVISIONS

SEC. 209. (a) This title shall be administered by the Administrator. Excpet as otherwise provided in this Act, the administrative, definitive, and regulatory provisions under Public, Numbered 2, Seventy-third Congress, as amended, shall be for application under this title.

(b) Payment of benefits under this title by reason of any application filed with respect to a death which occurred before January 1, 1956, shall become effective as of the date such application is filed; however, payment of such benefits by reason of any such application shall become effective as of January 1, 1956—

(1) if the application is filed on or before July 1, 1956; or

(2) if the application is filed within one year after the date of such death.

(c) Dependency and indemnity compensation shall not be paid under this title to the widow, children, or parents of any deceased person unless the deceased person (1) was discharged or released under conditions other than dishonorable from the period of active duty, active duty for training, or inactive duty training in which the disability was incurred, or (2) died while on active duty, active duty for training, or inactive duty training.

(d) A child eligible for dependency and indemnity compensation, or death compensation under any other law administered by the Veterans' Administration, by reason of the death of a parent may not receive dependency and indemnity compensation by reason of the death of another parent who is not a natural parent.

(e) No dependency and indemnity compensation shall be paid under this title to any woman as a "widow" unless she continuously cohabited with her husband from the date of marriage to the date of death except where there was a separation which was due to the misconduct of or procured by the husband without fault on her part. Payments of dependency and indemnity compensation shall not be made by reason of the death of her husband to any woman as his "widow" after she has remarried, unless the purported remarriage is void.

(f) There shall be no recovery of overpayments under this title from any person who, in the judgment of the Administrator, is without fault on his part if, in the judgment of the Administrator, such a recovery would defeat the purpose of the benefits payable under this title or would be against equity and good conscience. No disbursing or certifying officer shall be held liable for any amount paid to any person where the recovery of such amount from the payee is waived under this subsection.

EXEMPTIONS FROM TAXATION AND CLAIMS OF CREDITORS

SEC. 210. Payments of dependency and indemnity compensation due or to become due under this title shall not be assignable, shall be exempt from taxation, shall be exempt from the claims of creditors, including any claim of the United States (except as provided in section 3 of the Act of August 12, 1935 (38 U. S. C., sec. 454a)), and shall not be subject to attachment, levy, or seizure by or under any legal or equitable process whatever either before or after receipt by the payee.

TITLE III—DEATH GRATUITY

DEATHS ENTITLING SURVIVORS TO DEATH GRATUITY

SEC. 301. (a) Except as provided in section 304 (a), the Secretary concerned shall have a death gratuity paid immediately upon official notification of the death of a member of a uniformed service under his jurisdiction who dies while on active duty, active duty for training, or inactive duty training.

(b) The death gratuity shall equal six months' basic pay (plus special and incentive pays) at the rate to which the deceased member of a uniformed service was entitled on the date of his death, but shall not be less than $800 nor more than $3,000.

(c) The death gratuity shall be paid to or for the living survivor or survivors of the deceased member of a uniformed service first listed below:

(1) His spouse.

(2) His children (without regard to their age or marital status) in equal shares.

(3) His parents or his brothers or sisters (including those of the half blood and those through adoption), when designated by him.

(4) His parents in equal shares.

(5) His brothers and sisters (including those of the half blood and those through adoption) in equal shares.

(d) If a survivor dies before he receives the amount to which he is entitled under this title, such amount shall be paid to the then living survivor or survivors first listed under subsection (c).

IMMEDIATE PAYMENT OF DEATH GRATUITY

SEC. 302. In order that payments under section 301 may be made immediately, the Secretary concerned (1) shall authorize the commanding officers of military or naval commands, installations, or districts, in which survivors of deceased members of the Army, Navy, Air Force, Marine Corps, or Coast Guard are residing, to determine the survivors eligible to receive the death gratuity, and (2)

shall authorize the disbursing or certifying officer of each such command, installation, or district to make the payments to the survivors so determined, or certify the payments due to such survivors, as may be appropriate.

DEATH GRATUITY COVERAGE AFTER ACTIVE SERVICE

SEC. 303. (a) The Secretary concerned shall have a death gratuity paid in any case where a member or former member of a uniformed service dies on or after January 1, 1956, during the one hundred and twenty-day period which begins on the date of his discharge or release from active duty, active duty for training, or inactive duty training, if the Administrator determines that the death resulted—

(1) from disease or injury incurred or aggravated while on such active duty or active duty for training; or

(2) from injury incurred or aggravated while on such inactive duty training.

(b) Whenever the Administrator determines, on the basis of a claim for benefits filed with him under title II of this Act, that a death occurred under the circumstances referred to in subsection (a), he shall certify that fact to the Secretary concerned; in all other cases, he shall make the determination referred to in that subsection at the request of the Secretary concerned.

(c) The standards, criteria, and procedures for determining incurrence or aggravation of a disease or injury under this section shall (except for line of duty) be those applicable under disability compensation laws administered by the Veterans' Administration.

(d) For purposes of computing the amount of the death gratuity to be paid by reason of this section, the deceased person shall be deemed to be entitled on the date of his death to basic pay (plus special and incentive pays) at the rate to which he was entitled on the last day he performed such active duty, active duty for training, or inactive duty training.

(e) No amounts shall be paid by reason of this section unless the deceased person was discharged or released under conditions other than dishonorable from such period of active duty, active duty for training, or inactive duty training.

ADMINISTRATIVE PROVISIONS

SEC. 304. (a) No payment shall be made under this title if the deceased member of a uniformed service suffered death as a result of lawful punishment for crime or for a military or naval offense, except when death was so inflicted by any hostile force with which the Armed Forces of the United States have engaged in armed conflict.

(b) No certifying or disbursing officer shall be liable for any amounts erroneously paid or overpaid under this title to a woman as a "spouse" or to a person as a "child" in the absence of fraud, gross negligence, or criminality on his part.

(c) The Secretary concerned may waive the recovery of any such erroneous payments or overpayments when such recovery would be against equity and good conscience.

(d) Payments under this title shall be made from appropriations available for the pay of members of the uniformed service concerned.

(e) A member of a reserve component of a uniformed service who performs active duty, active duty for training, or inactive duty training, without pay, shall, for the purposes of this title only, be considered as having been entitled to basic pay while performing such duties. In the case of a member of a reserve component of a uniformed service who suffers disability while on active duty, active duty for training, or inactive duty training, and is placed in a pay status while he is receiving hospitalizaton or medical care (including outpatient care) for such disability, he shall be deemed, for the purposes of this title, to continue on active duty, active duty for training, or inactive duty training, as the case may be, for so long as he remains in a pay status.

(f) For purposes of this title, a man or woman shall be considered to be the spouse of a member of a uniformed service if legally married to the member of a uniformed service at the time of the member's death.

TITLE IV—OLD-AGE AND SURVIVORS INSURANCE

PART A—PROVISIONS RELATING TO TITLE II OF THE SOCIAL SECURITY ACT

DEFINITION OF WAGES

SEC. 401. Section 209 of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"For purposes of this title, in the case of an individual performing service, as a member of a uniformed service, to which the provisions of section 210 (m) (1) are applicable, the term 'wages' (as defined in the preceding provisions of this subsection) shall include as such individual's remuneration for such service only his basic pay as described in section 102 (10) of the Servicemen's and Veterans' Survivor Benefits Act."

DEFINITION OF EMPLOYMENT

SEC. 402. (a) Section 210 of the Social Security Act is amended by adding at the end thereof the following new subsections:

"Service in the Uniformed Services

"(m) (1) Except as provided in paragraph (4), the term 'employment' shall, notwithstanding the provisions of subsection (a) of this section, include service performed after December 1955 by an individual as a member of a uniformed service on active duty; but such term shall not include any such service which is performed while on leave without pay.

"(2) The term 'active duty' means 'active duty' as described in section 102 of the Servicemen's and Veterans' Survivor Benefits Act, except that it shall also include 'active duty for training' as described in such section.

"(3) The term 'inactive duty training' means 'inactive duty training' as described in such section 102.

"(4) (A) Paragraph (1) of this subsection shall not apply in the case of any service, performed by an individual as a member of a uniformed service, which is creditable under section 4 of the Railroad Retirement Act of 1937. The Railroad Retirement Board shall notify the Secretary of Health, Education, and Welfare, as provided in section 4 (p) (2) of that Act, with respect to all such service which is so creditable.

"(B) In any case where benefits under this title are already payable on the basis of such individual's wages and self-employment income at the time such notification (with respect to such individual) is received by the Secretary, the Secretary shall certify no further benefits for payment under this title on the basis of such individual's wages and self-employment income, or shall recompute the amount of any further benefits payable on the basis of such wages and self-employment income, as may be required as a consequence of subparagraph (A) of this paragraph. No payment of a benefit to any person on the basis of such individual's wages and self-employment income, certified by the Secretary prior to the end of the month in which he receives such notification from the Railroad Retirement Board, shall be deemed by reason of this subparagraph to have been an erroneous payment or a payment to which such person was not entitled. The Secretary shall, as soon as possible after the receipt of such notification from the Railroad Retirement Board, advise such Board whether or not any such benefit will be reduced or terminated by reason of subparagraph (A), and if any such benefit will be so reduced or terminated, specify the first month with respect to which such reduction or termination will be effective.

"Member of a Uniformed Service

"(n) The term 'member of a uniformed service' means any person appointed, enlisted, or inducted in a component of the Army, Navy, Air Force, Marine Corps, or Coast Guard (including a reserve component of a uniformed service as defined in section 102 (3) of the Servicemen's and Veterans' Survivor Benefits Act), or in one of those services without specification of component, or as a commissioned officer of the Coast and Geodetic Survey or the Regular or Reserve Corps of the Public Health Service, and any person serving in the Army or Air Force under call or conscription. The term includes—

"(1) a retired member of any of those services;

"(2) a member of the Fleet Reserve or Fleet Marine Corps Reserve;

"(3) a cadet at the United States Military Academy, a midshipman at the United States Naval Academy, and a cadet at the United States Coast Guard Academy or United States Air Force Academy;

"(4) a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps, or the Air Force Reserve Officers' Training Corps, when ordered to annual training duty for fourteen days or more, and while performing authorized travel to and from that duty; and

"(5) any person while en route to or from, or at, a place for final acceptance or for entry upon active duty in the military or naval service—

"(A) who has been provisionally accepted for such duty; or

"(B) who, under the Universal Military Training and Service Act, has been selected for active military or naval service;

and has been ordered or directed to proceed to such place.

The term does not include a temporary member of the Coast Guard Reserve."

(b) The first sentence of section 205 (p) (1) of such Act is amended by inserting "including service, performed as a member of a uniformed service, to which the provisions of subsection (m) (1) of such section are applicable," immediately after "in the employ of any instrumentality which is wholly owned by the United States,".

LUMP-SUM DEATH PAYMENTS FOR REINTERMENT OF DECEASED VETERANS

SEC. 403. (a) The fourth sentence of section 202 (i) of the Social Security Act is amended to read as follows: "In the case of any individual who died outside the forty-eight States and the District of Columbia after December 1955 while he was performing service, as a member of a uniformed service, to which the provisions of section 210 (m) (1) are applicable, and who is returned to any of such States, or the District of Columbia, or to any Territory or possession of the United States, for interment or reinterment, the provisions of the third sentence of this subsection shall not prevent payment to any person under the second sentence of this subsection if application for a lump-sum death payment with respect to such deceased individual is filed by or on behalf of such person (whether or not legally competent) prior to the expiration of two years after the date of such interment or reinterment."

(b) The amendment made by subsection (a) shall take effect on January 1, 1956.

CREDIT FOR MILITARY OR NAVAL SERVICE PERFORMED BEFORE JANUARY 1, 1956

SEC. 404. (a) Section 217 (e) of the Social Security Act is amended to read as follows:

"(e) (1) For purposes of determining entitlement to and the amount of any monthly benefit or lump-sum death payment payable under this title on the basis of wages and self-employment income of any veteran (as defined in paragraph (4)), and for purposes of section 216 (i) (3), such veteran shall be deemed to have been paid wages (in addition to the wages, if any, actually paid to him) of $160 in each month during any part of which he served in the active military or naval service of the United States on or after July 25, 1947, and prior to January 1, 1956. This subsection shall not be applicable in the case of any monthly benefit or lump-sum death payment if—

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

"(B) a benefit (other than a benefit payable in a lump sum unless it is a commutation of, or a substitute for, periodic payments) which is based, in whole or in part, upon the active military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1956, is determined by any agency or wholly owned instrumentality of the United States (other than the Veterans' Administration) to be payable by it under any other law of the United States or under a system established by such agency or instrumentality.

The provisions of clause (B) shall not apply in the case of any monthly benefit or lump-sum death payment under this title if its application would reduce by $0.50 or less the primary insurance amount (as computed under section 215 prior to any recomputation thereof pursuant to subsection (f) of such section) of the individual on whose wages and self-employment income such benefit of payment is based. The provisions of clause (B) shall also not apply for purposes of section 216 (i) (3). In the case of monthly benefits under this title for

months after December 1955 (and any lump-sum death payment under this title with respect to a death occurring after December 1955) based on the wages and self-employment income of a veteran who performed service (as a member of a uniformed service) to which the provisions of section 210 (m) (1) are applicable, wages which would, but for the provisions of clause (B), be deemed under this subsection to have been paid to such veteran with respect to his active military or naval service performed after December 1950 shall be deemed to have been paid to him with respect to such service notwithstanding the provisions of such clause, but only if the benefits referred to in such clause which are based (in whole or in part) on such service are payable solely by the Army, Navy, Air Force, Marine Corps, Coast Guard, Coast and Geodetic Survey or Public Health Service.

"(2) Upon application for benefits or a lump-sum death payment on the basis of the wages and self-employment income of any veteran, the Secretary of Health, Education, and Welfare shall make a decision without regard to clause (B) of paragraph (1) of this subsection unless he has been notified by some other agency or instrumentality of the United States that, on the basis of the military or naval service of such veteran on or after July 25, 1947, and prior to January 1, 1956, a benefit described in clause (B) of paragraph (1) has been determined by such agency or instrumentality to be payable by it. If he has not been so notified, the Secretary of Health, Education, and Welfare shall then ascertain whether some other agency or wholly owned instrumentality of the United States has decided that a benefit described in clause (B) of paragraph (1) is payable by it. If any such agency or instrumentality has decided, or thereafter decides, that such a benefit is payable by it, it shall so notify the Secretary of Health, Education, and Welfare, and the Secretary shall certify no further benefits for payment or shall recompute the amount of any further benefits payable, as may be required by paragraph (1) of this subsection.

"(3) Any agency or wholly owned instrumentality of the United States which is authorized by any law of the United States to pay benefits, or has a system of benefits which are based, in whole or in part, on military or naval service on or after July 25, 1947, and prior to January 1, 1956, shall, at the request of the Secretary of Health, Education, and Welfare, certify to him, with respect to any veteran, such information as the Secretary deems necessary to carry out his functions under paragraph (2) of this subsection.

"(4) For the purposes of this subsection, the term 'veteran' means any individual who served in the active military or naval service of the United States at any time on or after July 25, 1947, and prior to January 1, 1956, and who, if discharged or released therefrom, was so discharged or released under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty; but such term shall not include any individual who died while in the active military or naval service of the United States if his death was inflicted (other than by an enemy of the United States) as lawful punishment for a military or naval offense."

(b) Section 217 of such Act is further amended by adding at the end thereof the following new subsection:

"(f) In any case where a World War II veteran (as defined in subsection (d) (2)) or a veteran (as defined in subsection (e) (4)) has died or shall hereafter die, and his widow or child is entitled under the Civil Service Retirement Act of May 29, 1930, as amended, to an annuity in the computation of which his active military or naval service was included, clause (B) of subsection (a) (1) or clause (B) of subsection (e) (1) shall not operate (solely by reason of such annuity) to make such subsection inapplicable in the case of any monthly benefit under section 202 which is based on his wages and self-employment income; except that no such widow or child shall be entitled under section 202 to any monthly benefit in the computation of which such service is included by reason of this subsection (A) unless such widow or child after December 1955 waives his or her right to receive such annuity, or (B) for any month prior to the first month with respect to which the Civil Service Commission certifies to the Secretary of Health, Education, and Welfare that (by reason of such waiver) no further annuity will be paid to such widow or child under such Act of May 29, 1930, as amended, on the basis of such veteran's military or civilian service. Any such waiver shall be irrevocable."

(c) In the case of any deceased individual—

(1) who is a World War II veterans (as defined in section 217 (d) (2) of the Social Security Act) or a veteran (as defined in section 217 (e) (4) of such Act); and

(2) whose widow or child is entitled under the Civil Service Retirement Act of May 29, 1930, as amended, to an annuity in the computation of which his active military or naval service after September 15, 1940, and before January 1, 1956, was included; and

(3) whose widow or child is entitled under section 202 of the Social Security Act, on the basis of his wages and self-employment income, to a monthly benefit in the computation of which such active military or naval service was excluded (under clause (B) of subsection (a) (1) or (e) (1) of section 217 of such Act) solely by reason of the annuity described in the preceding paragraph; and

(4) whose widow or child is entitled by reason of section 217 (f) of the Social Security Act to have such active military or naval service included in the computation of such monthly benefit,

the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, recompute the primary insurance amount of such individual upon the filing of an application, after December 1955, by or on behalf of such widow or child. Such recomputation shall be made only in the manner provided in title II of the Social Security Act as in effect at the time of such individual's death, and as though application therefor was filed in the month in which he died. No recomputation made under this subsection shall be regarded as a recomputation under section 215 (f) of the Social Security Act. Any such recomputation shall be effective for and after the twelfth month before the month in which the application is filed, but in no case for any month before the first month with respect to which such widow or child is entitled by reason of section 217 (f) of the Social Security Act to have such active military or naval service included in the computation of such monthly benefits.

SPECIAL INSURED STATUS IN CASES OF IN-SERVICE OR SERVICE-CONNECTED DEATHS

SEC. 405. Section 214 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Special Insured Status for Servicemen

"(c) In the case of any individual who dies after December 1955, and whose death occurs—

"(1) while on active duty or inactive duty training as a member of a uniformed service, or

"(2) as the result of a disease or injury which the Veterans' Administration determines was incurred or aggravated in line of duty while on active duty, or an injury which the Veterans' Administration determines was incurred or aggravated in line of duty while on inactive duty training, as a member of a uniformed service after September 15, 1940, if the Veterans' Administration determines that such individual was discharged or released from the period of such active duty or inactive duty training under conditions other than dishonorable,

he shall be deemed to have died a fully and currently insured individual."

SPECIAL STATUS IN CASE OF SERVICE-CONNECTED DISABILITY

SEC. 406. (a) So much of subparagraph (A) of section 216 (i) (2) of the Social Security Act as precedes clause (i) thereof is amended to read as follows:

"(A) if the individual satisfies the requirements of paragraph (3) on such day or the disability is service-connected,".

(b) Such section 216 (i) (2) is further amended by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) if such individual does not satisfy the requirements of paragraph (3) on the day referred to in subparagraph (A) and the disability is not service-connected, then on the first day of the first quarter thereafter in which he satisfies such requirements;

except that if, on the day referred to in subparagraph (A), such individual is on active duty or inactive duty training, the period of disability shall begin on the day following the day on which he is released from active duty, ceases to perform inactive duty training, or is separated from service as a member of a uniform service."

(c) Section 216 (i) (4) of such Act is amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) the day such disability began, but only if he satisfies the requirements of paragraph (3) on such day or the disability is service-connected;

"(B) if he does not satisfy such requirements on such day and the disability is not service-connected, the first day of the first quarter thereafter in which he satisfies such requirements;

except that if, on the day referred to in subparagraph (A), such individual is on active duty or inactive duty training, the period of disability shall begin on the day following the day on which he is released from active duty, ceases to perform inactive duty training, or is separated from service as a member of a uniformed service."

(d) Section 216 (i) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(5) (A) For purposes of paragraphs (2) and (4), in the case of any individual who, after December 1955, is released from active duty, ceases to perform inactive duty training, or is separated from service as a member of a uniformed service, under conditions other than dishonorable, a disability is service-connected if it resulted wholly from a disease or injury which the Veterans' Administration determines was incurred or aggravated in line of duty while such individual was on active duty, or from an injury which the Veterans' Administration determines was incurred or aggravated in line of duty while such individual was on inactive duty training, as a member of a uniformed service, and—

"(i) he was under such disability when he was released from active duty, ceased to perform inactive duty training, or was separated from service as a member of a uniformed service or such disability began within three years after the month in which such release, cessation, or separation occurred; or

"(ii) such disability began within three years after cessation of a disability which meets the requirements of clause (i).

"(B) Notwithstanding subparagraph (A) of paragraph (2) or subparagraph (A) of paragraph (4), the provisions of such subparagraph shall apply, in the case of any individual who does not satisfy the requirements of paragraph (3) on the day referred to in such subparagraph, only if he files his application for a disability determination while under a disability which is service-connected under paragraph (6) or subparagraph (A) of this paragraph and such filing occurs (except as otherwise provided in subparagraph (A) of paragraph (6)) within—

"(i) three years after the month in which he is released from active duty, ceases to perform inactive duty training, or is separated from service as a member of a uniformed service, or

"(ii) three years after the month in which the disability began,

whichever is later.

"(6) For purposes of paragraphs (2) and (4), in the case of any individual who, after September 15, 1940, but before January 1, 1956, was released from active duty, ceased to perform inactive duty training, or was separated from service as a member of a uniformed service, under conditions other than dishonorable, a disability is service-connected if it resulted wholly from a disease or injury which the Veterans' Administration determines was incurred or aggravated in line of duty while such individual was on active duty, or from an injury which the Veterans' Administration determines was incurred or aggravated in line of duty while such individual was on inactive duty training, as a member of a uniformed service, and—

"(A) he files an application for a disability determination while under such disability and prior to January 1, 1959, and

"(B) the Veterans' Administration determines (i) that while such individual was on active duty as a member of a uniformed service he incurred a disease or injury or such disease or injury was aggravated, in line of duty, or while such individual was on inactive duty training as a member of a uniformed service he incurred an injury or such injury was aggravated, in line of duty, and (ii) that as a result thereof such individual was under a disability (whether or not within the meaning of such term as defined in section 216 (i)) which was total in degree (for purposes of compensation payable by such Administration) at the time he was released from active duty, ceased to perform inactive duty training, or was separated from service as a member of a uniformed service, or within three years after the month in which such release, cessation, or separation occurred.

Paragraph (4) shall apply with respect to any application for a disability determination filed under subparagraph (A) of this paragraph, whether or not such application is filed before July 1957."

(e) The amendments made by this section shall apply only with respect to monthly benefits under section 202 of the Social Security Act for months after December 1955, and lump-sum death payments under such section 202 in the case of deaths occurring after December 1955.

SPECIAL PROVISIONS IN CASES OF PRIOR DEATHS

SEC. 407. (a) In the case of any individual—

(1) who died prior to January 1, 1956,

(2) who served on active duty or inactive duty training as a member of a uniformed service after September 15, 1940,

(3) whose death (A) occurred while on such active duty or inactive training, or (B) resulted from a disease or injury which the Veterans' Administration determines was incurred or aggravated in line of duty while on active duty, or an injury which the Veterans' Administration determines was incurred or aggravated in line of duty while on active duty training, as a member of a uniformed service after September 15, 1940, if the Veterans' Administration determines that such individual was discharged or released from the period of such active duty or inactive duty training under conditions other than dishonorable, and

(4) who had less than six quarters of coverage at the time of his death, or who died after June 30, 1954, and was not a fully and currently insured individual at the time of his death,

he shall be deemed, for purposes of monthly benefits under title II of the Social Security Act, to have died a fully insured individual (except for purposes of determining entitlement of a former wife divorced to benefits under section 202 (g) of that Act) if he died prior to September 1950, or to have died a fully and currently insured individual if he died after August 1950. The terms used in this section shall have the same meaning as when used in title II of the Social Security Act.

(b) No monthly benefits under title II of the Social Security Act shall be payable by reason of subsection (a) for any month prior to January 1956; and no lump-sum death payment under such title shall be payable by reason of such subsection.

(c) If any monthly benefits are payable under section 202 of the Social Security Act by reason of subsection (a), the primary insurance amount on which such benefits are based shall be $30 instead of the amount computed under title II of such Act; and, for purposes of section 203 (a) of such Act, the average monthly wage on which such benefits are based shall be deemed to be $55.

(d) In the case of any individual to whom subsection (a) is applicable, the requirement in subsection (f) or (h) of section 202 of the Social Security Act that proof of support be filed within two years of the date of death shall not apply if such proof is filed before January 1, 1958.

REIMBURSEMENT OF TRUST FUND FOR COST OF WAGE CREDITS FOR CERTAIN MILITARY SERVICE

SEC. 408. Section 217 of the Social Security Act is amended by adding after subsection (f) (as added by section 404 (b) of this Act) the following new subsection:

"(g) (1) There are hereby authorized to be appropriated to the Trust Fund annually, as benefits under this title are paid after June 1955, such sums as the Secretary of Health, Education, and Welfare determines to be necessary to meet the additional costs, resulting from subsections (a), (b), and (e), of such benefits (including lump-sum death payments).

"(2) The Secretary shall, before October 1, 1957, determine the amount which would place the Trust Fund in the same position in which it would have been at the close of June 30, 1955, if section 210 of this Act, as in effect prior to the Social Security Act Amendments of 1950, and section 217 of this Act (including amendments thereof), had not been enacted. There are hereby authorized to be appropriated to the Trust Fund annually, during the first ten fiscal years beginning after such determination is made, sums aggregating the amount so determined, plus interest accruing on such amount (as reduced by the appropriations made pursuant to this paragraph) for each fiscal year beginning after June 30, 1955, at a rate for such fiscal year equal to the average rate of interest (as determined by the Managing Trustee) earned on the invested assets of the Trust Fund during the preceding fiscal year."

REIMBURSEMENT OF TRUST FUND FOR SPECIAL INSURED STATUS OF SERVICEMEN

SEC. 409. (a) Section 201 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(h) There are hereby authorized to be appropriated to the Trust Fund annually such sums as the Secretary of Health, Education, and Welfare deems to be necessary to meet the additional costs, resulting from section 214 (c) of this Act and from the amendments made to section 216 (i) of this Act by section 406 of the Servicemen's and Veterans' Survivor Benefits Act, of the benefits paid under this title for months after December 1955 (including lump-sum death payments in the case of deaths occurring after December 1955)."

(b) There are hereby authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund annually such sums as the Secretary of Health, Education, and Welfare determines to be necessary to meet the additional costs, resulting from section 407 of this Act, of the benefits paid under title II of the Social Security Act for months after December 1955.

REQUIREMENT OF APPLICATION

SEC. 410. Section 202 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Application for Benefits by Survivors of Members and Former Members of the Uniformed Services

"(o) In the case of any individual who would be entitled to benefits under subsection (d), (e), (g), or (h), upon filing proper application therefor, the filing with the Administrator of Veterans' Affairs by or on behalf of such individual of an application for such benefits, on the form prescribed under section 503 of the Servicemen's and Veterans' Survivor Benefits Act, shall satisfy the requirement of such subsection (d), (e), (g), or (h) that an application for such benefits be filed."

AMENDMENTS RELATING TO RAILROAD RETIREMENT

SEC. 411. (a) Section 4 of the Railroad Retirement Act of 1937 is amended by adding at the end thereof the following new subsections:

"(p) (1) Military service rendered by an individual after December 1955 shall be creditable under this section only if the number of such individual's years of service is ten or more (including, in such years of service, military service which, but for this subsection, would be creditable under this section).

"(2) In any case where an individual has completed ten or more years of service and such years of service include any military service rendered after December 1955, the Board shall as promptly as is practicable (A) notify the Secretary of Health, Education, and Welfare that such military service is creditable under this section and (B) specify the period or periods of the military service rendered after December 1955 which is so creditable.

"(q) Notwithstanding the provisions of this section and section 2 (c) (2), military service rendered by an individual after December 1955 shall not be used in determining eligibility for, or computing the amount of, any annuity accruing under section 2 for any month if (1) any benefits are payable for that month under title II of the Social Security Act on the basis of such individual's wages and self-employment income, (2) such military service was included in the computation of such benefits, and (3) the inclusion of such service in the computation of such benefits resulted (for that month) in benefits not otherwise payable or in an increase in the benefits otherwise payable.

"(r) The Secretary concerned (as defined in section 102 (9) of the Servicemen's and Veterans' Survivor Benefits Act) shall maintain such records, and furnish the Board upon its request with such information, regarding the months of any individual's military service and the remuneration paid therefor, as may be necessary to enable the Board to carry out its duties under this section and sections 2 and 5."

(b) (1) The first sentence of section 4 (n) of the Railroad Retirement Act of 1937 is amended—

(A) by striking out "(i)" and "(ii)" and inserting in lieu thereof "(1)" and "(2)", respectively;

(B) by striking out "for military service after December 31, 1936" and inserting in lieu thereof "for military service after December 31, 1936, and prior to January 1, 1956"; and

(C) by inserting before the period at the end thereof a comma and the following: "and (3) an amount found by the Board to be equal to (A) the amount of the total additional excise and income taxes which would have been payable during the preceding fiscal year under chapter 22 of the Internal Revenue Code of 1954 with respect to the compensation, as defined in such chapter, of all individuals entitled (without regard to subsection (p) (1) of this section) to credit under this Act for military service after December 1955 if each of such individuals, in addition to compensation actually paid, had been paid such compensation in the amount of $160 in each calendar month in which he was in such military service during such preceding fiscal year and such taxes were measured by all such compensation without limitation as to amount paid to any individual in any one calendar month, less (B) the amount of the taxes which were paid with respect to such military service under sections 3101 and 3111 of the Internal Revenue Code of 1954."

(2) Section 4 (n) of such Act is further amended by adding at the end thereof the following new sentence: "In determining pursuant to section 5 (k) (2) for any fiscal year the total amount to be credited from the Railroad Retirement Account to the Old-Age and Survivors Insurance Trust Fund, credit shall be given such Account for the amount of the taxes described in clause (3) (B) of the first sentence of this subsection."

(c) Section 1 (q) of the Railroad Retirement Act of 1937 is amended by striking out "as amended in 1954" and inserting in lieu thereof "as amended in 1955."

SURVIVOR ANNUITIES UNDER THE CIVIL SERVICE RETIREMENT ACT

SEC. 412. Section 5 of the Civil Service Retirement Act of May 29, 1930, as amended, is amended by inserting after the second paragraph thereof the following new paragraph:

"Notwithstanding any other provision of this section, any service (other than service covered by military leave with pay from a civilian position) performed by an individual after December 1955 as a member of a uniformed service on active duty or active duty for training (as those terms are defined in section 102 of the Servicemen's and Veterans' Survivor Benefits Act) shall be excluded in determining the aggregate period of service upon which an annuity payable under section 4 (b) or 12 of this Act to his widow or child is to be based, if such widow or child is entitled (or would upon proper application be entitled), at the time of such determination, to monthly survivors benefits under section 202 of the Social Security Act based on such individual's wages and self-employment income. If in the case of the widow such service is not excluded under the preceding sentence, but upon attaining retirement age (as defined in section 216 (a) of the Social Security Act) she becomes entitled (or would upon proper application be entitled) to such benefits, the Commission shall redetermine the aggregate period of service upon which such annuity is based, effective as of the first day of the month in which she attains such age, so as to exclude such service. The Secretary of Health, Education, and Welfare shall, upon the request of the Commission, inform the Commission whether or not any such widow or child is entitled at any specified time to such benefits."

DETERMINATIONS BY ADMINISTRATOR OF VETERANS' AFFAIRS

SEC. 413. The Administrator of Veterans' Affairs shall, whenever requested by the Secretary of Health, Education, and Welfare, make any determination provided for in section 214 (c) (2), 216 (i) (5) (A), or 216 (i) (6) of the Social Security Act, or in section 407 (a) (3) of this Act. In making a determination under any such section, the Administrator shall, to the extent not inconsistent with such section, utilize the same criteria and procedures as he utilizes in making determinations with respect to claims for benefits under title II of this Act.

PART B—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

DEFINITION OF WAGES

SEC. 414. (a) Section 3121 (i) of the Internal Revenue Code of 1954 is amended to read as follows:

"(i) COMPUTATION OF WAGES IN CERTAIN CASES.—

"(1) DOMESTIC SERVICE.—For purposes of this chapter, in the case of domestic service described in subsection (a) (7) (B), any payment of

cash remuneration for such service which is more or less than a whole-dollar amount shall, under such conditions and to such extent as may be prescribed by regulations made under this chapter, be computed to the nearest dollar. For the purpose of the computation to the nearest dollar, the payment of a fractional part of a dollar shall be disregarded unless it amounts to one-half dollar or more, in which case it shall be increased to $1. The amount of any payment of cash remuneration so computed to the nearest dollar shall, in lieu of the amount actually paid, be deemed to constitute the amount of cash remuneration for purposes of subsection (a) (7) (B).

"(2) SERVICE IN THE UNIFORMED SERVICES.—For purposes of this chapter, in the case of an individual performing service, as a member of a uniformed service, to which the provisions of subsection (m) (1) are applicable, the term 'wages' (as defined in subsection (a)) shall include as such individual's remuneration for such service only his basic pay as described in section 102 (10) of the Servicemen's and Veterans' Survivor Benefits Act."

DEFINITION OF EMPLOYMENT

SEC. 415. (a) Section 3121 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsections:

"(m) SERVICE IN THE UNIFORMED SERVICES.—For purposes of this chapter—

"(1) INCLUSION OF SERVICE.—The term 'employment' shall, notwithstanding the provisions of subsection (b) of this section, include service performed after December 1955 by an individual as a member of a uniformed service on active duty; but such term shall not include any such service which is performed while on leave without pay.

"(2) ACTIVE DUTY.—The term 'active duty' means 'active duty' as described in section 102 of the Servicemen's and Veterans' Survivor Benefits Act, except that it shall also include 'active duty for training' as described in such section.

"(3) INACTIVE DUTY TRAINING.—The term 'inactive duty training' means 'inactive duty training' as described in such section 102.

"(n) MEMBER OF A UNIFORMED SERVICE.—For purposes of this chapter, the term 'member of a uniformed service' means any person appointed, enlisted, or inducted in a component of the Army, Navy, Air Force, Marine Corps, or Coast Guard (including a reserve component of a uniformed service as defined in section 102 (3) of the Servicemen's and Veterans' Survivor Benefits Act), or in one of those services without specification of component or as a commissioned officer of the Coast and Geodetic Survey or the Regular or Reserve Corps of the Public Health Service, and any person serving in the Army or Air Force under call or conscription. The term includes—

"(1) a retired member of any of those services;

"(2) a member of the Fleet Reserve or Fleet Marine Corps Reserve;

"(3) a cadet at the United States Military Academy, a midshipman at the United States Naval Academy, and a cadet at the United States Coast Guard Academy or United States Air Force Academy;

"(4) a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps, or the Air Force Reserve Officers' Training Corps, when ordered to annual training duty for fourteen days or more, and while performing authorized travel to and from that duty; and

"(5) any person while en route to or from, or at, a place for final acceptance or for entry upon active duty in the military or naval service—

"(A) who has been provisionally accepted for such duty; or

"(B) who, under the Universal Military Training and Service Act, has been selected for active military or naval service;

and has been ordered or directed to proceed to such place.

The term does not include a temporary member of the Coast Guard Reserve."

(b) The first sentence of section 3122 of the Internal Revenue Code of 1954 is amended by inserting "including service, performed as a member of a uniformed service, to which the provisions of section 3121 (m) (1) are applicable," immediately after "in the employ of any instrumentality which is wholly owned by the United States,".

(c) Section 3122 of the Internal Revenue Code of 1954 is further amended by inserting after the second sentence thereof the following new sentence: "Payments of the tax imposed under section 3111 with respect to service, performed by an individual as a member of a uniformed service, to which the provisions

of section 3121 (m) (1) are applicable, shall be made from appropriations available for the pay of members of such uniformed service."

RECEIPTS FOR EMPLOYEES

SEC. 416. Section 6051 (b) of the Internal Revenue Code of 1954 is amended to read as follows:

"(b) SPECIAL RULE AS TO COMPENSATION OF MEMBERS OF THE UNIFORMED SERVICES.—In the case of compensation paid for service as a member of the Armed Forces, the statement required by subsection (a) shall be furnished if any tax was withheld during the calendar year under section 3402, or if any of the compensation paid during such year is includible in gross income under chapter 1, or if during the calendar year any amount was required to be withheld as tax under section 3101. In lieu of the amounts required to be shown by paragraphs (3) and (5), respectively of subsection (a), such statement shall show as wages paid during the calendar year (1) the amount of such compensation paid during the calendar year which is not excluded from gross income under chapter 1 (whether or not such compensation constitued wages as defined in section 3401 (a)), and (2) the total amount of wages as defined in section 3121 (a), computed in accordance with such section and section 3121 (i) (2)."

TITLE V—AMENDMENTS AND REPEALS

AMENDMENTS

SEC. 501. (a) (1) Section 620 of the National Service Life Insurance Act of 1940 is amended by striking out the last sentence and inserting in lieu thereof the following: "Any member of a uniformed service (as that term is defined in section 102 of the Servicemen's and Veterans' Survivor Benefits Act) while on active duty, active duty for training, or inactive duty training (as those terms are defined in such section) shall be deemed to be in the active service for the purpose of applying for insurance under the section; however, as to persons incurring a disability under the conditions provided in section 102 (11) (E) of such Act, application for insurance must be filed under this section within one year after the incurrence of such disability."

(2) Section 621 of the National Service Life Insurance Act of 1940 is amended by adding at the end thereof the following:

"(c) No insurance shall be granted to any person under this section on or after January 1, 1956, unless prior to such date an acceptable application accompanied by proper and valid remittances or authorizations for the payment of premiums (1) was received by the Veterans' Administration, (2) was placed in the mails properly directed to the Veterans' Administration, or (3) was delivered to an authorized representative of any of the uniformed services."

(3) (A) Section 622 of the National Service Life Insurance Act of 1940 is amended by inserting "(a)" immediately after "SEC. 622.", and by adding at the end thereof the following:

"(b) No application may be made after December 31, 1955, for waiver of premiums under this section."

(B) Where any individual dies on or after May 1, 1956, and at the time of his death has in effect a policy of National Service Life Insurance or United States Government life insurance under waiver of premiums under section 622 of the National Service Life Insurance Act of 1940, no dependency and indemnity compensation shall be paid under this Act to his widow, children, or parents by reason of his death, but death compensation may be paid under laws administered by the Veterans' Administration to such widow, child, or parents by reason of his death, notwithstanding the fact that such death occurred after December 31, 1955.

(4) The National Service Life Insurance Act of 1940 is amended by adding at the end thereof the following:

"SEC. 623. (a) Any person in active service on January 1, 1956, who surrendered a policy of national service life insurance or United States Government life insurance on a permanent plan for its cash value while in the active service on or after April 25, 1951, and prior to January 1, 1956, may, upon application in writing made within one hundred and twenty days after separation from active service, be granted, without medical examination, permanent plan insurance on the same plan not in excess of the amount surrendered for cash, or may reinstate such surrendered insurance upon panyment of the required reserve and the premium for the current month. Waiver of premiums

under this Act shall not be denied in any case of issue or reinstatement of insurance on a permanent plan under this section in which it is shown to the satisfaction of the Administrator that total disability of the applicant commenced prior to the date of application.

"(b) Any person in the active service on January 1, 1956, who had United States Government life insurance or national service life insurance on the five-year level premium term plan, the term of which expired while he was in the active service after April 25, 1951, and prior to January 1, 1956, shall, upon application made within one hundred and twenty days after separation from active service, payment of premiums, and evidence of good health satisfactory to the Administrator, be granted an equivalent amount of insurance on the five-year level premium term plan at the premium rate for his then attained age.

"(c) Persons deemed to be in the active service for the purposes of section 5 of the Servicemen's Indemnity Act of 1951 shall be deemed to be in the active service for the purposes of this section. The repeal of such Act shall not affect the insurance rights provided in section 5 thereof (except the first sentence) of any person separated from the service prior to January 1, 1956, whose one-hundred-and-twenty-day period specified in such section has not expired."

(b) (1) Section 212 of the Public Health Service Act (42 U. S. C., sec. 213) is amended to read as follows:

"MILITARY BENEFITS

"SEC. 212. (a) Except as provided in subsection (b), commissioned officers of the Service and their surviving beneficiaries shall, with respect to active service performed by such officers—

"(1) in time of war;

"(2) on detail for duty with the Army, Navy, Air Force, Marine Corps, or Coast Guard; or

"(3) while the Service is part of the military forces of the United States pursuant to Executive order of the President;

be entitled to all rights, privileges, immunities, and benefits now or hereafter provided under any law of the United States in the case of commissioned officers of the Army or their surviving beneficiaries on account of active military service, except retired pay and uniform allowances.

"(b) The President may prescribe the conditions under which commissioned officers of the Service may be awarded military ribbons, medals ,and decorations.

"(c) The authority vested by law in the Department of the Army, the Secretary of the Army, or other officers of the Department of the Army with respect to rights, privileges, immunities, and benefits referred to in subsection (a) shall be exercised, with respect to commissioned officers of the Service, by the Surgean General.

"(d) Active service of commisisoned officers of the Service shall be deemed to be active military service in the Armed Forces of the United States for the purposes of all laws administered by the Veterans' Administration (except the Servicemen's Indemnity Act of 1951) and section 217 of the Social Security Act."

(2) The amendment made by this subsection (A) shall apply only with respect to service performed on or after July 4, 1952, (B) shall not be construed to affect the entitlement of any person to benefits under the Veterans' Readjustment Assistance Act of 1952, (C) shall not be construed to authorize any payment under section 202 (i) of the Social Security Act, or under Veterans Regulation Numbered 9 (a), for any death occurring prior to January 1, 1956, and (D) shall not be construed to authorize payment of any benefits for any period prior to January 1, 1956.

(3) In the case of any individual—

(A) who performed active service (i) as a commissioned officer of the Public Health Service at any time during the period beginning July 4, 1952, and ending December 31, 1955, or (ii) as a commissioned officer of the Coast and Geodetic Survey at any time during the period beginning July 29, 1945, and ending December 31, 1955; and

(B) (i) who became entitled to old-age insurance benefits under section 202 (a) of the Social Security Act prior to January 1, 1956, or

(ii) who died prior to January 1, 1956, and whose widow, child, or parent is entitled for the month of January 1956, on the basis of his wages and self-

employment income, to a monthly survivor's benefit under section 202 of such Act; and

(C) any part of whose service described in subparagraph (A) was not included in the computation of his primary insurance amount under section 215 of such Act but would have been included in such computation if the amendment made by paragraph (1) of this subsection or paragraph (1) of subsection (d) had been effective prior to the date of such computation, the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, recompute the primary insurance amount of such individual upon the filing of an application, after December 1955, by him or (if he dies without filing such an application) by any person entitled to monthly survivor's benefits under section 202 of such Act on the basis of his wages and self-employment income. Such recomputation shall be made only in the manner provided in title II of the Social Security Act as in effect at the time of the last previous computation or recomputation of such individual's primary insurance amount, and as though application therefor was filed in the month in which application for such last previous computation or recomputation was filed. No recomputation made under this paragraph shall be regarded as a recomputation under section 215 (f) of the Social Security Act. Any such recomputation shall be effective for and after the twelfth month before the month in which the application was filed, but in no case for any month before January 1956.

(c) (1) Section 2 of the Federal Employees' Group Life Insurance Act of 1954 is amended by striking out all after "District of Columbia" in subsection (b) and inserting in lieu thereof a period, and by adding at the end of such section the following new subsection:

"(c) No person shall acquire insurance coverage under this Act by virtue of his status as a member of a uniformed service. The insurance granted to any employee under this Act (1) shall cease (except for a thirty-one day extension of life insurance coverage) on the day immediately prior to his entry on active duty or active duty for training, unless the period of such duty is covered by military leave with pay from a civilian position, and (2) shall not cease during any period of inactive duty training. The terms used in this subsection shall have the meanings assigned to them by section 102 of the Servicemen's and Veterans' Survivors Benefits Act."

(2) The amendments made by this subsection shall not apply with respect to deaths occurring prior to January 1, 1956, nor shall such amendments apply with respect to insurance granted prior to January 1, 1956, under the Federal Employees' Group Life Insurance Act of 1954 to commissioned officers of the Coast and Geodetic Survey or of the Regular or Reserve Corps of the Public Health Service. No dependency and indemnity compensation shall be payable under this Act to any widow, child, or parent of any such commissioned officer if any amounts are payable under such insurance by reason of the death of such officer occurring on or after May 1, 1956.

(d) (1) The second sentence of the second paragraph of section 16 of the Act of May 22, 1917 (33 U. S. C., sec. 857), is amended to read as follows: "Active service of commissioned officers of the Coast and Geodetic Survey shall be deemed to be active military service for the purposes of all laws administered by the Veterans' Administration (except the Servicemen's Indemnity Act of 1951) and section 217 of the Social Securtiy Act, and for the purposes of section 210 of the Social Security Act as in effect prior to the Social Security Act Amendments of 1950."

(2) The amendment made by this subsection (A) shall apply only with respect to service performed on or after July 29, 1945, (B) shall not be construed to affect the entitlement of any person to benefits under the Veterans' Readjustment Assistance Act of 1952, (C) shall not be construed to authorize any payment under section 202 (i) of the Social Security Act, or under Veterans Regulation Numbered 9 (a), for any death occuring prior to January 1, 1956, and (D) shall not be construed to authorize payment of any benefits for any period prior to January 1, 1956.

(e) Section 40 (b) of the Federal Employees' Compensation Act (5 U. S. C., sec. 790 (b)) is amended—

(1) by striking out clauses (2) and (3) and redesignating clauses (4) and (5) as clauses (2) and (3), respectively; and

(2) by inserting immediately after "United States" the second time it occurs in the parenthetical phrase in clause (1) the following: ", but excluding commissioned officers of the Regular Corps of the Public Health

Service, commissioned officers in the Reserve Corps of the Public Health Service on active duty, and commissioned officers of the Coast and Geodetic Survey".

(f) Section 304 of the Naval Reserve Act of 1938 (34 U. S. C., sec. 855c) is amended (1) by striking out all beginning with "If in time of peace" through "*Provided further*, That" in the third proviso and inserting in lieu thereof "(a) In time of peace", and (2) by adding at the end thereof the following:

"(b) For the purposes of paragraph I (a) of part II of Veterans Regulation Numbered 1 (a), all members of the Naval Reserve shall be considered as performing active military or naval service when injured while performing active duty with or without pay, training duty with or without pay, drills, equivalent instruction or duty, appropriate duty, or other prescribed duty, or while performing authorized travel to or from such duties."

(g) Section 2 of the Act of August 12, 1935 (38 U. S. C., sec. 556a), is amended by inserting immediately after "Public Law Numbered 484, Seventy-third Congress," the following: "the Servicemen's and Veterans' Survivor Benefits Act,".

(h) (1) The first sentence of paragraph (1) of section 21 of the World War Veterans' Act, 1924 (38 U. S. C., sec. 450), is amended by inserting immediately after "payment of compensation," the following: "dependency and indemnity compensation,".

(2) The first sentence of paragraph (3) of such section is amended by inserting immediately after "the compensation," the following: "dependency and indemnity compensation,".

(i) The paragraph under the heading "Transfer of Appropriations" which begins "Army of the Philippines," in the act of February 18, 1946 (38 U. S. C., sec. 38), is amended by striking out all beginning with "(2)" through the words "such pensions" where those words appear the second time in the second proviso, and inserting in lieu thereof the following: "(2) laws administered by the Veterans' Administration providing for the payment of compensation or dependency and indemnity compnsation on account of service-connected disability or death: *Provided further*, That such compensation or dependency and indemnity compensation shall be paid at the rate of one Philippine peso for each dollar authorized to be paid under the laws providing for such compensation or dependency and indemnity compensation, and where annual income is a factor in entitlement to benefits, the dollar limitations in the laws specifying such annual income shall apply at the rate of one Philippine peso for each dollar."

(j) The paragraph beginning "Finance Service, Army," under title II of the act of May 27, 1946 (60 Stat. 223), is amendd by striking out paragraph (6) and the proviso immediately following such paragraph, and inserting in lieu thereof the following:

"(6) The provisions of laws administered by the Veterans' Administration for the payment of compensation or dependency and indemnity compensation on account of srvice-connected disability or death:

Provided further, That payments made under the provisions of any law referred to in clauses (5) and (6) above shall be paid at the rate of one Philippine peso for each dollar authorized by such law: *Provided further*, That where annual income is a factor in entitlement to benefits, the dollar limitations in the laws specifying such annual income shall apply at the rate of one Philippine peso for each dollar:".

(k) Paragraph V of part I of Veterans Regulation Numbered 2 (a) is amended by inserting immediately after "compensation" each place it occurs therein (except paragraph (a)) the following: ", dependency and indemnity compensation."

(l) Section 11 of the Uniformed Services Contingency Option Act of 1953 (37 U. S. C., sec. 380) is amended by inserting immediately after "be considered income" the following: "(except as provided in section 205 (g) of the Servicemen's and Veterans' Survivor Benefits Act)".

(m) The second sentence of paragraph XIII of Veterans Regulation Numbered 10 is amended to read as follows: "The receipt of pension, compensation, or dependency and indemnity compensation by a widow, child, or parent on account of the death of any person, or receipt by any person of pension or compensation on account of his own service, shall not bar the payment of pension, compensation, or dependency and indemnity compensation on account of the death or disability of any other person."

(n) Section 15 of Public Numbered 2, Seventy-third Congress (38 U. S. C., sec. 715), is amended (1) by inserting immediately after "under this title" the first time it occurs the following: "or the Servicemen's and Veterans' Survivor

Benefits Act", and (2) by inserting immediately after "under this title" the second time it occurs the following: "and under the Servicemen's and Veterans' Survivor Benefits Act."

(o) Section 3 of the Act of October 17, 1940 (38 U. S. C., sec. 49a), is amended by inserting immediately after "compensation" the second time it occurs the following: ", dependency and indemnity compensation,".

(p) The Act of September 7, 1944 (38 U. S. C. sec. 733), is amended (1) by inserting immediately after "Seventy-third Congress, as amended," the following: "or of dependency and indemnity compensation payable under the Servicemen's and Veterans' Survivor Benefits Act,", and (2) by inserting immediately after "death pension or compensation" in the second proviso the following: "or dependency and indemnity compensation".

(q) The portion of section 201 of the World War Veterans' Act, 1924 (38 U. S. C., sec. 472), which precedes paragraph (1) thereof is amended by striking out "That if death results from injury—" and inserting in lieu thereof: "If death occurs prior to January 1, 1956, and results from injury—".

(r) The first paragraph of section 3 of the Act of August 16, 1937 (38 U. S. C., sec. 472b), is amended by striking out "World War veteran who died" and inserting in lieu thereof "World War veteran who died prior to January 1, 1956,".

(s) (1) Paragraph IV of part I and paragraph III of part II of Veterans Regulation Numbered 1 (a) are each amended by inserting immediately after "deceased person who died" the following: "prior to January 1, 1956".

(2) The amendments made by this subsection shall not apply with respect to any death occurring on or after May 1, 1956, under the circumstances described in section 501 (a) (3) (B) of this Act.

(t) Section 121 (a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following:

"(18) Dependency and indemnity compensation paid to survivors of members of a uniformed service and certain other persons, see section 210 of the Servicemen's and Veterans' Survivor Benefits Act."

REPEALS

SEC. 502. The following Acts or parts of Acts are repealed:

(1) The Act of December 17, 1919 (10 U. S. C., sec. 903).

(2) The second paragraph under "Bureau of Supplies and Accounts" in the Act of June 4, 1920 (34 U. S. C., sec. 943).

(3) The Act of March 8, 1928 (10 U. S. C., sec. 903a).

(4) The Act of May 12, 1930 (34 U. S. C., sec. 944).

(5) The Act of July 15, 1939 (5 U. S. C., secs. 797, 797a).

(6) The Act of July 18, 1940 (5 U. S. C., sec. 798).

(7) Section 9 of the Act of January 19, 1942 (33 U. S. C., sec. 870).

(8) Section 2 of the Act of December 3, 1942 (33 U. S. C., sec. 855a).

(9) (A) Title 14, United States Code, section 489.

(B) The portion of the table of sections at the beginning of chapter 13 of title 14, United States Code, which reads "489. Death gratuity."

(10) The Servicemen's Indemnity Act of 1951.

APPLICATION FOR BENEFITS

SEC. 503. The Administrator and the Secretary of Health, Education, and Welfare shall jointly prescribe forms for use by survivors of members and former members of the uniformed services in filing applications for benefits under title II of this Act and under title II of the Social Security Act. Each such form shall request information sufficient to constitute an application for benefits under both such titles; and when an application on such form has been filed with either the Administrator or the Secretary it shall be deemed to be an application for benefits under both such titles. A copy of each such application filed with the Administrator, together with any additional information and supporting documents (or certifications thereof) which may have been received by the Administrator with such application, and which may be needed by the Secretary in connection therewith, shall be transmitted by the Administrator to the Secretary; and a copy of each such application filed with the Secretary, together with any additional information and supporting documents (or certifications thereof) which may have been received by the Secretary with such form, and which may be needed by the Administrator in connection

therewith, shall be transmitted by the Secretary to the Administrator. The preceding sentence shall not prevent the Secretary and the Administrator from requesting the applicant, or any other individual, to furnish such additional information as may be necessary for purposes of title II of the Social Security Act and title II of this Act, respectively.

MISCELLANEOUS

SEC. 504. (a) This Act shall take effect on January 1, 1956.

(b) The amendment or repeal of any provision of law by this Act shall not operate to deprive any person of payments of the six month's gratuity or of any payments which such person would be eligible to receive, but for such amendment or repeal, by reason of the death or disability of any person occurring prior to January 1, 1956; nor shall the amendment or repeal of any such provision operate to deprive any person disabled prior to January 1, 1956, of any right to which he is entitled under the Federal Employees' Compensation Act by reason of such disability.

Passed the House of Representatives July 13, 1955.

Attest: RALPH R. ROBERTS,
Clerk.

The CHAIRMAN. Also I submit for the record the reports of the Departments of Defense and Labor on the pending bill.

ASSISTANT SECRETARY OF DEFENSE,
LEGISLATIVE AND PUBLIC AFFAIRS,
Washington 25, D. C., December 27, 1955.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance, United States Senate.

DEAR MR. CHAIRMAN: This is in response to your request dated July 25, 1955, for comments on H. R. 7089, a bill to provide benefits for the survivors of servicemen and veterans, and for other purposes.

The problem of survivor benefits for members of the armed services has been the subject of study within the Department of Defense for several years. This study was culminated by participation in the deliberations of the Committee on Retirement Policy for Federal Personnel (the Kaplan Committee) in 1953 and 1954 and, more recently, participation in the study of the problem by the Select Committee on Survivor Benefits of the House of Representatives.

The recommendations of the Kaplan Committee and the survivor benefit structure originally proposed by the Department of Defense to the Select Committee on Survivor Benefits provided for higher levels of death compensation than are reflected in H. R. 7089. The more liberal benefits for dependent survivors proposed initially by the Department of Defense were considered to be appropriate in the light of the national economy and in conformance with principles of maximum equity for all members of the armed services.

Even though the level of benefits provided for in H. R. 7089 are less than those originally proposed by the Department of Defense, the essential principles of dependency, equity, and simplicity recommended by the Kaplan Committee and favored by the Department of Defense have been preserved in H. R. 7089. Moreover, the benefit levels as reflected in H. R. 7089 represent a vast improvement over those provided by existing law.

The primary features of the bill, H. R. 7089, are as follows:

1. Death compensation

(*a*) *Widows.*—Death compensation at the same flat rate ($69.60 plus $27.20 for the first child and $23.20 for each additional child during peacetime) for widows of servicemen of all ranks, as provided by present law, would be replaced by a graduated scale of dependency and indemnity compensation computed at a monthly rate of $112 plus 12 percent of the attained basic pay of the service member. This formula produces a range of compensaiton varying from $122 for grade E–1 to $242 for grade O–8 (major general, rear admiral).

Eligibility of survivors for this compensation is contingent upon the death of the serviceman from disease or injury incurred or aggravated in line of duty while on active duty or active duty for training, from injury incurred or aggravated in line of duty while on inactive duty training, or from a disability compensable under laws administered by the Veterans' Administration (i. e., from a service-connected cause after release from active duty). This formula applies to widows without minor children or to widows with children regardless of

number, and the benefits are payable throughout the unremarried lifetime of the widow.

Supplementary benefits for widows with minor children would be provided through the family benefit provisions of the Social Security Act, discussed in more detail herein. Separate formulas are provided for orphaned children and dependent parents as outlined below.

(*b*) *Orphaned children.*—Death compensation for orphaned children would remain on a flat rate basis, graduated according to the number of surviving children; however, the rates would be increased as indicated by the following comparison:

	Present Law (peacetime)	H. R. 7089
1 child	$53.60	$70
2 children	75.20	100
3 children	96.60	130
Each additional child	18.40	25

(*c*) *Dependent parents.*—Present peacetime death compensation for dependent parents of $64 for 2 parents or $60 for 1 parent would be replaced by a graduated scale of compensation which is related to annual income and which would provide greater flexibility in recognizing the need of the parents as tabulated below:

2 PARENTS

Total annual income		Total monthly benefit
More than—	But equal to or less than—	
0	$1,000	$100
$1,000	1,350	80
$1,350	1,700	60
$1,700	2,050	40
$2,050	2,400	20
$2,400		

1 PARENT

0	$750	$75
$750	1,000	60
$1,000	1,250	45
$1,250	1,500	30
$1,500	1,750	15
$1,750		0

2. Old-Age and survivors insurance

The present gratuitous social security wage credit of $160 per month for all service members would be terminated and all members of the armed services would be brought into the contributory old-age and survivors insurance system. Military personnel would contribute at the same tax rate as all other citizens, with the tax computed against attained basic pay up to a maximum of $4,200 per annum. Benefits payable to survivors will vary according to average wage credits accrued at time of death of the serviceman, and they will be payable regardless of whether or not death was service connected. No social security benefits would be payable to surviving widows without children until age 65. Old-age benefits would be payable to both the military member and his wife or surviving widow at age 65.

3. Death gratuity

Death gratuity would continue to be payable at the rate of 6 months basic, incentive, and special pay, except that a minimum of $800 and a maximum of $3,000 would be established. This, compared with the existing minimum of $468 and the maximum of $7,656, would provide a more appropriate readjustment fund for survivors of both the lower grades and the higher grades.

4. Servicemen's indemnity

The servicemen's indemnity benefit, payable under present law at the rate of $92.90 per month for 120 months, would be replaced by the combined revised payments of dependency and indemnity compensation which would continue undiminished during the unremarried lifetime of the widow, as described above. While the gratuitous servicemen's indemnity as such would no longer exist, holders of national service or United States Government life insurance would retain their entitlement to such insurance as a contractual right.

5. Federal Employees' Compensation Act benefits

The entitlement of reservists (whose death occurs while on active duty in peacetime) to the benefits of the Federal Employees' Compensation Act would be terminated. This is an inequitable feature of present law. It not only permits the survivors of these reservists to receive greater benefits than their Regular and National Guard contemporaries, but, as in other cases under present law, provides more income for the surviving family than the service member received in pay and allowances when he was alive.

For the reasons specified below, the Department of Defense strongly endorses H. R. 7089 and recommends its early enactment:

1. While H. R. 7089, the Servicemen's and Veterans' Survivor Benefits Act, would provide improved benefits for many individuals now on Veterans' Administration rolls, the Department of Defense considers the bill to be of the highest importance to members of the Armed Forces. It is one of the key measures in departmental efforts to improve military career incentives.

2. It would not alter entitlements under existing laws for any survivor now on the rolls, but it would permit such survivors to elect the new benefits where such election would improve their total compensation.

3. It would eliminate inequities existing under the present system and would simplify the survivor benefit structure to the advantage of the Government and of the individuals affected.

4. It would establish the principle of death compensation related to and commensurate with the lifetime income of the service member.

5. It would achieve the very important objective of bringing members of the armed services under social security on a contributory basis, thus placing career military personnel in a comparable position with civilian wage-earners and providing a continuity between preservice and postservice social-security coverage for those members who are inducted or who serve in the military services for short or temporary periods.

6. In overall effect, the bill would provide an improved compensation structure, with benefits distributed over the lifetime of the survivors, and it is believed, over an extended period of time will prove less costly to the Government than if present laws were to continue in effect.

A detailed review of the bill, together with related laws and other legislation proposed by the Department of Defense, has been conducted. On the basis of this review, certain amendments are believed to be appropriate. These changes and the reasons therefor are outlined in the inclosure to this letter.

The estimated cost to the Department of Defense, if this bill is enacted with these proposed amendments, would be $117,260,000 per annum.

Subject to the incorporation of these amendatory refinements, the Department of Defense strongly supports this legislation. The Bureau of the Budget has advised that enactment of H. R. 7089 would be in accord with the program of the President.

Sincerely yours,

ROBERT TRIPP ROSS.

PROPOSED AMENDMENTS TO H. R. 7089

(A) Amendments to provide survivor benefit coverage for members of the Reserve Officers' Training Corps while participating in military training during the school year and during summer training:

1. Section 102 (2): On page 3, delete paragraph (D) beginning on line 23 and substitute therefor the following:

"(D) a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps (including those appointed under the Act of August 13, 1946, 60 Stat. 1057), or the Air Force Reserve Officers' Training Corps, while engaged in military training, including flight training, and while attending a training camp or participating in a practice cruise and while performing authorized travel to and from that training; and";

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2. Section 102 (5) : On page 5, delete all of clause (C) beginning on line 24 and substitute therefor the following:

"(C) annual training performed by a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps (including those appointed under the Act of August 13, 1946, 60 Stat. 1057), or the Air Force Reserve Officers' Training Corps, at a training camp or on a practice cruise, and";

3. Section 102 (6) : On page 6, insert after the word "means" in line 6 "(i)"; and in line 13 change the period to a semicolon and add the following:

"and (ii) military training, including flight training, performed by members of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps (including those appointed under the Act of August 13, 1946, 60 Stat. 1057), or the Air Force Reserve Officers' Training Corps, while attending a civil educational institution and travel to and from such training by Government vehicle or aircraft."

4. Section 102 (10) : On page 9, delete paragraph (B) beginning on line 21, and substitute therefor the following:

"(B) The pay received by members of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps (including those appointed under the Act of August 13, 1946, 60 Stat. 1057), and the Air Force Reserve Officers' Training Corps, while attending a training camp or participating in a practice cruise shall be considered to be 'basic pay'.";

5. Section 102 (11) : On page 12, reletter paragraphs (D), (E), and (F) as (E), (F), and (G), respectively, and add the following new paragraph (D) :

"(D) With respect to a person described in paragraph (2) (D) who dies as the result of injury incurred while performing the inactive duty training defined in (ii) of paragraph 6 (A), the term 'basic pay' means the basic pay defined in paragraph (10) (B)."

6. Section 402 (a) : On page 35, delete lines 1 through 6 and substitute therefor the following:

"(4) a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps (including those appointed under the Act of August 13, 1946, 60 Stat. 1057), or the Air Force Reserve Officers' Training Corps, while engaged in military training, including flight training, and while attending a training camp or participating in a practice cruise and while performing authorized travel to and from that training; and";

7. Section 415 (a) : On page 61, delete lines 12 through 17 and substitute therefor the following:

"(4) a member of the Reserve Officers' Training Corps, the Naval Reserve Officers' Training Corps (including those appointed under the Act of August 13, 1946, 60 Stat. 1057), or the Air Force Reserve Officers' Training Corps, while engaged in military training, including flight training, and while attending a training camp or participating in a practice cruise and while performing authorized travel to and from that training; and";

Purpose

The foregoing amendments would provide appropriate and consistent coverage for members of the Reserve Officers' Training Corps who die as a result of participation in military training, including flight training, during the school year, or while attending a training camp or participating in a practice cruse. These changes would replace the survvor benefit coverage for members of the ROTC under the Federal Employees Compensation Act as provided in H. R. 5738, a bill "To Authorize Flight Instruction During Reserve Officers' Training Corps Programs, and for other purposes" as passed by the House of Representatives on July 22, 1955. Appropriate amendments to eliminate survivor benefit provisions from H. R. 5738 will be proposed by separate Department of Defense action.

The amendments proposed herewith would provide exclusive survivor benefit coverage for members of the Reserve Officers' Training Corps under H. R. 7089 on the same basis as for all military personnel. Those members who die while performing annual training at a training camp or on a practice cruise would be treated the same as members of the military services who die while on active duty for training. Those members of the ROTC whose death occurs as the result of participation in military training, including flight training, while attending a civil educational institution would be covered in the same manner as inactive duty trainees. Thus a member of the ROTC who might be killed as the result of an aircraft accident while undergoing flight instruction during the academic year would be treated no differently than a member of the Inactive Reserve who is killed while on a weekend training flight.

This proposed change would resolve existing overlaps and inconsistencies between the provisions of H. R. 7089 and H. R. 5738. It achieves the desired objective of eliminating FECA coverage as a part of the military survivor benefit structure and preserves the overall intent and purpose of the proposed Servicemen's and Veterans' Survivor Benefits Act.

While it represents a departure from the survivor-benefit concept adopted by the House of Representatives in H. R. 5738, it is nevertheless considered to be a more desirable resolution. In this connection, a precedent for inclusion of members of the ROTC under military survivor benefits was established by Public Law No. 638, 83d Congress, which entitled those individuals to the benefits of the Servicemen's Indemnity Act during their summer training.

(B) Amendment to provide the rate of pay on which benefits under H. R. 7089 would be computed for the survivors of enlisted reservists who die while performing the 6 months training duty provided under section 2 (i) of the Reserve Forces Act of 195:

1. Section 102 (10) : On page 10, line 5, add the following new subsection :

"(C) The pay received by persons performing the period of active duty for training required by clause (1) of section 262 (c) of the Armed Forces Reserve Act of 1952, as amended, shall be considered to be 'basic pay'."

Purpose

Section 262 (d) of the Armed Forces Reserve Act of 1952, as amended by the Reserve Forces Act of 1955, provides survivor benefit coverage under existing law for the enlisted Reserves who perform the 6 months' training duty under that section. These reservists, however, are not covered under H. R. 7089 inasmuch as the definition of "basic pay" contained in the bill does not include the special pay of $50 a month provided for them while performing the 6-months' training duty by section 262 (d) of the Armed Forces Reserve Act of 1952, as amended. The proposed amendment would include that pay in the definition of "basic pay" contained in section 102 (10) of H. R. 7089.

(C) Amendments to bring section 501 (a) in consonance with the changes made in the National Service Life Insurance Act by Public Law 193, 84th Congress, and in the Servicemen's Indemnity Act of 1951 by Public Law 194, 84th Congress:

1. Section 501 (a) (3) : On page 64, delete lines 20 and 21 and substitute therefor the following:

"(b) Except as provided in the first proviso to this section, no application may be made after December 31, 1955, for waiver of premiums under this section."

2. Section 501 (a) (3) : On page 64 delete lines 22 through 25 and on page 65, delete lines 1 through 8, and substitute therefor the following:

"(B) Except as herein otherwise provided, where an individual dies on or after May 1, 1956, and at the time of his death has in effect a policy of National Service Life Insurance or United States Government Life Insurance under waiver of premiums under Section 622 of the National Service Life Insurance Act of 1940, no dependency and indemnity compensation shall be paid under this act to his widow, children, or parents by reason of his death, but death compensation may be paid under laws administered by the Veterans' Administration to such widow, children, or parents by reason of his death, notwithstanding the fact that such death occurred after December 31, 1955. In no event shall the foregoing provision be applicable with respect to any person entitled to waiver or premium under the first proviso to Section 622 (a) of the National Service Life Insurance Act of 1940, as amended, whose death occurs prior to his return to military jurisdiction or within one hundred and twenty days thereafter."

3. Section 501 (a) (4) : On page 65, delete lines 11 through 25, and on page 66, delete lines 1 and 2, and substitute therefor the following:

"SEC. 623. (a) Any person who surrendered a policy of National Service Life Insurance or United States Government Life Insurance on a permanent plan for its cash value while in the active service on or after April 25, 1951, and prior to January 1, 1956, may, upon application in writing made within one hundred and twenty days after separation from the active service during which the policy was surrendered, be granted, without medical examination, permanent plan insurance on the same plan not in excess of the amount surrendered for cash, or may reinstate such surrendered insurance upon payment of the required reserve and the premium for the current month. Waiver of premiums and total disability income benefits otherwise authorized under this act or the World War Veterans' Act of 1924, as amended, shall not be denied in any case of issue

or resinstatement of insurance on a permanent plan under this section in which it is shown to the satisfaction of the Administrator that the total disability of the applicant commenced prior to the date of application. The cost of the premiums waived and total disability income benefits paid by virtue of the preceding sentence and the excess mortality cost in any case where the insurance matures by death from such total disability shall be borne by the United States and the Administrator is authorized and directed to transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance fund and from the military and naval insurance appropriation to the United States Government Life Insurance Fund such sums as may be necessary to reimburse the funds for such costs."

4. Section 501 (a) (4) : On page 66, delete lines 3 through 13, and substitute therefor the following:

"(b) Any person who had United States Government Life Insurance or National Service Life Insurance on the five-year level premium term plan, the term of which expired while he was in the active service after April 25, 1951, or within one hundred and twenty days after separation from such active service, and in either case prior to January 1, 1956, shall, upon application made within one hundred and twenty days after separation from such active service, payment of premiums, and evidence of good health satisfactory to the Administrator, be granted an equivalent amount of insurance on the five-year level premium term plan at the premium rate for his then attained age."

5. Section 501 (a) (4) : On page 66, delete the sentence beginning on line 17.

Purpose

Public Law 193, 84th Congress, amended section 622 of the National Service Life Insurance Act of 1940 to permit any insured coming under the Missing Persons Act, who was missing in action, interned, or captured after April 25, 1951, and before April 26, 1952, to apply for waiver of premium on his Government life insurance within 120 days after enactment of the amendment or the date of his return to military jurisdiction, whichever is later. The proposed amendment to section 501 (a) (3) of H. R. 7089 would bring that section in consonance with the changes made in section 622 of the National Service Life Insurance Act by Public Law 193, 84th Congress.

Public Law 194, 84th Congress, amended section 5 of the Servicemen's Indemnity Act of 1951 to permit any person whose term insurance expired during the 120-day period after separation from the service to replace that insurance during that period ; and to provide that in cases where total disability commenced before the date of application for insurance the Government will bear the cost of premiums waived, the total disability benefits paid, and the excess mortality costs in such cases. The proposed amendment to section 501 (a) (4) of H. R. 7089 would bring that section in consonsance with the amendments made to section 5 of the Servicemen's Indemnity Act of 1951 by Public Law 194, 84th Congress.

(D) Amendment to clarify the status of commissioned officers of the Reserve Corps of the Public Health Service holding Government employees group life insurance policies:

1. Section 501 (c) On page 71, delete line 12 and the word "Service" in line 13, and substitute therefor the following:

"of the Regular Corps of the Public Health Service, or to commissioned officers of the Reserve Corps of the Public Health Service on active duty with the Service."

Purpose

As presently worded this sentence would apply to an officer of the Reserve Corps of the Public Health Service who acquired Government employees group life insurance while employed in an inactive-duty status as a civilian in some other branch of the Federal Government. The proposed amendment to section 501 (c), of H. R. 7089, would exclude such a possibility.

(E) Amendment to include the Missing Persons Act among the benefits to which members of the Philippine Army serving with United States Forces are entiled:

1. Section 501 (i) : On page 74, delete lines 7 through 22 and substitute therefor the following:

"in the Act of February 18, 1946 (60 Stat. 14), as amended (38 U. S. C. 38), is amended by striking out all beginning with 'and (2)', and inserting in lieu thereof the following: '(2) laws administered by the Veterans' Administration providing for the payment of compensation or dependency and indemnity com-

pensation on account of service-connected disability or death, and (3) the Missing Persons Act (56 Stat. 143), as amended (50 U. S. C. App. 1001 et seq.): *Provided further*, That such compensation or dependency and indemnity compensation shall be paid at the rate of one Philippine peso for each dollar authorized to be paid under the laws providing for such compensation or dependency and indemnity compensation, and where annual income is a factor in entitlement to benefits, the dollar limitations in the laws specifying such annual income shall apply at the rate of one Philippine peso for each dollar: *Provided further*, That any payments hertofore made under any such law to or with respect to any member of the military forces of the Government of the Commonwealth of the Philippines who served in the services of the Armed Forces of the United States shall not be deemed to be invalid by reason of the circumstances that his service was not service in the military or naval forces of the United States or ay component thereof within the meaning of such law.' "

Purpose

The act of July 25, 1947 (61 Stat. 455) amended the act of February 18, 1946 (60 Stat. 14) by adding the Missing Persons Act to the benefits to which members of the Philippine Army serving with United States forces were entitled.

The legislative history of this amendment, however, indicates some confusion as to the proper placement of the amendatory language. The proposed amendment to section 501 (i) of H. R. 7089 would place the amendatory language of the act of July 25, 1947, in its proper place.

(F) Amendment to limit theapplicability of section 15 of Public, No. 2, 73d Congress, to title II of H. R. 7089.

1. Section 501 (n): On page 76, in line 11, after the word "or", insert "title II of", and in line 14, after the word "under", insert "title II of."

Purpose

Section 15 of Public, No. 2, 73d Congress, pertains to the making of false claims under laws administered by the Veterans' Administration. As title II of H. R. 7089 is the only title of the bill which would be administered by the Veterans' Administration, the proposed amendment to section 501 (n) would limit the application of that law to title II of H. R. 7089.

DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, January 9, 1956.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR SENATOR BYRD: This is with further reference to your request for my comments on H. R. 7089, a bill to provide benefits for the survivors of servicemen and veterans, and for other purposes.

The proposed legislation is designed to establish an integrated system of survivors' benefits for servicemen and veterans in lieu of the existing uncoordinated programs. This integrated system would provide benefits from three sources, namely, (13 a 6-month death gratuity computed under a proposed new formula, including new minimum and maximum benefits; (2) old-age and survivorship insurance on a full contributory participation basis; and (3) a dependency and indemnity compensation benefit program similar to the existing Veterans' Administration death compensation and indemnity programs but with revised formulas.

H. R. 7089 would discontinue certain existing benefits including the servicemen's indemnity and compensation benefits for reservists and for commissioned officers of the Public Health Service and the Coast and Geodetic Survey under the Federal Employees' Compensation Act. Present veterans' compensation benefits would be replaced, as indicated in the preceding paragraph.

I am in favor of establishing equal protection for all members of the uniformed services and their survivors. The inequities under existing law call for a revision of the present system. Some of these inequities result from the extension of benefits of the Federal Employees' Compensation Act to certain reservists and to the lack of uniformity in the protection accorded to different branches of the service.

I approve of the discontinuance of benefits under the Federal Employees' Compensation Act for members of the uniformed services in favor of the benefit sys-

tem provided for in H. R. 7089. However, in order to safeguard the rights of persons on the compensation rolls and those who may be eligible to claim benefits because of disability or death occurring prior to January 1, 1956, I recommend that section 504 (a) of the bill be amended by substituting the following for lines 15 and 16, on page 80: "any right or the continuation of benefits to which he would otherwise be entitled by reason of such disability, except for such amendment or repeal."

The Bureau of the Budget advises that it has no objection to the submission of this report and that the enactment of H. R. 7089 would be in accord with the program of the President.

Sincerely yours,

JAMES P. MITCHELL,
Secretary of Labor.

The CHAIRMAN. The first witness is Admiral Radford, the distinguished chairman of the Joint Chiefs of Staff.

It is a pleasure to have you here. We do not often have you before the Finance Committee.

Admiral RADFORD. I think this is my first appearance before this committee.

The CHAIRMAN. It will not be your last, we trust.

Admiral RADFORD. I hope so.

The CHAIRMAN. You may proceed.

STATEMENT OF ADM. ARTHUR RADFORD, CHAIRMAN OF THE JOINT CHIEFS OF STAFF; ACCOMPANIED BY REAR ADM. E. W. GRENFELL, ASSISTANT CHIEF FOR PERSONNEL CONTROL, BUREAU OF NAVAL PERSONNEL; AND CAPT. DAVID L. MARTINEAU, ASSISTANT CHIEF FOR SPECIAL PROJECTS, BUREAU OF NAVAL PERSONNEL

Admiral RADFORD. Mr. Chairman and members of the Senate Finance Committee, it is a pleasure for me to appear before this committee on behalf of the Department of Defense in support of H. R. 7089, the servicemen's and veterans' survivor benefits bill.

The cornerstone of our defense program is to prepare for the long pull. During the past 3 years searching studies have been made to determine the number of military personnel which the Defense Department should maintain on active duty.

It has been determined that approximately 2.9 million men represent the general order of magnitude of the size forces which we must maintain indefinitely in an optimum state of readiness in order to meet our security requirements. Other than minor savings and adjustments, I cannot predict any major reductions from the above totals for the foreseeable period ahead.

Since we have already attained a level program as far as manpower strength is concerned, the next step must be to achieve stability of personnel within these numbers. We must reduce the excessive and alarming personnel turnover rate by providing the necessary incentive for larger numbers of highly qualified officers and men to accept the service as a career. We must maintain sufficient numbers of long term enlistees, because the leadership and technical skills required can only be achieved after long training and experience.

Other vital considerations, greatly influenced by the numbers of long-term enlistments, are overseas deployments, mobility of forces, morale, and combat efficiency. In short, we must increase the ratio

of career personnel to total personnel. Only when we can attain a "hard core" of career personnel in sufficient numbers to constitute a reasonable percentage of the total will we have stability in its full and true sense.

The personnel strengths now being maintained are by far the largest in our peacetime history. With each of the services operating such modern and highly complex equipment and weapons systems, the degree of skill required is higher than ever before. In order to obtain the caliber of personnel necessary to maintain and operate properly such complicated and expensive equipment we are forced to compete for the same man to whom industry is willing and able to pay much higher wages.

In addition, more sacrifices are required of him, including long separations from his family, extended and intensive operations at sea, and arduous duties at far-away ships and stations.

The present day serviceman must accept more responsibility and serve under greater stress and tension. Thus, the higher caliber of personnel needed today and the fact that additional sacrifices are required of both them and their families add considerably to our problem.

This bill forms part of an overall program whose purpose is to attract a larger proportion of highly qualified and expensively trained persons, both officer and enlisted, to remain in the service on a career basis.

By making service conditions sufficiently attractive so that approximately half of this force will consist of key personnel remaining voluntarily beyond their period of obligated service, we will add immeasurably to the proficiency and combat readiness of our National Military Establishment. We will also be able to reduce considerably the expense of excessive training requirements.

Although all of the personnel measures proposed by the Department of Defense to this Congress are interrelated and important to the career incentive program, I consider the survivor benefits bill which is now before your committee for consideration to be the most important.

The present survivor benefits system has come into being over many years on a piecemeal basis. It is complex and it is grossly inequitable in many respects. Under existing laws, surviving widows may be eligible for various levels of benefits, with amounts ranging from an unlivable minimum of $70 from the Veterans' Administration to a maximum of $525 under the Federal Employees Compensation Act.

Survivors benefits are inadequate in some cases and excessive in others. They are vastly different for Regulars and Reserves, and even different between Naval Reserves and Army and Air Force Reserves.

They are poorly distributed over the lifetime of the survivor. Payments are unrelated to the income level of the serviceman at the time of death and are made at flat rates for everyone except survivors of reservists.

I know of no situation which causes more unrest and dissatisfaction among our servicemen and their families than the existing complex survivorship system. Our people serve under conditions of constant hazard. They are a transitory group, subject to orders moving them to remote places in regular cycles.

In my extensive travels it has been brought to my attention repeatedly that our military families do not feel at all secure under the present multiple-benefit structure and they resent the inequities where they affect them.

Mr. Chairman, this problem has been under study for a number of years. The bill before you has been under consideration by the Congress since early last year. It will die unless acted upon before the close of this session. This would have a most damaging effect on the morale and peace of mind of our military personnel.

Enactment of H. R. 7089 into law will greatly assist us in retaining more of the topnotch junior officers and noncommissioned officers on a stabilized career basis. Thus it will very definitely strengthen our national defense.

I am confident that this vital measure will receive the most careful consideration of your committee and I strongly urge its enactment.

The CHAIRMAN. Thank you very much, Admiral Radford.

Are there any questions?

Senator MARTIN. Admiral, I wonder if it would be too difficult to get figures showing a comparison of the increase of compensation to the service as to compensation out in civilian life. I mean, the percentage. I know it is much lower in percentage than it is in civilian activities.

I wonder whether or not you have a study on that question?

Admiral RADFORD. I am quite sure we could produce one.

(The following was subsequently received for the record:)

The median income for civilian males was an income in the United States was in—

(*a*) 1949: $2,346.

(*b*) 1953: $3,223, an increase of 37.4 percent.

Military basic pay during the period from October 1, 1949, to date, with an average number of years of creditable service for the rank or grade, was increased as follows:

Grade	Prior service	Pay increase	Grade	Prior service	Pay increase
	Years	*Percent*		*Years*	*Percent*
O-8	30	12.7	W-2	16	23.0
O-7	30	12.2	W-1	12	27.4
O-6	27	16.5	E-7	20	15.0
O-5	22	15.1	E-6	15	17.1
O-4	16	16.3	E-5	10	19.4
O-3	10	17.9	E-4	5	20.9
O-2	5	20.7	E-3	1	4.0
O-1	0	4.0	E-2	1	4.0
W-4	18	14.6	E-1	0	4.0
W-3	18	16.2			

The average increase in basic pay for all military personnel from 1949 to date is approximately 15.4 percent compared with the increase in median civilian income of 37.4 percent from 1949 to 1953. The civilian median has undoubtedly increased considerably since 1953.

Senator MARTIN. Do you see what I mean, there isn't any question in my own mind that there is a great difference, that it is much greater in civilian activity than it is in the services.

Admiral RADFORD. That is right, sir.

Senator MARTIN. And then do you have any study comparing the benefits with that in civilian life, what occurred in the last 10 years?

Captain MARTINEAU. Yes, sir.

Admiral RADFORD. Yes, sir. I think, Senator, there will be something on that.

Senator MARTIN. I think it would be very helpful to us if we had that.

Admiral RADFORD. Some of those points will be touched upon.

Senator MARTIN. I just wanted to be sure that they would be brought in.

(The following was subsequently received for the record:)

ANALYSIS OF SUPPLEMENTARY BENEFIT PRACTICES IN INDUSTRY IN RELATION TO TRADITIONAL MILITARY BENEFITS BY THE DEPARTMENT OF DEFENSE INTERSERVICE COMMITTEE ON MILITARY CAREER INCENTIVES

Certain questions were raised during hearings before the House Appropriations Committee during the first session of the 84th Congress concerning various aspects of military benefits and compensation in relation to those offered by industry. This matter has also been the subject of questions from other committees of the Congress, and may well come up for discussions during this session. In order that the facts may be available for the record, both within the Department of Defense and in the Congress, this analysis is presented.

QUESTIONS

I. *Insurance.*—How many firms give all their employees, without any cost whatsoever, a $10,000 insurance policy?

II. *Hospitalization.*—Do you know of any business right now that provides for hospitalization for the wives of their employees when they are going to have a baby?

III. *Medical care.*—How many concerns give full medical and dental care to their retired employees, their wives and widows—for life?

IV. *Retirement pensions.*—How many employees in private industry, when they retire from service after a long time, get 75 percent of their pay for which they have not contributed as much as one nickel?

V. *Merchandise discounts.*—How many of the major concerns in industry make it possible—outside of perhaps some of the old employees—for the rest of the employees to procure rather large numbers of items at fairly reasonable prices, below what other taxpayers pay for them?

VI. *Housing.*—How many business concerns furnish all the housing for their employees?

VII. *Disability.*—How many concerns are there in the United States that will, if an employee is pretty badly "banged up" out on a picnic or something on Saturday or Sunday, or under any number of circumstances where it does not have anything to do with his work at all, take care of that employee, put him in a hospital, do whatever surgery is necessary, get whatever specialist is necessary, maintain him there, if necessary, for not just a year but 17 months or 24 months, at full pay and then give him, if he is not able to carry on his duties, a retirement for disability?

VIII. *Lump sum death gratuity.*—How many companies are there that give, when one of their employees dies, the widow 6 months of his compensation?

IX. *Pay.*—In what type of work would you say a youngster 3 years out of a university would draw the equivalent of $6,000 a year?

CONTRASTS IN CONDITIONS OF SERVICE OR EMPLOYMENT

Before dealing with the specifics of these and other questions, it is considered essential that there be an awareness of the differences in conditions of service as between military personnel and workers in civilian industry. It is misleading to draw direct comparisons between the circumstances applicable to civilians in industry and military personnel without a full recognition of the diverse conditions inherent in the two ways of life. To put the situation in the proper perspective, some of the more significant contrasts are set forth herewith:

1. (*a*) Military personnel are required to move when ordered with or without their families to places of duty throughout the world, many of them extremely isolated and physically detrimental.

(*b*) Civilians are free to choose their place of employment and generally move only when it is to their personal advantage to do so.

2. (*a*) Military personnel are considered to be on duty up to 24 hours a day and receive no overtime compensation or special bonuses.

(*b*) Civilians work a normal 8-hour day, 5 days a week, with extra pay for overtime or night work and bonuses of various types.

3. (*a*) Military personnel are bound by the disciplinary consequences of the Uniform Code of Military Justice which limit their personal freedoms and require them to accept prescribed conditions, however unpalatable.

(*b*) Civilians enjoy the freedoms of civil laws, which generally permit them to come and go as they please. In terms of employment, they may refuse to accept working conditions which they dislike and demand improvements.

4. (*a*) Military personnel rotate overseas in recurring cycles. Officers receive no overseas pay and enlisted personnel receive a maximum of about 8 percent of their basic pay while overseas regardless of area or rank.

(*b*) Civilians in industry remain relatively stable but receive substantial pay differentials and other emoluments, varying with the state of privation when working outside the United States. The average overseas differential is 21 percent to 25 percent of United States pay rates.

5. (*a*) Military personnel are required to undergo hazards that endanger life and limb as a matter of routine.

(*b*) Civilians engage in hazardous occupations at their own election and then with substantial additional compensation as an inducement.

6. (*a*) Military personnel are compensated austerely and within positive statutory ceilings.

(*b*) Civilians are paid at rates required by the law of supply and demand and are subject only to the limitations of their individual capabilities.

EVOLUTION OF SUPPLEMENTARY BENEFITS

There appears to be a general conclusion that supplementary benefits authorized for military personnel under present law are greatly superior, both in variety and substance, to those available to workers in industry. It is true that military benefits generally were broader and more advantageous in years gone by (prior to World War II). The historical purpose of these traditional benefits was to give recognition to the inherent sacrifices of military life and to attract and hold qualified personnel in the armed services. They were continued and improved over the years by the Congress and were recognized as a part of military compensation.

Whereas there were distinct attractions in the military career prior to World War II because of these "in kind" benefits, the situation is now reversed because of the significant movement in industry toward "nonwage" benefits as a part of the workers' compensation. An analysis of the trend during the last decade proves most enlightening.

Economists estimate that so-called fringe benefits have tripled in industry in the last 10 years and now cost employers at least 20 percent of their payrolls. This has occurred during a period (1939–51) when civilian wages in the lowest pay groups have tripled and salaries in the higher brackets have doubled.

Many companies today offer their employees free benefits of a wide variety in addition to their normal compensation. Most others offer subsidized contributory plans. One cause of this progressive trend, of course, is the high rate of tax on cash income. However, this change is attributed generally to an increasing awareness on the part of employers that these additive emoluments are necessary to satisfy the human desires of people in our growing economy. This is evidenced by the increasing emphasis on supplementary or nonwage benefits in labor-management negotiations.

A recent survey of personnel practices in factory and office, conducted by the National Industrial Conference Board, and covering some 500 large companies, gives the most up-to-date account of the additive, nonwage benefits offered by industry. A selection from this study of those practices most closely related to the pertinent questions is tabulated below, showing the benefits and the percentage of companies offering them on a contributory or free basis:

Benefit	Percent of companies offering benefit and paying all or part of cost	Percent of these companies that pay all costs
Group life insurance	89.5	41.8
Hospital insurance	98.4	35.3
Maternity benefits	78.5	18.1
Retirement pensions	66.2	65.2
Special price on company products	46.2	
Subsidized cafeteria	42.6	
Free periodic medical examination	37.2	37.2
Year-end or Christmas bonus	34.0	34.0
Paid sick leave	13.5	13.5

LIFE INSURANCE

The present situation on insurance is indicative of the trend in industry toward free benefits. Whereas group life insurance plans have been offered for many years to some degree, the number of workers covered by some form of group insurance has increased almost fourfold since mid-1948 (from about 3 million to 11.3 million). A number of these plans offer insurance coverage up to $10,000. And, while this upsurge in scope of coverage is one of the major postwar developments in labor-management contracts, a more significant fact is that more and more companies are providing this insurance free of cost to the employee.

In the National Industrial Conference Board survey referred to above, 392 companies out of 438, or 89.5 percent, have group life insurance coverage for their workers. Of these, 164 companies (41.8 percent) pay the full premium for the employee, and 5 of them pay premiums for insurance covering both the employee and his dependents. According to a survey of union contracts published in October 1955 by the Department of Labor, about 10½ million workers, or 93 percent of those employed under collective bargaining agreements, are covered by group life insurance, and 62 percent of all those covered made no money contribution toward the cost of the insurance.

HOSPITALIZATION AND SURGICAL INSURANCE

Hospitalization and surgical insurance coverage and associated benefits for industrial workers have generally followed the same pattern of expansion as that of life insurance. The percentage of all workers covered by these associated benefits, ranked in the order of importance according to the indicated Labor Department report, is as follows:

	Percent
Hospitalization	88
Surgical	83
Accident and sickness	73
Accidental death and dismemberment	54
Medical benefits	47

In the case of hospitalization, surgical and medical benefits, it is significant also that more than 60 percent of the workers do not make any money contribution toward the cost of the benefit. And of even greater interest is the fact that more than 70 percent of the workers are also offered coverage for their dependents. Half of these shared the cost of their dependents' coverage with the employer but for 38 percent of them, the employer assumed the entire cost for the dependents. These health plans include maternity care as well as other standard medical or surgical treatments.

In the survey conducted by the National Conference Industrial Board, 317 companies out of 438 surveyed offer maternity benefits to their employees, and 249 of these (78.5 percent) offer such benefits to employees and their wives; 118 of these (37 percent) pay the entire cost for the employees, and 45 of them pay the entire cost of the benefits for the wives.

As indicated in the following table from the Labor Department report, benefits of various types, including hospitalization, surgical and medical, are extended to both retired workers and their dependents to a significant degree.

Of all workers covered, 37.8 percent are under plans which cover retired workers and 14 percent are under plans which cover dependents of retired per-

sonnel. It is noted that in these cases the employer pays the full cost for 64 percent of the retired workers and 34 percent of the dependents.

Workers covered by health and insurance plans under collective bargaining which extended benefits to employees' dependents, retired workers and their dependents, by methods of financing, early 1954

Groups affected	Workers covered by plans in each category		Percent of workers under plans in which benefits were financed by—		
	Number (thousands)	Percent	Employer only	Joint employer and worker	Worker only
Employees	11,091	100.0	62.1	37.9	----------
Employees' dependents:					
Benefits extended to dependent	5,336	48.1	38.3	50.9	9.2
Benefits not extended to dependent	2,119	19.1	----------	----------	----------
Information not available	3,636	32.8	----------	----------	----------
Retired workers:					
Benefits extended to retired workers	4,192	37.8	64.0	31.4	4.6
Benefits not extended to retired workers	2,401	21.6	----------	----------	----------
Information not available	4,497	40.6	----------	----------	----------
Dependents of retired workers:					
Benefits extended to dependents of retired workers	1,554	14.0	34.4	3.9	61.7
Benefits not extended to dependents of retired workers	4,816	43.4	----------	----------	----------
Information not available	4,721	42.6	----------	----------	----------

RETIREMENT OR PENSIONS

As for retirement pensions, approximately 7 million workers under collective bargaining agreements were covered by some form of pension plan in 1954, a 40 percent increase over 1950. It is most significant to note that nearly 85 percent of the workers covered by pension plans received these benefits on a noncontributory basis (as compared with approximately 75 percent in 1950). Benefits under many of these plans have been increased, with disability features added in a number of cases. Another development in the pension field which is of particular note is the trend with respect to "offsetting" social security payments. Because of increases in social security old age benefits through the year, and in order to preclude gains to the companies from these increases, there has been a definite swing away from "offsets." Many companies have in recent years fixed their pension programs so that any benefits from increases in social security accrue directly to the employee. An excerpt from the Labor Department report, which traces this development in more detail is quoted herewith:

"* * * A development in the pension plan field which has received considerable attention since 1950 concerns the integration or coordination of private plans with the Federal social security program. A considerable number of plans negotiated or revised through collective bargaining have provided in their benefit formulas for 'offsetting' social security payments. Because total benefit levels were fixed under many of these programs, the statutory increases in social security payments in 1950 and 1954 resulted in decreases in the amounts to be paid from the private plans and thus did not increase the individual's total retirement income. In many such cases, management voluntarily or in agreement with unions amended the programs so as to pass on all or part of the social security increase to the worker. In integrated programs where no changes were made for the duration of the pension agreement, many unions, upon renegotiation, sought to pass on to the worker part or all of the social security increase either by adjusting the formula or by completely divorcing the formula from social security benefits. This pressure, stemming originally from the substantial amendments to the Social Security Act in 1950, was reenforced by the additional increases under the Federal program in the autumn of 1954. * * *"

One National Conference Industrial Board survey shows that 290 out of 438 companies (66.2 percent) have pension plans. One hundred and eighty-nine of these (65.2 percent) pay the entire cost of the pension.

In another study by the Board in which the retirement plans of 327 companies, with more than 4 million employees, and engaged in 20 different types of business

were reviewed, 139 of these offered noncontributory plans and 19 of them paid retirement annuities amounting to 2 percent or more of salary times the number of years' service. Assuming 30 years service, the retired pay factor would be 60 percent or more of the employee's salary; assuming 35 years' service, the factor would be 70 percent.

It should be pointed out here that military retirement percentages authorized by the Career Compensation Act of 1949 are computed on basic pay only. For this reason, the so-called entitlement to "75 percent" of active duty pay after 30 years' service amounts to considerably less than that ratio when related to the full military compensation, including basic pay and allowances. A typical example of the true percentage value of military retirement is the situation of a colonel (married) with over 30 years service. His total compensation would amount to $11,951 per year; however, his retirement pay is computed on basic pay only, with the result that his retired pay of $7,300 is only 61 percent of his income while on active duty.

The Committee on Retirement Policy for Federal Personnel (Kaplan Committee) in its report of May 13, 1954, summarized this situation as follows:

"* * * The amount of retired pay for nondisability retirement provided by the uniformed services retirement system is equal to 2½ percent of base pay multiplied by the number of years of service, up to a maximum of 75 percent of basic pay. However, if retired pay is related to gross military pay rather than solely to basic pay, this 2½-percent figure is substantially reduced. When related to total salary, including allowances for dependents and hazardous-duty pay, the uniformed services retirement system provides benefits which are less than 2 percent of pay per year of service, and for enlisted personnel with 35 or 40 years of service the corresponding figure is only about 1 percent. This compares to a benefit per year of service of 2 percent under the Foreign Service retirement system, and a percentage which ranges from 2½ percent for some groups to a minimum of 1½ percent under the civil-service retirement system * * *.

"'* * * Another factor which tends to make the present uniformed services retirement benefits unsatisfactory in some cases is that no more than 30 years of service may be credited. Consequently, the 'unit of benefit' for those who serve more than 30 years is sharply reduced * * *. The percentages of maximum gross pay per year of service for personnel with 40 years of service vary from 0.89 percent for pay grade E–4 to 1.36 percent for pay grade O–8. Since the higher 'units of benefit' accrue to personnel with less than 30 years of service, this means that those who serve a lifetime in the uniformed services are rewarded with smaller benefit units than personnel who are 'selected out' prior to completion of their normal tour of duty * * *."

MERCHANDISE DISCOUNTS TO EMPLOYEES

In addition to the so-called welfare or deferred income benefits, it is interesting to observe from the National Conference Industrial Board survey that an increasing number of companies are offering discounts on both company and noncompany products; 240 companies out of 519 surveyed (46.2 percent) sell company products at discounts ranging from "wholesale" or "cost to company" up to 80 percent off the retail price. Also 104 companies out of 221 that operate company cafeterias, or 47 percent, subsidize the food costs, and some of them serve free lunch to their employees.

These company discount practices, plus the increasing number of commercial discount operations throughout the country, have greatly reduced any merchandise price advantage military personnel have over civilians. This is particularly true since the advent of surcharges on military commissary sales and the imposition of rigid limitations on merchandise that may be sold by exchanges within the last few years.

HOUSING

Few companies furnish housing for their employees in the continental United States, except for isolated areas and under special circumstances. Of the companies surveyed by the National Industrial Conference Board, 37 have company-owned housing in the United States. Outside the country, however, where civilian industry is confronted with the same or similar circumstances to those faced by the military services, it is a common practice to furnish the employee with housing or a rental allowance in lieu thereof. It has been found that this is a necessary perquisite to induce employees to accept overseas employment.

In a special study of companies operating overseas, the Board had this to say about employee housing:

"A housing allowance of one type or another is supplied under certain conditions by 71 of 103 answering companies. Policies vary not only from company to company, but also within a company according to the housing conditions in an area or country. The trend appears to be to supply the expatriate with housing facilities, either for nothing or for a very nominal amount, in field camps or remote areas. In remote areas, the company usually owns the housing facilities. In cities with high rentals, the usual practice is to give a housing allowance, but in a few cases companies have purchased houses and made them available to their employees at a low rental * * *."

In addition to housing, or a special allowance therefor, civilian companies pay their employees an overseas differential of 21 to 25 percent above Stateside pay. But even with these special inducements, civilian industry must still rely upon voluntary expatriates to man their overseas facilities.

Contrasted with these circumstances, personnel of the military services are ordered to posts of duty throughout the world (including many isolated areas in the United States) where public housing is not available or is completely inadequate. And in many areas private housing facilities are unavailable or totally inadequate. The tradition of housing or an allowance in lieu thereof being furnished by the Government for military personnel was born of necessity in the early days of our history. It has been continued through the years on the justifiable basis that military personnel must be ordered to whatever area in which they are needed, whether or not private housing is available. Housing (or the allowance) is an integral component of military compensation, just as are rations, uniforms, medical care, survivor benefits, retirement privileges, and other emoluments of the profession. Contrasted with the transience of the military system, civilians are normally stabilized in the same community for a lifetime. Their compensation is calculated to satisfy all of the human demands of the worker and includes a stipend for shelter, whether or not so identified.

DIABILITY BENEFITS

The practice in industry concerning disability benefits follows the general pattern previously described on hospitalization or surgical insurance; 269 companies out of 438 surveyed (61.4 percent) have group accidental death and dismemberment plans. In 116 or 43 percent of these companies, the employee makes no contribution toward the cost. This coverage, together with hospitalization and surgical benefits, gives essential protection to the worker.

It is recognized that many injuries occur to military personnel under circumstances removed from their military duty. The fact remains, however, that military personnel are on duty 24 hours a day and in most cases are subjected to hazards not ordinarily experienced in civil life. It has always been extremely difficult to arrive at an exact assessment of the Government's obligation to personnel who are injured while subject to military orders, but not necessarily while engaged in specific military activities. However, a determination is made in each individual case as to whether the injury occurs in line of duty.

It is important to note the basic premise concerning entitlement to disability retirement as stated in section 401 (a) of the Career Compensation Act of 1949, as amended, which is quoted herewith:

"Any member of the uniformed services found to be *unfit to perform the duties* of his office, rank, grade, or rating by reason of physical disability and who otherwise qualifies as hereinafter provided may be retired or separated subject to the provisions of this title." [Italic supplied.]

This act further prescribes that the classification of disability will be determined in accordance with the standard schedule of rating disabilities in current use by the Veterans' Administration and that such disability must be the proximate result of the performance of active duty. Thus the determining factor as to an individual's entitlement to disability retirement is his fitness to perform normal military duties.

LUMP SUM DEATH COMPENSATION

The 6-months' death gratuity is a benefit peculiar to military service which has been authorized for many years. It serves the very important purpose of sustaining the survivor of deceased military personnel during the period immediately following the serviceman's death while applications are being processed for death compensation. It is basically a readjustment benefit which enables the surviving family to resettle in civilian circumstances without undue hardship.

Except for such lump-sum payments that accrue from insurance, there is no known comparable practice in industry. Generally, survivors in industry remain in the community in which they lived while the employee was alive.

COMPARISON OF COMPENSATION—MILITARY VERSUS CIVILIAN

Based upon internal revenue statistics, it is estimated there were approximately 165,000 young men in the country in 1954 between the ages of 24 and 28 who earned $6,000 or more. In this connection, it is interesting to note from Department of Labor occupational wage surveys, that a heavy-truck driver in New York receives as much as $6,000 per year on the basis of a normal 40-hour week ($2.88 per hour) not including any extra pay for overtime. An electrician or a pipefitter in Chicago can earn the same amount ($2.89 per hour). In addition, a 1953 survey by the Los Alamos Laboratory of the University of California shows that 2,700 young men with bachelor of science degrees, employed in private industry, were receiving an average salary of between $5,500 and $6,000 per year 3 years after graduation from college. Although later data from this source is not available, it is safe to assume that salaries have advanced beyond the $6,000 level for similar groups today.

Military compensation does not approach the $6,000 level within 3 years after entry in any grade below that of first lieutenant and lieutenant junior grade. Beginning with the fourth year of service the lieutenant draws $5,705 per annum, including all pay and allowances if he is married. If single, he receives $5,500. This rate of compensation continues until the completion of the sixth year of service unless the officer is promoted to the next higher grade.

SUMMARY

It has been the purpose of this study to show in some detail the conditions that exist today in industry with respect to personnel practices and benefits that relate in character to the traditional emoluments normally associated with military life. It is apparent that the trend in industry has moved rapidly and extensively into the field of "in kind" or "nonwage" benefits that were peculiar to the military career only a few years ago.

The Congress has for many years authorized basic emoluments for the serviceman which were intended to give recognition to the inherent sacrifices in military life and to attract and hold qualified personnel in the armed services. These benefits have been improved over the years and are recognized as a part of military compensation. While much has been said about the taking away of such benefits from the military, the real fact is that they have been overtaken by industry.

It is the neutralizing effect of these innovations in industry that must be considered by the Department of Defense in its efforts to man the largest force in its peacetime history with qualified personnel, motivated for volunteer service.

Source documents

1. Department of Labor Bulletin No. 1187, Health, Insurance and Pension Plans in Union Contracts, October 1955.
2. National Industrial Conference Board reports as follows:
   (*a*) Personnel Practices in Factory and Office (1954).
   (*b*) Pension Plans and Their Administration (1955).
   (*c*) Retirement of Employees (1955).
   (*d*) Compensenating Expatriots for the Cost of Living Abroad (1955).
3. Bureau of Census Study, Dr. Herman Miller (1955).
4. Harvard Business Review (1955).

Senator LONG. Admiral Radford, you stress in your statement the desirability of retaining competent and trained personnel.

Of course, I am completely sympathetic with that argument. I realize that need.

I wonder if the services could not help to solve that problem in some degree by having a larger percentage of civilians, requiring that those civilians have a Reserve status, so that, in other words, employing civilian workers to do much of this complex work with the requirement that they have the Reserve status so you can call them immediately when you need them.

It always seemed to me that would be one approach. That would not at all solve the problem but certainly help with it.

Admiral RADFORD. Of course, we have a very large number of civilians and many of them are in the Reserves. Our difficulty in many instances there is that they are called, then it wrecks the civilian aspect of the service.

I feel that in all of the services they have conscientiously tried to utilize civilian personnel where they could, but I do not believe that we can extend that much further than we have, particularly in the technical aspects, such as deployment overseas. I do not think you could get civilians to go over without their families.

Senator LONG. Within this country, though, for the operation of this technical equipment and repair, particularly at land bases, that sort of thing, a great portion of that could be under contract, with the requirement that the person working for the contractor would have to have a Reserve status so they would be available in the event that you wanted to take them with you.

Admiral RADFORD. Well, Senator, I think we do have a great deal of that going on now.

There are many advantages to a straight civilian operation.

Nevertheless, in many cases where we use military personnel we are, in fact, training them for duties overseas and they go from those overhaul bases to duties overseas where they do that work where we could not maintain a civilian shop.

I think you will find that the considerations that you are mentioning have been carefully considered over the past years. And we are still trying to work it out to a better point.

Senator LONG. It does seem to me that we need to put ourselves more in position where we can bid directly against industry for these better trained people. There is a great waste of boys being trained and then going into private industry. They are lost to industry as fast as you train them. They leave in certain specialties.

Admiral RADFORD. So far as the Reserve aspect is concerned we do have control over them for a period of time after their service.

Senator LONG. You are losing a great percentage of them, are you, of your trained technicians?

Admiral RADFORD. A large number in certain specific categories.

Senator LONG. Would you mind giving us just 1 or 2 illustrations of that, the actual percentages that you are losing?

Captain MARTINEAU. Well, in the Branch of Electronics, Senator, that is a most prominent one. We are losing men there at the rate of 1 in 20, of those whose first enlistment expires. The reenlistment rate there currently is as low as 5 percent.

Senator LONG. Out of those you are training you are losing 19 out of 20?

Captain MARTINEAU. Of that first term group. That is one of the worst examples.

Senator LONG. That is all.

The CHAIRMAN. Are there any further questions?

Senator MARTIN. I have one more question, Mr. Chairman.

Admiral, do you not think it is advisable as far as the Reserve is concerned that they will only be used except for their training purposes during an emergency?

Admiral RADFORD. That is correct. Yes, sir.

The CHAIRMAN. We thank you very much for your statement, sir. We realize how busy you are, and you are excused.

Admiral RADFORD. Thank you, Mr. Chairman.

Senator MALONE. I have a question.

The CHAIRMAN. I beg your pardon; do you have a question?

Senator MALONE. Yes. I am sorry I was unable to get here at the beginning and perhaps my question may have already been answered.

Your testimony has to do with the treatment of men still in the service, does it? Did your testimony cover only the treatment of the men while still in the service and their families?

Admiral RADFORD. Yes. That is the intent of this bill; yes, sir.

Senator MALONE. There is nothing in here that covers the treatment of the families, if the soldier is killed, or if he is retired for disability?

Admiral RADFORD. Oh, yes; there is. This is the survivor. This is all about the survivor, the dependents.

Senator MALONE. Does this cover anything back prior to the present people that are serving—does this cover Spanish-American veterans and all?

Admiral RADFORD. Those who are entitled to compensation from the Spanish-American War. The answer is "Yes," Senator.

Senator MALONE. All of the survivors now of the Spanish-American War veterans do draw pensions, do they not?

Admiral RADFORD. I am not positive of that. I think they are entitled to it.

Senator MALONE. Is there anything in your testimony that recommends an increase in payments to the Spanish-American War veterans?

Admiral RADFORD. I would like to have Captain Martineau answer the details on that.

Captain MARTINEAU. I might be able to clarify that.

As to the Spanish-American War group there are a number of survivors of those veterans who are receiving death compensation, that is, their father or husband was deemed to have died from a service-connected cause. This bill will raise that compensation.

On the other hand, there is another group of survivors of Spanish-American War veterans, who are receiving pensions. That means that the veteran did not die from a service-connected cause, although he did serve and serve honorably. This bill does not affect those pensions.

Senator MALONE. It does not affect the pensions to the surviving veterans not service connected?

Captain MARTINEAU. It does not.

Senator MALONE. Well, don't you think that it is time we recognized that the pensions of the Spanish-American War veterans do not represent the purchasing power that it previously represented?

Captain MARTINEAU. I am sure there is a great deal of merit to that, Senator, but this bill was intended to confine itself to those who died, either on active duty or from a service-connected cause, and it does not address itself to the pension group.

We had hoped that could be the subject of separate legislation. That is a matter that comes entirely under the Veterans' Administration.

Senator MALONE. Well, then, how much do you raise the payments to the survivors or to the families?

Captain MARTINEAU. To the widow of a Spanish-American War veteran or any other widow who died either on active duty or from a service-connected cause—her compensation is being raised from its present value of $87 to a new payment of $112, plus 12 percent of the basic pay that the veteran was receiving at the time of his death, adjusted to the present pay scales.

As you see, that is a very considerable increase that would be provided by this bill. It will raise her up closer to a livable income.

Senator MALONE. That is what I was interested in. This covers the World War I and the Spanish-American veteran.

Captain MARTINEAU. If they are in receipt of compensation as distinguished from pensions.

Senator MALONE. Suppose there was something in front of you now—you are here—would you be in favor of an increase in the pension of the Spanish-American War veterans in line with the decreased purchasing power of the pension that they have been receiving?

Captain MARTINEAU. I must say, Senator, I am not in a position to give a specific answer to your question.

I can say that I would not think we would be opposed.

Certainly, it is such a complicated subject and would have to be studied carefully to see what the cost of it would be.

Senator MALONE. What is complicated about it?

Captain MARTINEAU. Well, the number of people involved, and the item of cost.

Senator MALONE. Well, they all served. I am not trying to pin you down, but their age is pretty high right now. I am not talking about World War I.

The matter of pensions does not come before us. And there is a very great difference of the Spanish-American War veterans. There are not many of them.

Captain MARTINEAU. I cannot really comment on that question at this time.

Senator MALONE. Thank you.

The CHAIRMAN. Are there any further questions?

If not, thank you very much.

Admiral RADFORD. Thank you.

The CHAIRMAN. Our next witness is the Honorable Carter L. Burgess, the Assistant Secretary of Defense in charge of manpower, personnel, and Reserves.

Please have a seat, sir.

STATEMENT OF HON. CARTER L. BURGESS, ASSISTANT SECRETARY OF DEFENSE (MANPOWER, PERSONNEL, AND RESERVE), DEPARTMENT OF DEFENSE

Mr. BURGESS. Mr. Chairman, I have a brief statement, sir.

On March 23 of this year the Secretary of Defense wrote to the President expressing his concern about the personnel situation in the Army Forces. In discussing the major legislative proposals before the Congress he had this to say about the bill you are considering this morning, the servicemen's and veterans' survivor benefits bill:

This far-reaching measure culminates a long and searching study by agencies of the Government and by a select committee of the House of Representatives. It is of tremendous importance to all active-duty personnel and to the survivors of deceased servicemen now on the rolls.

The President, in his endorsement of this letter to the Congress on April 9, 1956, said:

I urge that this legislation be enacted. Only when we have created a career military service which can compete with the attractive opportunities available in civilian pursuits will we be able to stop the wasteful losses from our Armed Forces and attract individuals to those services.

We cannot move too soon in our efforts to increase the number and quality of volunteers for long-term career military service in both enlisted and officer ranks.

Before commenting specifically on the bill I would like to state that we at the Department of Defense, the Secretary and those of us who assist him, when reviewing any pending legislation ask ourselves the fundamental question, "Will the implementation of the proposed legislation strengthen our national defense?"

Without qualification or equivocation I believe that the passage of H. R. 7089, the servicemen's and veterans' survivor benefits bill, will in its way strengthen our national defense. I say this because the defense of our Nation depends more upon manpower than any other single commodity.

If we are to attract and retain adequate and trained personnel they and their families must be provided for in such a manner as to give the serviceman and his dependents a sense of well-being, security, and peace of mind.

Through the years the Congress traditionally has made provisions for survivors of men who die in the service or subsequently from service-connected causes, seeking to give the serviceman and his family that feeling of protection so necessary for anyone to pursue an occupation which frequently is extremely hazardous.

I am sure your committee is aware, however, that the survivor benefits system as it exists today is inequitable, discriminatory, and inadequate in many respects. It is not understood by the servicemen and their families and thus fails to provide that assurance of security and peace of mind which is so important for high morale.

The existing survivorship system is a complex, uncoordinated, and overlapping benefit structure, consisting of five separate basic programs. There are a number of discrepancies which have come about unintentionally through piecemeal changes in the various programs over a long period of time.

In some cases these multiple programs combine to provide benefits as high as 300 percent of a deceased serviceman's income. In other cases the survivor might receive as little as 7 percent of the member's income.

The most shocking example of existing inequities is the case of two captains, both killed in the same accident and both survived by a wife and three children. The family of the Reserve officer, with entitlements under the Federal Employees' Compensation Act, will receive about twice as much as the family of the Regular officer while the children are of minor age. The widow of the reservist would receive almost four times as much as that of the Regular officer after the children have grown up.

The Department of Defense has long been aware of the inadequacies and inequities inherent in present survivor benefits. Since 1950 an interservice committee within the Department of Defense has been studying this problem.

The specific recommendations of this committee were delayed, however, because of other studies on this and related subjects within the Executive Department and the necessity of coordinating our recommendations with those coming out of these broader studies.

In 1952 the President appointed an advisory committee to review all existing Government retirement systems, including the Armed Forces. This Committee was headed by the able Mr. H. Eliot Kaplan. and subsequently bore his name.

One of the recommendations of the Kaplan Committee was that all Armed Forces personnel be placed under social security on a contributory basis. Another was that compensation for widows and children be based upon attained income of the serviceman.

The Department of Defense and the administration heartily concurred with these recommendations and legislation to implement the proposal was prepared.

However, before our proposed legislation was introduced some of the key members of the House Armed Services Committee and others immediately recognized that inherent in social security are substantial survivor benefits as well as old-age annuities.

These gentlemen took the position that no further survivor benefits should be added to the existing complex system until a thorough study of the Armed Forces and veterans' survivor benefits could be undertaken and reported.

As a result of these concerns, the House created a select committee to study the whole area of military and veterans' survivor benefits. The Department of Defense worked closely with this select committee, as well as the other Government agencies concerned, and submitted for consideration a bill in part similar to H. R. 7089.

The culmination of that committee's work and all of the years of intensive study which preceded it is the bill now before you for consideration. Our original proposal provided for higher levels of death compensation than authorized by this bill.

But, even though more conservative than our original recommendations, the essential principles of equity and simplicity have been preserved, and the bill provides a workable solution of a very difficult problem.

Enactment of H. R. 7089 will do much to improve the morale of all servicemen, reduce inequities, simplify administration, and ultimately strengthen our national defense by offering a balanced security against the hazards of military life for trained personnel who choose as their lifework a career in our Armed Forces.

The President and the Secretary of Defense have gone over the bill before you carefully and they have urged its passage.

As Assistant Secretary of Defense for Manpower, Personnel and Reserve, I know the need for this legislation and earnestly recommend its enactment in behalf of the some 3 million servicemen and their several million dependents this represents.

Mr. Chairman, within the Department of Defense we have had our most experienced people working with this bill. Since early last year we have had an interservice task force with representatives from all

four services concentrating on its development and presentation. This group worked with the Bates committee and later with the Hardy committee.

The task force is ready with a visual presentation which I believe will give the clearest possible explanation of the present situation and the proposed bill. This is the same type of step-by-step presentation that we have given on a number of occasions before the President, the Secretary of Defense and other committees of the Congress. I am sure it will provide the answers to many questions you might have.

I have purposely made my statement brief to avoid duplication and to conserve the time of your distinguished committee. With your permission, I will ask Admiral Grenfell and Captain Martineau to begin the detailed presentation. I will remain present throughout the presentation.

The CHAIRMAN. Thank you very much, Mr. Burgess.

As we all know, there are sections of this bill that relate to matters under the jurisdiction of the Armed Services Committee. I would like the record to show that the chairman of this committee has invited such members of that committee to sit with this committee, as Chairman Russell.

A very substantial part of this legislation applies to the armed services, and comes under the jurisdiction of the Armed Services Committee.

I have a few questions. I do not know whether you or Admiral Grenfell wishes to answer them. I will pass them to you. If you haven't the answers to them I would like them put in the record.

Would you mind reading those and see if there are any that you can answer now?

Mr. BURGESS. Before I start, I would like to say that Mr. Wilson would have been here this morning had he not been on his way to Eniwetok. He was very much interested in being here.

The first comment that appears is that this bill extends the definition of members of the uniformed military services beyond that traditionally approved by the Armed Services Committee in regular military legislation.

Mr. Chairman, I do not know whether you are meaning there the Public Health or the Coast and Geodetic Survey.

The CHAIRMAN. There is a note below.

Mr. BURGESS. This bill extends—I will read the other—I did not realize they were all together—will you list the new groups to be included under this definition? State any limitations on the definition. Then discuss the direct and indirect effects of this new legislation on other existing and future military legislation. This bill extends peacetime coverage to the Public Health Service and Coast and Geodetic Survey, which are Federal civilian agencies, Air and Army National Guard, ROTC and cadets and Military Naval, Air, and Coast Guard Academies, et cetera.

I am not acquainted with whether or not we have been giving peacetime coverage to the various services mentioned in note 1 here, namely, the Public Health and Coast and Geodetic Survey.

It has been my experience in my 2 years that every bill we have had of this nature before the Armed Services Committee has included these groups. The Career Incentive Act and items of that kind, sir. Is that correct?

Captain MARTINEAU. That is correct.

Mr. BURGESS. Uniformed services of the United States Government.

With respect to the Air and Army National Guard, we are standardizing the treatment of reservists and Regular personnel who are on active duty for service in this bill. And I think we saw an opinion handed down by an appeals board the other day that the National Guard, when serving on active duty, would be treated under FECA just like the reservists are under the present legislation.

And what we are doing in this bill is bringing everybody under an equitable standard method so that we would not have these differences.

And we are also providing coverage when a man is on inactive duty training in the Reserves, to provide that when he is drawing pay from the Federal Government in pursuit of perfecting his military status, as a reservist, that he will be entitled to survivor benefits, if he dies from a service-connected cause.

There are some other points in this problem here, Mr. Chairman, and if we may, we will give you a more articulated answer on this thing for the record, if that suits you, sir.

The CHAIRMAN. I would like to have a concise answer to those questions to be put in the record.

Mr. BURGESS. I understand. We will do that.

(The following was subsequently received for the record:)

Answer. There are a number of precedents for inclusion of groups other than the armed services under military statutes. The following laws are applicable to all of the uniformed services, that is the Army, Navy, Air Force, Marine Corps, Coast Guard, Public Health Service, and the Coast and Geodetic Survey.

1. The Pay Readjustment Act of 1942.
2. The Career Compensation Act of 1949.
3. The Uniformed Services Contingency Option Act of 1953.
4. The Career Incentive Act of 1955.
5. The Medical and Dental Officer Career Incentive Act of 1956.
6. The Dependent Medical Care Act of 1956.

On the basis of the foregoing, it would appear that the policy of including personnel of these organizations within entitlements common to the armed services is a policy already well established by the Congress.

In addition to the personnel of the organizations cited above the following groups will have entitlement to benefits under H. R. 7089.

1. Members of the Army and Air National Guard.
2. Members of Reserve Officers Training Corps.
3. Members of the service academies.

The inclusion of these members under H. R. 7089 does not set an entirely new precedent, although their benefits are modified under the bill. National Guard personnel are members of the Reserve components and as such have various entitlements under existing law. The language of the bill as passed by the House would appear to grant entitlements to members of the National Guard while performing duties in a status other than as a member of a Reserve component. Accordingly, the Department of Defense has submitted a proposed amendment which would limit the entitlement of these members to periods when they are entitled to pay from the Federal Government.

Members of the service academies and ROTC programs currently have entitlement to certain of the existing survivor benefits. Both groups are entitled to the free indemnity under present law. For ROTC members this benefit is payable only if death occurs while on active duty for training. The benefits that would accrue to these groups under H. R. 7089 are deemed to be just entitlements based upon their performance of military duties which are often of a hazardous nature. The objective of H. R. 7089 is to provide uniform coverage for all persons whose death results from performance of military service.

In summary, it is pointed out that the groups cited above, by virtue of their size, age, and dependency status of the members who make up the groups, would produce a very negligible proportion of the total casualties. Nevertheless, it is considered just that they be afforded a measure of survivor protection.

Mr. BURGESS. The other point—will you list for the record all of the administrative problems resulting from this anticipated by the Department of Defense—if I may, I should like to give you a written answer on that for the record We have people at work on that particular item.

The CHAIRMAN. So it can be read to the committee.

Mr. BURGESS. We will so provide it.

(The information is as follows:)

(The following was subsequently received for the record:)

Answer. In general, the administrative problems associated with the survivor-benefit system will be reduced and simplified upon enactment of H. R. 7089. Some of the major areas in which administrative burdens will be lessened are as follows:

1. Servicemen's indemnity will no longer be authorized and therefore the administration of the separate element of the program will be eliminated.

2. Federal employee's compensation will no longer be payable to military personnel and therefore the administration of this separate element will be eliminated.

3. Death-gratuity payments can be expedited by virtue of the fixed minimums and maximums and the liberalized authority for local commanders to make immediate payments.

Specifically, the installation of the new dependency and indemnity compensation system will entail some additional administrative burdens in the initial phases of implementation. These will include:

1. Research of military records to determine exact pay data on deceased members whose widow's are currently on VA rolls and who may elect to receive the higher payments under H. R. 7089. Preliminary work has already begun with the Veterans' Administration and a procedure has been agreed upon for accomplishing this project with a minimum of expense or disruption of normal activity.

2. Initial implementation of this portion of the law for prospective survivors to assure full education of the serviceman, his dependents, and those charged with carrying out the provisions of the law. Reorientation of the system will involve the usual workloads associated with new programs but will mainly be a job of education and supervision to gain maximum advantage from this improved feature of the law.

The full participation of military personnel in social security will entail initial administrative adjustments, but will ultimately become a more or less routine operation similar to the present income-tax withholding and reporting procedure. Specific preliminary actions have been initiated as follows:

1. A tentative procedure has been worked out with the Social Security Administration for assignment of individual account numbers and issuance of cards. No difficulty is anticipated in accomplishing this task between the time of enactment and the effective date of the law (which is anticipated to be January 1, 1957).

2. Similarly, a tentative agreement has been worked out with the Social Security Administration for reporting of wage credits by account number and the remittance of withheld taxes to the Treasury Department. This operation will be a new procedure, of course, and will result in some additional workload and expense, particularly in the early phases. However, as time passes and the system becomes routine it should not involve any burden of great magnitude. The Department of Defense expects the value of this improved benefit to far outweigh any temporary increase in the administrative workload.

The overall simplification of the survivorship program will make it much easier for the Department of Defense to capitalize on the significance and value of survivor benefits as a military career incentive. In the long run, administration of the program can be handled to the much greater advantage of the Government and the individual.

The CHAIRMAN. Are there any questions of Mr. Burgess?

Senator FREAR. Does he want questions now?

The CHAIRMAN. Yes. He has completed his statement.

Senator FREAR. On page 2 at the bottom, Mr. Secretary, last line, the last paragraph, you say:

It is not understood by the servicemen and their families and thus fails to provide that assurance of security and peace of mind which is so important for high morale.

Why?

Mr. BURGESS. Well, they understand the inequities but they do not understand the reasons for these inequities. That is the point that I am trying to make there.

As I tried to point out in my statement, you have a set of legislation that governs a reservist on active duty and a set that governs a man who is a regular on active duty.

Those two men die under the same accident and same conditions with the same family structure.

Senator FREAR. But they do understand the present survivor benefits?

Mr. BURGESS. They understand the difficulty that is at the seat of our trouble.

The CHAIRMAN. Are there any further questions?

If not, thank you very much.

Mr. BURGESS. Thank you.

The CHAIRMAN. The next witness is Admiral Grenfell, Assistant Chief for Personnel Control, Bureau of Naval Personnel.

STATEMENT OF REAR ADM. E. W. GRENFELL, ASSISTANT CHIEF OF THE BUREAU OF NAVAL PERSONNEL FOR PERSONNEL CONTROL

Rear Admiral GRENFELL. Mr. Chairman, gentlemen of the Finance Committee, my name is Rear Admiral Grenfell. I am Assistant Chief of the Bureau of Naval Personnel for Personnel Control.

I also have collateral duty as Chairman of the Career Incentive Task Force that Mr. Burgess just referenced.

This task force, Mr. Chairman, is composed of military and civilian members from each of the four services, military and civilian members who are most familiar with the problems concerned with survivors benefits.

This presentation that you are about to see is the result of the work of that task force, sir.

Chart No. 1. We have two classes of death benefits which are payable to survivors of military personnel.

The first group is the group that was referenced a moment ago by Captain Martineau in answering Senator Malone's question, concerning pensions. This is for an inactive status death if non-service-connected, where death pensions are payable under certain circumstances. And these are payable to military personnel who served for at least 90 days of World War I, or previous wars.

And there are certain circumstances that they are paid under: the widow must not have an income greater than $1,400, or if with children, must not have an income over $2,700, exclusive of any Government insurance that she may receive.

World War II disabled veterans and those disabled veterans since then also come under this status, providing they have a disability in existence at time of death. Their widows, likewise, following the same criteria, receive those pensions mentioned.

CHART 1

TWO CLASSES OF DEATH BENEFITS ARE PAYABLE TO SURVIVORS OF MILITARY PERSONNEL

I. FOR INACTIVE STATUS DEATHS IF NON SERVICE CONNECTED—

✓ DEATH PENSION PAYABLE UNDER CERTAIN CIRCUMSTANCES

✓ NO CHANGES PROPOSED BY H. R. 7089

II. FOR ACTIVE DUTY DEATHS (OR INACTIVE STATUS IF SERVICE-CONNECTED)—

✓ INCLUDES DEATH COMPENSATION, INSURANCE, SOCIAL SECURITY, GRATUITY

✓ REVISED AND IMPROVED BY H. R. 7089

H. R. 7089 does not address itself to this group for the reasons that Captain Martineau gave to the Senator a moment ago.

The second group of benefits are those for active-duty deaths or deaths occuring in inactive status if service connected, and includes the Veteran's Administration death compensation, the insurance, the free indemnity, limited social-security benefits, and the 6 months' death gratuity.

H. R. 7089 revises these benefits, and improves them.

CHART 2

ELEMENTS OF PRESENT SURVIVOR BENEFITS

- Veterans Administration Death Compensation
- Social Security
- Federal Employees Compensation

PAYABLE FOR BOTH ACTIVE DUTY DEATHS AND SERVICE-CONNECTED INACTIVE STATUS DEATHS

- Veterans Administration Indemnity
- Death Gratuity

PAYABLE FOR ACTIVE DUTY DEATHS ONLY

Chart No. 2. We have two elements of present survivors benefits, two groups.

The first group are those payable for both active-duty deaths and service-connected inactive-status deaths.

We have the Veterans' Administration death compensation, which is paid in accordance with the status of the widow, i. e., the number of children she has upon her husband's death.

The limited social security previously mentioned, which grants a gratutious social security at an assumed wage rate of $160 per month for any month of military service from September 16, 1940, through March 31, 1956.

The Federal employees compensation which is paid to the widows of reservists who die from injury incurred on active or inactive duty.

The second group are those available for active-duty deaths only, the Veterans' Administration indemnity previously mentioned, and the 6 months' death gratuity.

CHART 3

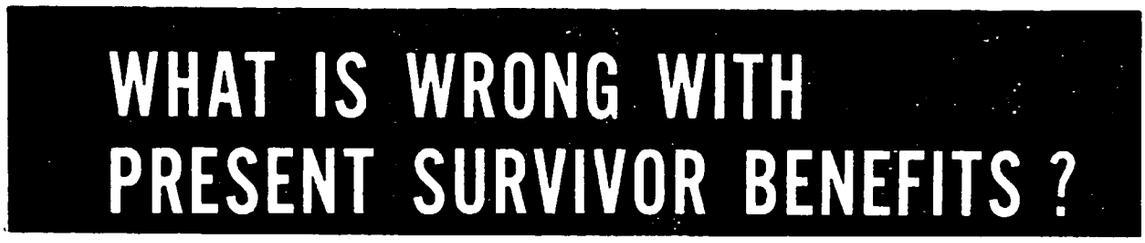


Chart No. 3. Now what is wrong with our present survivor benefits?

As mentioned in the two previous statements they are inadequate in some cases, excessive in others, and different for Regulars and Reserves.

The inadequate part applies to the widow who once her children have become of age and once free indemnity is gone, she in peacetime is a $70 widow. Excessive in the case of the widow of the reservist who may receive even more compensation benefits than her husband earned.

And, of course, that brings about the differences between the Regulars and the Reserves which was illustrated in Secretary Burgess' statement, where the widow of the Reserve may receive as much as two times as the widow of the Regular, where the Regular and Reserve both have the same rank and length of service.

The benefits are poorly distributed over the lifetime of the survivor. This is the case where at first the widow with children, particularly, receives adequate benefits at the start. She has the free indemnity, and she receives benefits for the children and receives the amount which is quite close to what she was used to having while the husband was alive.

Now, as the free indemnity passes out, and as the children become of age, that income drops considerably and down to a low of $70 a month in peacetime or if the husband died in time of war, $87 a month.

This happens at a time when she is reaching middle age. She will find it hard to get a job, because she is probably over 45 and must wait another 20 years before she receives the social-security benefits at the age of 65.

Mr. Hardy in the House referred to this as the "valley of despair."

Benefits are payable to nondependent survivors.

This is the case where nondependent survivors do receive benefits. This can be a nondependent parent or can be a widow who remarries, and who continues to receive some of the benefits.

Social security is on a temporary gratuitous basis. This came in as a wartime expediency, amounting to $160 free wage credit. The individual does not participate in the program. His widow and children receive the benefit, providing he dies on active duty or he has had some previous social-security credits.

The payments are at flat rates for everyone, regardless of rank, grade, time in service, or the amount of service they have rendered. It is not an incentive benefit, except, of course, for reservists who do receive benefits geared to their income.

CHART 4

Chart No. 4. The purpose of the proposed bill, H. R. 7089, is to revise the present multiple system and provide more adequate and equitable benefits for survivors of active duty servicemen, already deceased servicemen.

This is the group of widows now receiving but $70 a month if their husbands died in peacetime or $87 a month if their husbands died in wartime—a pitiable group of people.

And finally, the survivors of veterans and retired personnel whose husbands die after they leave the service or go on the retired list, but only if the death is deemed to be service connected.

This is the case of the husband, let us say, who was retired for a bad heart, and dies from a heart attack. His widow receives the benefits of H. R. 7089.

CHART 5

Chart No. 5. What does the bill do?

It increases the VA compensation payments, especially to the widows. The $87 a month and $70 a month widow will no longer receive that small pittance. She will receive as compensation an amount equal to $112 plus 12 percent of the base pay of her deceased husband.

It provides more equitable payments to the widows, especially in later life. She receives the highest payments if she has children upon the death of her husband. And when this falls off it does not fall to the low of $87 or $70, as is currently the situation. It levels off at an amount considerably higher than that, in most cases at least twice as high.

And so, finally, at age 65, she receives an added benefit from social security.

It provides full social-security participation. And this we consider is better for the family protection.

The individual would participate in the program. He would know that he is participating and would have a certain sense of pride that he is helping provide for some of the benefits that his widow will receive.

It provides some relation of benefits to attained pay. You notice I say "some." It is not much, but it does provide a certain amount of benefits for the attained pay of the individual and thus recognizes the status of an individual who serves his country long and successfully.

The CHAIRMAN. Can I interrupt you there? How many additional persons will this take under social security?

Rear Admiral GRENFELL. How many additional persons will it take under social security?

The CHAIRMAN. Yes.

Rear Admiral GRENFELL. I do not think too many. We now have social-security coverage, Mr. Chairman. This puts us under full contributory participation.

The CHAIRMAN. It is a limited participation, isn't it, up to $160?

Rear Admiral GRENFELL. $160 under present law for everyone.

The CHAIRMAN. How many does it take in up to the full social-security limit? You limit it now to $160 earnings a month; do you not?

Rear Admiral GRENFELL. Yes, sir.

Well, that applies to all of our military today, sir. After they have been in the service for 18 months.

Now, full coverage will start the moment they come in the service.

The CHAIRMAN. How many additional persons will get full coverage?

Rear Admiral GRENFELL. About 2,800,000, sir, based upon present and planned strengths.

Finally, it tightens the eligibility requirements and, in effect, makes the benefits payable to the dependents when they are dependent to some degree.

And now I would like to turn over the rest of the presentation to my able deputy, Captain Martineau, who will go into the details of the bill and give you 1 or 2 examples to show you the difference between what we have now and what we hope to have under H. R. 7089.

The CHAIRMAN. You may proceed, sir.

STATEMENT OF CAPT. DAVID L. MARTINEAU, ASSOCIATE CHIEF FOR SPECIAL PROJECTS, BUREAU OF NAVAL PERSONNEL

Captain MARTINEAU. Mr. Chairman, we felt that it would be helpful to the committee if at this point in the presentation we took a brief look at the principal elements of existing law and compare them to what is proposed in this bill, and then after examining that, to take some actual examples of how people fare under the law today and how they would fare under the proposed bill.

CHART 6

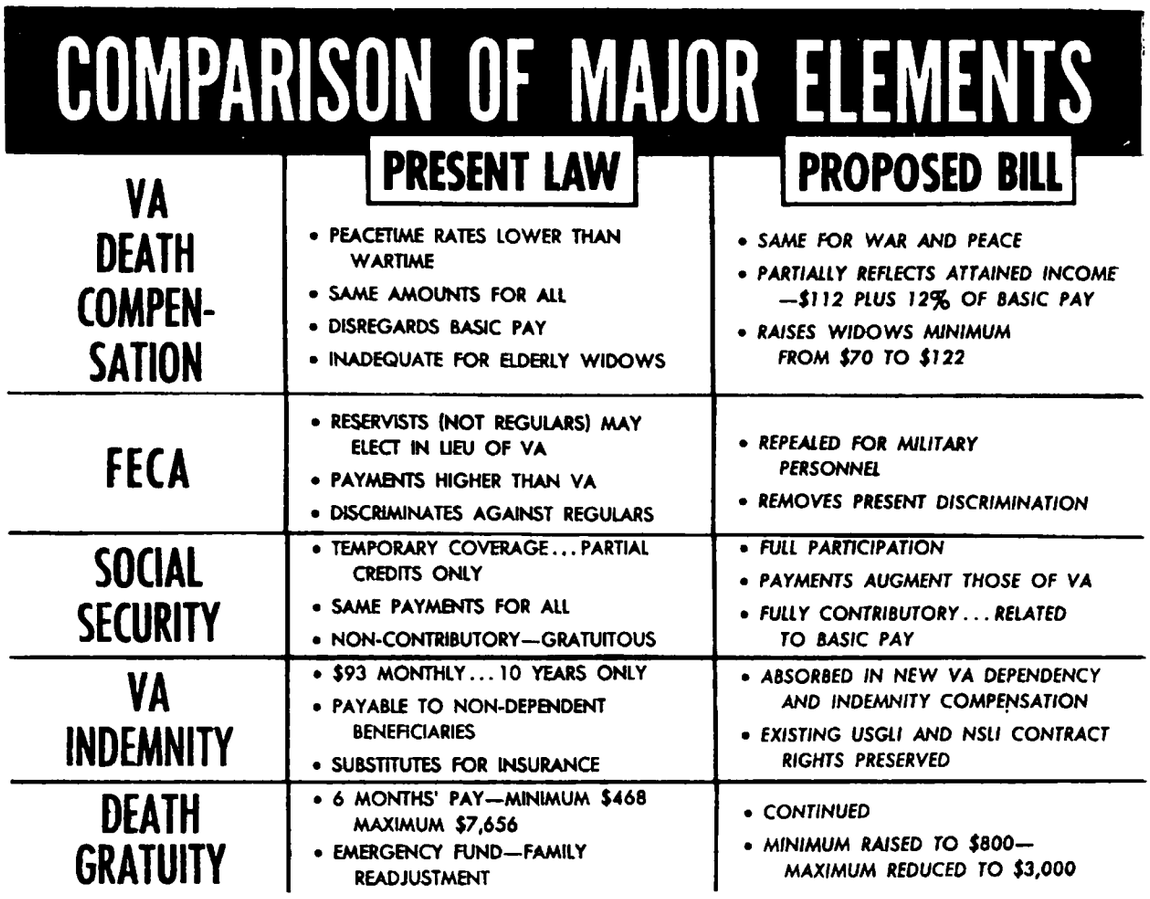


Chart No. 6. With this chart we will seek to compare the major elements of existing law and how it would develop under the proposed bill.

Taking, first, the matter of death compensation: That is the compensation that is paid by the Veterans' Administration to the widow, minor children, or other dependents of a serviceman who dies on active duty, or from a service-connected cause.

Now, under present law, this death compensation is flat across the board. By that I mean, everyone, regardless of length of service or attained pay, gets exactly the same payment. The only difference is whether or not the death of the serviceman occurred in peace or in war.

The peacetime death benefit is 20 percent less than a wartime death benefit.

Otherwise, the payments are different only according to the size of the family.

A concrete example there is Admiral Radford, for instance, if he were to die on active duty of if General Gruenther, for instance, were to die before he retired, their widows would each receive $70 a month which is precisely the same amount that the widow of the newest recruit would receive.

So we see that the compensation paid today is not related in any way to the attained pay of the serviceman at the time of his death.

This is particularly noticeable in the case of elderly widows, because oftentime this compensation forms the principal element of their income and they are very unlikely to remarry, and the chances are that they are not employed.

And the $70 a month, or even the $87 a month that is paid for wartime death, we will all agree, is entirely inadequate to meet even the minimum standards of life today.

Now, under the proposed bill, this compensation would be placed upon a different base.

First of all, the compensation would be the same for death in peace or war. We think that is entirely fitting and proper, particularly, since under our present military force we must maintain such a large proportion of reservists on duty at all times.

The formula for determining this payment is a simple one and it is shown right here.

Instead of the flat payment that we now have, the compensation would be $112 plus 12 percent of the basic pay of the serviceman at the time of his death. That will be paid to the widow of a serviceman who died from a service-connected cause, and without regard to the size of his family.

And we see then that one of the effects of that payment would be to raise the compensation due to a widow from its $70 at the present time up to a minimum of $122. The $122, for instance, would be the compensation due to the widow of a recruit. We do not have many widows of recruits, but it could happen.

Senator LONG. Could I ask a question right there?

Captain MARTINEAU. Yes.

Senator LONG. Does that $70 minimum apply to all widows presently drawing pensions, of one sort or another—does that raise their minimum also?

Captain MARTINEAU. That does. Every widow on the rolls today whose husband died in wartime or on active duty or from a service-connected cause, is either drawing $87 per month if it is a wartime death, or $70 per month if it was a peacetime death.

The CHAIRMAN. She draws more if she has dependents?

Captain MARTINEAU. She draws more if she has minor children; that is correct.

Senator LONG. Do you know how many widows are involved in that case?

Captain MARTINEAU. How many widows?

Senator LONG. Do you know?

Captain MARTINEAU. There are some 115,000 widows on the roles today.

The CHAIRMAN. One question there. We will take a general's widow—how much would she receive if she has no dependents as compared to a private's widow?

Captain MARTINEAU. The widow of a private and of a general or any rank today, if her husband, the serviceman, died in time of peace, is receiving $70 a month. If it was a wartime death she is receiving $87 per month.

If she is the widow of a major general, which is the highest permanent rank in our structure today, then according to this formula, $112 plus 12 percent, she would be entitled to a monthly payment of $242 per month.

The widow of a private, the lowest ranking private, a recruit, who is receiving a basic pay of $78 per month, would be entitled to $122 per month.

And the other ranks in between would receive amounts between $122 and the maximum $242.

The CHAIRMAN. How much would they receive if they had dependents?

Captain MARTINEAU. The dependents under the proposed bill, as we will show presently, will be cared for under the social security.

The CHAIRMAN. Would that be the same for the widow of a private as for the widow of a general?

Captain MARTINEAU. According to social security today, the social-security payments made to all of our other citizens are based upon the wage credit to which the man was entitled at the time of his death. That same principle would be applied here.

The second element under the compensation survivor benefit system today is the so-called FECA—Federal Employees Compensation Act—which was set up to provide for civilians who die in line of duty in Government.

Senator LONG. What does FECA mean?

Captain MARTINEAU. Federal Employees Compensation Act.

Under the law the reservists who are serving on active duty and and who die in time of peace are entitled to elect either the veterans compensation that we have just discussed, the flat payments, or to elect the much higher payments provided by the Federal employees compensation.

For instance, the widow of such a reservist, instead of receiving the flat $70, she receives today, she can receive 45 percent of the basic pay plus all allowances and special pays that the man was receiving at the time of his death, up to a maximum of $525.

Senator FREAR. Does that mean flight time as an aviator—does that special pay mean that?

Captain MARTINEAU. It does. The Regulars under the law and until just recently, the National guard men, are not entitled to that election—they have only the VA death compensation.

So we see that there is a difficult condition there, and a very inequitable condition whereby we have men of the same rank, who die quite often under exactly the same circumstances, whose survivors are left grossly different benefits.

The CHAIRMAN. This law would reduce the payments to the widows who are getting $525?

Captain MARTINEAU. Under this bill, Mr. Chairman, those reservists or any person who is receiving any benefit today, this bill will in no way reduce the benefits they are now entitled to; it will only affect future cases.

The CHAIRMAN. Just the future cases?

Captain MARTINEAU. Yes.

And we see here that under the bill the application of FECA will be repealed for all military personnel. And that means then that Regulars and reserves serving on active duty will be treated exactly alike.

The CHAIRMAN. How many widows are receiving more than $200 now?

Captain MARTINEAU. How many widows are receiving more than $200?

I may have to supply that for the record.

The CHAIRMAN. Are there many widows receiving $500?

Captain MARTINEAU. Yes, sir; there are some.

The CHAIRMAN. Can you furnish an itemized statement of that information?

Captain MARTINEAU. Yes.

(The information is as follows:)

The Bureau of Employees' Compensation, Department of Labor, at the request of the Department of Defense, sampled a limited number of the approximately 4,000 cases in which FECA benefits are being paid to the widows of reservists, and developed the following information:

Amount of benefit:	*Percent of those sampled*
Under $150 per month	13.8
$150 to $200 per month	23.2
$200 to $250 per month	30.2
Over $250 per month	32.8

On the basis of this sampling it would appear that approximately 63 percent of the widows on FECA rolls are receiving benefits of $200 more.

Senator LONG. Let me get this straight now. Do I understand the present law, a reservist is entitled to choose to come under the FECA rather than coming under the VA?

Captain MARTINEAU. Yes.

Senator LONG. And obviously a reservist would choose that because of the higher benefits of the FECA. Would this bill repeal that choice, so that if he died in the future the reservist would not have the opportunity of choosing the higher rate?

Captain MARTINEAU. It will repeal it for future cases. Those widows who have already made that election, that is, the widow who is now drawing that higher amount, will be able to continue to receive that amount. But future cases all will be treated alike under the payments that are going to be set up under this bill as we will examine the rest of them presently.

Senator LONG. But now, that would mean, though, that where these reservists presently have the opportunity to choose the FECA procedure which is very liberal, they would be denied that right in the future?

Captain MARTINEAU. That is correct.

Senator LONG. And they would have to take what might be lower benefits under the proposed bill?

Captain MARTINEAU. That is correct, sir. They might be lower benefits, but in many cases we have instances today where a family, the surviving family, draws considerably more after the death of the serviceman than they drew under his full pay and allowances prior to his death.

Now. The third element, the matter of social security, Mr. Chairman, under present law, and since 1950, when the Congress provided a temporary coverage of social security for all service personnel.

Under the law that has been in effect, every person in service is entitled for purposes of social security to a basic wage credit of $160 for every month of military service from September 16, 1940, through March 31, 1956. And they would be entitled to credits under that basis as compared to the maximum wage credit of $350 which is allowed by social security. That, of course, results in the same payments for all, because all have exactly the same wage credit.

Another serious deficiency of the present application of social security is that it is now noncontributory. It is entirely gratuitous. There is no contribution on the part of the serviceman. There is no contribution on the part of his employer, the Government. That means, of course, that the payments that had been authorized by law have had to be made from the social security fund. But that fund

has not been compensated, either for the payments already made or for the obligations now standing against it.

The cost for present and future obligations under the social security fund is as of March 31, 1956, $760 million and is increasing at the rate of about $125 million a year.

Under this bill, one of its principal features is to place all service personnel on active duty under full social security coverage.

The CHAIRMAN. How is the social security fund compensated? Are there any payments made from the armed services to it?

Captain MARTINEAU. There are none provided by law today. There has been no compensation to the fund.

The CHAIRMAN. In other words, the fund has to absorb any loss that may result by reason of this limited coverage?

Captain MARTINEAU. That is correct, sir.

Senator WILLIAMS. Under the new formula would deductions be made from the personnel?

Captain MARTINEAU. They would—the deductions would be made. This bill proposes in placing all service personnel under social security they would be treated exactly the same as any other citizen who is now covered by social security. They would be entitled to benefits up to a maximum wage credit of $350 per month. They would make a contribution of 2 percent of their basic pay per month.

The CHAIRMAN. The armed service would make a similar contribution.

Captain MARTINEAU. They would make a similar contribution as the employer.

The CHAIRMAN. I assume they would get an appropriation for that?

Captain MARTINEAU. That is correct, sir. We will come to that presently in the cost.

Senator FREAR. Mr. Chairman, in order to bring the social security fund up to date, an appropriation in the amount of approximately $700 million would be required. Is that not right?

Captain MARTINEAU. That is, the future and the present costing of this application of social security is $760 million as of March 31, 1956.

The CHAIRMAN. Has the social security fund asked for this money that is now owing to them?

Captain MARTINEAU. I am sure that representatives of the Social Security will be here to testify before your committee, but they strongly recommend that some steps be taken.

The CHAIRMAN. They expect that to be repaid to them?

Captain MARTINEAU. Eventually, they hope it will be.

The CHAIRMAN. How much is the accumulation of it to date?

Captain MARTINEAU. Well, sir, this bill provides for a repayment for the present obligation at the rate of $50 million per year.

The CHAIRMAN. How long will it take to pay it off?

Captain MARTINEAU. About 30 years.

Senator LONG. Is the social-security fund at the present time making these payments of about $60 or $65 a month to these people, to widows of servicemen without any contribution from the servicemen to the fund?

Captain MARTINEAU. That is exactly right, sir. At the present time if the serviceman dies on active duty and leaves a widow and two or more children, that family is entitled to a payment from social

security of $128 per month, until such time as those children reach age 18. When that widow is left in the position with no minor children, of course, under the social-security law she being a women under 65 years of age, is not entitled to any further payments. And they stop until she reaches age 65. Then she is entitled to an additional payment of $53 per month for this military coverage.

Senator WILLIAMS. When was that temporary coverage extended?

Captain MARTINEAU. That was first set up in 1950.

Senator WILLIAMS. Was there any objection made by the Social Security Division at that time in which they asked for the payments or else it not be set up?

Captain MARTINEAU. I understand that there was.

The CHAIRMAN. Do they expect to get it back now or do they want to get it back? What is the total amount that has to be repaid?

Captain MARTINEAU. The fund is indebted for the costs already made. They have presently expended some $250 million. They have disbursed that amount of money already. And the remainder of the $760 million is a standing obligation for the deaths that they expect in the future for the coverage already provided.

The fourth element is the matter of the free indemnity insurance provided by the Veterans' Administration.

In 1951, the Congress changed the insurance coverage. Up until that time Government insurance was available to service personnel for payments of premiums. There was a strong feeling then, it was said, to get the Government out of the insurance business.

At any rate, the bill enacted in 1951, provided a different kind of coverage. It said for any serviceman who died on active duty, their dependents, his widow, his mother, his father, or his brother or sister, would be entitled to a payment of $92.90 per month for a period of 10 years.

In many cases this authorized a payment to persons who were not, in fact, dependents. Of course, the wife is always presumed to be dependent.

But the indemnity insurance fully authorizes the payment to parents who are not dependent, to brothers and sister who are not dependent. That really defeats the purpose of the expenditure of this large sum of money, which the Congress and the Government intends to provide for the care of survivors who are really in need. This is considered to be somewhat contrary to that purpose.

Under this bill now before you this type of indemnity payment would be combined in the new Veterans' Administration payment which becomes known as the Dependency and indemnity compensation. So that after the date of enactment of this bill, and for deaths occurring after that time, this indemnity payment would no longer be payable. Instead, the survivors would be entitled to this new payment from the Veterans' Administration and the social security coverage.

However, all existing Government insurance contractual rights that existed up to the date of enactment of this bill would be entirely and fully preserved.

Finally, Mr. Chairman, the fifth element in the present benefit system, the so-called death gratuity.

This is the lump sum payment of 6 months' basic pay that is paid to the survivors of a man who dies on active duty. It is intended

as an emergency fund really to help a family tide itself over and meet the shock, the readjustment.

Under present law that is on a straight 6 months' pay basis that produces a minimum payment of $468, or a maximum payment of some $7,600, depending, of course, upon the rank and length of service, the attained pay and length of service of the serviceman.

Under the proposed bill, the principle of death gratuity would be continued.

It was deemed highly desirable that this emergency fund be made available to a family suddenly faced with a new situation. However, it was considered that the minimum under present law is too low, and that the maximum is perhaps too high for the purposes for which this is intended.

Therefore, this bill provides the death gratuity payment of a minimum of $800 instead of the present $468, and a maximum of $3,000, instead of the present $7,600.

Now, I would like to take up the case of some actual examples. We will take now a case of servicemen and see how they would fare, how their dependents would fare under this bill and the present law.

Senator FREAR. May I ask this question? Back on the comparison that you had just before you, the inequities that existed as you related, are the $70 a month payable to all, was adjusted under the death gratuity of an admiral's widow—she could receive the $7,600. If you extended that over the actuarial life of 20 years it would really be more than $70 a month?

Captain MARTINEAU. That does reflect the attained pay. That is the only place where it does. You are exactly right.

Senator WILLIAMS. In connection with this previous chart, do you have a third column anywhere which would show the amount of the savings or additional cost of each of the items recomended in it?

Captain MARTINEAU. I will come to that presently. We have a separate chart for that. I think that will answer your question.

Now, to take actual cases.

Chart No. 7. We have selected here a family of a serviceman who dies leaving widow and two children. The widow here happens to be 28 and the children are ages 4 and 7 at the time of death.

As we have already indicated, the payments that would be due to that family for this service-connected death are exactly the same regardless of the rank or the pay of the length of service of the serviceman.

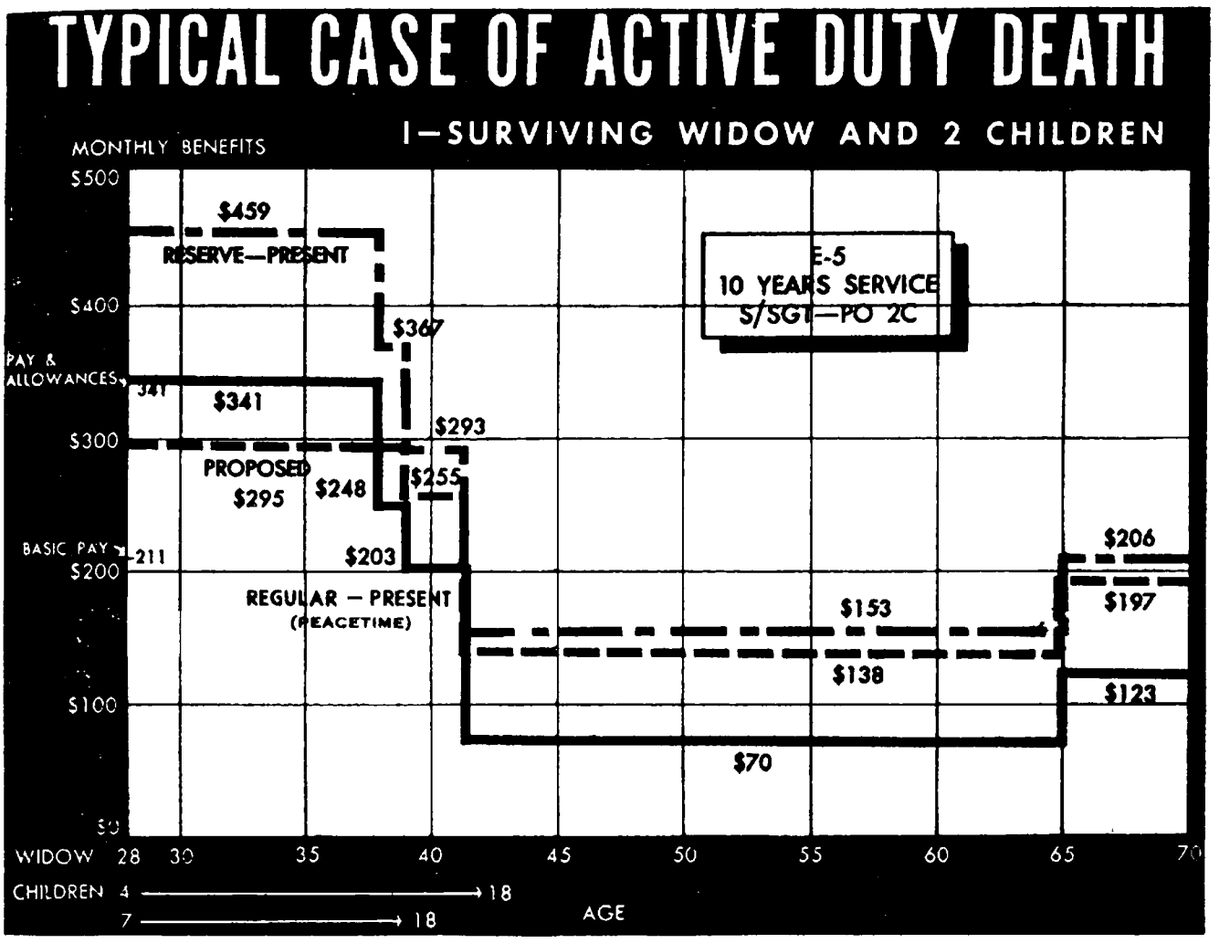
Senator FREAR. Just to clarify this, children are always under the age of 18. Whenever you identify as "children" they have not attained the age of 18?

Captain MARTINEAU. Yes, sir. For the purposes of my discussion. Under 21, under certain other conditions.

This family at the present time for any serviceman who dies leaving a widow and two children, would be entitled to an initial total payment of some $341, for a peacetime death.

That is made up of these elements: $120 from the Veterans' Administration that would be payable to that widow and the two children; $128 from the social security for the present temporary, partial coverage that is authorized by existing law; and the $93 per month indemnity payment that is payable for 10 years.

CHART 7



So we see this family—and assuming, of course, that the widow does not remarry, they would continue to receive the $341 for 10 years at which time the $93 indemnity payment would expire.

And then, of course, the income for that family would reduce to some $248. And in another year the oldest child reached age 18, at which time the payment from the Veterans' Administration would be reduced and also from social security, leaving the family then with $203.

And then, finally, the youngest child reaches age 18, at which time the social-security payment would stop entirely, because there are no longer any minor children. And the payments from the Veterans' Administration would stop, except for the payment due to the widow, which is, as we have seen, $70 per month.

So here we have the situation then in this particular case of this widow—she is now in her forties, and she is entitled to $70 per month for the remainder of her unremarried years until she reaches age 65, when under social security she would receive under present law an additional $53.

All are agreed that this $70 is entirely inadequate to meet present living requirements. But nevertheless that is the situation in which many, many widows are faced today.

Senator LONG. If she went to work she would still get the $70 or lose the $70?

Captain MARTINEAU. She would continue to receive the $70. The circumstances of many widows today are such, that they have not much more than that. And, particularly, where she became a widow in the later years of her life. The statistics bear out that where a woman, becomes a widow younger in life she usually remarries.

Senator LONG. Might I ask this question? Do I understand that that is the person making $341 a month?

Captain MARTINEAU. No, sir. I will come to that in just a second. This is the payment that any service family would receive today that is comprised of a widow and two children, regardless of length of service, or attained pay.

Senator LONG. You are talking of a basic pay of $200?

Captain MARTINEAU. That is the man I am coming to in a minute.

Now, we will take an actual case of a serviceman. A man who is a staff sergeant or petty officer, second class. And we have assumed that he dies on the completion of 10 years active service. And at the time of his death he was entitled to a basic pay of $200 per month. That with allowances gave him $341. So that family was receiving a gross income of $341 before his death.

Now, in this case, if he was a reservist who died in time of peace, then, of course, this family could elect payments under the Federal employees compensation where the widow and the two children together would be entitled to 70 percent of the total pay and allowances that the man was receiving at the time of his death. They are also entitled to the $128 from social security, and also the $93 indemnity. That would give that family an income initially of $349.

As you can see, it is considerably more than the family was receiving as income before the death of the husband.

That would continue for 10 years, at which time the indemnity would expire, and it would reduce and would continue to reduce at the same time and for the same reason as in the other family; namely, the children reaching age 18.

Finally, the widow comes to the point where she, too, no longer has minor children but she is not left with any $70 per month; she is left with $153, the amount to which she is entitled from the FECA; namely, 45 percent of the pay and allowances the man was receiving at the time of death. That would be increased at age 65, if she did not marry.

What would the proposed bill do? How much would this same family receive under the bill now before us?

Well, initially, this family would be entitled to a payment of $295.

Well, it can be said, "But that is less than they get now."

That is quite true. It is less for this particular period. But at the same time it bears a very reasonable relationship to the amount of money that family was getting prior to death.

This $295 is composed of two elements: The amount due from the Veterans' Administration, $112 plus 12 percent of the basic pay of this individual serviceman plus the social security that they would be entitled to related to his basic pay.

This family would continue to receive this $295 until the oldest child reached age 18, at which time it would be reduced by a reduction from the social security because the child is no longer under 18.

Then the youngest child comes of age, and the social security stops because that is the way it operates in every other case for social security.

The widow now is left with the amount of money receivable from the Veterans' Administration but it is not the $70 per month—it

now would be increased under this bill to $138, which will certainly better enable her to meet minimum living requirements.

She will receive that amount of money for the remainder of her unmarried years, until she reaches age 65, when under social security she would be entitled to the increased benefit that a widow of that age is entitled to.

CHART 8

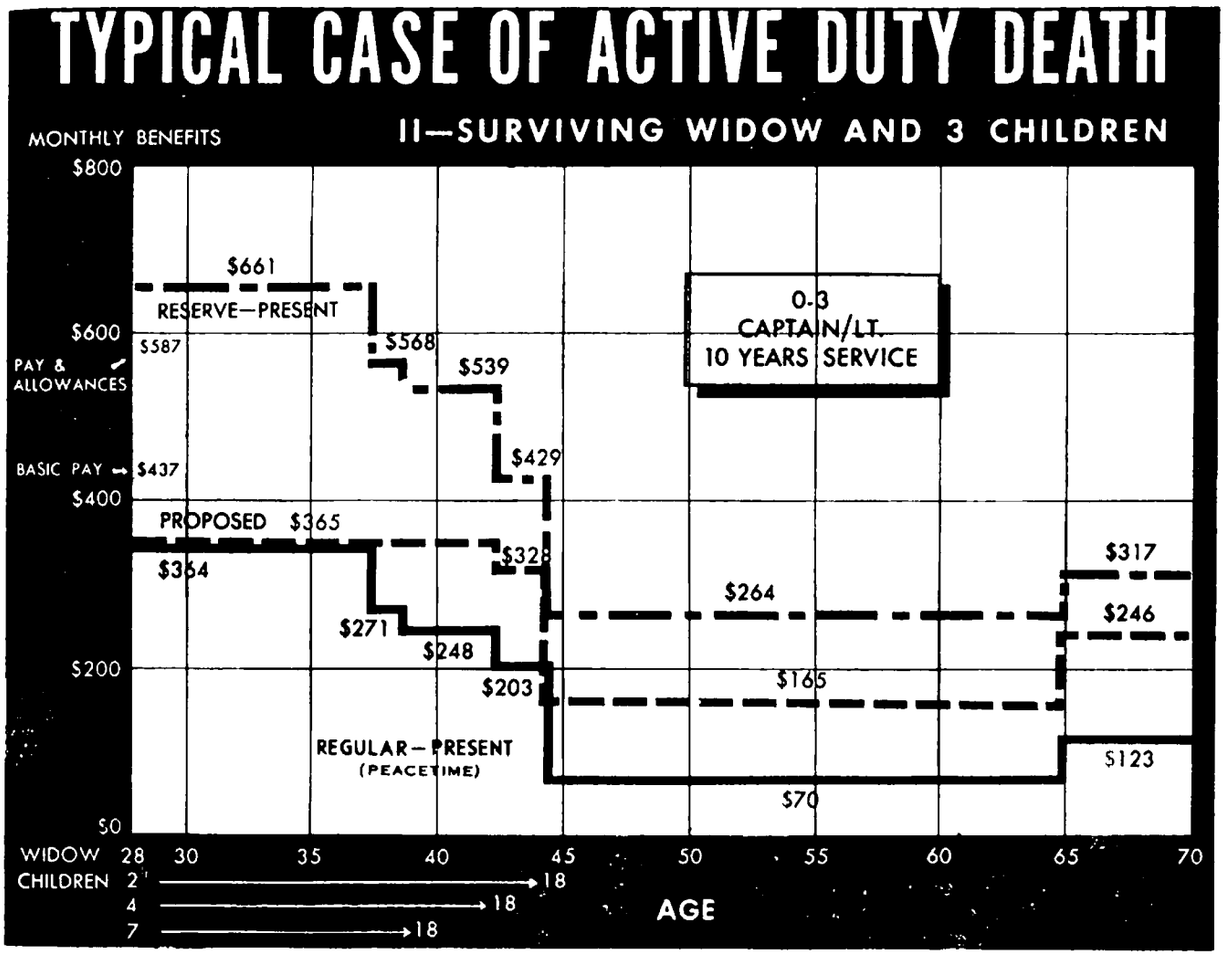


Chart No. 8. To take one more case. Here we have selected a surviving widow and 3 children.

Again the payment to the family is exactly the same, regardless of the length of service or attained pay of the serviceman.

In this case the initial payment would be $364, because it is the $341 increased by another child's compensation from the Veterans' Administration which is $24 for a peacetime death.

So this family during the first 10 years will receive $364.

And then it would reduce for the same causes as in the previous example, namely, the expiration of the $93 indemnity, and a reduction in social-security payments as the children come of age.

And, finally, she, too, is left with the same $70 as in the previous example.

Now let us take the case of an individual who is an Army captain or a Navy lieutenant. And he had 10 years service at the time of his death. And assume that he was a reservist at the time and that he died in time of peace.

Before his death he was entitled to a basic pay of $437. That with his allowances gave that family a gross income before his death of some $587 per month.

If he was a reservist, of course, the family is going to elect the higher payments from the FECA in this case. And for this particular family it amounts to some $661. That is 75 percent of his total pay and allowances up to a maximum of $525, plus the $128 from social security, plus the $93 indemnity. That gives his family $661 per month as compared to the $364 that the family of the Regular is entitled to.

It is quite possible and it has happened, two of these individuals might have died, say, in the same plane crash, one a Regular Air Force captain, and the other, a Reserve Air Force captain.

They left the same sized family, the same age. They have the same length of service.

The Regular's family would get $364.

The Reservist's family would get $661.

When the Regular widow had no minor children she would receive $70 per month. The Reservist's widow would receive $264 per month.

That, of course, is a measure of the inequity, Mr. Chairman.

Senator LONG. How did we get in that fix, can you tell me? [Laughter.]

Captain MARTINEAU. Well, Senator——

Senator LONG. You know, some of us didn't make this situation that way—we didn't make this—we were just born here and we try to find out why it is the way it is. How did we get in that type of fix?

Captain MARTINEAU. Let me try to answer your question this way:

For many years, since 1925 in the case of Navy, and since 1939 in the case of the Army, and the then Army Air Corps, reservists were entitled to the payments of FECA, if they died on active duty or even if they died while engaged in inactive duty training.

At that time, the FECA payments were not very high, and it didn't cause any discrimination. Usually, the payments from the Veterans' Administration were higher. FECA payments gradually started increasing.

In 1949, in about a month after the passage of the Career Compensation Act for the military services, a bill was enacted that sharply increased the benefits due to civilian employees who died in line of duty—died in the performance of their civilian duties in the Government. And by law, the Reserve officers and enlisted personnel are entitled to those payments, whatever they may be.

So since 1949, to answer your question, we have had this situation as a result of the increased FECA payments that were provided at that time.

Senator WILLIAMS. You are explaining this as it affects the survivors. Are these same inequities existing under the present law in relationship to the retirement of the individuals, if they are living?

Captain MARTINEAU. No, sir. For a person who retires, Senator, their survivors are not entitled to these benefits if his death is not service connected.

Senator LONG. Let me see if I understand how we got in this fix. It looks to me as though perhaps an oversight of not recognizing the effect of one act on another.

Ordinarily, a Federal employee who is under the FECA does not draw these additional benefits, this additional social security payment and additional VA payment; is that correct?

Captain MARTINEAU. That is correct, sir.

Senator LONG. So, ordinarily, the Federal employee who is not in the armed service, does not draw these additional benefits that a regular serviceman would draw?

Captain MARTINEAU. Well, sir, except they are entitled to a form of Government insurance.

It is true they would not get the $128 now provided by social security, but the survivors could get up to $525 per month. That is the maximum allowed by the FECA law.

Senator LONG. But, ordinarily, they would not receive the social-security payment in addition to that?

Captain MARTINEAU. That is correct, sir.

Senator LONG. And they already do not receive the VA?

Captain MARTINEAU. The VA is not made in addition. The insurance payment is.

They probably would have qualified for some other form of Government life insurance and their survivors would have received that.

Senator LONG. Under our law, to provide for the protection of our Federal employees, ordinarily, we do not provide them to receive more income, the widow to receive more than they were receiving prior to his death. That is an unusual situation.

Captain MARTINEAU. That is correct, sir; because the very formula provided by law insures against that. It provides a maximum of 75 percent of all they were receiving at the time, not to exceed $525.

Under the proposed bill, the widow and these 3 children of this particular officer here, would be entitled to $365 initial payment, and that again would be composed of the payment due from the Veterans' Administration, $112, plus 12 percent of basic pay, and the social security to which they are entitled and that amounts to $365.

That reduces as the children reach age 18, until finally the widow is left without children under age 18, and she then would be entitled to $165 per month payment as compared to the $70 per month that she gets at the present time.

Again, that would be increased when she reached age 65, if she had not remarried.

Senator FREAR. There are only 3 steps of reduction, and there are 3 children?

Captain MARTINEAU. I think that is in this one of these. The social security, sir, pays the maximum to a widow and two children. It is the same for a widow and two or more children. And when the oldest child reached age 18, there would be no reduction.

CHART 9

SURVIVOR BENEFITS SURVIVORS PRESENTLY ON VA ROLLS

1. HAVE CONTINUING OPTION TO REMAIN UNDER PRESENT BENEFITS OR TO ELECT THOSE UNDER HR7089.

2. THOSE SURVIVORS NOW RECEIVING HIGHER BENEFITS UNDER EXISTING LAWS CAN LATER ELECT HR7089 BENEFITS WHEN PRESENT BENEFITS DECREASE.

3. SOCIAL SECURITY BENEFITS WILL BE MADE AVAILABLE TO THOSE SURVIVORS OF MILITARY PERSONNEL WHO HAD LESS THAN 18 MONTHS SERVICE AT THE TIME OF DEATH.

4. ALL WIDOWS WILL BENEFIT SUBSTANTIALLY UNDER HR7089.

Chart No. 9. Now, this will enable us to take a quick glance at how this bill would affect the present survivors; that is, the survivors of servicemen already deceased at the time of an enactment.

Well, first, these survivors would have a continuing option to remain under their present benefits or to elect those provided by this bill, whichever is higher.

In those cases where survivors are receiving higher benefits under existing laws, due, for instance, to the size of the family, but at a latter time when the size of the family reduces and the children reach age 18, then the widow, for example, would receive less.

Under this bill this widow could elect at a later time to come in under the provisions of this bill, but the election once made is final.

Now, we have another case, Mr. Chairman.

Social-security benefits, as I have said, have been made applicable to all service personnel commencing in 1940. Under the laws as passed by the Congress, the Congress said that for any man who died in service, provided he had six quarters of coverage, because that is the social-security requirement, if he had been in service 18 months, and

died, then his widow and children are entitled to social-security benefits.

Of course, during World War II we had thousands of cases of men who died before they had completed 18 months of service. Therefore, their survivors have not been entitled to any social-security payments, even on the partial basis we have now.

This bill would give to those, that group of survivors, some 3,700, the right to commence receiving social-security payments on the partial basis. There would be no retroactive payment but they would commence receiving it as of the date of enactment.

Senator WILLIAMS. Does the Defense Department propose to make the payment to the social-security fund necessary to make that payment?

Captain MARTINEAU. That cost is included in the cost of this bill.

Senator WILLIAMS. That is included in it?

Captain MARTINEAU. That is.

Senator FREAR. But not retroactively?

Captain MARTINEAU. No.

Senator WILLIAMS. The payments are not——

Captain MARTINEAU. It would pick up the cost for future payments.

Senator BENNETT. Under the present social-security law the man still has to put in for 18 months before he can qualify.

You are talking about 3,700 survivors to whom these benefits would be made. What about the boy who enlisted and then dies or is killed, before he has qualified for social security now?

Captain MARTINEAU. I am very glad you brought that point up. It touches upon another important element of this bill. That is another feature of this bill.

Recognizing the hazards of military service and that the case you cited often does happen, this bill also provides immediate social-security coverage from the time a person enters service. And that increased cost, also, is borne by the Defense Department.

Senator WILLIAMS. When you say it is borne by the Defense Department, of course, that is the appropriation, but is that included in the recommendation of the overall cost of this bill?

Captain MARTINEAU. That is, sir.

I would like to emphasize again, Mr. Chairman, that under this bill, there would be no reduction of any payments to which survivors are presently entitled.

I would also like to emphasize that all widows present and future will benefit very substantially under this bill. And we feel that that is a very important element in the interest of equity and in the interests of setting up an important career incentive that will help to make career military service more attractive than it has been recently.

CHART 10

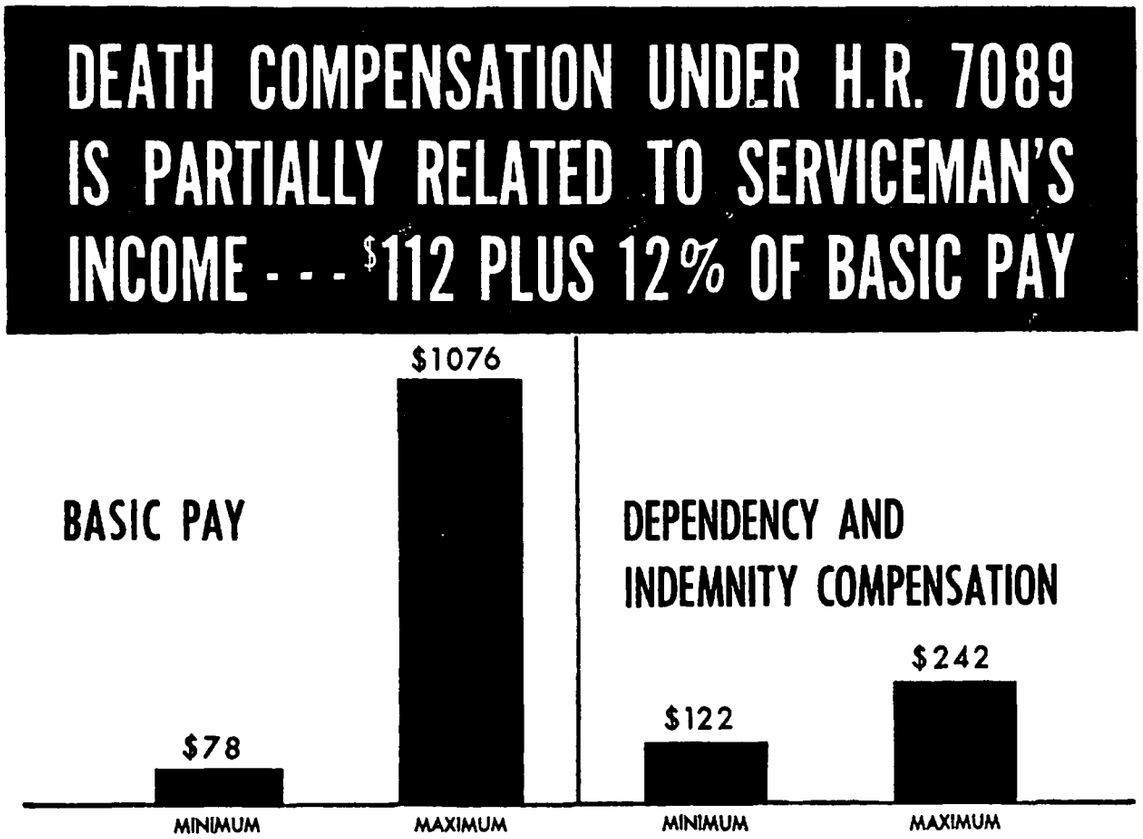


Chart No. 10. Now, the dependency and indemnity compensation payable by the Veterans' Administration, as we have seen, bears some relation to the basic pay—not a complete relation, but some relation.

And as we see, it is $112 plus 12 percent of the basic pay.

This chart here is intended to give the idea of a comparison. Here in the green colums we see the minimum basic pay and the maximum basic pay provided by the present military pay structure.

This is the monthly pay of a recruit ($78). This is the monthly pay of a major general, the highest permanent grade in the military structure ($1,076).

This then is the range of their basic pay at the present time.

Senator MARTIN. That does not include allowances?

Captain MARTINEAU. That does not, sir. This is basic pay.

Over here on the right-hand side the red columns are the range of this new death compensation.

The death compensation for the widow of the man receiving the minimum pay would be $122 under this bill.

The death compensation for the widow of the individual entitled to the maximum pay would be $242.

So we see that the range of the death compensation from the lowest to the highest is far less than the range of basic pay, and that this death compensation bears some relationship, at least to basic pay.

Senator LONG. Let me see if I understand this point. While I do not wish to quarrel with the widow receiving $122 a month, are you carrying out the theory that you were speaking to a moment ago, when you got a basic pay man receiving $78 and he dies, his widow receives $122.

Captain MARTINEAU. That does apply in that case, Senator, because that recognizes, also, the principle that for a woman alone, that $78 is entirely inadequate to meet minimum requirements. And that is why this minimum payment was provided.

Senator LONG. That $78 does not recognize what the family income actually was?

Captain MARTINEAU. It does not include allowances; that is correct.

Senator LONG. Do you know what that $78 would be if the allowances were included on top of that?

Captain MARTINEAU. It is $78 plus $77 that this individual is entitled to under the present allowance law (assuming he has two dependents).

Senator LONG. So, actually, the family income for the 2 is about $150, while the widow would receive $122, as I understand it?

Captain MARTINEAU. That is correct.

Mr. BURGESS. You are dealing with the recruit.

Captain MARTINEAU. An individual coming into service today is only a recruit for a period ranging from 2 to 4 months and relatively few of them will have a wife. Of course, they could have and the wife could become a widow.

Senator FREAR. I recognize the fact that there might be a rare limited group above the $1,076. When you include the allowances and flight pay, how would that affect the red figure of $242? Would that increase it some.

Captain MARTINEAU. No, sir; because the death compensation is related solely to basic pay. It does not include allowances.

Senator MARTIN. What are the allowances in the $1,076 group that is the maximum?

Captain MARTINEAU. In this case they would be $171 quarters allowance and $48 subsistence allowance, or a total of $219 per month.

Senator FREAR. What?

Captain MARTINEAU. The rental allowance, the subsistence allowances, that all persons are entitled to.

Senator FREAR. What is the maximum flight pay?

Captain MARTINEAU. The maximum flight pay for—this is a general office here, is $165 per month. That is the flight pay of a general officer.

Senator FREAR. What is the maximum flight pay of any officer?

Captain MARTINEAU. The maximum flight pay is drawn by a colonel, or a Navy captain, which amounts to $245 a month, sir.

Senator MARTIN. What is the total per month, allowances, and flight pay, and basic pay?

Captain MARTINEAU. Well, for the colonel or captain we would add $137 for quarters, $48 for subsistence, and a maximum of $245 flight pay—that would be $430 added to this amount—that would include then all of the allowances, and the flight pay, if that person was entitled to flight pay.

CHART 11

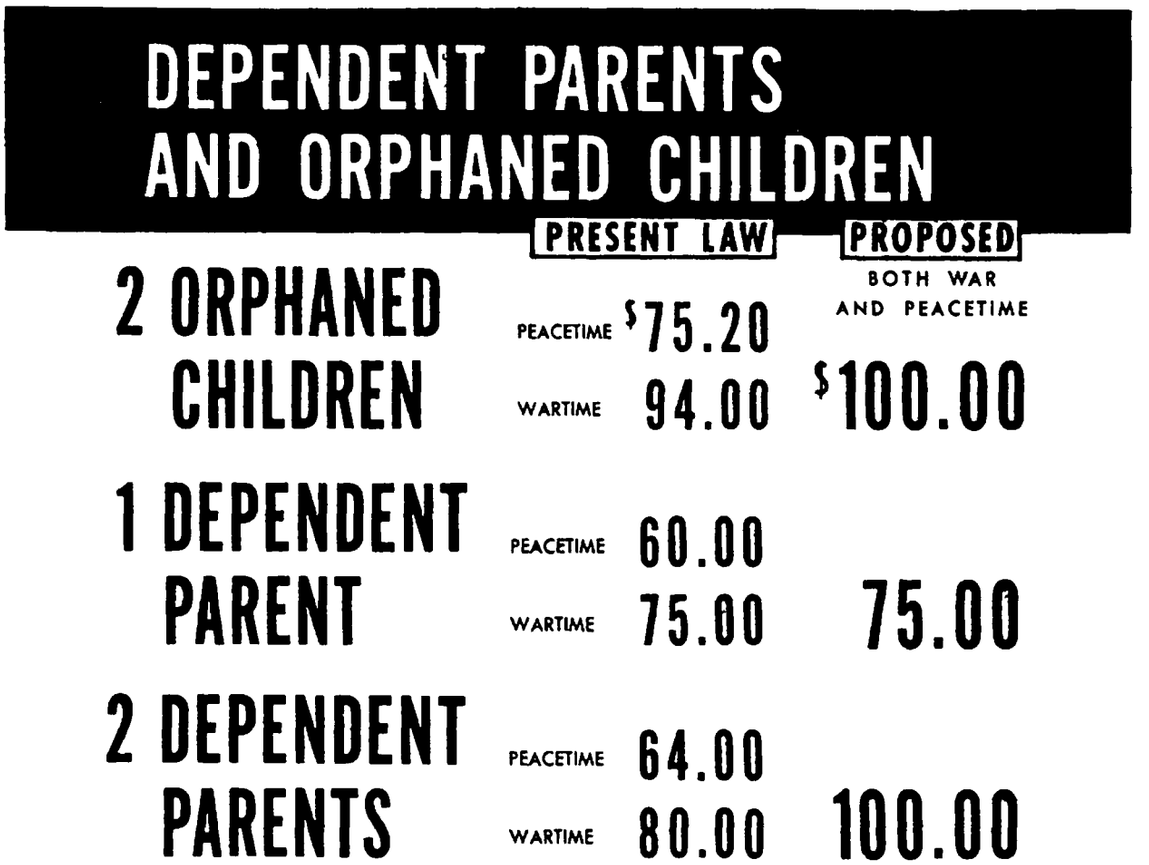


Chart No. 11. Now, this chart, Mr. Chairman, is intended to give some examples here as to how the bill in the present law applies in the case of orphaned children and dependent parents.

We have taken here the case of two orphaned children.

Under present law the compensation to which they are entitled also varies as to whether it is a wartime or peacetime death. And two orphaned children today for peacetime death are entitled to $75 per month, or $94 for wartime.

Under this bill that would be increased to $100 per month.

For a single orphaned child, not shown on this chart, but he or she is entitled to $53 per month today for peacetime death of the father, and $67 if it was a wartime death. And under this bill it would be increased to $70 per month.

In the case of the dependent parent, a single dependent parent today is entitled to $60 per month for a peacetime death and $75 if the death occurred in wartime.

There is an income restriction on that, in present veterans' regulations. And the limit for a peacetime parent, for a single parent, is $1,260, but it is a flat limit. If they are getting a dollar less than $1,260 they are entitled to the entire compensation. If they are getting a dollar more, they get nothing.

Under this bill, the single parent would be entitled to a $75 monthly payment for either wartime or peacetime death.

And this payment is also dependent upon other income of the parent, except that it is based now on a sliding scale.

A single parent under this bill whose income is less than $750 per year, would be entitled to the full compensation. As the income increased above $750, this compensation would gradually decrease, until the other income reached $1,750. And when it exceeded that, then the

parent would be considered no longer dependent and there would be no compensation paid.

Senator MARTIN. If the two parents are receiving the maximum social security, then they would not be entitled to anything under this bill.

Captain MARTINEAU. They would be receiving the social security, Senator, of course, only if they were over 65. They would not get it under 65.

The social-security payment would be considered income for the purpose of determining that payment.

In the case of two parents, we have here the same general format. They are entitled to $64 for peacetime death, and $80, that is, the 2 combined, for a wartime death.

Under the bill they would be entitled to $100 per month.

There is also an income limitation there, the minimum being $1,000.

CHART 12

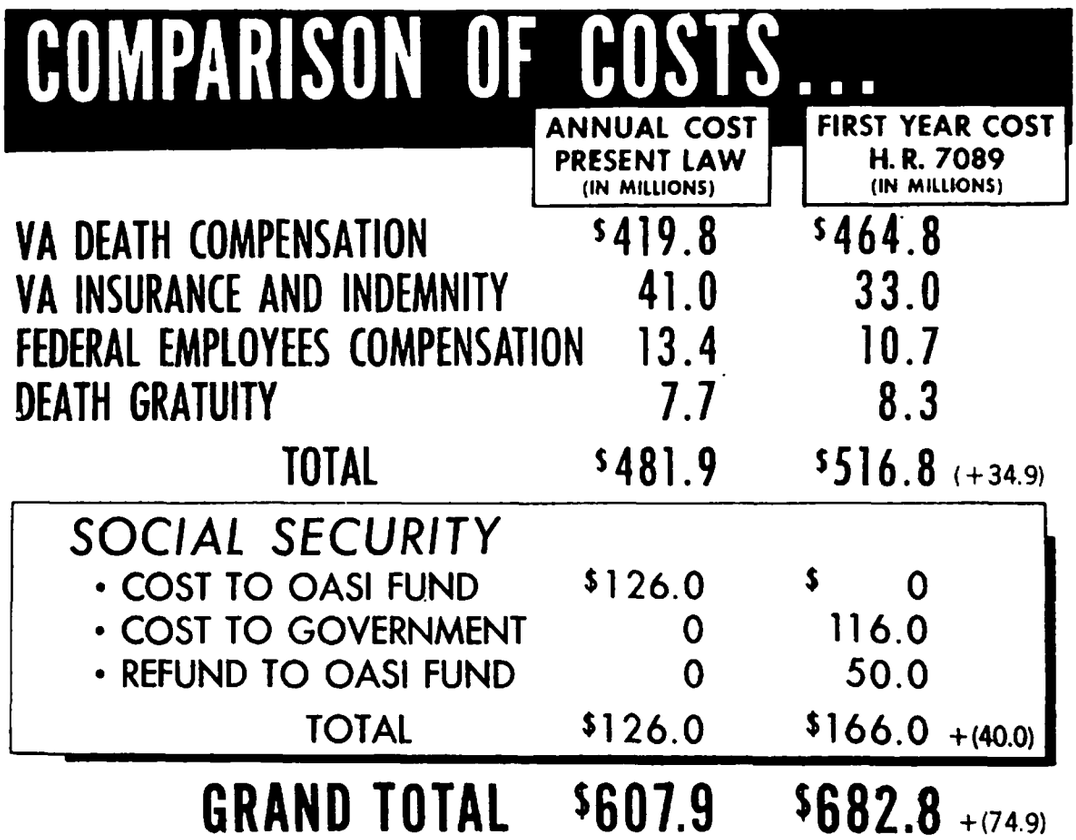


Chart No. 12. Now the matter of costs, Mr. Chairman:

We have taken here the four elements. We have excluded for the moment social security.

This is the annual cost—the appropriated cost of present law.

The payments for the V. A. death compensation for fiscal year 1956 will be some $419.8 million.

For payment of the V. A. insurance and indemnity, $41 million for fiscal 1956.

For the Federal Employees Compensation payments, for the survivors of the reservists, $13.4 million.

And death gratuity $7.7 million.

Or a total of cost of the present law of these components of $481.9 million.

Under this proposed bill, the cost of the first year's operation, first, for the revised Veterans' Administration death compensation, this cost

would increase from its present $419.8 million to $464.8 million. That, of course, picks up the higher payments to which all future survivors would be entitled. And it also includes the conversion for those existing survivors who elected to come over under the higher payment.

Of course, under the present bill, as we have seen, there would be no future claims for the V. A. Indemnity or insurance, but, of course, we would have continuing charges for the claims that had been insured prior to the date of the enactment.

Well, we see then that this gradually reduces and will, of course, eventually disappear, because there would be no additions to it.

Similarly, for the Federal Employees Compensation, which currently is $13.4 million, and the first year's operation would be some $10.7 million, because there would be no new additions, but we would have to continue paying it for those who elect to retain their benefit.

For the death gratuity there is an increase up to $8.3 million. Despite the fact that we have lowered the maximum, we have also increased the minimum, and that produces an increased charge.

Now, that amounts to a total first year's cost of the first year's operation of this bill of some $516.8 million.

I would like to point out again to the committee that two very important elements would no longer be authorized by law under this bill. While there will be continuing payments necessary they are bound to be diminished and will eventually disappear.

Now, as to social security:

At the present time, the Department of Health, Education, and Welfare estimates that the annual cost for the payment of this temporary, partial social security is $126 million per year.

As we have seen there is no contribution to that. Neither the servicemen nor the Defense Department is contributing to it. So that comes entirely out of the fund.

Under the bill now before you, whereby all service personnel would be placed under complete social security, the servicemen would pay his 2 percent, as his share; and the Defense Department, his employer, would pay their 2 percent. And that is this $116 million.

Senator FREAR. Is that 4 percent or 2 percent?

Captain MARTINEAU. That is 2 percent.

Senator FREAR. So that in addition the social security fund would receive another $116 million from——

Captain MARTINEAU. From the serviceman, that is correct. That has all been set up and coordinated between all of the departments concerned. In the event this bill is enacted, it is ready to be placed in operation.

The CHAIRMAN. You give complete coverage instead of the present limited coverage?

Captain MARTINEAU. That is exactly right. The serviceman would be covered by social security in exactly the same manner as any other citizen.

The CHAIRMAN. Break this down. What are the wages of these 3 million, approximately, whom you propose to put under complete coverage?

Captain MARTINEAU. Well, sir, their actual wages as we have seen, Mr. Chairman, vary from a minimum of $78 per month——

The CHAIRMAN. I know that. What is the total?

Senator MARTIN. What is the total?

The CHAIRMAN. I want to see what 2 percent may be.

Senator BENNETT. You have the maximum cutoff point in there.

Senator MARTIN. What is the United States total payroll of the combined services?

Rear Admiral GRENFELL. Five and one-half billion dollars, right there.

Senator BENNETT. If 2 percent is $116 million, 1 percent is $58 million, and you multiply that by a hundred.

The CHAIRMAN. That isn't the question. I wanted to know the total payroll of the armed services for the 3 million people on which 2 percent must be paid.

Senator BENNETT. $5 billion.

Captain MARTINEAU. We will have that for you in just a second.

Senator FREAR. You have to bear in mind there is a limitation of $4,200.

Captain MARTINEAU. That payroll is approximately $10 billion today.

Mr. BURGESS. That is not the OASI part of the payroll.

Senator LONG. To arrive at a payment of $116 million you have got to be paying on $5,800,000,000.

Senator MARTIN. There is a limitation for social security of $4,200. That is the maximum of social security.

Senator BENNETT. That is right.

Captain MARTINEAU. I think I understand your question now. You mean to give you the size of the payroll up to the maximum wage credit of $350.

The CHAIRMAN. In other words, the payroll on which 2 percent is to be paid.

Captain MARTINEAU. That is $5.7 billion.

Senator MARTIN. As I understand it, what you have in mind is that that will be a part of a man's compensation, just as I have always considered that the retirement pay of an officer in the American Army was a part of his pay?

Captain MARTINEAU. That is correct.

Senator MARTIN. His pay is very low. And of course, that retirement pay is an inducement; it is a security. And that is really part of his pay.

Captain MARTINEAU. That is precisely right, Senator. And service personnel have always regarded the retirement when it comes in the future as a very important part of their lifetime compensation.

And under social security, of course, they are coming into that on a contributory basis as compared to the gratuitous system that they are now under.

Senator MARTIN. But the man himself does not make any contribution as an individual like he would to social security were it in industry? From now on, does he make it out of his pay?

Senator BENNETT. Yes.

The CHAIRMAN. Yes.

Captain MARTINEAU. That is right.

The CHAIRMAN. Is that the exact figure now, $116 million?

Captain MARTINEAU. Yes.

The CHAIRMAN. That is 2 percent of that part of the income that is subject to social security?

Captain MARTINEAU. Plus the extra charges. That also includes the charge for picking up those 3,700 cases in World War II, and it also provides for the additional charge that is necessary to give immediate coverage.

Senator BENNETT. If your total salary, pay, subject to social security is 5.7 billion, then 2 percent of that would be $114 million. So you have got $2 million in here for special charges, and $114 million to cover the actual Government's cost of new social security.

Captain MARTINEAU. That is exactly right, sir. And the 2 percent matching contribution from the service personnel is $114 million.

Senator WILLIAMS. You say that the existing maximum coverage is what under social security?

Captain MARTINEAU. The existing maximum coverage is $160 wage credit for everyone.

Senator WILLIAMS. How do you figure that this $160 coverage costs $126 million when it will only cost $116 million to give full credit? I know there is 2 percent contribution, but it would not come out quite right mathematically.

Captain MARTINEAU. This $116 includes only the Government's contribution. We also have $114 million coming from the serviceman which will also go to the social security fund.

Senator WILLIAMS. I understand that, but that is at the 4 percent rate. And this free coverage was at the 3 percent rate, because the rates just changed from 3 to 4 percent. At the time that they got the free coverage it was 3 percent and you accumulated a deficit of $760 million, which means about $150 million a year.

How does 3 percent figure come out at $150 million if 2 percent is $116, on the full coverage?

Captain MARTINEAU. This figure of $126 million that I am giving you was given to us by the Department of Health, Education, and Welfare. I would like to ask——

Senator WILLIAMS. You understand the question that I am asking, if $116 million—well, that is only half of full coverage, but $232 million is giving full coverage. At the 4 percent rate, the coverage at $160 would not come to $126 million per month.

Captain MARTINEAU. I can only say that is what the social-security experts tell us that it would cost. I would respectfully request, sir, that you defer that until the social-security witness appears.

Senator WILLIAMS. I am sure they are right. Maybe they can explain it.

Senator LONG. That refund to the OASI, is that a 1-year refund or is that a refund that projects forward for several years in the future?

Captain MARTINEAU. This $50 million would go forward for an estimated 30 years to repay the present debt against the social-security fund.

Senator LONG. In other words, it is estimated that the services would carry an annual appropriation which would pay forward for 30 years to pay off this deficit, this liability incurred against the fund in the past?

Captain MARTINEAU. We would be on a pay-as-you-go basis from here on and we would be paying back the deficit already incurred.

Senator FREAR. Would it not be cheaper for the Government to pay off the $760 rather than to pay $50 million for 30 years?

Captain MARTINEAU. I am not competent to speak to that.

The CHAIRMAN. Does it include any interest?

Captain MARTINEAU. It does include an interest charge.

Senator LONG. If we want to appropriate the $760 million you would have no objection?

Captain MARTINEAU. I certainly would not.

Senator LONG. One point that I am just concerned about, looking at it from the point of view of the individual who comes into the service and stays for a few years, he is building up a social-security credit to his account, if I understand correctly, based on his base pay, rather than on his pay plus allowance. Am I right or wrong in that?

Captain MARTINEAU. It is on his base pay.

Senator LONG. Here is a thought that occurred to me. Let us assume a man is making $200 base pay in the service. If he were in civilian life, if he is making perhaps around $350 and paying on the social security the maximum, as the majority of people are now, of course, the death benefits he would have under your program would be fine, if he died while he was in service, and died within a year or two thereafter—his average for earnings which was the basis upon which he was contributing to the social-security fund would be about, I would say, 40 percent less than his actual earning capacity in civilian life.

And the thought that occurs to me is that his social security benefit if he died immediately after he left the service would be too low.

Captain MARTINEAU. Let me say, Senator, that the question that you raise was very carefully gone into and studied and discussed at great length.

It was recognized as a very important problem when the bill was under consideration in the House. And there were some earlier drafts of the bill that did incorporate that very principle.

And for several reasons it was finally abandoned to take this position.

I think perhaps one of the most important considerations was that it would require too high a tax, too high a proportion of the basic pay of the lowest ranking serviceman, because they would have to pay their tax, their contribution, on the basis of that basic pay, plus what they received in kind. They get their allowances, and they get their rations, and so forth. That would amount to 2 percent of $200 rather than 2 percent of $78, which he has to pay today.

I think that was a governing consideration in reaching that decision.

Senator LONG. But that is what he would be paying if he were in civilian life. In other words, the civilian does not have his income broken down so much for housing, and so much for clothing, and so much for various allowances. A civilian who could correspond to $200 serviceman's base pay would be making about $350 a month. Where that become important, the amount that he is contributing is when that person passes away.

So at that point you start looking at what his wife can draw for herself and those two children based on his earnings. And while you have got a provision to take good care of that widow if he dies in active service, it seems to me that you are not protecting that widow adequately in the event that he dies after he goes out of service, and goes back into civilian life.

Does that take care of him then?

Captain MARTINEAU. Let me mention this other feature of the bill that I didn't bring out in this presentation.

There is a safety clause, so to speak, that addresses itself to this very point. Where such an individual dies in service of the lower enlisted ratings before he has attained a basic pay up around $200, if he should die, of course, if he leaves no widow or children it does not make any difference, because they are not entitled to payment, but if he leaves a widow, and two children, the bill provides that the Veterans' Administration compensation to that family will be increased to the amount that would give, which added to their social security entitlement, would give them a social security payment that would be the equivalent of $160.

So we come halfway up the line, anyway.

Senator LONG. All right, thank you.

Senator MARTIN. Might I ask a question there? Of course, the plan of this is to make it a morale builder?

Captain MARTINEAU. Very definitely, sir.

Senator MARTIN. Have you taken into consideration when you deducted from the soldier's pay for social security how much he is going to complain about this? Have you taken that into consideration?

Captain MARTINEAU. Yes, we have, and we have received no indications at all that there will be.

Senator MARTIN. I am only taking my own case. I think if you had deducted 2 percent out of my $13 a month pay which would be 26 cents, which meant 5 big high schooners of beer about that high, there would have been a lot of complaint. [Laughter.]

The CHAIRMAN. You cannot get a schooner of beer for that now.

Senator MARTIN. You could then. We were paid in gold.

Senator WILLIAMS. I am still confused about your figures there. Maybe they are clear to everybody else. You say that this refund of the OASI of $50 million a year which will be reflected in the first year is a contingent liability for 30 years to pay off the back obligation of the Government?

Captain MARTINEAU. That is correct, sir.

Senator WILLIAMS. You said previously that this obligation was $760. Thirty years at $50 million is a billion and a half.

The CHAIRMAN. There is interest, too.

Senator WILLIAMS. How does that figure out?

Captain MARTINEAU. That reflects interest.

Senator WILLIAMS. What kind of an interest are you charging?

Captain MARTINEAU. I understand——

Senator WILLIAMS. That has got a lot of interest in that.

Captain MARTINEAU. I understand that assumes an interest of about 2½ percent, sir.

Senator WILLIAMS. Will you give us a chart showing the $760 million computed annually at 2½ percent interest with a credit of $50 million and how that can come out to take 30 years to pay it?

Captain MARTINEAU. We will furnish that for the record.

(This analysis is being furnished by the Bureau of the Budget.)

The CHAIRMAN. What has been accumulated in the past, is that on interest?

Senator WILLIAMS. Accumulated liability as of today is $760 million.

The CHAIRMAN. Does that include interest, too?

Senator CARLSON. The Secretary, in his statement, I noticed, stated that they were in accord with the recommendations of the Kaplan committee. I assume that your Department made complete studies how that will affect retirement benefits. Maybe we should get these answers from Health, Education, and Welfare.

How does it compare with this problem?

Captain MARTINEAU. How does the Kaplan program compare?

Senator CARLSON. Which was a combination of social security and pay. Is this exactly the Kaplan report? How does it fit in?

Captain MARTINEAU. No; it is not. The Kaplan committee took the position that the retirement benefits of the armed services should be increased. As one of the means of increasing they recommended social security—that it would be made applicable.

But in the course of its processing through the other body of the Congress there was substantial changes made to that. And this bill now before you represents the product of the select committee in the House of Representatives.

As you know, the House appointed a select committee to handle this particular matter. And as the result of over a year's study and numerous hearings and cooperation and contribution from all of the branches and agencies of the Government concerned, it was the final decision of that committee, and of the House that the bill take this form.

The CHAIRMAN. How many different agencies does this bill affect?

Captain MARTINEAU. Well, sir, in addition to the Defense Department, there is the Department of Health, Education, and Welfare, there is the Veterans' Administration, and the Treasury Department, and the constant interest of the General Accounting Office.

The CHAIRMAN. And Civil Service, too.

Captain MARTINEAU. The Civil Service is not affected by this bill, sir.

Senator CARLSON. The Congress voted $250,000 for a study of what we call the Kaplan committee and spent $217,000. It has been the hope and purpose of this report to get all of these agencies into an overall social-security program. If we follow through with this, of course, we have destroyed that part of the report and leave another great segment outside of social security, except there is a corollary.

Captain MARTINEAU. We prefer not to look at it that way, that it would be destroying that. I would look upon it as a step in that direction.

Senator CARLSON. I agree with you, it is a step. I have read the Kaplan report but I do not have all of the details here this morning.

Senator LONG. In the last analysis that $50 million is a matter of shifting the responsibility of paying that $50 million for servicemen from those who pay the social-security tax to the general taxpayers of the Nation; isn't it? Isn't that what it amounts to, about?

Captain MARTINEAU. Yes. Yes; it would be an appropriation at the rate of $50 million a year to pay for free social security granted military personnel.

Senator LONG. In the last analysis, as it stands at the present time, those who are paying the social security trust fund, are carrying these servicemen who are not contributing to the fund, in addition to their own contribution.

This proposal here is to face this matter as a cost of Government that was imposed on the fund without making a contribution to it and saying in the future the United States Government will make a payment into the social security fund to pick up the liabilities that the fund was forced to incur.

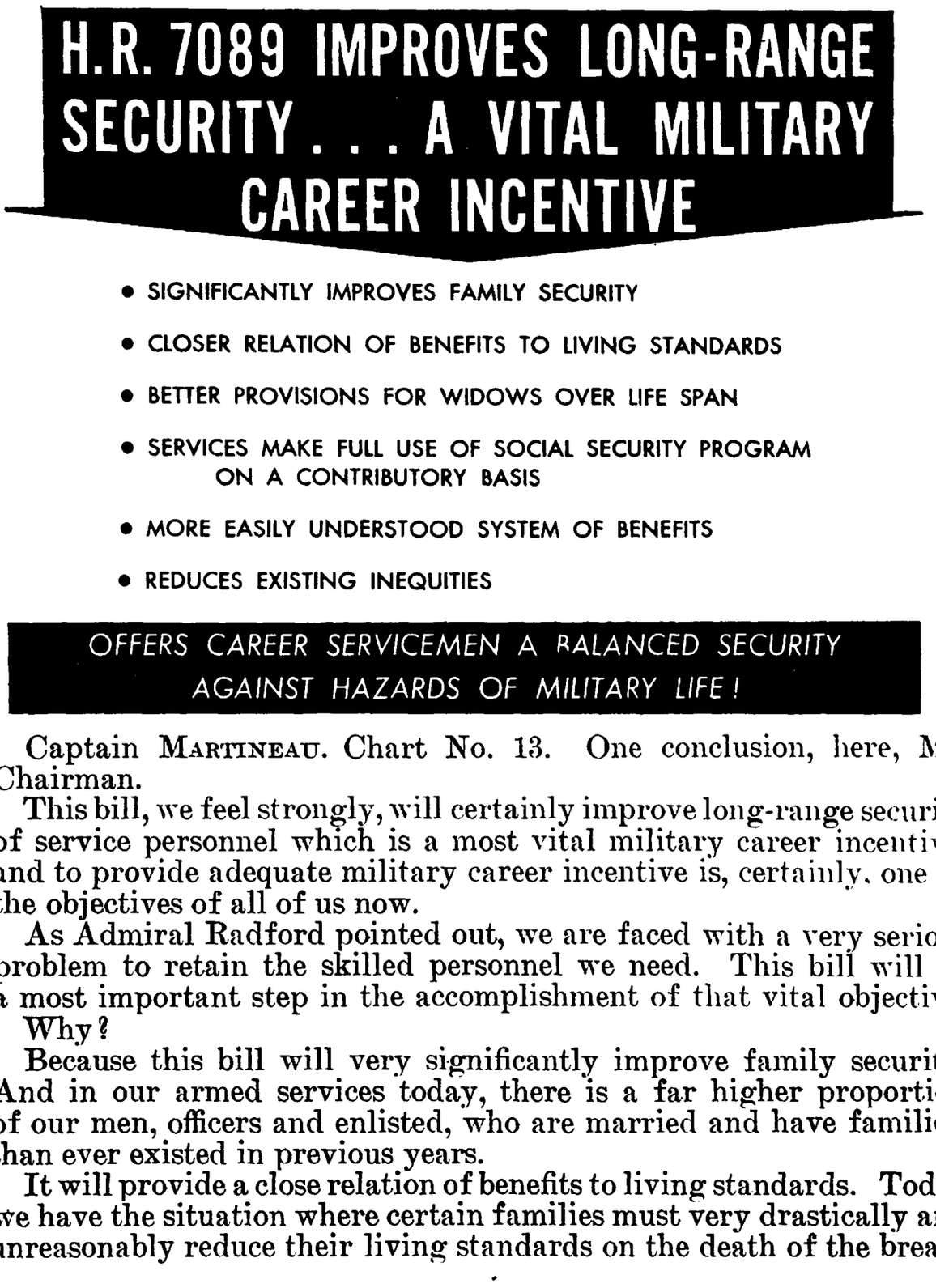
Captain MARTINEAU. I think that is a very fair statement of the case.

Senator LONG. In the last analysis it makes no difference whether they appropriate the $50 million or add $760 million to the national debt. We have that obligation, one way or the other.

Captain MARTINEAU. That is exactly right.

The CHAIRMAN. Are there any further questions?

CHART 13



Captain MARTINEAU. Chart No. 13. One conclusion, here, Mr. Chairman.

This bill, we feel strongly, will certainly improve long-range security of service personnel which is a most vital military career incentive, and to provide adequate military career incentive is, certainly, one of the objectives of all of us now.

As Admiral Radford pointed out, we are faced with a very serious problem to retain the skilled personnel we need. This bill will be a most important step in the accomplishment of that vital objective.

Why?

Because this bill will very significantly improve family security. And in our armed services today, there is a far higher proportion of our men, officers and enlisted, who are married and have families, than ever existed in previous years.

It will provide a close relation of benefits to living standards. Today we have the situation where certain families must very drastically and unreasonably reduce their living standards on the death of the bread-

winner because of the very low income that is provided in the way of compensation. Whereas, we have the ludicrous situations of others who receive far more.

And this bill will correct that situation.

It certainly will make better provisions for widows over a life span. That, too, is a very important career incentive, because every man thinks and wishes to provide adequately for his wife in the event that he predeceases her, and through the remainder of her life, especially in her later declining years.

The services will be able to make full use of the existing social-security program, the machinery that has been set up already by the Congress for the American citizen, and it will be on a contributory basis. That is the way the services wish to participate. We do not wish to continue on the existing temporary, partial, gratuitous social-security coverage.

We feel that it will provide a more easily understood system of benefits, rather than this multiple system that exists today. It will be much easier to explain to all service personnel the very real benefits and the very real advantages that they and their families will have under this bill, and certainly it will reduce many of the existing and glaring inequities that exist today.

It is going to offer our career servicemen, particularly, a more balanced security against the very real hazards of military life.

And that, Mr. Chairman, concludes our formal presentation.

The CHAIRMAN. I see you say the first year's cost is $516 million. Will that progressively increase?

Captain MARTINEAU. In our considered opinion, Mr. Chairman, that is going to progressively decrease. And we have actuarial figures, statistics that can be furnished there. I tried to point out the elements which will be repealed and removed by this bill, namely, no further indemnity payments, no further FECA, or Government insurance. That fact alone means that while we must continue to bear the charges under those headings for obligations already made, there will be no new additions to it. So there will be that reduction to it.

The CHAIRMAN. Have you given any study to the impact of this system in the event of war?

Captain MARTINEAU. Yes; we have, sir.

The CHAIRMAN. What is your observation on that?

Captain MARTINEAU. The opinion of not only the Defense Department but of the Government actuaries who are most expert in that field, is that in the event of war and large mobilization we would not incur any serious trouble, that it might possibly make for some alleviation, because there would be large numbers of persons in the service, all contributing.

Of course, it would depend entirely upon the rate of fatality and the casualties that we would incur.

Senator WILLIAMS. That is on the OASI that you are speaking of?

Captain MARTINEAU. It would also be for the veterans' compensation side of it.

Senator WILLIAMS. Do I understand that you have got the first year's estimate of 576.8 as compared with the existing law of 481.9?

Captain MARTINEAU. That is right.

Senator WILLIAMS. There is only a difference of 34.9 million, in the cost of the existing law and your proposed bill?

Captain MARTINEAU. That is correct, not counting social security.

The CHAIRMAN. That does not take into account the contributions of social security.

Senator WILLIAMS. I am not counting that.

Senator BENNETT. That difference will tend to diminish as the existing burden of VA insurance indemnity tends to diminish?

Captain MARTINEAU. That will, sir.

I would like to point this out, if I may. If this bill is enacted, of course, it provides all survivors, including present survivors, have an election to come under the higher benefits.

In many instances, when those people finally pass out of the picture, that is going to be a reduced charge. And there are going to be people who would not qualify for payment under this proposed bill for whom we must continue to pay, as long as they live and remain eligible.

For instance, there are a number of people today who are receiving benefits, particularly, from the free indemnity insurance who are not in fact dependent.

Well, we must continue to make those payments, but in the future, there is no provision for nondependent persons to receive monthly payments under the new system.

So for those reasons, Senator, we feel that there is good reason to feel that this bill will gradually reduce on the basis of certain assumptions. We have assumed a continuation of the level of force of 2,850,000.

The CHAIRMAN. You made a point about the insurance feature. You are going to discontinue the insurance?

Captain MARTINEAU. It will be discontinued.

The CHAIRMAN. What saving will that be?

Captain MARTINEAU. In the first year, sir, that will produce a saving from the present $41 million, which will be paid out this year, fiscal 1956, down to——

Senator BENNETT. Down to 33?

Captain MARTINEAU. Down to $33 million. Of course, it will reduce further the next year.

Senator WILLIAMS. This difference in the cost, will it keep reducing until it would reach the vanishing point?

Mr. BURGESS. No.

Captain MARTINEAU. Under the insurance heading it will. We do not know when that will occur.

Senator WILLIAMS. I am speaking under the total. It could reach the vanishing point?

Captain MARTINEAU. No, it would not.

Senator WILLIAMS. There wouldn't be any benefit to it?

Captain MARTINEAU. That is right.

The CHAIRMAN. Isn't this true, that in the event of war the impact will fall on the social security fund?

Captain MARTINEAU. There would be an impact on social security.

The CHAIRMAN. The survivor benefits will increase the most rapidly, if the head of the family is killed?

Captain MARTINEAU. If the head of the family is killed and he leaves a family, Senator, of course, the family would be entitled to payment under social security, and from the Veterans' Administration.

The CHAIRMAN. You are speaking only of this fund, independent of the social security, aren't you, when you say that the impact of war would not be great?

Captain MARTINEAU. The figures that I was referring to, Senator, did refer to the elements other than social security, but I feel it would apply in the same way to social security.

The CHAIRMAN. The impact there would seem greater to me than any other place, if suddenly we had large casualties; then, of course, you would have dependents and survivor benefits, et cetera.

Mr. BURGESS. If I may just remark on that, I think you would have a fairly across-the-board liability on that because most of the people that would be brought in to augment the Armed Forces would be probably participants in the social security. This is more or less making it a general benefit.

And taking that point into recognition, that we depend so largely on the civilian forces in a military organization.

The CHAIRMAN. You think that most of them would be under social security anyway?

Mr. BURGESS. That is the way I feel about it, Mr. Chairman, based on the fact that appropximately 90 percent of the workers are covered by social security today.

The CHAIRMAN. Are there any further questions?

(Individual pages of the booklet have been inserted at the appropriate pages in the testimony.)

The CHAIRMAN. Thank you very much, Captain Martineau.

Captain MARTINEAU. Thank you.

The CHAIRMAN. We will meet tomorrow at 10 o'clock.

(By direction of the chairman, the following is made a part of the record:)

STATE OF ALABAMA,
DEPARTMENT OF VETERANS' AFFAIRS,
Brewton, Ala., September 20, 1955.

Hon. LISTER HILL,
United States Senate, Washington, D. C.

DEAR SENATOR: Please note attached copy of a letter to Mr. Kraabel, of the American Legion, concerning the Servicemen's and Veterans' Survivors Benefits Act, H. R. 7089, section 205 (a).

In a recent conservation with Mr. Kraabel I found that, even with the time he had spent on the bill, the unjust discrimination projected in this particular section of the act concerning parents of those whose death was due to military service did not register with him.

Here in Alabama I personally know a number of parents whose sons were killed in World War II or in Korea who have not applied for compensation because they are still able to make enough to live on and are trying to hang on until they qualify for retirement under social security. This income from social security will bar them from more than $15 or $20 compensation per month, while their shiftless neighbor, whose son was killed at the same time, will be receiving $75 for 1 or $100 for 2 parents. Under the present law, 2 parents could have up to $2,100 income and be eligible for compensation of $80 per month.

I urge you in the name of your own people here in Alabama to do all you can to amend section 205 (a) of H. R. 7089 when it reaches the Senate, to rectify this unfair and uncalled for legislation.

Very truly yours,

JOE S. LOVETT,
Assistant State Service Commissioner.

STATE OF ALABAMA,
DEPARTMENT OF VETERANS' AFFAIRS,
Brewton, Ala., September 19, 1955.

Re Dependent Parents' Compensation.

Mr. T. O. KRAABEL,
Director, National Rehabilitation Commission,
1608 K Street NW., Washington, D. C.

DEAR MR. KRAABEL: Please note attached tables. That for two parents may not be graduated correctly as I have no table on this item, except the maximum and minimum.

The reasons for increasing compensation for widows and reducing compensation for dependent parents are certainly not understandable to me. The widow without children can work and earn, or receive income from other sources, in any amount, whereas the old mother probably cannot work, and even if she could, any ordinary wage would reduce her compensation, as would any income from other sources.

The whole thing is discriminatory and vicious for the reason that if and when the new law is enacted, those already qualified will not be reduced in accordance with the new rates. You will then have two groups of dependent parents, in exactly the same circumstances as to income, receiving compensation in different amounts. Their sons may have been killed in the same unit on the same day, but their compensation will not be the same, due to difference in dates of applications. One parent may not have been dependent at date of son's death but becomes destitute and dependent after the new law is enacted, while the other was awarded dependency from date of son's death. Why the discrimination?

If nothing can be done about the sliding scale on parents, which is ridiculous in the light of the living costs of today, then this section should be amended to consider the date of serviceman's death instead of date of application in applying the old and new rates, and the usual VA choice of benefits could still apply for those who might be eligible in the case of two parents to the 1 item only, $100 if income is $1,000 or less. It will be noted that under the new law no increase is provided for a dependent parent. Instead, reductions are to be made for all whose income is over $15 per week. And for 2 parents, a $20 increase only for those whose income is less than $20 per week. Reductions for all others.

An amendment such as suggested would eliminate any discrimination against those parents, now eligible except for income, whose applications may not be filed until after the effective date of the new law. Their income may be reduced at any moment between now and the date of change in law, but they must file application before that date; otherwise they may receive much less than their neighbor whose son was killed at the same time as theirs; penalizing them for trying to make a go of it as long as possible.

Compensation for widows from World War I, World War II, and the Korean conflict is now $87 (without children), and under the new law they will receive $122 to $242 per month, without any income limitation.

Compensation for a dependent mother or father is now $75, and under the new law will be $75 or less with income limits that are in line with the cost of living in 1950. A widow's nonservice pension has an income limit of $1,400, while the dependent mother's compensation for a son killed in service will have an income limit of $750 for full benefits, and with the same $1,400 income she would receive only $30.

The whole thing just doesn't make sense and the veterans' organizations had better get on the ball before Congress acts.

Very truly yours,

JOE S. LOVETT,
Assistant State Service Commissioner.

Death compensation—Dependent parents

	Income limit	Present law	Proposed law
1 parent	$750	$75	$75
	1,000	75	60
	1,250	75	45
	1,260	75	30
	1,750	----------	15
2 parents	1,000	80	100
	1,250	80	80
	1,500	80	60
	1,750	80	40
	2,100	80	20

NOTE.—No scale available for 2 parents except range from $100 to $20 so income limits in this section may not be correct.

DEATH COMPENSATION—WIDOW, WITH NO CHILDREN

No income limit. Compensation $122 to $242 per month under the proposed law as compared to $87 under the present law—an increase of 40 to 97 percent.

Wife, no children, $122 to $242.

Dependent mother, $15 to $75.

Both women have lost their breadwinner, yet one is given a large increase while the other is decreased, with social security benefits similar at age 65, except the social security payments are counted as income for the mother but are not counted as income for the widow, who is not limited as to income.

NEWFIELDS, N. H., *October 18, 1955.*

Senator HARRY FLOOD BYRD,
Committee on Finance,
Senate Office Building, Washington, D. C.

DEAR SIR: Mr. Chairman and members of Finance Committee, we of the ex-Regulars and for all Regulars request that you study and accept this bill which to us is a fair and honest bill and one which is needed very badly.

We must all remember the Volunteer Regulars are the backbone of the Armed Forces and the real protection of our country, our flag, and the people of the United States.

They are the professional servicemen. They have the special knowledge and experience and steadiness that cannot be drafted suddenly from civilian life in time of emergency.

We need them every day and every hour to handle not only the complex equipment in farflung stations but as good ambassadors and to help stop a war before it starts, which has been done in the past. Let's see the work done by Regulars in every war we have been into first in all wars. Our professional troops, then National Guard, then the draftees. Then we must remember where would America be today were it not for our Regulars even today.

The most effective and costly arms force equipment in the world will not buy us protection if the men to operate the equipment are amateurs or if their hearts are not in their jobs. It's just like the jobs in your office in handling your secret papers. Would you let a new employee take charge of these secret papers or handle or be in charge of your office. I really don't think so. Then we should never trust new draftees to protect our flag, our country or its people. Of course one might argue that officers are trained for and to see this is done, but this kind of protection needs more than officers. It needs good, reliable men whom these officers can depend on and which they do.

We find a big problem of today to hold the professional men in service or new men to enlist. From reports handed out to new men by armed service these men want a security they can depend on. Better protection for themselves and their older buddy and the disability buddy. This decrease of enlisted and reenlistment can be placed on the Finance and Armed Services Committee for neglect of their duty—our failure to consider the human factors.

We must all realize the wives and children, mothers, and dependents of these professional men also serve their country in a way to merit our understanding and our gratitude.

No one in this country should ever look down on our Armed Forces. As we have no rights, as they are our proudest in this country. Laws should be made to protect these men against people who think our Armed Forces are lower than they are. I am in hopes, Mr. Chairman and members of Finance Committee, that you will take action on this proposed bill I am sending to you for action in the next session of Congress in behalf of all Regulars and ex-Regulars, old age and disabled Regulars. There is no bill that will help old age Regulars but there is a disabled bill but it's not enough as the cost of living is so high it takes nearly every cent to live on.

Let all get behind a better living for all. Thank you.

Yours very truly,

JAMES H. WINN.

P. S.—Waiting to hear from you.

A BILL To provide for the payment of old-age and disability pension in peacetime, who has served more than 90 days in Regular Armed Service

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Old Age Ex Regular and Regular Act.

SEC. 2. (a) Every person who served in the Regular military, Navy, Marine Corps, Air Force, or Coast Guard of the United States during peacetime and who meets both the ninety-day service requirement described in subsection (b) and the age or disability requirement described in subsection (c) shall be entitled to receive from the Administrator of Veterans' Affairs a pension at the rate of $101.59 a month or $135.45 per month if he is helpless or blind or requires the regular aid and attendance of another person.

(b) An individual meets the ninety-day service requirement referred to in subsection (a) if the discharge from active military, Navy, Marine Corps, Air Force, or Coast Guard, service condition other than dishonorable and (1) he served for ninety days in Regulars; (2) he served continuously the full ninety days which began at his enlistment and end by a discharge from Military, Navy, Marine Corps, Air Force, and Coast Guard.

(c) An individual meets the age or disability requirements referred to in subsection (a) if (1) he has attained the age of sixty-five years or (2) he is suffering from a permanent disability (not the result of his own misconduct or viscous habits) which is rated by Administrator of Veterans' Affairs to be 10 per centum or more in degree.

SEC. 3. (a) The surviving widow, child or children, and dependent of any deceased person who served in the active military, Navy, Marine Corps, Air Force, Coast Guard of the United States who met the ninety-day service requirement described in subsection (b) of section (2) shall be entitled to receive pension at the rate established by subsection (b) of this section; (b) the monthly rates of pension referred to in subsection (a) are as follows:

(1) Widow, no children $54.18, unless the widow was married to the person within five years from his death; (2) widow, one or more children, the rate established under paragraph (1) plus $8.13 for each child below age sixteen, $62.31, with $8.13 additional for each additional child below age of sixteen (total amount equally divided); (4) no widow eligible for pension, no child below age sixteen, but one child age sixteen or over $27.30; (5) no widow eligible for pension, no child below age sixteen, but to children age sixteen or over, $40.95 (total equally divided), with $7.56 for each additional child (total amount equally divided).

(c) (1) Remarriage of a widow shall bar her from being eligible for pension under this Act; however, if such remarriage is dissolved by death or divorce on grounds other than her adultery, she shall therefore be eligible for pension under this Act.

(2) No widow shall be entitled to pension based on the service of more than one husband.

(3) The open and notorious adulterous cohabitation of any widow shall terminate her eligibility for pension under this Act.

SEC. 4. (a) The Administrator penal and forfeiture provision contained in Public Numbered 2, and the Veterans' Regulations as shall apply (b) terms used in the Act shall have the meaning which they have when used in the Veterans' Regulation, except that the term "widow" means a woman who was married to the person who served his country in peacetime also were married to him five year or more for the purposes of this subsection. All marriages shall be proved

as valid marriages according to the law of the place where the parties resided at the time of marriage or the law of the place where parties resided when the rights to a pension under this Act accrued, except that where the original date of marriage meet the requirement of the subsection and the parties were legally married at the date of death of the veteran. The requirement of this subsection as to date of marriage shall be regarded as having been met.

SEC. 5. Section 2 of the Act entitled "An Act to safeguard the estate of veterans derived from payment of pensions and compensation, and for other purposes."

SEC. 6. (a) Except as provided in subsection (b) of this section where eligibility for pension shall be paid from date of receipt of application therefor in the Veterans' Administration but in no event prior to the effective date of this Act. (b) All persons receiving pension or compensation prior to the effective date of this Act under laws administered by the Veterans' Administration shall be entitled to the benefits of this Act without the necessity of filing an application therefor.

SEC. 7. This Act shall take effect on the first day of the second calendar month which began after the date of its enactment.

By JAMES H. WINN,
Newfields, N. H.

SALT LAKE CITY, UTAH, *September 27, 1955.*

Mr. ARTHUR GODFREY,
Columbia Broadcasting System, New York, N. Y.

DEAR MR. GODFREY: Over the years I have listened to your evening programs and enjoyed them very much. To support your programs, I have even switched to Lipton's tea at your suggestion. I know many Americans have done the same concerning the products you have recommended, otherwise you wouldn't have secured renewals of your radio and television contracts throughout the many years to readvertise these products. In other words, the American people have faith in you as in others in your field, therefore they do what you might suggest.

On your morning radio broadcast of September 27, 1955 you reached out of your field and gave a rather distorted, one-sided view of the Hardy bill, H. R. 7089. Probably you weren't made aware of all the facts that should have been presented you by the Department of Defense, the advocates of this Uniformed Services Survivor Benefits Act.

I think you should know that this piece of legislation is their "baby" and is a must on their list of legislative proposals. The Department of Defense was successful in sneaking this bill through the House of Representatives before veterans' organizations actually became aware of what was going on. The Select Committee on Survivors' Benefits in the House of Representatives did extend invitations to veterans' organizations to appear on this bill, however, they had a limited time in which to appear therefore proper study was not given to the maze of information it contained in its 81 pages.

This piece of legislation will eventually do away with the Veterans' Administration since it is so far reaching.

I think you should know that at the National Convention of the Disabled American Veterans held in Des Moines, Iowa, during August 1955, the good features of this bill were accepted but the bad features creating class distinction among widows were rejected (democracy of the grave).

Legislation other than the Hardy bill could be effected to cure the wrongs that presently exist in veterans' legislation, but the vehicle desirous of being used by the Department of Defense will only tend to create a situation similar to that opposed in the early days of our Nation under the guise of the "Order of Cincinnati."

Just to show you a few of the many wrongs existing in this bill by using World War II dates for clarification and as an example:

1. GI Joe marries in 1940.
2. GI Joe is drafted in 1942.
3. GI Joe and his wife adopted a child in 1943.
4. GI Joe gets killed in action in 1944.

Under the terms of this bill his widow is not a widow and his adopted child is not his child. They receive nothing in the way of death benefits except social security. (I refer you to p. 8, lines 28 through 25, and p. 9, lines 1 and 2 of the Hardy bill H. R. 7089.)

Under this bill there is no such thing as wartime service. All service is considered alike. Say for example a colonel driving in his car to the Pentagon overturns and gets killed in 1947. His widow would receive far more in monetary benefits than the private or sergeant's widow even though the private or sergeant was killed in action against an organized enemy of the United States in Korea in 1953. You see, the determining factor of compensation payments is based on rank.

Is this fair? Is this democratic? Why, this isn't even humanistic.

You have probably been informed that widow's compensation in the cases of the private or the sergeant will be increased to a minimum of $122 a month. Yes, but did they also tell you that servicemen's indemnity insurance would be taken away? In reality the enlsted man's widow loses money. It's a simple matter of mathematics. Present compensation payments to a widow are $87 a month plus $92.90 servicemen's indemnity. This amounts to $179.90. If she loses her indemnity payments of $92.90 per month and compensation payments are increased to $122, she in reality loses $57.90 per month.

Certainly you owe it to the ex-serviceman who is disabled and to those he will leave behind a retraction of your support of the Hardy bill. It is evident that the West Point and Annapolis Associations have been very succesful in selling you a bill of goods, not for the good of the country as a whole but rather for the good of the select few which they comprise.

It is true that Reserve officers' widows do receive more monetary benefits than career officers' widows but I think you will find that Reserve officers' widows came in on a freak piece of legislation that can be easily straightened out through proper corrective legislative action. It is evident, however, that the bad piece of legislation affecting Reserve officers' widows will remain to be used as a wedge in order to get bad legislation like the Hardy bill through the Congress for a smaller but more selfish group.

Don't you feel that every widow has the same wants, desires, and hopes for the good things in life for herself and her family after the breadwinner has died? If you do, I don't see how you can support such an intolerable piece of legislation such as the Hardy bill.

I am enclosing for your reading a copy of an editorial as taken from a Washington, D. C., publication and hope you will read it along with the Hardy bill to see what is proposed before advocating your wholehearted approval.

As you suggested, I am sending a carbon copy of this letter to the representatives of the State of Utah for their review and consideration.

I am sorry I took up so much of your valuable time in expressing myself, but I am a firm advocate of democracy in the country in which we live and couldn't stand by to watch a legislative proposal unwittingly bullied through the Congress of the United States by men in your field.

Respectfully yours,

WILLIAM F. X. MCCONNELL.

DEMOCRACY OF THE GRAVE

The Hardy bill, H. R. 7089, to provide benefits for the survivors of servicemen and veterans, went through the House of Representatives last week like a gentle summer breeze and we grudgingly feel that it will experience as little opposition in the Senate, much as we hope that body will take a longer and harder look at the proposition. Most of those Members who expressed fears over the measure's approval nevertheless voted for it on final passage. Simply for the reason that they wanted the good in it, they accepted the bad, and in our judgment that is a mightly poor way to legislate. Every wile in the book was used to persuade the unwary, even to voicing the approval of the President of the United States and to pretending that the veterans' organizations were at least mildly for it, but we predict freely that many a headache will be suffered as a result.

We express neither praise nor condemnation for stands that were taken in debate. We can well understand a lot of things. As we have stated before, revisions in the death gratuity payment were most acceptable. Hikes in compensation to survivors of those who have died in or as a result of armed service are long overdue. However, we contend that rank and length of service, and callous treatment of dependent parents, the application of the social-security principle, and a few other matters that contribute to the legislative structure that may be known as the Hardy Act, have utterly no place in laws relating to

the veteran class. Misrepresentation, intended or unintentional, was resorted to in House passage, and we must point it out because this bill is highly discriminatory and, to our mind, it is the most important proposal that has been brought to the Congress since the fateful Economy Act of 1933. If it passes the Senate unaltered, it will cause as much distress, and it will be necessary to bring in amendatory legislation almost before the White House ink has dried.

It has been stated that President Eisenhower cannot recognize any serviceman with a rank under that of colonel and we are certain that in spite of the briefing given him by members of the select committee, he cannot know much more about the bill's content than a pig knows about a lawn party. Regardless of the admirable explanations made by proponents on the floor of the House, few of the Representatives can realize what it is all about; they have so many problems with which to deal that they must usually accept committee analysis. We have asserted before that this is strictly a boon for the career serviceman, and on an assumption that he will not go to war, a buildup of benefits for his family whether he dies in peace or in conflict. Our spokesmen for the veterans' organizations at the least should know that, and that is why they did not support the measure wholeheartedly regardless of what was indicated in the record of debate.

The Congressional Record carries 20 pages of discussion on H. R. 7089. We have no room to carry it but it should be "must" reading for every interested war veteran. The reader is led to believe that the American Legion went whole hog for the measure and that the Disabled American Veterans, Veterans of Foreign Wars, and the AMVETS were only mildly opposed in minor particulars. That is simply not true as the testimony before the committee will definitely disclose. The Legion specifically objected to dropping the so-called free indemnity insurance. It protested that dependent parents of the war dead should have greater benefits and it went along with the social-security provisions only on orders from the top when it was recognized that the bill would be passed anyway. We understand that the committee accepted 31 of some 32 perfecting amendments offered by a Legion representative, and, regardless of the Legion letter that appears in the record supporting the bill—a big factor in its passage—our information is that if certain features are found to be objectionable, the Legion will in every probability go to the properly constituted committees of the Congress for relief.

The Congressional Record to the contrary, the VFW, DAV, and AMVETS all opposed major provisions of the Hardy bill. They are definitely on the record as refusing to agree to dropping the indemnity insurance. They opposed strenuously the application of rank and length of service to dependents' payments, and pointed out in detail how this would discriminate against all servicemen and women, excepting only the career people, because 96 percent of all war casualties have been suffered by the civilian who goes to war. They recommended higher pensions for survivors of the service-connected dead. The DAV strongly protested the setup for the career class and spoke out forcefully against the application of income provisions to dependent parents that will remove many from the rolls, and called atention to Pentagon remarks on that subject. Much else of derogation came from these veteran sources, but this is sufficient to set the record straight and show that the veteran sentiment was strongly against the bill, regardless of the protestations made during debate.

We wish we could quote further from veterans in the Congress who are uneasy about the thing but a few illustrations will suffice. For instance, Saylor, of Pennsylvania, said, "It is something which strikes at the very heart of a principle of this country which has rejected class distinction among Americans who have given their lives in defense of our country. * * * This inequitable treatment of the widows of deceased servicemen is the finest example of what the Pentagon brass has been able to do for themselves. * * * This is not just the opening wedge; this is the very door through which the Veterans' Administration will pass into oblivion." Thompson, of Wyoming, asserted, "I cannot buy the proposition that we owe the same obligation to the widow and children of one killed in Korea that we owe to the one who is killed driving his automobile from his home to the Pentagon. * * * This makes a package bill out of the civilian soldier who is called in against his will, and the Army career who is serving during peacetime. * * * Make no mistake about it, this is a Pentagon bill, particularly that part of it involving career-service retirement." Van Zandt, of Pennsylvania: "This social-security coverage could be the opening wedge in the eventual abolishment of the Veterans' Administration and its related services, including hospitalization and medical care." And our old friend, Mrs. Rogers,

of Massachusetts, who is not a veteran but has rendered them yeoman service during almost all of her adult life, declared, "I do want to give them a warning about this measure. I feel very strongly that it is the beginning of the end of the Veterans' Administration, and that may be what the Congress wants, perhaps not this year or next year or the next, but at some later time. * * * This bill will speed the time when the veterans' hospitalization program will be placed under the Public Health Service. * * * When we take up foreign aid the Chamber is packed. When we take up benefits for our veterans, there are not very many on the floor, not that they are not interested, but they do not realize what the situation is."

These are typical quotes only. There were others—far too few, and they were countered ably by proponents of the bill. To be factually correct in reporting, the measure's sponsors asserted that they would join in opposing any movement which would do away with benefits under the VA as they exist today, but it was a hollow promise. We desired here to point up the positive dangers that lurk in the shadows, and we wished to keep the record clear, especially with respect to the position of organized veterans on this proposal that is loaded with dynamite. We contend that even the American Legion will rue its day of sidestepping to the point of "praising with damnation" this bill which in many respects show the way to an unwanted new system. * * *

And we would quote once more from the Congressional Record of a day back in 1917 when another bill to give advantages to widows based upon rank was before the Congress. A distinguished solon of that day said in part, "In the democracy of the grave all men at least are equal. There is neither rank nor station nor prerogative in the republic of the grave. The poor man is as rich as the richest and the rich man as poor as the poorest. There the politician forsakes his honors, the poor man his dignity, the invalid needs no physician, and the weary are at rest." He was giving voice to words uttered earlier by a former United States Senator and a veteran of the Civil War, but they apply here with greater force than ever before.

CORONADO, CALIF., *November 25, 1955.*

Hon. HARRY FLOOD BYRD,
United States Senate,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The Senate Finance Committee has before it for consideration H. R. 7089. The purpose of this act is to provide benefits for the survivors of servicemen and veterans when they die—quoting section 201 of the act—

"(1) From disease or injury incurred or aggravated in line of duty while on active duty or active duty for training;

"(2) From injury incurred or aggravated in line of duty while on inactive duty training; or

"(3) From a disability compensable under laws administered by the Veterans' Administration."

I presume that this act is intended to be a morale booster for the active-duty serviceman and his dependents. If so, it will not be 100 percent efficient because deserving survivors in many cases will not be entitled to its benefits due to the wording of the act. For instance, many individuals have been, and in the future many more will be, retired from the service because of medical disabilities which will be a constant threat to life thereafter. Some of these veterans will die from their disability and their survivors will receive the benefits. But, on the other hand, the veteran retired from active service because of a paralytic stroke may be killed in an auto accident and the heart-case veteran may die of cancer before his bad heart kills him. In cases of this kind there will be no benefits for survivors.

Let me state the matter in another way. Two men are retired on the same day, each with the same disability. One year later both die, one dying from the disability and the other in a train wreck. In the first case the survivors receive the benefits; in the second case there will be no benefits.

A queer situation, yet the act as now worded will work out in this fashion. It is believed that a veteran's survivors should be entitled to the benefits of this act, no matter what causes death, provided the veteran suffered from a service-connected disability and said disability being one that, if sufficiently advanced or aggravated, would result in death.

Involving a personality may clarify my point. General Puller, of the Marine Corps, the possessor of five Navy Crosses awarded for meritorious combat service,

was recently retired as the result of a stroke. If this disability should cause his death his family will be covered by this act; if, however, death should result from slipping on a cake of soap in the bathtub, this act will not apply.

It is not believed that the House intended this act to work out as set forth above. Situations of this kind can be prevented by adding a subparagraph (4) to section 201, previously quoted, making it now read:

"SEC. 201. When any person dies on or after January 1, 1956—

"(1) From disease or injury incurred or aggravated in line of duty while on active duty or active duty for training;

"(2) From injury incurred or aggravated in line of duty while on inactive duty training;

"(3) From a disability compensable under laws administered by the Veteran's Administration; or

"(4) From any cause providing the veteran had a disease, injury, or disability covered by the three preceding subparagraphs of this section."

Respectfully,

HARRY L. SMITH.

DALLAS, TEX., *January 20, 1956.*

Hon. HARRY F. BYRD,
Chairman, United States Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: There is pending in the Senate Finance Committee a bill known as H. R. 7089, being the bill to radically revise and change all dependents benefits for those who served in the military service. This bill was passed in the House of Representatives on July 13, 1955, under a special rule or "gag rule" that prevented any amendment. You will find a discussion covering some 20 pages in the Congressional Record on that date at which time many of the Members of Congress with long service who have been stanch friends of the disabled veterans protested against the passage of the bill.

It is unbelievable that a bill of as far-reaching importance could have been adopted in such a manner. The parlimentary tactics used by the proponents of the bill not only does violence to the legislative processes of our Government but it reveals that the proponents of the bill did not have much confidence in their own work when they were afraid to leave it open to the other Members of the House of Representatives for proper action.

I find now in discussing this bill with Members of the House of Representatives that they had been led to believe that it was desirable and favorable in all respects. The fact of the matter is that very few Members of the House of Representatives had any clear cut idea of what the bill contained because the entire matter had been cloaked in secrecy for 9 months while hearings were being held by select committees in the House of Representatives. This select committee had for the most part left the investigation of the entire legislation to the committee counsel, and a group of 10 full-time paid men who represented 5 different agencies of the Government.

No time was given to the rank and file of the major veteran organizations to have information as to what this bill contained before it was jammed through the House of Representatives, and at about the same time an effort was made to sell the "one package deal" to the national conventions of the major veteran organiations to the delegates who had never seen a copy of the bill, and had not been able to get a copy of it until that time.

We want you to know that an effort was made here in Texas to try to get in advance of our State convention, copies of the four plans which the veterans' newspapers had stated were being considered by the so-called select committee but we were informed that these were not to be distributed. The State convention of the DAV in Texas meeting at Laredo on June 5, 1955, adopted convention Resolution No. 21, "declaring our opposition to the methods and procedures of the Select Committee of the House of Representatives on survivors benefits in withholding the identity of the sponsors of four plans to change and combine VA benefits with social security, and calling upon the chairman of the committee to release this information at once and petitioning and memorialing the Members of Congress to pose changes in present benefits for veterans and dependents under any new plan that would reduce, eliminate and abolish veternas benefits as such to their dependents and substitute in lieu thereof social security which we declare is a separate benefit and should be paid simultaneously with veterans' benefits where entitlement exists." It is my under-

standing that a copy of this resolution was furnished to each Senator and Member of Congress in Texas.

At the national convention of the DAV in August 1955, held at Des Moines, Iowa, the delegates almost unanimously adopted a Resolution No. 315, "declaring our opposition against the proposed changes in H. R. 7089, and disapproving and opposing procedures being followed by the Select Committee on Survivors Benefits, in the House of Representatives, considering plans for elimination and destruction of veterans benefits, and working to secure sound legislation increasing benefits for widows and dependents and at the same time retaining all benefits under existing laws." The convention refused to give any favorable consideration whatsoever to three resolutions that had been offered for approval by the proponents who had tried to infiltrate our convention. One of the chief objctions to the bill is the fact that it proposes to put death benefits and dependency benefits on the basis of rank and length of service, and thereby set up a caste system in America beyond the grave.

The bill also proposes to put social security into the military services on a contributory basis. Many of us believe that this would destroy the fighting morale so needed in time of war by cultivating consistently ideas of security in the military forces, and which idea, like a narcotic, would weaken the strength of our national defense in time of war. It is stated and it is provided in the bill already passed, that in order to put social security into the military forces, it will be necessary for it to become effective the minute the person is sworn into military service instead of waiting six quarters as now required of civilians. This will further unbalance the protection of social-security tax, and possibly give rise to a demand from civilian organizations that they be covered immediately when they start to work.

It is our belief that social security should be paid concurrently to dependents of veterans along with any benefits they may be entitled to under various laws provided for dependents of veterans. Social security is a benefit which the deceased person buys and pays for. At least he has been led to believe that is true. Many of us believe that social security is a fine benefit if properly managed. However, information has been made available recently to the effect that the social-security fund is not actuarially sound. There appears to be a danger that this fine benefit will be abused, and that there will be too much "loading" of beneficiaries onto the so-called security trust fund, that it will either become so burdensome to taxpayers that it will be repealed or it will become necessary to go into a dictator form of government to enforce the taxes to support it. I send along for your information a copy of printed Broadcast No. 43 by Dean Clarence E. Manion, a nationally known authority on constitutional law. There may be other worthy discussions of this subject but this is the only one that has come to my attention. It is pointed out that so-called Federal old-age survivors insurance reserve fund is actually nonexistent, and that the Government has been using this social security tax money for deficit spending in foreign aid and give away programs and for other Government expenses.

Therefore, before anything else is done by the Senate Finance Committee, it would appear that there is an urgent need that the social-security program be studied by the Congress, and that some real and tangible guaranties be set up to stabilize the social-security tax money so that it cannot be used for other purposes. Recently information has been given to me to the effect that the Congress has defaulted on appropriations under the law to maintain the civil-service retirement fund, and that the arrearage of these appropriations now exceed over $6 billion. I realize that the classic argument always is to the effect that if the Government goes broke everybody will go broke. However, that is not good business and it is not the type of protection that should be given to the citizens of this country. Possibly this is part of the scheme in the masterminds in the Bureau of the Budget who are trying to throw all of these benefits over under the social-security system. Dean Manion has pointed out that there is something like $15 billion less than nothing in the social-security trust fund at the present time. We would point out that the Hardy bill, H. R. 7089, would further unbalance the social-security fund by giving protection to the members of the military forces from the moment they are sworn in, whereas the civilian has to wait six quarters before he is covered. It is only natural that as soon as this information becomes available that groups of civilians will be clamoring to make social-security coverage available the minute they start any type of employment. This naturally would make the tax for the coverage go higher or the Government would have to bear the loss from general taxes. Already the citizens generally are becoming aware of this situation and becom-

ing alarmed. In the Dallas Morning News of January 11, 1956, there is a feature story entitled, "Judge Looses Blast at Social Security," wherein there is reported a speech made by former Congressman J. Frank Wilson, who served four terms in the House of Representatives, to the Dallas County Medical Society in which he warned that social security was not actuarially sound and never has been, and that if socialized medicine ever comes to this country it will be through social security. The same newspaper on January 13, 1956, carried an editorial entitled, "Social Security Threat," in which they applauded Judge J. Frank Wilson for his address to the Dallas Medical Society and commented, "Social security not only is unsound. It becomes more and more a vehicle to impress on the citizens that he has the right to a living and leisure. Nobody of course has that right. The right doesn't even exist. Conceivably, at the hands of demagogs, social security could be transformed into a situation where nobody worked—and how then, could it be financed?"

There are numerous other features about this H. R. 7089 that are objectionable. It tries to reduce every person who served in military forces down to the lowest common denominator by making him eligible for only one benefit from his Government. One of the attributes of American freedom and free enterprise, is the right of the individual citizen to be different from his neighbor. The bill H. R. 7089 is so far-reaching and complicated, that no major veterans' organization or spokesman for any group has as yet undertaken a critical analysis of just how it would operate and what would result from it if enacted into law. They only refer to the language of the act itself. From your own experience, you know that one of the most important items connected with legislation is the interpretations that have been built up around the statutory enactments after its passage. Only God alone knows how H. R. 7089 might be interpreted if it ever became law. The act takes in so much ground that it amends and changes interpretations of 10 different existing laws as follows:

1. Railroad Retirement Act.
2. Civil Service Retirement Act.
3. Internal Revenue Code.
4. Veterans' Adminstration Regulations.
5. Uniformed Services Contingency Option Act.
6. Federal Employees Group Insurance Act.
7. Federal Employees Compensation Act.
8. Social Security Act.
9. National Service Life Insurance Act.
10. Servicemans' Indemnity Act.

A careful reading of H. R. 7089 further discloses that death compensation benefits for widows with minor children would be shifted over under social security. They now draw both death compensation benefits through the Veterans' Administration and if they are covered under social security they draw that benefit also. We believe that this is only proper. The end result seems to be that they would penalize the widow with young children who needs the money in order to grant greater benefits for the older widow or the young widow who has no children at all. This feature of the bill is advocated by the career military people of the Pentagon who constitute about 4 percent of the beneficiaries under this legislation as against 96 percent who are the volunteer or civilian soldiers in time of national emergency. H. R. 7089 would obliterate the distinction between wartime benefits and peacetime benefits, another factor, which we do not believe is to the best interest of our national defense program. It may well be that the career military people are entitled to an increase of benefits for survivors in which case, it is believed that it would be preferable that separate legislation be enacted to take care of their own needs. The proponents of H. R. 7089 have made a big issue of the greater benefits paid to survivors of reservists under the Federal Employees Compensation Act. They have attempted to tie on to this discrepancy in an effort to change all of the legislation. The entire program of survivors benefits and other veteran legislation does not need to be upset simply to correct that item if Congress desires to change it. All that would be needed would be to repeal that coverage under FECA for reservists.

Senator Byrd, one of the very objectionable features to this type of legislation is the confusion resulting in the administration of any new law so far-reaching and so far-fetched. Since the passage of the World War Veterans' Act of 1924, legislation has been built up gradually and carefully and after Congress has taken time to study the legislation. We submit to you that H. R. 7089 should be killed in the Senate, if for no other reason, than the fact that the legislation was too

hurriedly adopted in the House of Representatives, and without proper study, and without giving any opportunity either for the Members of Congress, or their constituents to know what was going on. I am sure that you know that it is a tremendous job within the Veterans' Administration to gear itself to handle changes in basic statutes. Once they have learned the laws and regulations and interpretations of those laws, they are in better position to impartially and equitably administer those laws. I am sure that no member of the select committee gave any thought to the load of work they would place upon the Veterans' Administration in their proposed changes, and this fact in connection with the further fact that the VA has been reduced almost to a skeleton crew as a matter of economy so that it is difficult even now to get the normal and usual consideration on many matters.

The DAV has long been on record for maintaining the Veterans' Administration as a single agency to administer all veterans benefits. In our 1943 national convention at New York City, on a motion made by the writer from the floor following an address by Judge Robert S. Mark, the first national commander and founder of the DAV, a committee was appointed specially from the floor to adopt a statement of policy with reference to veterans of World War II. They adopted a 6-point program, 1 of which provided that all veterans' benefits should be administered under 1 agency and with a single head. This position was reaffirmed in our 1952 national convention at Boston, Mass., at which time the writer was a member of the legislative committee, and assisted in drafting a statement of policy which was unanimously adopted, and carried in a box on the front page of our DAV semimonthly newspaper of August 26, 1952, and I am attaching hereto a copy of that resolution for your information. The same people were at work at that time trying to tear down the Veterans' Administration. We feel that H. R. 7089 is the opening wedge to tear down the Veterans' Administration. In fact, Congressman Olin E. Teague, in a speech reported in the Congressional Record of July 13, 1955, stated that the representative of the Social Security Division when he testified before their select committee had stated that it was the desire of the social-security people to take over the Veterans' Administration. This bill as written would provide for a single application blank for both VA benefits and social-security benefits, and it could be initially filed with either agency. This oversimplification is the "boobytrap" through which social security will gather in the vast majority of applications for benefits since they usually get a death report first, and the veteran's power of attorney with the VA through his service representative dies when he dies, and before representing the widow or other dependents it is necessary that they give a further power of attorney to the service representative. This practice would compound confusion upon confusion because many applications would be filed with the social-security people wherein there was no benefits coming from the Social Security Division and there would be delay encountered for which the Veterans' Administration would be blamed. They would soon build up an overall group of statistics and be ready to petition the next Congress to turn the whole business over to them on account of the statistics they had accumulated from initial applications. They would have no interest in securing a P–22 from the widow or next of kin for an accredited representative to represent them before the Veterans' Administration, and therefore, the dependent who might normally return to the accredited representative who represented the deceased veteran would be confused and without representation before the Veterans' Administration. It is further the opening wedge to try to kill off all veteran organizations as representatives of dependents.

The laws that are presently on the books are for the most part very satisfactory. However, there is an urgent need to increase the benefits for dependents including parents, widows, and children in service-connected death cases. It seems to me that the Senate Finance Committee could probably vote out an entirely different bill that would increase these benefits, and postpone indefinitely any consideration on H. R. 7089. It is admitted by all concerned that there should be some correction in the law which puts the Reserve dependents of Reserve components under Federal Employees Compensation Act. This could be accomplished very simply by repealing that portion of the legislation which proponents of H. R. 7089 have attempted to use as a springboard upon which to destroy many of the basic rights and benefits of all veterans, including live veterans and dependents.

However, Mr. Byrd, the most important failure of H. R. 7089, and which represents the failure of the select committee to consider all benefits for survivors is their naive failure to include in their hearings and in the bill proposed any con-

tinuation of the benefits provided for survivors under Public Law 484, 73d Congress approved June 28, 1934. This bill was fostered by the DAV, and it was the outgrowth of a case from Dallas, Tex., of a blind veteran by the name of Paul Lauderdale who during his lifetime had been drawing double permanent total for total blindness. When he passed on his widow had no benefit to sustain her under the then existing laws. The DAV believed that in this type of case where the service connected disability could not be shown to have contributed to the cause of death from a medical standpoint, but that it had been disabling to the extent that the veteran was dependent entirely upon his compensation for a living, and upon his death would leave his dependents destitute, that in that event certainly a reduced type of compensation benefits should be paid to the dependent. Therefore, the act provided that if the veteran had 30 percent or more disability at time of death no matter what the cause of death, his dependent would be paid certain prescribed benefits which were designated in section 2 as "the monthly rates of compensation shall be as follows:" Succeeding Congresses reduced the percentage requirement from 30 percent downward to 20 percent and then to 10 percent, and always the term "compensation" was used, until Public Law 483, 78th Congress was approved December 14, 1944, and which amends Public Law 484 of the 73d Congress in which the word "compensation" was replaced by the word "pension" at the suggestion of others than the DAV, in which the percentage of service connected disability was further reduced below 10 percent but it was further retained that a widow of a World War II veteran would receive these benefits in case there existed a service-connected disability, and which is presently the requirement.

Mr. Byrd, it is the writer's belief that the DAV is not about to turn their backs on a basic legislation provided for in Public Law No. 484, as amended. In truth and in fact there has not been a general pension law passed for veterans of World War I or World War II or the Korean war, and neither has there been a general pension law passed for the widows of those wars or their dependents. Simply because the last modification of this law substituted "pension" for the word "compensation," the members of the House select committee and all the proponents of H. R. 7089 have carefully avoided any consideration of these benefits, and which is wrong. No doubt they plan to wash these all over under social security because of the word "pension." Comparatively speaking, very few veterans die of their service-connected disability. The vast majority of survivors (possibly 85 to 90 percent) are paid benefits under the legislation which I am now discussing with you and which the select committee paid no attention to in H. R. 7089. Is it the hidden plan of this select committee to push all of these people over under social security and to leave the bulk of these dependents destitute until they reach the age of 65? We submit that any consideration of survivors or dependents benefits should include the group of cases that Congress has previously taken care of under Public Law No. 484 as amended.

Mr. Byrd, as indicated in the beginning, it would take a book as large as Webster's Unabridged Dictionary to discuss all of the angles and the interpretations and boobytraps that may be involved in this legislation, and the foregoing is not considered even a good start.

The writer has his poll tax paid, and he votes in precinct No. 131 in Dallas County, and believes in our representative form of government, and votes at each election. Therefore, I would like to ask you as one of our Senators from the great State of Virginia to oppose the passage of H. R. 7089 in the Senate, and I would further request that you make representations against this bill before the Finance Committee of the Senate, and for that purpose and speaking for myself, you are privileged to file this letter as an exhibit, I have been furnished with a photostat copy of a letter written by Senator Walter George of Georgia in which he states that he will oppose this bill both in the committee and on the floor of the Senate. Therefore, the writer would urge that on behalf of himself and for hundreds of thousands of other disabled veterans who do not have the facilities to write you, that we ask the Senate Finance Committee to defeat this bill. It appears that the chief claim of his proponents for its passage, among other things, is the contention that they have worked hard on it. As you know, this would not be the first bill that many people have worked hard upon, and whose thinking and work was headed in the wrong direction for the good of the country. We request that you work and vote to keep the present laws relating to veterans and dependents.

Thanking you for your kind consideration, I am,

Sincerely yours,

LEWIS J. MURPHY,
Past National Commander, Disabled American Veterans.

RESOLUTION

STATEMENT OF POLICY ADOPTED BY DISABLED AMERICAN VETERANS 1952 NATIONAL CONVENTION

BOSTON, MASS., *August 10–16, 1952.*

We hereby adopted the following statement of policy on matters covering veterans affairs as follows:

1. We reaffirm our prior consistent policy that the first obligation of our Government is to those who gave their lives or sustained injuries as a result of wartime service, and we hold that this obligation is a continuing cost of the wars, and we repudiate any denial of the great common responsibility to rehabilitate those who served, sacrificed, and continue to suffer in order that our Nation can survive against our enemies.

2. We likewise reaffirm our faith and confidence in the Veterans' Administration as a single executive department to administer the laws and benefits provided by grateful people through the Congress of the United States, and we are vigorously opposed to the various and devious efforts in the name of economy to dismember and render ineffective the Veterans' Administration in any way, manner, or form.

HENRY RIVLIN,
Chairman of Legislative Committee.
WM. E. LEACH, Jr.,
Secretary of Legislative Committee.

UNITED STATES SENATE,
CONFERENCE OF THE MINORITY,
February 3, 1956.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR MR. CHAIRMAN: Col. James H. Johnson, of Concord, N. H., who is presently serving as national commander of the Spanish War Veterans, has asked me to contact you in connection with the Hardy bill, H. R. 7089, which I believe is presently pending before the Senate Finance Committee.

He, and the membership of his organization, are very much interested in having your committee act favorably on an amendment to this legislation, and I am enclosing a copy herewith. Any consideration that may be given to it will be very much appreciated.

Sincerely yours,

STYLES BRIDGES.

AMENDMENT TO H. R. 7089 PROPOSED BY MR. JOHNSON

Page 13, immediately after line 12, insert:

"(13) In any case involving the death before, on, or after January 1, 1956, of a person who served in the active military or naval service during the war with Spain, the Philippine Insurrection, or the Boxer Rebellion (as delimited in the first section of the act of August 4, 1951 (38 U. S. C., sec. 370g)), and who was discharged or released from such service under conditions other than dishonorable after having served 90 days or more (as determined under such section), or for disability incurred in such service in line of duty, then, for the purposes of title II of this act, and of paragraph IV of part I of Veterans Regulation No. 1 (a), the death of such person shall be conclusively preseumed to be the result of disease or injury incurred or aggravated in line of duty while on active duty."

VETERANS' ADVISORY COUNCIL OF WEBER COUNTY,
Ogden, Utah, February 21, 1956.

Senator HARRY FLOOD BYRD,
Member, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: The Weber County Veterans' Advisory Council at their February 2, 1956 meeting unanimously went on record opposing H. R. 7089, more commonly known as the Hardy bill. The council is composed of repre-

sentatives of veterans' organizations, labor, civic organizations, chamber of commerce, organizations handling veterans' affairs, and members at large.

The council feels that the bill has some good points which were the bases for passage in the House, however, the inequities as presently contained in the bill more than offset the desirable features. The council is particularly opposed to the following measures:

1. Inequity of death benefits to survivors of inductees and enlisted men during wartime compared to the death benefits of survivors of career officers. We feel that there should be no class distinction of survivors' benefits based on grade and rank.

2. Lack of distinction between wartime and peacetime service in the payment of compensation and survivors' benefits. In peacetime very few servicemen who serve involuntarily do so at any appreciable financial sacrifice. In wartime, however, vast numbers of civilians go on activ duty at great personal sacrifice.

3. Discontinuance of the present $10,000 wartime insurance plan in favor of social security as it would eliminate survivors' benefits to parents of unmarried servicemen. There are very few deaths among military personnel in peacetime where there is a no widow, children, or dependent parents. In wartime, however, large numbers of men die without dependents. In many of these cases parents have sacrificed to rear and educate their children. It would seem reasonable for the Government to make such contributions in wartime to such parents.

4. Prohibition of any amendments to be made to correct disparities contained in the bill.

5. Inference in the bill that the Veterans' Administration will not continue in its present responsibilities.

In view of the above inequities and controversial issues, we sincerely solicit your honorable body to defer passage of this bill and recommend that a thorough study be made of the whole program and a new bill be drafted which will be fair and just to all groups of servicemen and their survivors.

Very truly yours,

CHESTER J. OLSEN, *Chairman.*

MARCH 7, 1956.

Senator HARRY F. BYRD,
Washington, D. C.

MY DEAR SENATOR BYRD: I'm not a constituent of yours although my mother's ancestor, Sir Thomas Gates was the first Colonial Governor of your great State. But I'm writing to you, as directed by the Army and Navy chapter, Daughters of the American Revolution, which comprises 518 women, wives, widows, mothers, sisters, and daughters of Regular or career officers of Army, Navy, Air Force, and marines. I'm their parliamentarian so was the one they asked to write for all of us.

I'm writing in behalf of the so-called Hardy bill, H. R. 7089, Servicemen's and Veterans' Survivor Benefit Act. Many of the women of whom I spoke above may not benefit by this bill—their menfolk are retired, and may not die of service-incurred disability—others are young enough to still be on active duty, although they, if they die in this category, may well benefit. However, all of these women were unanimous in their desire for the passage of this bill, which surely shows it hurts no one.

When I married, 1920, we planned our insurance program—all we could afford out of our pay—now it barely covers necessities. We paid too for our $10,000—it was not given to us. We educated two children—later helped to support some relatives who badly needed help—the usual things service, and other decent people find they must do.

My husband, a brigadier general, died in Walter Reed 5 years ago, of service-incurred disability. I get in lieu of his pay $87 a month. He died before that bill was passed whereby an officer might take less retired pay and add this amount to what his wife would receive in the event of his death. He also died before the last pay raise.

Living costs have risen greatly, our fringe benefits are being cut constantly—no dental care at all—and have you paid a dentist's bill lately? And not much medical or hospital care—and we widows are getting older and more full of infirmities. I have arthritis in my hands very badly. I have turned

to the only thing I knew, genealogy to augment my income, and I now have trouble with my self-taught typing as my stiff fingers just don't work well.

Added to the above, our District of Columbia Commissioners have hit upon everything imaginable to raise the District of Columbia income—our real-estate taxes are to be raised, the personal-income exemption dropped to $1,000 a year—and who can live on less than that, may I ask? And then, too, they worked into a recent bill a pernicious little trick whereby we must list our survivors' benefits among our allowances. And the latest is they are trying—and will doubtless succeed—in placing a 2-percent sales tax on our purchases at commissaries and post exchanges. That is nothing but a cut in pay, frankly.

This is the side of a widow—now to another side, which alarms we Army and Navy DAR, who believe in national defense. The young men, our sons and sons-in-law are resigning and it is hard now to find capable young men to fill the vacancies in the service Academies. Those now in, see what is being done to them, and to their father's survivors and know that in the future these things will come to their wives and families. So as soon as they get a good offer from a civilian concern they resign. This is no economy to our Government—it costs a lot to educate a man at the Academies. The young doctors don't want to stay in either, and are fast resigning. So it is not only we older women who are being hurt—the future of the armed service is being impaired. Those still in the service are disgruntled—no man gives his best in this frame of mind.

One of my son's classmates resigned recently. I talked to him and told him not to be hasty. He said that while he was born and brought up in the Army, he saw no future in it. He had a wife and two children. They had moved often in their 10 years service—many times to places where there was no Army hospital near, so they had large medical bills. This has happened to all of us. Then he said if he died, and no one of us feels war is outlawed—what would become of his wife and small children. In the job he was offered, he would get a 50-percent increase in pay—they had housing given them, there was an excellent pension plan, etc., etc. I soon stopped trying to talk him into staying in the service, I can assure you.

So this letter is being written to ask you to weigh most carefully the merits of this bill. Think of the millions we give to foreign countries and then stop and think about we survivors who feel we are completely forgotten.

Thank you for listening to me. As I say, I was empowered to write just this one letter, rather than have all 518 members of my chapter do so.

Most sincerely,

MARY GATES R. ALFONTE.

INDIANA COUNTY POST, NO. 1989,
VETERANS OF FOREIGN WARS OF THE UNITED STATES,
White Township, Indiana, Pa., March 9, 1956.

HON. HARRY F. BYRD,
Chairman, Senate Committee on Finance,
Washington, D. C.

DEAR SENATOR BYRD: At a special meeting of the officers of post 1989 on March 9, 1956, action was taken in opposition of H. R. 7089, which is now in the Senate Committee on Finance.

Our opposition is based on the so-called rank philosophy in that bill.

We as the officers of post 1989 and representing some 600 members of the post are fully in accord with the legislation presented to the Veterans' Affairs Committee by our national organization.

We are hoping that you will use your influence in the Senate to have the national organization's legislation passed.

Yours truly,

GERALD R. NYSTROM,
Commander.
ZENAS H. HOOVER,
Quartermaster.
KENNETH W. LIGGETT,
Adjutant.

PRINCETON UNIVERSITY LIBRARY,
Princeton, N. J., March 7, 1956.

Hon. H. ALEXANDER SMITH,
Princeton, N. J.

DEAR SENATOR SMITH: I understand that H. R. 7089, which provides for the revision and simplification of laws governing benefit payments to survivors of servicemen and veterans, has passed the House and is now in committee in the Senate. I should like to call your attention to a type of case that H. R. 7089 ought, in fairness, to include in its scope. Perhaps such cases are already provided for by the bill, but I take the liberty of drawing one particular example to your attention on the chance that the category which it illustrates may have escaped the attention of those who drafted the bill.

Mrs. Samuel S. Bryan Jr., senior associate editor of the Papers of Thomas Jefferson (and, I can assure you, a person who is quite indispensable to the success of this project that was inaugurated by a congressional commission), is the widow of a graduate of Princeton of the class of 1917. Mr. Bryan contracted tuberculosis while he was serving in the Armed Forces in Europe in World War I, in consequence of which he was never able to engage in the profession he expected to enter; he was hospitalized for many years, and his marriage in 1945 was deliberately postponed for several years until he could be assured that he had been sufficiently restored to health. They were married on August 18, 1945. Mr. Bryan died in January 1955 and his service-connected disability payments ceased. Under present legislation payment of benefits to Mr. Bryan's widow is denied because Mr. and Mrs. Bryan were not married before December 14, 1944, and because he did not live for 10 years after his marriage.

In such cases as this, it seems obvious that the present regulation operates unfairly because the nature of the disability itself was the only factor which brought about the failure to meet the necessary qualification. Had the disability been of another nature, the marriage would have taken place well beyond the time limit imposed. It is, of course, understandable that such a limitation is necessary in order to avoid imposition on the public, and I think that when such a necessary limitation exists, even a failure to meet the qualifications by a few weeks or months does not in itself constitute a ground for claiming exception: (Mrs. Bryan would be entitled to benefits if Mr. Bryan had only lived until August 18, 1955). But, where the nature of the disability itself causes prudent and intelligent people to fail to meet the necessary qualifications (or what became the qualifications by legislation after the event), it seems to me that there is a justifiable claim upon the public and that there should exist some method whereby cases falling within this category could be judged according to their merits and not be excluded because of necessary but arbitrary time limit.

There are doctors' affidavits and other testimony available proving beyond all question that Mr. Bryan's disability was service-connected. Naturally, because of this disability, he was unable to leave his widow any estate through insurance and, though he was a university-trained man and could normally have expected to leave a competence if he had been able to engage in the profession toward which he was aiming, he was also prevented from doing this because of the disability.

However, I should like to make it clear that Mrs. Bryan's case, though unquestionably just and meritorious from every point of view, is not now presented as an individual's claim but as a good example of a whole category of cases which ought to be contemplated and provided for in the present revision. I shall greatly appreciate it if you will bring this matter to the attention of the committee that has charge of H. R. 7089.

With warm personal regards and with all good wishes, I am,
Sincerely,

JULIAN P. BOYD,
Editor, the Papers of Thomas Jefferson,

UNITED STATES SENATE,
COMMITTEE ON GOVERNMENT OPERATIONS,
April 30, 1956.

Hon. HARRY FLOOD BYRD,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR: One of my constituents has called to my attention a provision of H. R. 7089, now under consideration by the Finance Committee, which would appear to permit a gross inequity.

This provision would provide retroactive coverage under OASI for 3,700 survivors cases whose husbands died on active duty during World War II prior to acquiring the mandatory 6 quarters of coverage; however, it would not provide retroactive payment to these cases.

I urge that the committee, in considering H. R. 7089, also consider amending the bill to provide retroactive payment to these survivors, who have struggled along at a disadvantage for 14 years.

Best personal regards.

Sincerely yours,

HUBERT H. HUMPHREY.

AMVETS,
FEDERAL POST NO. 7,
Chicago, Ill., May 14, 1956.

Hon. EVERETT M. DIRKSEN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR DIRKSEN: We are writing you regarding H. R. 7089 now pending before the Senate Finance Committee.

The 800 members of this post vigorously oppose the "rank in death" clause in section 202 (a) of this bill.

At the present time all widows entitled to death compensation receive a flat monthly payment that varies only with the number of minor children she is supporting. This payment is in no manner dependent upon the rank of her deceased husband.

Now, if section 202 (a) is left in the survivor benefit bill the monthly payment would not be equal. It would be based on a monthly payment of $112 plus 12 percent of a veteran's pay at time of death. The effect of this proposal is that a widow of a private will receive about $122 per month while the widow of general would receive about $242 per month.

AMVETS, ask that a flat monthly rate of $140 be approved for widows, regardless of their husband's rank while in the service.

Your consideration of our request will be greatly appreciated.

With kindest regards, I am

Sincerely yours,

HARRY E. DRAKE,
Chairman, Legislative Committee.

COMMISSIOND OFFICERS ASSOCIATION
OF THE UNITED STATES PUBLIC HEALTH SERVICE, INC.,
Bethesda, Md., May 22, 1956.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR MR. CHAIRMAN: The purpose of this letter is to voice the full support of the Commissioned Officers Association of the United States Public Health Service, Inc., for the enactment of legislation pending before your committee in H. R. 7089, an act, to provide benefits for the survivors of servicemen and veterans, and for other purposes.

The Commissioned Officers Association of the USPHS, Inc., is composed of 80 percent of the members of the Regular Corps, and 30 percent of the members of the Reserve Corps of the United States Public Health Service. Its' views, therefore, represent the views of the members of the service as a whole.

The Public Health Service, as 1 of the 7 uniformed service may be placed in military status in war and in time of national emergency by Executive order. This was done in World War II. At all times a large number of Public Health Service officers are on military status because of their assignments to the United States Coast Guard and other Armed Forces of the United States.

The Public Health Service is associated with the uniformed services for pay, survivor and other benefits in existing laws and is included in the legislation pending before your committee.

Our views on this matter are expressed by letter, rather than by testimony before the committee, in order to conserve the committee's time, with the request that this letter be made a part of the record.

Sincerely,

F. O. WILLENBUCHER, *National Counsel.*

WASHINGTON, D. C., *May 26, 1956.*

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: Regarding H. R. 7089—the military survivors' benefit bill—I would respectfully like to call your attention to those features of the bill which I hope will cause you to vote against it in its entirety.

I am the wife of a retired officer who had 30 years' active duty and the mother of an ensign in the Navy. It appears to me that the Government has provided well for its military personnel and excessive increases in benefits do not appear necessary nor just to the taxpayers who must pay for these.

The bill provides excessive increases as I have written and brings survivors' benefits up to such a level that the serviceman (officer or enlisted) will no longer feel any personal responsibility, necessity, or compulsion to make provision himself for his family in case of his death. It is a giveaway program weakening to the moral fiber of service personnel and another long step in the direction of expecting the Government to support all citizens in luxury.

Who is going to pay for it? A little investigation would show if impartially conducted that this bill would add another $500 million to our annual Federal expenditures.

Service personnel receive sufficient pay and tax-free cash allowances to enable them to make some personal contribution for the support of their survivors.

The bill brings military personnel under two retirement systems—the military, which they have long enjoyed, and social security.

This bill has been called an equalization bill. However, under it the least any widow will receive is $1,450 per year to as much as $2,500 per year—for life and regardless of other income. Contrast this with the $600 per year received by the widow of a World War I veteran if she does not have other income in excess of $1,400. The objection is not to this limitation but to the fact that H. R. 7089 does not have any income limitations.

The benefits question should be considered as a whole. As it is and would continue to be under the bill there is a vast difference in benefits received by the survivor of a person who dies on active duty and the survivor of one who has been retired. In a vast majority of cases the survivors of retired personnel receive no benefits whatever.

I believe that the country as a whole, all taxpayers and, in the end, all military personnel will be benefited by a vote of no on this bill.

Very respectfully,

MARGUERITE MEAD
Mrs. G. W. Mead, Jr.

MAY 30, 1956.

STATEMENT OF MRS THERESA E. ALEXANDER, LEGISLATIVE CHAIRMAN, SAN DIEGO COUNTY CHAPTER, GOLD STAR WIVES OF AMERICA, INC.

Subject: Servicemen's and Veterans' Survivor Benefits Act of 1955, H. R. 7089, 84th Congress.
To: The Honorable members of the Senate Committee on Finance.

DEAR MR. CHAIRMAN: The membership of our organization is such that you well can expect this statement to contain a strong advocacy for a more generous and equitable system of computing compensation for the widows and dependent children of deceased military personnel. Indeed, we do hope to impress you with this need.

You would be incorrect, however, if you felt that our organization's opinion in this matter reflected purely parochial or self-centered concern.

It does not.

We regard H. R. 7089 as essential to the long-range military security of this country. No nation can have a first-rate military establishment without first-rate men. First-rate men are leaving our armed services—hundreds of them—because they do not wish to expose their wives and children to the hazards and hardships to which servicemen's survivors of today are exposed.

It is from this vantage point that we wish to consider H. R. 7089. We believe this bill provides many features that will make career military service more desirable. Among these is a more equitable program for survivors of military personnel.

Our mandate.—The recommendations of the Select Committee on Survivor Benefits, as outlined in H. R. 7089, were mandated at our 10th annual national convention held in Minneapolis, Minn., in July 1955. We earnestly desire your favorable report on this bill.

Basis of present inequity.—The current death compensation program has failed to stand the test of time. To overcome inadequacies in the basic law Congress passed piecemeal legislation at various times. The entire compensation program was not reviewed before supplementary benefits were added. As a result, the added benefits increased the inequities inherent in the basic law. The bill now being considered proposes to correct these inequities by removing the root cause, namely: Uniform death compensation for all survivors.

Legislative history.—Uniform death compensation is not traditional in the armed services. For 60 years, from 1802 to 1862, widows of servicemen received one-half of their husband's pay if death was due to a service-connected cause. In 1862 a law was passed that based compensation on the rate or rank of servicemen, with a minimum of $8 and a maximum of $30 a month. In 1917 a bill proposed that compensation be based percentagewise on servicemen's pay. An amendment to this bill, requesting that compensation be in an equal amount in all cases, carried. This amendment was based on the premise that "in death all men are equal" and, for this reason, death compensation must be in an equal amount, regardless of the salary of the deceased serviceman.

Un-American concept.—This interpretation of the word "equal" distorts the historic principle on which "equal justice under law" is based. In our Declaration of Independence the phrase "all men are created equal" does not mean all persons should receive an equal salary, regardless of training. The faulty reasoning in the amendment that proposed equal compensation becomes clear when the same reasoning is applied to the living. Further, using the "all-share-alike" factor in one law, and the "salary-and-tenure" factor in all other death compensation laws, is un-American in concept. It also is contrary to the honor and esteem accorded to the defenders of our freedom and liberty.

Lower career incentives.—Enclosure (1) indicates the differences in salaries between military men and men in private industry. Compared with their intellectual counterparts in civilian life the military men receive substantially less pay during their career for commensurate responsibilities. Enclosure (2) indicates the percentage of pay increase granted to military personnel during the 41 years prior to the passage of the 1949 Military Pay Act. The cost of living nearly doubled during this time. Military pay was not increased accordingly in all instances. To these lower career incentives, which are still true today, add: (*a*) the increased hazards of military service, and (*b*) the inadequate provision for survivors. They sum up the main reasons why career men are leaving the armed services and young men are not replacing them. Most of the widows now on compensation rolls were service wives before the passage of the 1949 Military Pay Act. Our military friends consider the present living standard of widows as not an enviable one. The purchasing value of insurance annuities and death compensation has been reduced nearly 50 percent due to the depreciation of the dollar in the past 15 years.

Hidden tax.—All servicemen are familiar with the explanation that the difference between civilian and military pay is offset by a substantial retirement pension. However, they were not generally aware of the meager provision for their survivors until the impact of modern warfare added so many service families to the compensation rolls. Until fellow servicemen died very few servicemen knew that earned military retirement money vanishes when the death message is delivered. An employee or businessman who buys Government bonds with the difference between civilian and military income knows that inheritance laws protect his survivors. Military retirement accrual is not funded. It does not become a part of a serviceman's estate. By this error of omission the earned military retirement pension becomes a hidden tax on patriotism when death takes place while on active duty.

Cost of H. H. 7089.—Please compare the amount of retired pay earned by servicemen, shown in enclosure (3), with the death compensation proposed in H. R. 7089 for surviving widows, shown in enclosure (4). The total cost of H. R. 7089 is not entirely an additional burden on taxpayers. A large portion of the cost has been provided by deceased career servicemen under the age-old military retirement laws. Earned military retirement money, which remains in the United States Treasury when death occurs while on active duty, should not be disregarded or forgotten when the total cost of H. R. 7089 is projected.

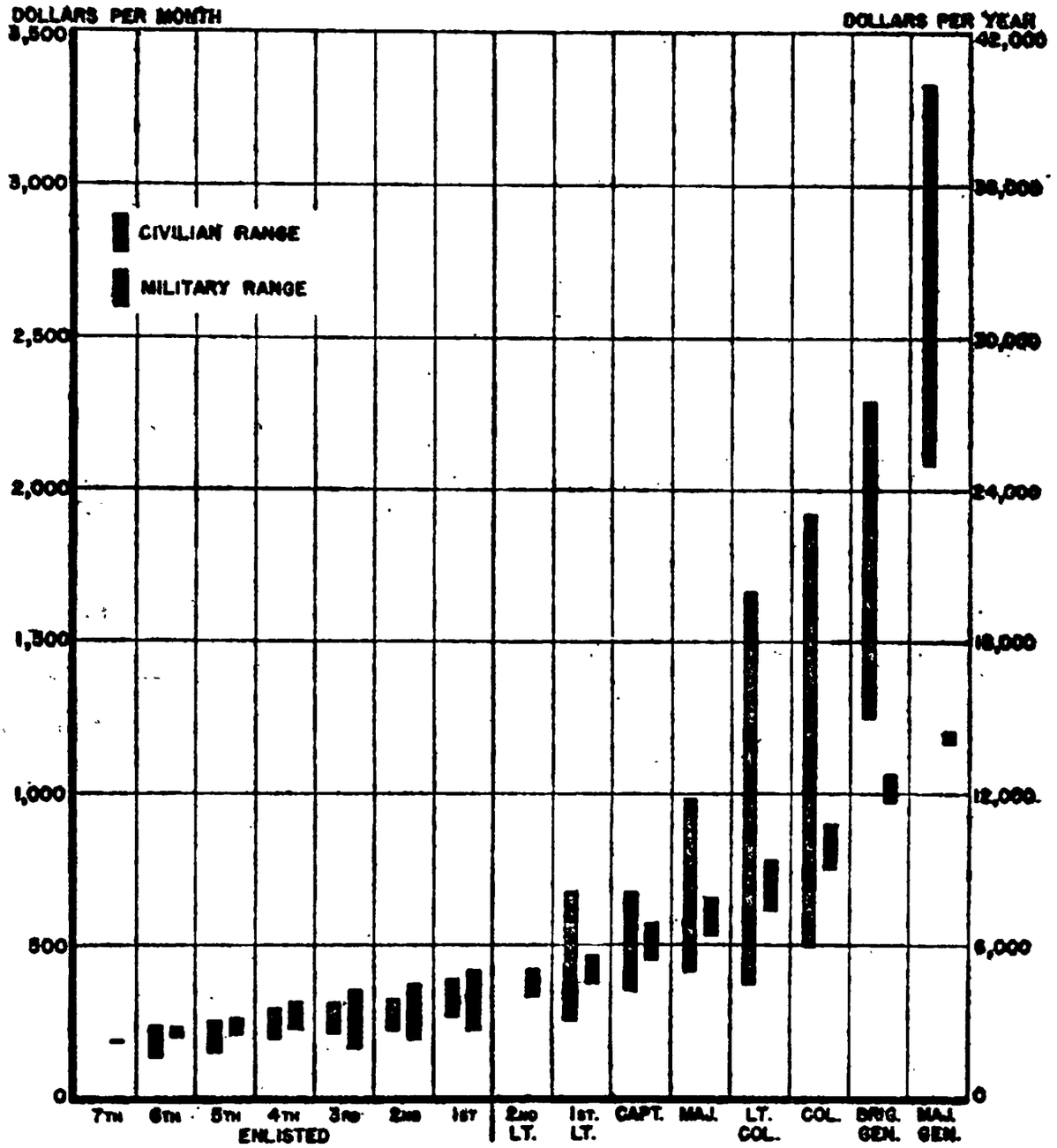
Comparative present cost.—The latest Annual Report of the Administrator of Veterans' Affairs shows the average value of death compensation for World Wars I and II servicemen's survivors was $76.47 a month during 1954. In the same year it cost $106.20 a month to maintain an inmate in a Federal penitentiary, according to the Bureau of Prisons. Further, the cost of apprehending criminals and bringing them to trial is greater than the 6 months' death gratuity paid to servicemen's survivors. Many servicemen died in the defense of our country before they reached their 25th birthday. Had death not intervened, the earning capacity of these young men—during a normal life span—would have been far greater than the death compensation proposed for survivors in the bill you are now considering.

Wheels of justice move slowly.—In 1951 our chapter requested that death compensation be based on the deceased serviceman's salary, by H. R. 3907, 82d Congress. It has taken longer for this standard pattern to be reflected in law than it took our country to bring World War II to a victorious conclusion. Due to this long delay we request that the new compensation rates begin on the day spelled out in H. R. 7089, namely: January 1, 1956.

We don't complain.—Generally speaking, servicemen's widows are too proud to complain, too brave to cry, about their reduced circumstances. We do not solicit sympathy. tI is our belief that the innate sense of "Equal justice under law," inherent in all democratic people, will prompt you to give the Servicemen's and Veterans' Survivor Benefits Act a favorable report. However, to attract the most qualified men to seek a military career—and to correct the present death compensation program which is a deterrent toward this end—we recommend that you take any appropriate action that is required to expedite passage of H. R. 7089 during the present Congress. The bill has been delayed for a long time. Further delay would gravely affect military morale and cause needless suffering.

More than ever before our Armed Forces must be second to none. In this our American way of life rests in your hands.

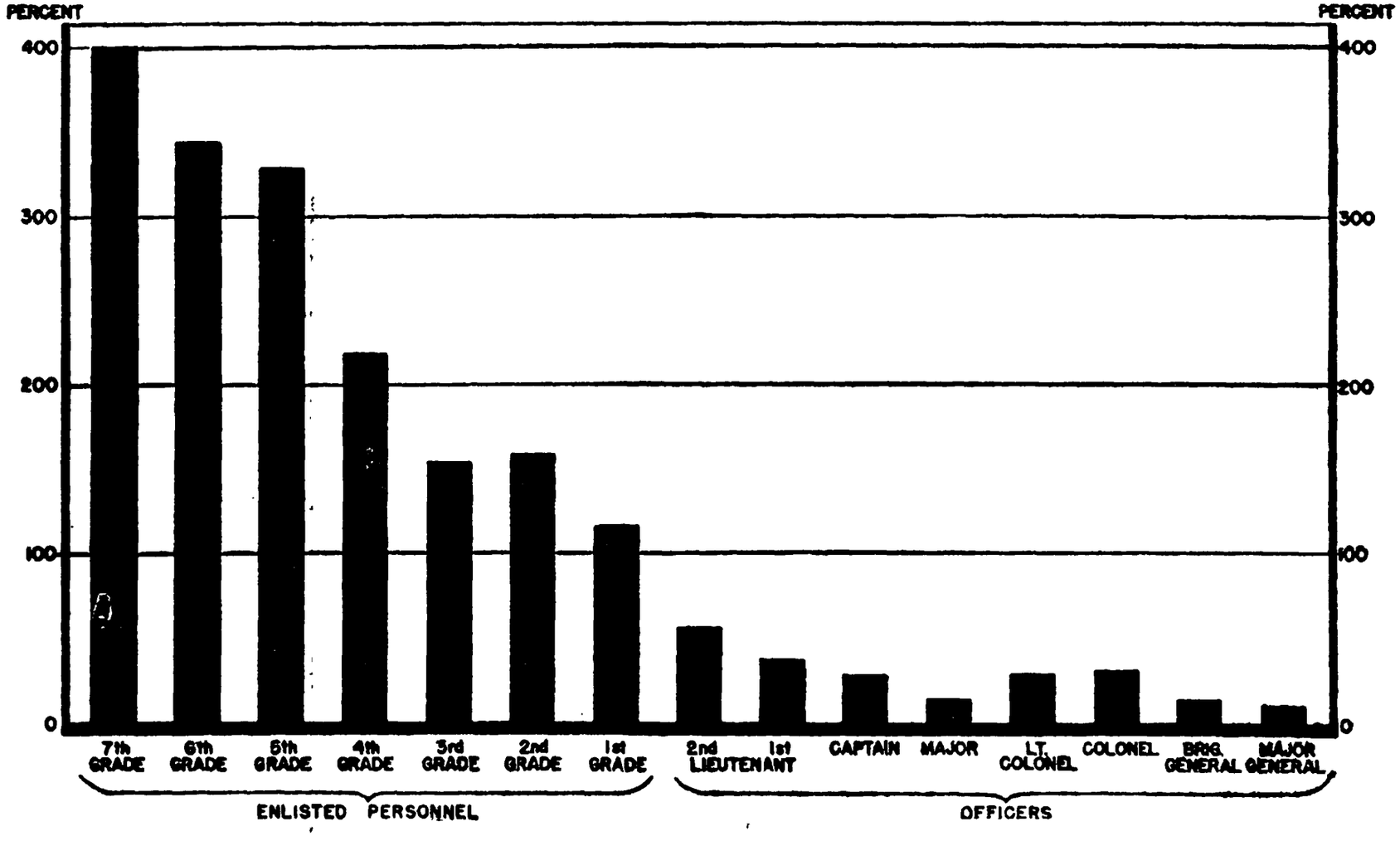
Chart 1. Comparison of Civilian and Proposed Military Compensation—Range by Military Grade



SOURCE: Advisory Commission on Service Pay (1948)
Excerpt from Report by Mr. Charles R. Hook, Chairman

SOURCE: Advisory Commission on Service Pay (1948)
Excerpt from Report by Mr. Charles R. Hook, Chairman

Chart 1. Percentage Increase in Military Pay for Each Grade Received, 1908–1946



Rates of retired and retained pay—Percentage method, effective Oct. 1, 1949, as amended by act of March 1955

Rank or rating	Pay grade	Code	35 percent, 13½ years	35 percent, 14 years	37½ percent, 15 years	40 percent, 15½ years	40 percent, 16 years	42½ percent, 17 years	45 percent, 17½ years	45 percent, 18 years
Admiral, vice admiral, rear admiral (UN)	O8	68	$357.63	$357.63	$383.17	$408.72	$408.72	$434.26	$459.81	$459.81
Rear admiral (LH), commodore	O7	67	297.57	297.57	318.82	340.08	340.08	361.33	382.59	382.59
Captain	O6	66	221.13	221.13	236.92	252.72	262.08	278.46	294.80	322.92
Commander	O5	65	185.64	196.56	210.60	224.64	230.88	245.31	259.74	273.78
Lieutenant commander	O4	64	174.72	180.18	193.05	205.92	212.16	225.42	237.68	252.72
Lieutenant	O3	63	158.34	163.80	175.50	207.20	193.44	205.53	217.62	224.64
Lieutenant (jg.)	O2	62	139.23	144.69	155.02	165.36	165.36	175.69	186.43	186.43
Ensign	O1	61	125.58	131.04	140.40	149.76	149.76	159.12	168.48	168.48
Chief warrant officer	W4	60	147.42	158.34	169.75	180.96	187.20	198.90	210.60	217.62
Do	W3	59	125.58	131.04	140.40	149.76	152.88	162.33	171.99	182.52
Do	W2	58	117.39	122.50	131.25	140.00	143.12	152.06	161.01	168.03
Warrant officer	W1	57	107.03	109.76	117.58	125.44	128.56	136.59	144.63	151.65
Chief petty officer	E7	56	95.55	98.28	105.30	112.32	115.44	119.25	126.27	136.89
1st class	E6	55	84.63	87.36	93.60	99.84	102.96	109.39	115.83	122.85
2d class	E5	54	76.44	79.17	84.82	90.48	93.60	99.45	105.30	107.81
3d class	E4	53	68.25	70.98	76.05	81.12	84.24	89.50	94.77	98.28
SN	E3	52	55.96	57.33	61.42	65.52	65.52	69.61	73.71	73.71
SA	E2	51	46.41	46.41	49.72	53.04	53.04	56.35	59.67	59.67
SR over 4 months	E1	50	37.31	37.31	39.97	42.64	42.64	45.30	47.97	47.97

Rank or rating	Pay grade	Code	47½ percent 19 years	50 percent 20 years	52½ percent 21 years	55 percent 21½ years	55 percent 22 years	57½ percent 23 years	60 percent 24 years	62½ percent 25 years
Admiral-vice admiral-rear admiral (UH)	08	68	$484.35	$510.90	$536.44	$561.99	$561.99	$587.53	$613.08	$638.62
Rear admiral (LH)-commodore	07	67	403.84	425.10	446.35	467.61	467.61	488.86	510.12	531.37
Captain	06	66	340.84	358.80	376.74	394.68	411.84	430.56	449.28	467.90
Commander	05	65	288.99	304.20	319.41	334.62	351.78	367.77	383.76	399.75
Lieutenant commander	04	64	266.76	280.80	294.84	308.88	317.46	331.89	346.32	360.75
Lieutenant	03	63	240.22	249.60	262.08	274.56	283.14	296.01	308.88	321.75
Lieutenant (jg.)	02	62	196.36	206.70	217.03	227.37	227.37	237.70	248.04	258.37
Ensign	01	61	177.84	187.20	196.56	205.92	205.92	215.28	224.64	234.00
Chief warrant officer	W4	60	229.71	241.80	253.89	265.98	274.56	287.04	299.52	312.00
Do	W3	59	192.66	202.80	212.94	223.08	235.40	246.10	256.80	267.40
Do	W2	58	177.36	186.70	196.03	205.37	213.95	223.72	233.40	243.17
Warrant officer	W1	57	160.07	168.50	176.91	185.35	193.93	202.74	211.56	220.37
Chief petty officer	E-7	56	144.49	152.10	159.70	167.31	175.89	183.88	191.88	199.88
1st class	E6	55	129.67	136.50	143.32	150.15	158.73	165.94	173.16	180.37
2d class	E5	54	114.85	120.90	126.94	132.99	141.62	148.06	154.50	160.93
3d class	E4	53	103.74	109.20	114.66	120.12	120.12	125.58	131.04	136.40
SN	E3	52	77.80	81.90	84.99	90.09	90.09	94.18	98.28	102.37
SA	E2	51	62.98	66.30	69.61	72.93	72.93	76.24	79.56	82.87
SR over 4 months	E1	50	50.63	53.30	55.96	58.63	58.63	61.29	63.96	66.62

Rates of retired and retained pay—Percentage method, effective Oct. 1, 1949, as amended by act of March 1955—Continued

Rank or rating	Pay grade	Code	65 percent, 25½ years	65 percent, 26 years	67½ percent, 27 years	70 percent, 28 years	72½ percent, 29 years	75 percent, 29½ years	75 percent, 30 years
Admiral, vice admiral, rear admiral (UH)	08	68	$664.17	$664.17	$689.51	$715.26	$740.80	$766.35	$807.31
Rear admiral (LH), commodore	07	67	552.63	588.12	610.81	633.36	655.98	678.60	725.40
Captain	06	66	486.72	507.00	526.50	546.00	539.50	585.00	608.40
Commander	05	65	415.74	436.02	452.79	469.56	486.83	503.10	503.10
Lieutenant commander	04	64	375.18	385.32	400.14	414.96	429.88	444.60	444.60
Lieutenant	03	63	334.62	334.62	346.49	360.36	373.23	386.10	386.10
Lieutenant (jg.)	02	62	268.71	268.71	279.04	289.38	299.71	310.05	310.05
Ensign	01	61	243.36	243.33	252.72	262.08	271.44	280.80	290.80
Chief warrant officer	W4	60	324.48	334.62	347.49	360.36	373.23	386.10	397.80
Do	W3	59	278.20	288.34	299.43	310.52	321.61	332.70	344.40
Do	W2	58	252.85	262.99	273.11	283.22	293.33	303.45	315.15
Warrent officer	W1	57	229.19	239.33	248.53	257.74	266.94	276.15	276.15
Chief petty officer	E7	56	207.87	218.01	226.39	234.78	243.16	251.55	251.55
1st class	E6	55	187.59	187.59	194.80	202.02	209.23	216.45	216.45
2d class	E5	54	167.37	167.37	174.01	180.25	186.88	193.12	193.12
3d class	E4	53	141.96	141.96	147.42	152.88	158.34	163.80	163.80
SN	E3	52	106.47	106.47	110.56	114.66	118.75	122.85	122.85
SA	E2	51	86.19	86.19	89.50	92.82	96.13	99.45	99.45
SR over 4 months	E1	50	66.29	66.29	71.95	74.62	77.28	79.95	79.95

Source: Navy Recruiting Office and Naval Officer Procurement.

(Whereupon, at 12: 15 p. m., the committee adjourned, to reconvene at 10 a. m., Tuesday, June 5, 1956)

Dependency and indemnity compensation as proposed by the servicemen's and Veterans' Survivor Benefits Act (H. R. 7089)

COMMISSIONED OFFICERS

Pay grade	Compensation formula [2]	Years of active military service [1]												
		Under 2	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10	Over 12	Over 14	Over 16	Over 18	Over 22	Over 26	Over 30
O-8	$112+12 percent	$228	$228	$235	$235	$235	$235	$235	$235	$235	$235	$235	$235	$235	$242
O-7	do	209	209	215	215	215	215	215	215	215	215	215	215	221	229
O-6	do	184	184	188	188	188	188	188	188	188	191	199	202	206	210
O-5	do	169	169	173	173	173	173	173	176	180	182	186	189	193	193
O-4	do	161	161	164	164	164	167	171	172	174	176	180	182	184	184
O-3	do	152	152	155	157	161	163	165	167	169	171	172	174	174	174
O-2	do	144	145	153	153	155	156	158	160	162	162	162	162	162	162
O-1	do	139	141	148	148	150	152	154	156	157	157	157	157	157	157
WARRANT OFFICERS															
W-4	$112+12 percent	152	155	155	155	157	159	161	163	167	169	171	172	174	176
W-3	do	149	151	151	151	152	153	154	156	157	158	161	164	166	168
W-2	do	144	146	146	146	147	149	151	153	154	155	157	159	161	163
W-1	do	139	143	143	143	145	147	148	149	150	151	153	155	157	157
ENLISTED PERSONS															
E-7	$112+12 percent	137	139	139	140	141	143	144	145	146	147	149	151	153	153
E-6	$112+12 percent	134	135	135	136	138	139	141	142	142	143	145	147	147	147
E-5	$112+12 percent	130	132	132	134	135	137	138	139	140	141	142	143	143	143
E-4	$112+12 percent	127	129	129	132	133	134	135	136	137	138	139	139	139	139
E-3	$112+12 percent	124	127	127	128	129	130	131	132	132	132	132	132	132	132
E-2	$112+12 percent	123	125	125	126	127	127	128	128	128	128	128	128	128	128
E-1	$112+12 percent	122	124	124	125	125	125	125	125	125	125	125	125	125	125
E-1 (under 4 months)	$112+12 percent	122													

[1] New dependency and indemnity (VA) compensation rates vary as shown on this table according to the grade or rank last held by the serviceman and the number of years of active military service. The rates shown would be payable to the widow, without regard to the number of children, for her remaining lifetime or as long as she remains unmarried.

[2] The dependency and indemnity compensation rates provided by the proposed bill (H. R. 7089) are based upon a flat $112 plus 12 percent of the basic pay authorized under the Career Incentive Act of 1955. This means that widows now entitled to VA compensation (serviceman's death service-connected) would be entitled to the new dependency and indemnity compensation, computed on the current basic pay rates for the rank and years of service of the serviceman when he was last in active service.

NOTE.—The rates shown on this table, compared with the existing flat rate of $87 per month (peacetime rate $70), would provide a minimum increase of $35 or 40 percent above the existing wartime rate (for the private, E-1). The widow of a sergeant (E-4) who had 6 years service for pay purposes would receive an increase of $46 or 53 percent above the existing $87 compensation. The widow of a master sergeant (E-7) with over 12 years service would receive $58 more than at present—a 67 percent increase. Widows of warrant officers and commissioned officers would likewise receive increases in accordance with rates shown above.

SURVIVOR BENEFIT ACT

TUESDAY, JUNE 5, 1956

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10:15 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Frear, Smathers, Martin of Pennsylvania, Williams, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

I submit for the record the Veterans' Administration official report on the pending bill submitted to the committee December 30, 1955.

(The matter referred to is as follows:)

DECEMBER 30, 1955.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR SENATOR BYRD: This is in response to your request for a report by the Veterans' Administration on H. R. 7089, 84th Congress, a bill to provide benefits for the survivors of servicemen and veterans, and for other purposes, as passed by the House of Representatives on July 13, 1955.

The general purpose of the legislation is to revise extensively the existing system of benefits for the survivors of persons who die in the active service or thereafter from service causes. The underlying objective of the measure, which was developed by the House Select Committee on Survivor Benefits, is to establish this system of benefits on a more integrated and orderly basis, removing inequalities and overlaps which were thought presently to exist and providing a reasonable and adequate scale of total payments.

Considered as a whole, the bill appears to go far in the direction of accomplishing these aims. The select committee concluded, after extensive study, that there are certain basic problems inherent in the present structure of benefits which require attention and solution by appropriate legislation. These problems include, among others, (1) the preferential treatment of Reserve death cases under the Federal Employees' Compensation Act, (2) the determination of a permanent policy with respect to social security coverage for military personnel and the precise nature of such coverage, (3) the issue as to the continuance of servicemen's indemnity coverage supplemented by postservice insurance privileges, and (4) the soundness of the policy of equal and uniform death compensation rates payable by the Veterans' Administration as contrasted to a schedule of benefits providing graduated rates involving a military pay relationship.

The President has indicated in various messages to the Congress his strong interest in providing a sound and more adequate system of survivor benefits. Specifically, the President has recommended the extension of the social-security program to members of the military forces on a participating basis and has indicated agreement with the general objectives of the Kaplan committee, including the desirability of relating death benefits to the military pay of the deceased member.

The Veterans' Administration believes that the proposed legislation is generally sound. However, there are a number of detailed and technical aspects of the bill which we desire to bring to the attention of the committee, as well as certain questions of policy. For the most part, these matters are dealt with in the enclosed analysis. Certain additional questions, primarily of a technical drafting nature, may be brought to the attention of your staff on an informal basis from time to time during consideration of the bill. The enclosed analysis also contains a separate statement relating to the cost aspects of the bill from the standpoint of the Veterans' Administration.

Advice has been received from the Bureau of the Budget that there is no objection to the presentation of this report to your committee and that enactment of H. R. 7089 would be in accord with the program of the President.

Sincerely yours,

JOHN S. PATTERSON,
Acting Administrator.

ANALYSIS BY THE VETERANS' ADMINISTRATION OF CERTAIN TECHNICAL AND DETAILED ASPECTS OF H. R. 7089, 84TH CONGRESS

INTRODUCTORY

The following comments will deal with specific features of the bill without undertaking a detailed overall description and discussion. This approach seems appropriate in the interest of brevity and upon the assumption that the committee already has at its disposal a variety of material reflecting in readily understandable form all of the ramifications of this rather lengthy and complex measure.

BASIC POLICY CONSIDERATIONS

1. *Social security.*—Adoption of a legislative policy, as in this bill, to extend social security coverage to members of the military services on a participating basis, with the employee's tax paid by the serviceman and the employer's tax paid by the military departments, presents the important subsidiary question of whether basic military pay or gross military pay (inclusive of allowances) should be used as the standard for computing the tax and the resulting OASI benefit. This was carefully considered by the House Select Committee with the result that basic pay has been employed as the standard in this bill. There are many factors for consideration in connection with this problem. The committee will doubtless want to look at it from the standpoint of the adequacy of such coverage in relation to the entire group affected. The Veterans' Administration will refrain from an analysis of this matter in this report, feeling that the Department of Health, Education, and Welfare is in a better position to present the pertinent factors.

2. *Servicemen's indemnity and post-service insurance.*—The bill would repeal the Servicemen's Indemnity Act and would preclude future applications for post-service insurance by veterans under section 621 of the National Service Life Insurance Act of 1940, as amended. Section 621 makes low-cost insurance available during the immediate readjustment period following extended military service and its proposed elimination raises anew the policy question whether this privilege serves the practical purposes which the Congress presumably thought it served when enacted in 1951. The bill would preserve the privilege accorded by section 620 of the same act to service-disabled veterans of acquiring insurance on a nonparticipating basis, broadening this to include new service groups brought in by the bill. The theory of the bill with respect to the indemnity is that there is no justification for the separate maintenance of this program in addition to a death-compensation program providing a somewhat higher scale of compensation rates which at least partially absorb the indemnity factor.

Much can be argued in behalf of this theory. However, there are other significant aspects for consideration. There is some likelihood that, regardless of the label "Dependency and indemnity compensation," the new compensation benefit will not be accepted throughout the years to come as something materially different from the existing death compensation. Thus, there is the possibility that pressures will mount, as time goes on, for the reinstatement of an in-service insurance program or an indemnity program additional to the compensation benefit which would be established by this bill. This possibility is heightened by the fact that insurance has been a distinct part of the package of benefits for survivors of servicemen and veterans for nearly 40 years.

Another side of the matter is that two beneficiary groups—nondependent parents and brothers and sisters—now covered by the indemnity program would be excluded from participating in any benefits under the bill in future death cases, except the 6 months death gratuity. In this connection, it is significant that some 70 percent of the indemnity awards which have been made since the act was enacted in 1951 consist of awards to parents. It may be assumed that a considerable number of these beneficiaries would not qualify as dependent parents under the bill. They would not have available the payments of $92.90 for 10 years now provided as indemnity.

Moreover, dependent parents qualifying for any rate of compensation under the bill would not receive, in addition, the indemnity payment to which they would be entitled if the existing law were continued. In view of the fact that the proposed rates of compensation are not greater, at the maximum, than the present rates, except where there are two parents, and the further fact that many of those qualifying for the new compensation would get less than under present laws because of the new sliding scale of rates, the absence of the indemnity is a rather drastic change. The problem is therefore twofold: (*a*) whether the Government owes any substantial obligation to nondependent parents, particularly where the deceased serviceman was unmarried, and (*b*) whether the proposed dependency and indemnity compensation for dependent parents is adequate after the elimination of the supplemental and separate indemnity.

It is believed that, viewed without regard to the prior scale of benefits, this part of the bill can be defended as meeting the reasonable obligations of the Government. Nevertheless, the committee will no doubt wish to appraise it in terms of preexisting policy and the fact that many parents in future death cases will receive substantially less under this bill than the large number of parents now on the rolls who will continue to receive existing compensation and indemnity benefits for a considerable period after enactment of the bill.

3. *Uniform versus pay related compensation.*—Traditionally, compensation payments, both for disability and for death, under laws administered by the Veterans' Administration have not been variable by reason of the military pay or grade of the serviceman or veteran. There were certain variations based on this factor under the old general pension law. However, the War Risk Insurance Act amendments of 1917, which provided compensation, insurance, and other benefits for the great World War I group, granted disability as well as death compensation on a uniform basis without differentials based upon pay grade. The original bill which had been reported in the House of Representatives did contain differentials in accordance with pay grade but the question was extensively debated on the House floor with the indicated result. It was apparently felt by those opposing the pay-related plan that military rank or grade, at least in time of war, is frequently a status beyond the control of the serviceman, whose military service may be but a temporary interruption of his civilian pursuits. Hence, it was argued that the loss to the survivors could not be accurately measured in any case by gaging compensation to the precise amount of pay which the husband, father, or son was receiving at the time of his death.

The principle of uniform compensation payments by the Veterans' Administration has been followed by the Congress in successive enactments since the War Risk Insurance Act amendments. This bill would depart therefrom in one particular. The proposed compensation formula for widows would consist of $112 per month plus 12 percent of the basic pay of the serviceman or veteran. The rates for children and dependent parents would not, however, include a pay-related factor.

The formula for the widow's allowance would involve but slight differences in the amounts received by the mass of those affected, since the percentage factor is relatively small. Thus, it would not be a radical departure from the existing program in relation to noncareer personnel and would better meet the equities and needs of career personnel. This latter is the basic reason for the new approach, and it seems entirely realistic to assume that there is a rather direct relationship between the military pay being received by a career serviceman at the time of his death and the loss sustained by his dependent survivors for whom the Government is seeking to provide just compensation.

NEW ELIGIBILITY GROUPS

It should be noted that the bill would qualify certain groups and types of service for the dependency and indemnity compensation benefit which are not covered under the existing death compensation laws administered by the Vet-

erans' Administration. The new groups include commissioned personnel of the Public Health Service and Coast and Geodetic Survey and members of the Reserve Officers' Training Corps of each branch of the service.

At the present time commissioned personnel of the Public Health Service and the Coast and Geodetic Survey are covered for disability and death compensation purposes only under specific conditions of service, principally in time of war or emergency. The bill would include them for death benefits based on their normal peacetime activities and amendments to existing laws would also qualify their service for purposes of certain other benefits administered by this agency, including disability compensation, without limiting the qualifying service to a period of war or emergency and without regard to special conditions of hazard.

It has been our view in the past that this type of broad coverage should not be extended to these groups for the reason that their service under peacetime conditions is essentially civilian in character and should not be equated with active military service which is the historical basis for veterans' benefits. It is realized, however, that there are special problems in this area which have not been adequately met by existing law, particularly with reference to the survivorship benefits, and in view of these difficulties and the very small number involved we are not disposed to reaffirm these objections in connection with this bill.

Members of the Reserve Officers' Training Corps units have been regarded as engaged in essentially civilian activities for purposes of benefits administered in behalf of veterans and their dependents. An exception exists with respect to the members of the Regular Naval ROTC whose training service constitutes military training because they hold the status of midshipmen in the Naval Reserve. Another exception prevails with respect to all ROTC members while engaged in annual training duty of 14 days or more under the Servicemen's Indemnity Act by virtue of a recent amendment to that act (Public Law 638, 83d Cong.). The bill would follow the precedent set by the Indemnity Act by covering ROTC members while engaged in annual training duty of 14 days or more for purposes of the proposed dependency and idemnity compensation as well as death gratuity.

There is directly related to this matter the fact that the House of Representatives passed H. R. 5738, 84th Congress, at the end of the first session and this bill is now pending before the Senate Committee on Armed Services. That proposal would place members of the Reserve Officers' Training Corps components under the Federal Employees' Compensation Act and exclude them from other benefit laws. As things now stand the present bill and H. R. 5738 are inconsistent in this respect and present for resolution an overall question of policy as to the extent of coverage for these trainees and the appropriate system of benefits to be applied to them. It is understood that the Department of Defense will present amendments to resolve this question by providing death benefit coverage for this group under H. R. 7089 rather than under the Federal Employees' Compensation Act.

In addition to new classes of personnel the bill extends the concept of training duty to include, for purposes of dependency and indemnity compensation as well as the death gratuity, certain situations not presently covered. Section 102 (6) (B) provides the so-called portal-to-portal coverage for members of the Reserve components who assume an obligation to perform active duty for training or inactive duty training pursuant to authorization or requirement by competent authority. This provision adds to the period of actual performance of duty the period during which the individual is proceeding "directly to or returning directly from such active duty for training or inactive duty training." In the event of death from injury incurred after the effective date of the bill while in this latter status the individual would be deemed to have been on active duty for training or inactive duty training, as the case may be, and entitled to basic pay at the time the injury was incurred.

This is an innovation and is intended to reach the situation where a reservist or National Guardman undertakes to attend weekly drills or other training activities without there being any specific order placing him on a duty status while proceeding to or from the point of training. Authorized travel to and from active duty for training is, of course, covered by other provisions of the bill but this provision is designed to go well beyond the concept of specifically authorized travel or travel in a Government vehicle. It will mean that the Government is recognizing an obligation to protect the Reservist against the contingency of death in a variety of circumstances, typifyed by the case in which he is merely attending a regular weekly drill, using transportation facilities of

his own choosing and doing that which is not significantly different or more hazardous than what he did in going about his own civilian pursuits. While the cases affected would not be relatively numerous there would seem to be a serious question as to whether the Government should recognize an obligation to extend this type of protection.

As an incidental consideration it should be pointed out that these cases will give rise to administrative complications due to the fact that there is no provision for reporting the injury at the time of incurrence, and the resulting death might in a given case occur long afterward. There will be obvious problems in attempting to reconstruct the facts surrounding an alleged injury in those situations. This is pointed up by the fact that, unless the disability compensaion laws are amended to provide similar coverage, the individual who enjoys this extended protection against death from injury so incurred would not, while alive, have the same advantage with respect to claiming or receiving disability compensation for such injury and no determination to that end would be made.

If the committee determines to retain this provision revision is necessary for purposes of consistency with the death gratuity provisions of section 303 covering deaths within 120 days after service. It is suggested that the words, "except section 303," be inserted following "title III" in line 12, page 7, and that "and section 303" be inserted following "title II" in line 13, page 7.

Section 102 (12) on page 13 of the bill likewise expands the concept of duty status to include, as a presumed period of active duty for purposes of dependency and indemnity compensation and death gratuity, such period of time after discharge or release from active duty, occurring subsequent to the effective date of the bill, as may be determined by the Secretary concerned to be required for the individual to proceed to his home by the most direct route, and in any event until midnight of the date of such discharge or release. This would apply for purposes of death benefits but would not be applicable in determining entitlement to disability compensation based on injury or disease, incurred during the extended period following discharge, unless the disability compensation laws were amended accordingly.

While this is a distinct liberalization of present requirements it is no doubt intended to provide a coverage for individuals discharged from long periods of active duty comparable to that accorded Reserve personnel who serve under specific orders which include authorized travel as a part of the period of duty. To clarify the intention that the travel time permitted under this subsection must be measured from the date of discharge, without any hiatus, it is recommended that in line 9 on page 13 of the bill there be inserted after the word "time" the words "immediately following the date of such discharge or release".

SUPPLEMENTAL PAYMENTS TO OR ON ACCOUNT OF CHILDREN

Several provisions in title II (secs. 202 (b), 204 (a), 204 (b), 204 (c)) for supplemental payments on account of children are contained in the bill. Section 202 (b) authorizes an increase in the compensation payable to the widow for each child in excess of one where the social-security average monthly wage was less than $160 or the deceased person did not die a fully or currently insured individual.

Unlike the existing death compensation provisions the bill generally would not authorize any increase in the payment to the widow on account of children, regardless of number. This is upon the theory that social-security benefits adequately provide for children where there is a widow. The mentioned supplemental payment under section 202 (b) is an exception to take care of cases in which social security is either not available or is insufficient. The aggregate amount of the $20 payments is limited to the difference between the monthly benefits to which the widow and children are entitled under title II of the Social Security Act and the benefits to which they would be entitled if the decedent's average monthly wage had been $160.

Administrative difficulties and delays will necessarily be encountered in attempting to carry out this provision, which will involve successive communications between the Veterans' Administration and the Social Security Administration and adjustments in awards as circumstances change. The bill properly provides for determination by the Secretary of Health, Education, and Welfare, of the amounts representing the floor and the ceiling for computing the total amount which may be paid by the Veterans' Administration at the rate of $20 for each child in excess of one. To reduce administrative complications and place this matter where it logically belongs so that both payments and basic

determinations will be made by the same agency it is recommended that the subject matter of section 202 (b) be integrated directly with the social security program, by appropriate amendment to the Social Security Act.

In view of this recommendation, the Veterans' Administration will not attempt to deal with certain technical deficiencies in the language of section 202 (b), as it now stands. The Department of Health, Education, and Welfare, is better situated to inform the committee with respect to these technical matters and the Veterans' Administration will cooperate in attempting to resolve them if the occasion arises.

The provisions of sections 204 (a) and 204 (b) for special payments in cases of children who have attained age 18 and are permanently incapable of self-support are intended to provide for a situation in which social security benefits are not available. This arises from the fact that there is no exception for such cases, under the social security program, to age limit of 18 years. On the other hand, the definition of "child," controlling the payment by the Veterans' Administration of compensation, includes a child who exceeds the generally applicable age limit of 18 if permanently incapable of self-support. Section 204 (a) affects such a child where there is no eligible widow and provides for an increase in the compensation being paid by $25 per month. Section 204 (b) affects the case of such a child where there is a widow receiving compensation and provides that concurrently an amount of $70 per month will be payable to the child after attaining age 18.

The need for these provisions may be removed, at least in part, by the action finally taken on H. R. 7225, 84th Congress, which is pending before your committee and was passed by the House on July 18, 1955. This bill contains special provisions for payment of social security benefits in cases of children who have reached age 18 and are incapacitated. However, it is understood that this coverage does not apply to children who became 18 years of age prior to 1953. It will be necessary to reconcile the provisions of H. R. 7089 in this regard with the provisions of H. R. 7225 in the latter proposal is the subject of favorable action. In any event, the amount of $70 a month provided in section 204 (b) of H. R. 7089 is excessive. This is particularly true when compared to the $25 increase in section 204 (a) and the amount of $35 per month prescribed in section 204 (c) in the case of a child, where there is an eligible widow, who is beyond age 18 and is attending an approved educational institution.

DEPENDENT PARENTS

Comments at this point will be directed to the specific aspects of section 205, without repeating certain basic policy considerations which have already been raised with respect to the plan of the bill in providing or failing to provide for parents.

Section 205 would require that determination of dependency of parents be made on a fixed rate of annual income, but would provide a sliding scale of compensation rates related to five income brackets. This sharply contrasts with the present compensation plan which provides for uniform payments to dependent parents, at monthly rates in wartime cases of $75 for 1 parent and $80 for 2 parents, with dependency determinable in accordance with ciriteria prescribed by administrative regulations. The regulations provide prima facie monthly income guides ($105 limit for 1 parent and $175 limit for 2 parents), but these are not rigid and determinations are made on an individual basis taking into consideration circumstances which will warrant departure from income guides such as unusual medical expenses, the presence of minor or helpless dependents in the family for whom the parent is responsible, the preexisting standard of living and various other factors. Moreover, the exemption from classification as income of various items is much broader under the regulations than those provided by section 205 (g) of the bill. For example, Government insurance, and payments of disability pension, disability compensation, or death pension are excluded from income under the regulations but would be chargeable under the bill.

It is appreciated that the proposed formula is intended to avoid the situation which could occur under the present program whereby a parent receiving somewhat less than the amount specified in the regulatory income guide is granted the full amount of compensation while another parent whose chargeable income somewhat exceeds the prima facie limit may be denied any payment whatever. It should be stated that the cases in which the dividing line is barely avoided or barely exceeded are relatively few, since the flexibility of the regulatory

standards, which allow consideration of a variety of family status and other economic factors, usually results in a more well-defined distinction between individual cases.

Although the Veterans' Administration recognizes the logic of this new proposal for parents, we are bound to point out some factors on the other side. It can be urged that this benefit should be liberally and uniformly accorded because it is an attempt by the Government to compensate for the loss of the son due to his service in the Armed Forces and not merely to alleviate a condition of need. While the death pension laws provide benefits for widows and children based upon need, as reflected by limited income, where the veteran did not die from service causes, it is noteworthy that this type of death benefit is provided at uniform rates and not graduated according to the precise income bracket of the recipient.

The new plan will be fraught with administrative difficulties, much greater in degree and extent than those which occur under the present system. The basic difficulty is the necessity of determining the precise amount of income in order to fix the rate of compensation accordingly. This is important not only for making sure that the beneficiary gets that to which he is entitled currently, but also to prevent as nearly as possible the occurrence of overpayments requiring offsets against subsequently accuring items of compensation. Frequent adjustments will have to be made in many cases from time to time.

If, upon consideration, the committee favors the principle of the proposed formula for dependent parents the following items of detail are suggested:

(1) If compensation for death under this bill or any other law administered by the Veterans' Administration is to be excluded in computing income for purposes of the death rate applicable where one serviceman has died and there are other such cases in the same family there would appear to be strong grounds for exempting disability compensation payable to the parent by reason of disability incurred by him in his own military service. It is suggested that section 205 (g) (1) (D) be amended to insert the words "or disability" immediately following the word "death" in line 23 on page 19.

(2) To avoid any ambiguity it is suggested that the word "dependent" be deleted wherever it appears in sections 205 and 206 preceding the word "parent" or "parents", so that it will be clear that the specified income limitations are the criteria for determining the rates of compensation payable to parents and that no regulatory tests of dependency are to be added.

PROPOSED INSURANCE AMENDMENTS

After this blil was passed by the House of Representatives two laws were enacted which require material revisions in certain insurance amendments proposed by the bill. These measures became Public Law 193, 84th Congress, and Public Law 194, 84th Congress. To take cognizance of these recent enactments there is attached a draft of appropriate revisions of section 501 (a) (3) and section 501 (a) (4) of the bill.

The proposed amendment to section 621 of the National Service Life Insurance Act would set a cutoff date of January 1, 1956, on or after which no postservice term insurance under that section could be issued. Under this section of the act veterans have a period of 120 days following separation from service within which to secure this postservice insurance. In view of the fact that some persons will have been discharged less than 120 days prior to the effective date of the bill, it is believed equitable to allow them the full period within which to secure insurance. To this end, it is suggested that lines 5 through 15 on page 64 of the bill be deleted, and the following substituted:

"(2) The first sentence of section 621 of the National Service Life Insurance Act of 1940 is amended by adding after the word 'separation' the following: 'prior to January 1, 1956' ".

The bill proposes to add a new section 623 to the National Service Life Insurance Act. This section is necessary in order to continue in effect certain substantive provisions of section 5 of the Indemnity Act of 1951, which act is repealed in its entirety by the bill. Section 5 of the latter act now authorizes the surrender for cash of permanent plan insurance by persons in the active service in order that they may take advantage of the free $10,000 indemnity coverage. Such surrendered insurance may be reinstated or replaced within 120 days after separation from active service. The proposed new section 623 would continue the same provisions with respect to cases of surrender prior to the effective date of the bill. However, the setting in such cases is now materially

changed in that one who has surrendered his insurance and continues on in the active service after the bill becomes effective will no longer have the $10,000 indemnity coverage.

A similar situation prevails with respect to term policies of insurance which expire prior to the effective date of the bill where the individual continues in the active service after its enactment. Section 5 of the Indemnity Act, which would be repealed, authorizes replacement of the expired insurance within 120 days after separation from the active service. In surrender cases, and in expired term insurance cases the proposed new section 623 would simply preserve the existing right of the individuals concerned to apply for insurance within 120 days after separation from active service.

Since these individuals surrendered their insurance, or allowed term insurance to lapse and expire while in service, upon the understanding that they would be covered by the indemnity as a substitute, it is believed that, with the repeal of the Indemnity Act, the right of such individuals to replace their insurance on a premium paying basis should not be deferred until the 120-day period following the end of their service. Accordingly, it is recommended that the proposed subsections 623 (a) and (b) be amended expressly to permit replacement or reinstatement of permanent plan insurance, and replacement of expired term insurance, at any time while the person remains in the active service and through the 120-day period following such service. The enclosed perfecting amendments do not contain this feature.

MISCELLANEOUS

1. Section 102 (11) (F) requires the Secretary concerned to certify to the Administrator the rank or grade and cumulative years of service for pay purposes of deceased persons with respect to whose deaths applications for compensation have been filed under title II. For simplification of procedures it is believed that the military department should compute the basic pay and certify that ultimate fact rather than leaving the computation of basic pay to the Veterans' Administration. It is therefore suggested that section 102 (11) (F) on page 12 of the bill be amended to read:

"The Secretary concerned shall, at the request of the Administrator, certify to him the basic pay considering rank or grade and cumulative years of service for pay purposes of deceased persons with respect to whose deaths applications for benefits are filed under title II of this Act. The certification of the Secretary concerned shall be binding upon the Administrator."

2. Section 209 (d) on page 25 of the bill provides that a child eligible for compensation by reason of the death of a parent may not receive dependency and indemnity compensation by reason of the death of another parent who is not a natural parent. This is apparently intended, for example, to prevent payments to a child based upon the deaths of both a stepparent and a natural parent in the same parental line. However, as drafted, it would permit payments by reason of the deaths of both such parents if the death of the stepparent first occurred but would not permit the same result where the first claim for compensation is based upon the death of a natural parent, the stepparent dying subsequently from service-connected causes. This whole provision is a departure from the existing law but, if retained in principle, it is suggested that it be amended by deleting the words "eligible for" in line 8 on page 25 and substituting the words "who receives", and by deleting the words "who is not a natural parent" in line 13 of the same page and substituting the words "in the same parental line".

3. Section 501 (n) on page 76 of the bill amends section 15 of Public No. 2 73d Congress, to include a reference in that section to claims and benefits under "the Servicemen's and Veterans' Survivor Benefits Act". Section 15 deals with administrative forfeiture of rights and benefits under Public No. 2, and by references contained in other laws, under most other laws administered by the Veterans' Administration where fraud is committed in connection with a claim for benefits. It also provides a criminal penalty upon conviction. The precise amendment contained in the bill would have a broader effect than intended since it would involve claims and benefits under certain other provisions of H. R. 7089, which would not be administered by the Veterans' Administration. For example, a fraud committed in connection with a claim for death gratuity might under this language result in administrative forfeiture of benefits under one or more Veterans' Administration programs. Since this is presently a sanction which applies to the structure of benefits handled by this agency only, it is recommended that

this part of the bill be amended by inserting "title II of" after the word "or" in line 11 on page 76 and by inserting in line 14 of the same page after the word "under" the words "title II of".

4. Amend section 209 (a) to add at the end thereof, in line 14, page 24, the following: "Dependency and indemnity compensation which is otherwise payable to a child shall commence effective the date on which the child's entitlement arose if application is filed within one year from that date; otherwise from the date of filing application". This amendment would protect the child from the consequence of a reasonable delay in filing claim in cases where the widow dies or remarries or the child becomes entitled in his own right by virtue of having attained age 18 to the benefits provided by sections 204 (b) and (c) of the bill.

5. The purpose of the first sentence of subsection 206 (e) (3) on page 23 of the bill is not clear and there is uncertainty as to how it would operate. If designed to require the Veterans' Administration to make successive determinations and pay the child the larger of the two items of servicemen's indemnity and compensation each time there is a change in circumstances affecting the amount of one or the other the administration of such a procedure would be most difficult. It is believed that even where a child becomes eligible for dependency and indemnity compensation by reason of the widow's death or remarriage after the latter has elected this benefit, pursuant to subsection 206 (a) (1), the child, through his guardian, would not be precluded by subsection 206 (b) (1) or (e) (1) from making a one-time election as between servicemen's indemnity which he might then be receiving and the dependency and indemnity compensation for which he becomes eligible. If the first sentence of subsection 206 (e) (3) is deleted this privilege will follow as a matter of course.

Further, it is not consistent with the theory of (e) (2) to permit the child's portion, after he has elected compensation, to be paid to another child, as would be provided by the second sentence of (e) (3). This is pointed up by the fact that under (e) (2) a child cannot succeed to the widow's portion of the indemnity.

Accordingly, it is recommended that line 15, page 22, be amended to delete "Except as provided in paragraph (3)," and that lines 8 through 18, page 23, be entirely deleted.

6. From the standpoint of the Veterans' Administration it is highly essential that the effective date of the bill be substantially later than date of enactment. The necessity for a time interval of several months for extensive preparatory action was recognized by the select committee in setting the effective date January 1, 1956, anticipating final action on the bill in the first session. It is strongly recommended that the bill be amended wherever necessary to provide a comparable interval following passage of the bill in the second session.

COST ESTIMATES

1. Compensation

In view of a number of intangible factors, it is difficult to estimate with precision the benefit-cost effects of the bill, if enacted, in the area of compensation for service-connected deaths. Such factors as the continuing strength of the Armed Forces and distribution of eligible survivors by rank of the deceased indicate the uncertainties involved. However, assuming an effective date of July 1, 1956, and based upon the assumption that the Armed Forces will maintain a continuing force of approximately 2,850,000, it is estimated that the annual cost of title II, if enacted, for each of the 5 fiscal years, beginning with fiscal year 1957, would be approximately as follows:

Fiscal year:	*Estimated additional cost*
1957	$45,039,000
1958	45,150,000
1959	45,246,000
1960	46,224,000
1961	47,335,000

The increase in cost is primarily attributable to the conversion of cases on the present death compensation rolls which would be eligible to elect higher compensation rates under title II of the bill. With respect to new death cases in the first year there would be no additional cost. In each of the four subsequent years

the cost of new death cases would probably reflect a slight increasing cost over the preceding year due to the type and composition of cases for both in and out-of-service deaths.

It is anticipated that there will be a substantial increase in the cost of administering the overall program of compensation for service-connected death in the first year after enactment of the bill, incident to the review of a large number of cases now on the death compensation rolls and adjudicative action in terminating the old benefits and commencing the new where elections are made. No significant increase in administrative cost in this area is expected in subsequent years.

2. Servicemen's indemnity

Assuming an effective date for the repeal of the Servicemen's Indemnity Act of July 1, 1956, maintenance of the strength of the Armed Forces at the present level, and a mortality rate of 2 per 1,000 in the Armed Forces, it is estimated that the savings from repeal of the indemnity would be as follows for each of the fiscal years indicated:

Fiscal year:	*Million*
1957 (1st year)	$3.2
1958 (2d year)	9.7
1959 (3d year)	16.2
1960 (4th year)	22.6
1961 (5th year)	29.1

The savings on this aspect would increase steadily to about $65 million in fiscal year 1967 and remain constant at that figure annually thereafter.

3. Insurance

It is probable that substantial savings will result from discontinuing the right to apply for waiver of premiums under section 622 of the National Service Life Insurance Act. An estimate would be highly speculative because of the uncertainty as to how many of those who will be under waiver at the time the present bill becomes effective will convert to a premium-paying basis while continuing in the active service in order to give their dependents the greater protection afforded by the more liberal compensation rates provided by the bill in cases of widows and children. Many may be willing to take the risk rather than forego the right to continue their policies while in service without payment of premiums. If 50 percent of those under waiver as of July 1, 1956, cancel their waivers within 4 months thereafter, the savings to the Government would be in the neighborhood of $4.5 million for fiscal year 1957. Savings for fiscal year 1958 would approximate $6 million and continue thereafter on a decreasing scale, falling off to practically zero in fiscal year 1970.

A substantial increase in administrative cost due to termination of the section 622 waiver will occur in the first year after enactment of the bill in the processing of terminations of the waiver and the establishment of allotments. On the other hand there will be administrative savings incident to the discontinuance of issuing section 621 insurance and these savings will be on a steadily rising scale for many years after enactment.

4. Summary

From the foregoing it is estimated that the net increased benefit cost of the programs administered by the Veterans' Administration for fiscal year 1957 would approximate $37,500,000, with a substantial decrease in this figure for each of the 4 succeeding fiscal years due in large part to the increasing savings from discontinuance of the servicemen's indemnity coverage. After the first year or two of operation of the bill, entailing some net increase in administrative costs, there should be net administrative savings for many years as a result of the elimination of the right to apply for national service life insurance under section 621 of the National Service Life Insurance Act.

AMENDMENTS TO H. R. 7089 NECESSITATED BY THE ENACTMENT OF PUBLIC LAWS 193 AND 194, 84TH CONGRESS

(1) Amend section 501 (a) as follows:

(*a*) Page 64, delete lines 20 and 21 and substitute therefor the following:

"(b) Except as provided in the first proviso to this section, no applicaion may be made after December 31, 1955, for waiver of premiums under this section."

(*b*) Page 64, delete lines 22 through 25 and on page 65, delete lines 1 through 8, and substitute therefor the following:

"(B) Except as herein otherwise provided, where an individual dies on or after May 1, 1956, and at the time of his death has in effect a policy of National Service life insurance or United States Government life insurance under waiver of premiums under section 622 of the National Service Life Insurance Act of 1940, no dependency and indemnity compensation shall be paid under this Act to his widow, children, or parents by reason of his death, but death compensation may be paid under laws administered by the Veterans' Administration to such widow, children, or parents by reason of his death, notwithstanding the fact that such death occurred after December 31, 1955. In no event shall the foregoing provision be applicable with respect to any person entitled to waiver of premiums under the first proviso to section 622 (a) of the National Service Lif Insurance Act of 1940, as amended, whose death occurs prior to his return to military jurisdiction or within one hundred and twenty days thereafter."

(c) Page 65, delete lines 11 through 25 and on page 66, delete lines 1 and 2, and substitute therefor the following:

"SEC. 623. (a) Any person who surrendered a policy of National Service life insurance or United States Government life insurance on a permanent plan for its cash value while in the active service on or after April 25, 1951, and prior to January 1, 1956, may, upon application in writing made within one hundred and twenty days after separation from the active service, be granted, without medical examination, permanent paln insurance on the same plan not in excess of the amount surrendered for cash, or may reinstate such surrendered insurance upon payment of the required reserve and the premium for the current month. waiver of premiums and total disability income benefits otherwise authorized under this Act or the world War Veterans' Act, 1924, as amended, shall not be denied in any case of issue or reinstatement of insurance on a permanent plan under this section in which it is shown to the satisfaction of the Administrator that total disability of the applicant commenced prior to the date of application. The cost of the premiums waived and total disability income benefits paid by virtue of the preceding sentence and the excess mortality cost in any case where the insurance matures by death from such total disability shall be borne by the United States and the Administrator is authorized and directed to transfer from time to time from the National Service life insurance appropriation to the National Service Life Insurance Fund and from the military and naval insurance appropriation to the United States Government Life Insurance Fund such sums as may be necessary to reimburse the funds for such costs."

(*d*) Page 66, delete lines 3 through 13 and substitute therefor the following:

"(b) Any person who had United States Government life insurance or National Service life insurance on the five-year level premium term plan, the term of which expired while he was in the active service after April 25, 1951, or within one hundred and twenty days after separation from such active service, and in either case prior to January 1, 1956, shall, upon application made within one hundred and twenty days after separation from active service, payment of premiums and evidence of good health satisfactory to the Administrator, be granted an equivalent amount of insurance on the five-year level premium term plan at the premium rate for his then attained age."

(*e*) Page 66, delete the sentence beginning on line 17.

The CHAIRMAN. The first witness is Mr. Phillip S. Hughes, Deputy Assistant Director for Legislative Reference, Bureau of the Budget.

STATEMENT OF PHILLIP S. HUGHES, DEPUTY ASSISTANT DIRECTOR FOR LEGISLATIVE REFERENCE, BUREAU OF THE BUDGET

Mr. HUGHES. Mr. Chairman, I do not have a prepared statement, but I had copies of our report made. I thought it would, perhaps, be most helpful to the committee if I read that for the benefit of the committee. It is rather short. And I then would be available for any questions that the committee might wish to raise.

The CHAIRMAN. All right, sir; proceed.

Mr. HUGHES (reading):

My dear Mr. Chairman: This will acknowledge your letter of July 21, 1955, inviting the Bureau of the Budget to comment on H. R. 7089, a bill to provide benefits for the survivors of servicemen and veterans, and for other purposes.

The purpose of this proposal is to establish a new integrated system of survivor benefits for members of the Armed Forces and veterans in place of the five uncoordinated programs now in existence. The bill incorporates features of several of the alternative approaches considered by the House Select Committee on Survivor Benefits during the course of recent hearings. Principal features of the new integrated benefits would be:

(1) A lump-sum death gratuity, similar to that now provided—based on 6 months' base pay—but with a minimum payment of $800 and a maximum of $3,000, in place of the existing range from $468 to $6,857.

(2) Contributory OASI coverage with both tax and benefit payments related to base pay, in place of the existing noncontributory credits. Special provisions would assure the availability of benefits regardless of length of coverage.

(3) A dependency and indemnity compensation benefit similar in purpose to the existing Veterans' Administration death compensation and indemnity programs, but with the benefit formulas revised. The revised formulas reflect the availability of OASI protection, establish a relationship between the benefits for widows and widows with children and the active duty pay of the serviceman or veteran, and relate parents benefits to other income available.

Under the terms of the bill, the existing servicemen's indemnity program and the veterans special term insurance program would be terminated and coverage under FECA would no longer be afforded to servicemen under any circumstances.

The existing program of insurance for veterans whose insurability was impaired as a result of military service would be continued. No benefits now being paid would be reduced and an election from existing VA benefit levels to the new VA levels would be afforded in those instances where the new levels are higher.

As the committe knows, the President has recommended the improvement of survivor benefits for military personnel through provision of contributory OASI coverage and through relating benefits to active duty pay.

H. R. 7089 achieves these objectives. Although it provides OASI protection on base rather than gross pay and no reduction will be made in new dependency and indemnity compensation for any subsidized Government insurance protection in force, the bill would establish a much more equitable system of benefits for survivors than under existing law. Through eliminating gaps and overlaps which now exist, it would provide adequate minimum protection without permanently increasing overall costs.

However, there will be an initial budgetary impact of approximately $200 million for the first full year because (1) the Government has not heretofore paid for OASI credits provided servicemen and the bill provides for the payment of the 2 percent OASI employer tax ($115 million, approximately) by the Government, as well as a 2 percent employee contribution by the serviceman; (2) provision is made for annual appropriations to cover the cost of gratuitous credits heretofore granted ($50 million); and (3) the bill provides for conversion and phasing out of some higher veterans' benefits of existing law (35 to 40 million dollars).

It should be noted that the increase in budgetary expenditures stems mainly from the fact that the Government will, for the first time, be paying its share of the cost of OASI credits for military service, including a payment for gratuitous credits granted in the past. The Bureau of the Budget believes that, if proper recognition is given to all elements of cost, the benefits proposed in H. R. 7089 will be less costly, over the long run, than existing benefits. Because the proposed benefits would be more equitable, pressures for future adjustments will also be reduced.

I am authorized to advise that enactment of H. R. 7089 would be in accord with the program of the President.

Sincerely yours,

PERCIVAL F. BRUNDAGE,
Deputy Director.

And now Director of the Bureau of the Budget.

The CHAIRMAN. Do you agree with the estimated cost as presented to the committee by the armed services yesterday?

Mr. HUGHES. Yes, sir, substantially so. In the figures here, you will notice, there are some minor discrepancies. None of them, I believe, are significant. This report was filed in September and the minor revisions reflect the extension of the free OASI credits and some slight revisions in costs, but we are in substantial agreement.

Senator WILLIAMS. May I ask a question?

The CHAIRMAN. Yes.

Senator WILLIAMS. Mr. Hughes, yesterday when the captain was testifying, he stated that in order to make the retroactive payments to the social security fund that it would require 30 years at $50 million a year. And I took exception to that. I did not think it would come out that way mathematically.

Have you recomputed that as I requested?

Mr. HUGHES. Yes, sir.

Senator WILLIAMS. Did you find that he was correct?

Mr. HUGHES. No, sir. We have checked the figure and discussed it both with the military folks that testified yesterday and with the OASI actuary, and we have for the record a revised table, reflecting the best current estimate of the cost of the free wage credit.

Senator WILLIAMS. In substance was he not about $750 million in error?

Mr. HUGHES. Yes.

The CHAIRMAN. In error—more or less?

Mr. HUGHES. High.

Senator BENNETT. He was too high?

Senator WILLIAMS. He was too high.

Senator FREAR. Other than interest corrections?

Senator WILLIAMS. They were in the $760 million—they were in there. And I do not know where he got his figures from.

Mr. HUGHES. Perhaps it would clarify it if I read this—it is relatively short—for the record. Would you like that?

Senator WILLIAMS. Yes.

The CHAIRMAN. Yes.

Mr. HUGHES (reading):

APPROPRIATIONS EFFECT OF PROVISIONS OF H. R. 7089 RELATING TO REIMBURSEMENT OF OASI TRUST FUND FOR COST OF FREE WAGE CREDITS FOR MILITARY SERVICE

The Department of Health, Education, and Welfare estimates the cost of benefits due to free wage credits granted for military service prior to March 31, 1956, to be $760 million. H. R. 7089 provides that the OASI fund be reimbursed for this and for accrued interest and administrative costs by two different procedures:

(1) Reimbursement for costs already incurred (approximately $220 million to March 31, 1956, including interest and administrative costs) in 10 equal annual payments.

I might state parenthetically, Senator Williams, that $220 million has a $20 million increment above the $760, primarily for interest, but with a small amount of administrative cost.

(2) Reimbursement for benefits to be disbursed in the future ($560 million) on a current basis.

The payment provided in (1) above would approximate $25 million a year including interest on unpaid balance at 2½ percent.

The payment provided in (2) would approximate $30 million the first full year and would gradually diminish to approximately $15 million after 10 years. The $15 million would continue with minor variations until 1980 or thereabouts

when it would increase because World War II veterans and their wives would begin to reach age 65 in large numbers.

Then there is a table spelling out the amounts for the first 11 years.

The following table reflects the approximate trend in payments for the first 11 years:

Year	Payment			Year	Payment		
	Past benefit	Future benefit	Total		Past benefit	Future benefit	Total
1	$25	$30	$55	7	$25	$23	$48
2	25	29	54	8	25	21	46
3	25	28	53	9	25	19	44
4	25	27	52	10	25	17	42
5	25	26	51	11	0	15	15
6	25	25	50				

Senator WILLIAMS. The payments would only be necessary beginning with the first year of $55 million and graduating in 10 years down to $15 million and then that would wash out in 1980?

Mr. HUGHES. That is correct, except that the $15 million would increase after 1980, and would not wash out for many years.

Senator WILLIAMS. Amounts to be paid in the fund would only be $760?

Mr. HUGHES. It would be $760 million with this $20 million accrual.

Senator WILLIAMS. Yes; that is right.

The CHAIRMAN. I have three questions that you can answer. Would you read the questions and then answer them?

Mr. HUGHES. The first question is—

This bill authorizes appropriations for expenditure from general revenue taxation. Will you list the various appropriation authorizations contained in the bill and estimate annual expenditures from general revenue taxation pursuant to the appropriations authorized?

I presume you have reference to the new authorizations in the bill.

First, the bill authorizes the appropriation which we just discussed for past military service credits which were granted gratuitously to the servicemen. We have discussed the amount of that appropriation.

The initial year's cost would approximate $55 million and would decline thereafter, stabilizing at approximately $15 million a year for an extended period.

The second new appropriation authorized would be the payment of the employer's share of the OASI tax. This is the tax payment to the fund on behalf of the serviceman who is granted coverage.

That would approximate $116 million, including about $2.5 million authorized to pay the cost of special coverage features.

Senator MARTIN. That is based on the number of personnel we now have in the armed services?

Mr. HUGHES. Yes, sir; approximately 2.9 million.

Senator MARTIN. If we get into a war again, and we had 13 million in the last war, and probably the next it might run up to 20 million or more, how much would that increase it then?

Mr. HUGHES. Well, the increase would, of course, be proportionate to the increase in Armed Forces strength. With a strength of slightly under 3 million we have an appropriation of $116 million,

let us say—presumably you were speaking of a strength of 20 million or 15 million?

Senator MARTIN. If we get into war, I expect it would run that, maybe more.

Mr. HUGHES. Let's say 15 million, since it would make an approximate multiple of 5. Presumably the tax payment would go up approximately proportionately, perhaps not quite. But in that event, we could expect, I presume, a tax payment of $550 to $600 million.

The third category of payment authorized by the bill would be the additional Veterans' Administration expenditure that would be incurred because of the liberalization of service-connected survivor benefits, principally to widows.

The gross increase in appropriation for the initial year of the bill would be $45 million. There would, however, be some saving in other Veterans' Administration accounts which would reduce the net increase in appropriations to approximately $38 million.

Finally, there would be a small increase of under $1 million in the death gratuity appropriations because of the change in the formula in arriving at the death gratuities.

I believe those are all of the new authorizations.

The CHAIRMAN. Answer the other questions then.

Senator MARTIN. That would total how much?

Mr. HUGHES. The net increase in appropriation authorizations for the first year would approximate $200 million. I believe the figure given yesterday was $205 million.

Senator MARTIN. I just wanted to see how close you were together.

Mr. HUGHES. Second question:

Will you explain the railroad retirement provision in this bill as it was passed by the House of Representatives and state whether it has approval of the Bureau of the Budget or the Administration, or both?

The railroad retirement provision that is in the bill as passed by the House is intended to leave the railroad retirement program substantially unaffected by this bill.

As the committee is aware, this provision of the bill was modified on the floor of the House from the form that it was in when reported by the House committee.

With respect to the views of the Bureau of the Budget on this provision and the views of the Administration we are, of course, familiar with the General Accounting Office report on the railroad retirement program.

The GAO has stated that the present provisions of the law result in a substantial overpayment of tax funds in relation to benefit payments in the railroad retirement account.

We believe that the fact that tax payments exceed benefit disbursements is not disputable. More important, however, is the question of what to do to correct the situation in the face of the general situation with respect to the railroad retirement program. And we do not at this point have a solution to offer to the committee.

We feel that the railroad retirement program in general and more particularly the military service credit revenue provisions need review and study because of the fact that as GAO has pointed out, they do result in payments in excess of benefit disbursements, but we believe that it is a suitable subject for separate consideration by the Congress

and that an effort to modify a longstanding provision in the railroad retirement program, in this particular bill, would not be justified.

The CHAIRMAN. The administration is opposed to the action taken by the House then?

Mr. HUGHES. No, sir. We have not opposed it.

The CHAIRMAN. You said it would not be justified. We asked you to explain. Did you favor the action taken by the House?

Mr. HUGHES. We would not oppose it. We believe that the railroad retirement provision of the bill as it stands leaves unsettled the questions that the GAO has raised. But we do not have a solution to offer at this point.

The CHAIRMAN. You would prefer to leave it unsettled?

Mr. HUGHES. Insofar as this bill is concerned we would prefer to leave the railroad retirement program unchanged, and consider it as a separate matter.

The CHAIRMAN. Do you favor the House action or do you not favor it?

Mr. HUGHES. We do not object to the House action.

The CHAIRMAN. You think the House action is immaterial?

Mr. HUGHES. The House action is important but it is not material to the purposes of this bill which is to provide survivor benefits to the miiltary rather than to modify the railroad-retirement program.

The CHAIRMAN. You are not in favor of it, you simply do not object to it; is that correct?

Mr. HUGHES. That is correct.

Senator BENNETT. Didn't I understand the witness to say he thought the matter could better be taken up in separate legislation?

Mr. HUGHES. That is correct, also.

Senator BENNETT. So that to that extent he would prefer to see it left out of this bill and handled separately?

Mr. HUGHES. We would prefer to see the question of modification of the railroad-retirement program including the revenue provisions handled separately; that is correct.

The CHAIRMAN. To what extent does it modify the House bill—I do not fully understand that?

Mr. HUGHES. As passed by the House the bill does not modify the Railroad Retirement Act at all hardly, although there is a minor change. But the intent of the House amendment was to leave the railroad-retirement program relatively untouched. That is substantially what happened.

The CHAIRMAN. As well as the intent?

Mr. HUGHES. Substantially. The House action has one effect. There is a provision for the deduction of tax payments made in behalf of railroad workers to the OASI fund, from similar payments to the railroad retirement account. This is to prevent a dual payment by the Government in behalf of those workers, and has the effect of reducing the tax payment by the Government to the railroad retirement trust fund from 12½ percent down to around 9 percent.

The CHAIRMAN. It isn't fully clear to me. I wish you would prepare a memorandum and have it signed by either yourself or the Budget Director stating what this amendment does and the position of the administration and the Budget Bureau.

Mr. HUGHES. All right, sir.

(The information to be supplied is as follows:)

STATEMENT REGARDING THE RAILROAD RETIREMENT PROVISIONS IN H. R. 7089 AS IT PASSED THE HOUSE OF REPRESENTATIVES

The provisions of H. R. 7089 relating to railroad retirement were amended on the floor of the House prior to passage. As reported by the House Select Committee, the provisions for financing railroad retirement military service credits would have substantially changed existing law. These changes, which would have greatly reduced the payments from appropriated funds for military service credits, were apparently stimulated by data such as those contained in the GAO audit report of March 10, 1954, on the railroad retirement system, indicating that appropriations to the railroad retirement trust fund for military service credits very substantially exceeded benefit payments resulting from military service.

The amendments, introduced on the floor and passed, restored the provisions of existing law except that Federal payments to the railroad retirement fund would be reduced by the total of Federal and employee contributions to the OASI fund. In other words the Federal Government would pay 12½ percent of $160 monthly presumed earnings for railroad workers, less 4 percent of their military base pay credited for OASI purposes. This would mean a net payment of about 9 percent instead of 12½ percent. The bill as it was passed therefore leaves the situation referred to by the GAO largely unchanged.

The Bureau of the Budget does not object to the existing railroad retirement military service credit provisions of the bill. This position reflects our view that H. R. 7089, a bill to improve military and veterans survivor benefits, is not a suitable vehicle for amending the Railroad Retirement Act in this regard. The method of financing railroad retirement military service credits is of sufficient importance and complexity to justify its separate consideration, particularly in view of the factual situation outlined in the GAO report referred to.

Senator MARTIN. Mr. Chairman, I think it ought to go to the extent of giving some reason for making it a part of this bill. I think it ought to go that far.

Senator BENNETT. Or not making it.

Senator MARTIN. Yes.

Senator WILLIAMS. I do not quite understand your reference to the tax contribution from the railroad retirement fund. It was my understanding that that was supported by a deduction of about 6¼ or 6¾ percent from the employee, so much from the railroad company, which is paid into the fund. What is the tax item?

Mr. HUGHES. In those instances where a railroad worker or a man who in terms of the statute is presumed would be a railroad worker goes into military service, there is a military service provision with respect to railroad retirement coverage similar to that for OASI.

And in those instances the Government pays 6¼ percent for the employer as well as 6¼ percent for the worker himself into the railroad retirement fund.

Senator WILLIAMS. While in military service?

Mr. HUGHES. Yes; while in military service.

The CHAIRMAN. All right.

Senator CARLSON. I have this section dealing with railroad retirement. It is on page 53. I was just reading it.

Do I understand that an individual must have a combined service of 10 years to be eligible for these provisions, military and railroad?

Mr. HUGHES. The provision of the law, sir, is that unless the worker has 10 years of railroad service, his total wage credits are handled under the OASI account rather than under the railroad retirement account.

So that in general the railroad retirement trust fund pays benefits to what might be termed career railroad workers.

If they are shorter term workers their benefits accrue from the OASI fund rather than from the railroad retirement fund.

And there is in effect under law a so-called financial interchange provision which provides for financial adjustment between these two funds to compensate each for this crediting.

Senator WILLIAMS. Does the worker get the differential in the case of that adjustment between the 6¼ percent he paid and the amount that he would have paid had he been covered by OASI?

Mr. HUGHES. No.

Senator WILLIAMS. That stays in the railroad retirement fund?

Mr. HUGHES. Well, there is a financial interchange between the railroad retirement account and the OASI account to reflect the differences in benefit levels and also the differences in tax payments for the benefits are paid from OASI at OASI rates.

Senator WILLIAMS. But the OASI contributing rate is about 2 percent?

Mr. HUGHES. That is correct.

Senator WILLIAMS. He has paid in 6—what happens to the other 4?

Mr. HUGHES. He has paid in what?

Senator WILLIAMS. Six percent in the railroad retirement. Assuming he has 9 years—he does not quite get the 10. This transfer the 9 years' credit over to OASI and transfers the 2 percent.

Mr. HUGHES. That is right.

Senator WILLIAMS. What goes with the other 4?

Mr. HUGHES. The railroad retirement fund gets the other 4

Senator WILLIAMS. It does not go back to the worker?

Mr. HUGHES. No, sir.

Senator WILLIAMS. In the event that this man was in military service and this bill goes through the Government will be paying into the OASI?

Mr. HUGHES. Yes, sir.

Senator WILLIAMS. Suppose he is a railroad worker in there then with the 9 years and 4, how would you work up that transfer of the fund over because his funds are already in the OASI and it would be a 6-percent credit in there rather than 4 percent?

You would not pay it twice, would you?

Mr. HUGHES. No, sir. That is where the deduction is made from the railroad retirement payment because of the crediting of this OASI.

Senator WILLIAMS. But now when this railroad worker goes into the military service he will automatically be covered by OASI, will he not?

Mr. HUGHES. That is right, sir.

Senator WILLIAMS. And 2 percent of his contribution and 2 percent of the Government's contribution would be paid into the fund?

Mr. HUGHES. That is right.

Senator WILLIAMS. Then assuming that he goes back in civilian life and goes on the railroad and does not complete the 10 years, what happens to that lap when you go to make it up because part of that lap will have already been paid in?

Mr. HUGHES. The Government's payment would stay in both accounts—the 2 percent in the OASI fund and the 12½ less the OASI tax payments in the railroad fund.

Senator WILLIAMS. While he was in there and while he is in military service you would be paying the 2 percent as an employer—2 percent in the OASI?

Mr. HUGHES. Yes.

Senator WILLIAMS. Would you at the same time be paying the 6¼ percent or the 12½ percent representing the 2, 6¼ in the railroad retirement?

Mr. HUGHES. You would be paying the 12½ less the OASI tax payments.

Senator WILLIAMS. The Government would pay both?

Mr. HUGHES. Yes.

Senator WILLIAMS. You would deduct the 2 percent, would you?

Mr. HUGHES. Yes.

The CHAIRMAN. You will bring all of that out fully in your memorandum?

Mr. HUGHES. Yes, sir.

The CHAIRMAN. Now, the next question.

Mr. HUGHES. The third question: "Will you list for the record all of the administrative problems resulting from this bill now anticipated by the Bureau of the Budget?"

The CHAIRMAN. If you prefer to make a written answer to that, all right.

Mr. HUGHES. I think that probably would be preferable. We will try and work up a list of possible problems. By and large I might say for the moment, we feel that in general the administrative problems have been resolved with this bill. We have worked extensively with Defense and with the Bureau of Old Age and Survivors Insurance on the wage records and tax collection problems.

We anticipate some bugs, of course, as the initial administrative action proceeds.

The CHAIRMAN. Give the solution of it.

Mr. HUGHES. Yes.

(The information to be supplied is as follows:)

STATEMENT REGARDING ADMINISTRATIVE PROBLEMS RESULTING FROM H. R. 7089 ANTICIPATED BY THE BUREAU OF THE BUDGET

The agencies primarily concerned with administering the provisions of H. R. 7089 are the Veterans' Administration, the Department of Health, Education, and Welfare, and the Department of Defense. These agencies have already indicated to the committee the areas in which administrative problems are or have been anticipated. They have also indicated that the administrative problems now expected are very few and of relatively minor importance. Technical amendments have been suggested in some instances to eliminate such problems.

The most serious administrative problem created by the bill is the matter of reporting servicemen's base pay to the Bureau of Old-Age and Survivors' Insurance. This matter has been worked out to the satisfaction of both the Department of Health, Education, and Welfare, and to the Department of Defense.

Discussion between Bureau of the Budget and agency staff subsequent to the chairman's question has confirmed our belief that administrative problems have been reduced to the minimum consistent with the sound basic objectives of the bill.

It is believed that the system of benefits established by H. R. 7089 will be simpler to administer overall than the existing uncoordinated programs. It is also true that the new system will be much easier understood by those it is designed to help.

Senator WILLIAMS. Mr. Hughes, in making the estimate on the long-range cost of this bill, if enacted, did you take into consideration the scheduled increase on the OASI contributions?

For instance, they go up to about 9 percent by 1957.

Mr. HUGHES. Well, this would not affect the initial year's cost.

Senator WILLIAMS. That is right. In the projected cost, in the long-range cost, did you take into consideration the scheduled increases in contributing rates?

Mr. HUGHES. We have endeavored to weigh those against the other features of the bill which would produce savings. It is our view in the long run we can.

There will be a net savings from this bill primarily because of contributory features.

The CHAIRMAN. That would make a difference in the cost the first year if we had the social security bill which passed the House?

Mr. HUGHES. Yes; there would be a number of changes.

The CHAIRMAN. These are based on the social security cost of 4 percent?

Mr. HUGHES. Under existing law.

The CHAIRMAN. The bill already passed by the House would make it 5 percent. You made no allowance for that?

Mr. HUGHES. We have made these estimates on existing law.

Senator MARTIN. You have made it on the existing law?

Mr. HUGHES. On the existing law.

Senator WILLIAMS. Did you make any allowance? When is the next scheduled 1 percent? In a few years it goes up again 1 percent and then keeps graduating up until 1975, when it hits 8 percent.

Mr. HUGHES. Yes.

Senator MARTIN. It will be 6 percent in 1960, is it not?

Mr. HUGHES. That is right.

Senator WILLIAMS. Did you take that into consideration?

Mr. HUGHES. Yes, sir, we did. Long-range forecasting is a difficult business. I am sure that you realize that. We have endeavored to take all factors into account, however.

The CHAIRMAN. So far, as I understand, we have been furnished only the 1 year in definite form.

Mr. HUGHES. Yes; we have longer range projections.

The CHAIRMAN. We would like to understand how you based it.

Mr. HUGHES. We have assumed the existing law.

The CHAIRMAN. You do not take into consideration the social security bill passed by the House?

Mr. HUGHES. No, sir.

The CHAIRMAN. We should like for you to project it on a year-by-year basis.

Senator SMATHERS. Do you not think for our benefit he should make a projection based on the social-security law as passed by the House, so we can have some idea, because the fact of the matter is you probably will pass some form of that?

Senator MARTIN. I think it would be helpful to the committee if we had that.

The CHAIRMAN. It will be a very good idea to make that a supplemental statement. I think you ought to make an estimate based on the existing law and then give a supplemental statement showing the effect House bill rates would have if they were enacted.

Senator WILLIAMS. And that we have this estimate made, projecting by years for the next 25 or 30 years, each year what it would mean, according to your projections.

The CHAIRMAN. After you do it on the existing law, work up another projection assuming that the House bill is passed on the basis of 1 percent increase.

Mr. HUGHES. A year-by-year projection, 10 or 15 years in the future is a rather problematical proposition, but we will do the best we can.

Senator WILLIAMS. The reason I raise that point is that we have had 2 projects on this 1 payment and we found $250 million correction in the projection yesterday and the one that you are giving us today. I think it might be well to have all of this consolidated and let the Budget present us with a projected cost on the overall bill, the same as you did on this one item.

Mr. HUGHES. All right. We will endeavor to do that.

(The information to be supplied is as follows:)

STATEMENT REGARDING ESTIMATE OF LONG-RANGE COSTS AND SAVINGS RESULTING FROM THE ENACTMENT OF H. R. 7089

The following table presents a comparison of the estimated costs and savings which would result through 1985, from the enactment of H. R. 7089. A separate table on the same sheet reflects the budgetary impact of the authorization contained in the bill for Federal reimbursement of the OASI fund for free military service credits granted heretofore.

The accuracy of any forecast becomes less reliable as the distance of the forecast period increases from the present. The table is, however, a reasonable projection, on the basis, of the information available, with savings estimated very conservatively.

Most important among the factors minimizing savings, is the estimation of savings from the elimination of the free wage credits on an excess cost basis. For comparative purposes it should be borne in mind that taxpayments on a $160 wage credit for 2.85 million men would approximate $220 million annually even at the current 4 percent rate. This is $80 million more than the savings reflected in the table, and later tax increases will, of course, still further increase the difference between the excess cost used in the table and the full tax cost. A substantial part of this difference is properly classifiable as savings from the elimination of the free wage credits but only the minimum excess cost was used in the table because of the wide divergence of possible methods of allocating the difference as between basic system costs and the cost of the free military service credits.

If the House version of H. R. 7225 became law, the Government contribution to the OASI fund would be increased by $29 million per year. Other cost effects would be negligible.

Projection of estimated costs and directly identifiable savings from enactment of H. R. 7089

[Millions of dollars]

	Cost				Savings					Budgetary effect of reimbursement authorization for free OASI credits granted thorugh Mar. 31, 1956
	Increased VA death compensation	Govern- OASI tax contribution [1]	Increased 6-month death gratuity	Total	Eliminate VA insurance and indemnity coverage	Eliminate FECA coverage	Eliminate cost of free wage credits [2]	Total	Net cost (+) or savings (−)	
1957 (full year)	$45	$115	$1	$161	$8	$1	$140	$149	+$12	+$55
1958	45	115	1	161	15	2	140	157	+4	+54
1959	45	115	1	161	21	4	140	165	−4	+53
1960	46	144	1	191	28	5	140	173	+18	+52
1961	47	145	1	193	33	7	140	180	+13	+51
1962	49	145	1	195	38	8	140	186	+9	+50
1963	50	145	1	196	44	10	140	194	+2	+48
1964	52	000	1	198	50	11	140	201	−3	+46
1965	54	174	1	229	57	13	140	210	+19	+44
1966	55	175	1	231	62	14	140	216	+15	+42
1967	55	175	1	231	66	15	140	221	+10	+15
1968	55	175	1	231	66	17	140	223	+8	+15
1969	53	175	1	229	66	18	140	224	+5	+15
1970	51	204	1	256	66	19	140	225	+31	+15
1975	47	233	1	281	65	22	140	227	+54	+15
1980	41	233	1	275	65	26	140	231	+44	+15
1985	36	233	1	270	65	29	140	234	+36	+20

[1] Includes varying small amount (maximum, $2.9 million) for cost of disability freeze and immediate insured status.

[2] Savings estimated are based on excess cost and are therefore minimum.

The CHAIRMAN. Are there any further questions of Mr. Hughes?

Senator MARTIN. What we and all of the departments concerned must consider is this, that future Congresses may change it, just like we have now before us a change of 1 percent.

If the House version of the extension of social security would be approved and enacted into law, we would have an increase of 1 percent even this year. And those are things that we will have to contemplate that may happen in the future.

Future Congresses may want to make what they would consider better provisions in the law which would cost more money.

Senator WILLIAMS. With the projection on existing law we could easily add these other costs.

Senator MARTIN. Possibly.

The CHAIRMAN. You understand what we want?

Mr. HUGHES. Yes, sir.

The CHAIRMAN. Are there any further questions?

If not, thank you very much, Mr. Hughes. You have made a very fine statement.

Mr. HUGHES. Thank you.

The CHAIRMAN. The next witness is Mr. Guy H. Birdsall, General Counsel of the Veterans' Administration.

I see you have about 27 pages here, Mr. Birdsall. I wonder if you could condense it a little.

Mr. BIRDSALL. The pages, Mr. Chairman, that contain amendments I do not intend to get into. There are about 20 pages. We felt that the bill should be reviewed to some extent from the standpoint of our programs, selecting only those that are of major import in the statement.

The CHAIRMAN. Suppose you proceed and use your own judgment as to how you will do that.

STATEMENT OF GUY H. BIRDSALL, GENERAL COUNSEL, ACCOMPANIED BY R. P. BLAND, DIRECTOR; AND D. C. KNAPP, DIRECTOR, LEGISLATIVE SERVICES, VETERANS' ADMINISTRATION

Mr. BIRDSALL. Mr. Chairman and members of the committee, the bill which is under consideration affects several departments and agencies of the Government. Activities of the Veterans' Administration would be very materially affected in the field of compensation and other payments based upon service-connected death. For that reason, we are pleased to have this opportunity to express generally to the committee the views of the Veterans' Administration concerning this far-reaching measure.

Our report of December 30, 1955, deals with various detailed features of the bill, and it is hoped that the committee will consider each of the points discussed in that report. The present statement will be along somewhat more general lines, but we shall be glad to answer any questions which members of the committee may have concerning any aspect of the bill which involves the Veterans' Administration.

With the passage of time, the overall system of benefits for persons who die as the result of military service has assumed proportions much more extensive than the system established some 40 years ago, consisting largely of death compensation and contractual insurance cover-

age administered by the predecessor of the Veterans' Administration. In 1925 the benefits of the Federal Employees' Compensation Act were extended to members of the Naval Reserve, and in 1939 similar treatment was provided for members of the Organized Reserves of the Army. Because of subsequent increases in the amounts payable under the Federal Employees' Compensation Act, there has resulted in recent years a situation in which the surviving beneficiaries of members of the Reserves frequently receive greater benefits from the Department of Labor than they are eligible to receive as death compensation from the Veterans' Administration. This has created a definite disparity in relation to cases in which the deceased military member or veteran was not a reservist.

Another important development was the establishment of the social-security program, under which many persons entering the military service either had coverage by reason of prior civilian employment or attained coverage after service and before the occurrence of death resulting from service causes. Of greater significance was the passage of laws conferring free social-security wage credits based upon the period of military service occurring after 1940. As the committee knows, this legislation was in effect to cover service until a recent date, and a bill is pending before the committee to extend this temporary coverage for an additional period of time.

Both of these developments, which were not integrated directly with the existing system of death compensation and other death benefits administered by the Veterans' Administration, have presented definite areas for policy review to determine the degree to which duplications and overlaps exist and whether there should be some definite coordination or adjustment of the benefits administered by different agencies of the Government. The bill is the outgrowth of extensive studies conducted by the House Select Committee on Survivor Benefits, which considered these problems and others in the general field of survivor benefits for the dependents of persons who have died as the result of military service. Technicians of the Veterans' Administration have been pleased to work with the staff of that committee and representatives of other interested agencies in attempting to iron out some of these difficulties.

While this bill did not purport to represent a complete unanimity of thinking on the part of all agencies, including the Veterans' Administration, we believe it to be generally sound and that it will go far in the direction of accomplishing the aim of establishing a system of benefits which provides a reasonable and adequate scale of total payments, removes certain existing inequalities and overlaps, and recognizes by appropriate adjustments the relationship between the various parts of the program.

This bill would have a pronounced effect on compensation payable by the Veerans' Administration by reason of death due to the military service in all cases of future deaths, and also with respect to those beneficiaries now on the death compensation rolls who might take advantage of their right to elect the new form of compensation. Death compensation now payable under laws administered by the Veterans' Administration does not include any element related to the military pay of the deceased serviceman or veteran. The rates are uniform except as they might vary by reason of the number of children in the particular case. This principle of uniform payments

also applies to disability compensation payable to the veteran himself.

Prior to the enactment of the War Risk Insurance Act Amendments of 1917, there were variations in the compensation rates based upon military rank under the provisions of the general pension law. However, the Congress changed this principle in 1917 with respect to disability and death compensation provided by the 1917 law for the great World War I group. The adoption at that time of the principle of uniform payments apparently was based upon the view that military rank or grade, at least in time of war, is frequently a status beyond the control of the serviceman, whose military service may be a temporary interruption of his civilian pursuits. Hence, the loss to the survivors in the event of his death could not be accurately measured, in many instances, by gearing the compensation to the precise amount of pay which the husband, father, or son was receiving at the time of his death.

The Government has followed this system of uniform payments in the current laws, both with respect to the war service and peacetime service. The one departure in the bill from this longstanding policy is the provision that compensation for widows shall be computed on a formula of $112 per month plus 12 percent of the basic military pay of the serviceman or veteran. The rates for children and dependent parents would not include a pay-related factor.

It is believed that forceful arguments can be made on both sides of the question whether this shift of policy is justified. A very large number of widows on the existing death compensation rolls who are receiving equal payments will be permitted under the bill to elect the new form of compensation and will do so because, in many cases, they will thereby receive larger monthly amounts. For example, the existing war rate for a widow without children is $87 per month, which is contrasted with the minimum of $122 per month under the bill. However, as a result of these elections, a great many wartime beneficiaries will be receiving differing rates of compensation for the first time because of the 12 percent pay-related factor. It may be assumed that in a substantial portion of these cases there has been no material difference in the economic loss sustained by the beneficiary due to the death of the husband from war-service causes.

On the other hand, the differences in the amounts received by the mass of those affected would not be considerable, since the percentage factor is relatively small. While there is a difference of about $120 between the amount payable to the widow of an enlisted person in the lowest grade and the amount payable to the widow of the highest ranking officer, the difference between any two grades in the enlisted group is quite small.

As a practical matter, therefore, this would not represent a radical departure from the existing program in relation to noncareer personnel. Obviously it would better meet the equities and needs of career personnel who have selected military service as their life's work. This consideration seems to be the basic reason for the new approach, and it is entirely realistic to assume that there is a direct relationship between the military pay of the career serviceman at the time of his death and the loss sustained by his dependent survivors for whom the Government is seeking to provide just compensation.

It may be pointed out that if the principle of relating death compensation in part to military pay is adopted, there will be for consideration whether it should be extended to the area of disability compensation payable to the veteran himself for disablement resulting from service. We are not prepared to say that the factors are the same and that such an extension would become a logical necessity. However, it seems proper to mention this as a distinct possibility of which the committee should be aware.

Another significant change which would be wrought by the bill is in the area of Government insurance and servicemen's indemnity. The Servicemen's Indemnity Act, which provides the free $10,000 monthly payment type of protection against death in the military service or during the period of 120 days thereafter, would be repealed, leaving unaffected, however, cases in which the death occurred prior to the effective date of the bill. The low-cost insurance which is made available under section 621 of the National Service Life Insurance Act upon application made within 120 days after separation from service would no longer be available if the bill were enacted in its present form. However, the privilege accorded by section 620 of the act to service-disabled veterans of acquiring insurance following service on a nonparticipating basis would be preserved.

It is the evident theory of this proposal that there is no justification for the separate maintenance of the indemnity coverage in addition to the new death compensation program, which provides a somewhat higher scale of compensation rates with respect to widows and orphan children and which is designed, at least partially, to absorb the indemnity factor. In its report, the Veterans' Administration recognizes the force of the argument that there is not a conclusive justification for maintaining as a separate part of the package of benefits the servicemen's indemnity program. Nevertheless, we have pointed out that, regardless of the fact that the new form of compensation will be termed dependency and indemnity compensation, it is quite likely that it will not be widely accepted or understood as something materially different from the existing death compensation. Accordingly, it may be expected that as time moves on there will be demands for reinstatement of an in-service insurance program or an indemnity program additional to the compensation benefit. This possibility is emphasized by the fact that insurance, followed by indemnity, has been a distinct part of the system of benefits for survivors for nearly 40 years.

There is the additional consideration that the proposed compensation program would not include the same range of beneficiaries as the present indemnity program, which extends to nondependent parents and brothers and sisters. Some 70 percent of the indemnity awards have been made to parents, apparently because in most instances young unmarried servicemen were involved. It may be assumed that a considerable number of these parent beneficiaries could not have qualified as dependent parents under the compensation terms of this bill. Hence, the nondependent parent group in future death cases would not be eligible for survivor benefits from the Veterans' Administration, and the serviceman would not be permitted to designate the beneficiary in accordance with the insurance concept.

Even in the case of dependent parents qualifying for any rate of compensation under the bill, the withdrawal of the indemnity cover-

age and the provision for compensation rates in accordance with a sliding scale of income will mean that needy parents will receive substantially less under the bill, in many cases, than they are eligible to receive under existing law, which provides compensation at a flat rate if income criteria are met and, in addition, provides the indemnity payments of $92.90 per month for 10 years if the parent is designated or is the qualified statutory beneficiary. The problem, therefore, is whether the Government owes any substantial obligation to nondependent parents, particularly where the deceased serviceman was unmarried, and whether the proposed compensation for dependent parents is adequate after the elimination of the supplemental and separate indemnity.

Notwithstanding these rather serious considerations, the Veterans' Administration recognizes that this feature of the bill can be defended as meeting the reasonable obligations of the Government. These factors on the other side have been pointed out so that the committee will be fully informed as to the contrasts in this field between preexisting legislative policy and the new approach taken by the bill. It is noteworthy, in this connection, that the large number of dependent parents now on the rolls who will continue to receive existing death compensation as well as indemnity benefits, wherever eligible, would not be subject to the new limitations and curtailments and would be permitted to continue to receive the existing benefits.

It is appropriate at this point to consider the precise nature of the new criteria for determining eligibility of dependent parents under the bill and the graduated scale of compensation rates.

I might interject, Mr. Chairman, that the statement is a little long but we tried to be lucid and bring out principles that we assumed you probably would inquire about, anyway.

The CHAIRMAN. I want you to continue as you are. It is a very interesting statement.

Mr. BIRDSALL. Thank you, sir.

Five income brackets are prescribed, ranging, for example, in the case of one parent from a situation involving no income to one involving an income of as much as $1,750 annually. The rates of monthly compensation in such a case would descend from $75 monthly where the annual income does not exceed $750, to $15 monthly where the annual income is between $1,500 and $1,750. This formula is a decided change from the present death compensation plan, which provides for uniform payments to dependent parents at monthly rates in wartime cases of $75 for 1 parent and $80 for 2 parents, with dependency determined in accordance with administrative regulations.

The regulations set up prima facie monthly income guides ($105 limit for 1 parent and $175 limit for 2 parents), but these are not inflexible, and determinations are made on an individual basis taking into consideration various circumstances which may warrant departure from the income guides. These special circumstances may include such matters as unusual medical expenses, the presence of minor or helpless dependents in the family for whom the parent is responsible, and the preexisting standards of living. The bill is also somewhat more restrictive in reference to the items which must be charged as income. For example, Government insurance and payments of disability pension, disability compensation, or death pension are excluded

from income under the regulations but would be chargeable under the bill.

The Veterans' Administration fully appreciates the objective of the proposed formula for parents. It is intended to provide substantial recognition of real need and at the same time to avoid a problem which can occur under the existing program. This problem involves the contrasting situations in which a parent receiving somewhat less than the amount specified in the regulatory income guide is granted the full amount of compensation, while another parent whose chargeable income somewhat exceeds the prima facie limit may be denied any compensation payment whatever. The cases in which the dividing line is barely avoided or barely exceeded are not numerous because the flexible regulatory standards allow consideration of various other factors, as already indicated. Nevertheless, we are quite conscious of the fact that under the present law, with the payment or denial of a single rate hinging on the determination of dependency, incongruous results can and do appear. To the extent that this benefit is geared to compensation for loss of the son due to service in the Armed Forces and not merely to alleviate need, the theory of uniform payments can be justified. Even the death pension laws providing benefits for widows and children of veterans who die from nonservice causes provide payments at uniform rates based upon an income within a definitely prescribed statutory limit. It must be recognized that, historically, payments to parents of death compensation have been limited by the theory that the Government's obligation is confined to parents in circumstances of economic need. The controlling element, therefore, has not been a sentimental one directed to providing recompense to the parent without reference to the probable effect of the death of the son in relation to the financial status of the father or mother.

The new plan will involve administrative difficulties of greater complexity than those which occur under the present system. The chief difficulty is the necessity for determining the precise amount of income in order to fix the rate of compensation accordingly. Frequent adjustments will have to be made in many cases to prevent as nearly as possible the occurrence of overpayments requiring offsets against subsequently accruing items of compensation. Despite these difficulties and the other considerations which have been mentioned, the Veterans' Administration is not taking a position opposed to this aspect of the bill, which is logical in concept. It is simply our thought that, in accordance with the approach to other features of the bill which could be controversial, the committee will desire to be fully informed of the implications. If the principle of the formula for dependent parents is adopted, certain amendments appear to be in order, which are included in the attachment to this general statement, which I do not intend to read, Mr. Chairman.

An overall consideration of the pros and cons on that portion of the bill which would discontinue the separate servicemen's indemnity program will lead to the conclusion, it is believed, that there are strong and compelling grounds for this action. This benefit, though having some of the features of insurance coverage, differs materially from the latter in that it is entirely gratuitous and at the cost of the Government. Furthermore, the class of permitted beneficiaries is limited to those survivors who have a close relationship to the serviceman,

namely the spouse, the children, parents, and brothers and sisters. The greater latitude for designation of beneficiaries which exists with respect to Government insurance is not present. Hence, the argument is quite forceful that this separate type of protection should not be maintained, as such, but should be absorbed in the compensation program to which it bears such a close resemblance. This includes the theory implicit in the bill that the Government's obligation on this type of gratuitous protection does not extend beyond those survivors who have always been regarded as having a direct and well-supported claim against the Government for loss of the serviceman due to service causes, this group being composed of the widow, children, and dependent parents. In addition, this proposed merger of the 2 benefits has the effect of placing the monthly payment on a continuing plan rather than limiting them, as in the case of the present indemnity payments, to a 10-year period with an abrupt drop in the total benefits payable at the end of that period.

It is worth noting that the bill would bring within the compass of the compensation program administered by the Veterans' Administration certain groups not presently covered. Commissioned officers of the Public Health Service and of the Coast and Geodetic Survey and members of the Reserve Officers' Training Corps of each branch of the service would qualify for the proposed dependency and indemnity compensation. The commissioned personnel of the Public Health Service and the Coast and Geodetic Survey are eligible for disability and death compensation only under specific conditions of service, principally in time of war or emergency. They have generally been regarded as engaged in an essentially civilian-type of activity under normal peacetime conditions, but the amendments contained in the bill would qualify them for various benefits administered by the Veterans' Administration, including disability compensation, without limiting the service period to a time of war or emergency and without regard to special conditions of hazard.

The Veterans' Administration realizes that there is a difficult problem in the area of survivorship benefits with respect to these groups, who are not considered as adequately provided for at the present time. Accordingly, there was no objection to this feature of the bill in our report, notwithstanding the fact that in the past it has been our view that their service under peacetime conditions should not be equated with active military service which is the historical basis for veterans' benefits. However, it is believed that the committee will want especially to consider whether this bill, which is generally limited to survivorship benefits, should be used as a vehicle for including provisions, as it now does, granting veterans' benefits as well as survivors' benefits to these classes.

Members of the ROTC units have also been generally regarded in the past as engaged in essentially civilian activities insofar as benefits for veterans and their dependents are concerned. An exception exists with respect to members of the Regular Naval ROTC, whose training service constitutes military training due to the fact that they hold the status of midshipmen in the Naval Reserve. Another exception prevails with respect to all ROTC members while engaged in annual training duty of 14 days or more for purposes of the Servicemen's Indemnity Act. The bill would follow the precedent of the Indemnity

Act for purposes of granting dependency and indemnity compensation, as well as death gratuity. The Veterans' Administration has made no objection to this provision, which is limited to death benefits, realizing that ROTC members under certain conditions perform essentially military-type service. This extension will, no doubt, be invoked later as a precedent for granting disability compensation and other veterans' benefits to ROTC members under similar conditions.

In the field of new eligibility classes, there is one quite novel proposal in the bill to which we believe the committee will desire to give careful attention.

Section 102 (6) (B) provides the so-called portal-to-portal coverage for members of the Reserve components who assume an obligation to perform active duty for training or inactive duty training pursuant to authorization and requirement by competent authority. This provision adds to the period of actual performance of duty the time during which the individual is proceeding "directly to or returning directly from such active duty for training or inactive duty training." In the event of death from injury incurred after the effective date of the bill while in this status, the reservist would be deemed to have been on training duty and entitled to basic pay at the time the injury was incurred.

This provision apparently is intended to reach situations in which the reservist or National Guard man attends weekly drills or other training activities without there having been issued any specific order placing him on a duty status while proceeding to or from the point of training. While authorized travel to and from active-duty training is covered by other provisions, the one now considered would go well beyond the concept of specifically authorized travel or travel in a Government vehicle. It will evidently mean that the Government is recognizing an obligation to protect the reservist against the contingency of death in a variety of circumstances, including the case in which he is merely attending a regular weekly drill, using transportation facilities of his own choosing, and doing that which is not significantly different or more hazardous than what he would be doing in going about his own civilian pursuits. While the cases affected would not be great in number, the Veterans' Administration seriously questions whether the Government should recognize an obligation to extend this degree of protection.

It should be pointed out, incidentally, that administrative difficulties will be encountered in these cases by reason of the fact that there is no provision for reporting the injury at the time of incurrence, and the resulting death might occur long afterwar. Problems will arise in attempting to reconstruct the facts surrounding an alleged injury in these situations. Unless the disability compensation laws are amended to provide similar coverage, the individual who receives an injury under these circumstances would not, while alive, receive disability compensation for the injury and no determination would be made for that purpose. Hence, it is quite possible that the first notice of a claim based upon injury would be brought to the attention of the Veterans' Administration long afterward in the form of claim for compensation by reason of death alleged to have resulted from the injury.

Some fears have been expressed concerning the effect of the proposed extension of the contributory social-security program to military

members on the long-standing general policy of the Government that basic benefits for veterans and their dependents should be separately granted at the cost of the Government and administered by a separate agency of the Government devoted solely to that purpose. The Veterans' Administration appreciates the fact that broad social-security coverage for the military on a permanent continuing basis requires some reorientation in the program of compensation on account of death from service causes, in order to prevent unwarranted duplications and overlaps. It is felt that the adjustments between the two programs which would be made by this bill are not so drastic as to constitute any immediate jeopardy to the fundamental concept that veterans' benefits should be kept separate from other programs in order to ensure an adequate degree of preferred treatment for those who have lost their lives as the result of military service.

Perhaps the major point at which compensation benefits would be displaced by social-security payments under the bill is the situation involving children where their is a widow qualifying to receive the new dependency and indemnity compensation. The payments of compensation to the widow would not be increased, as they are under the present program of death compensation, on account of the presence of children, regardless of the number. This is upon the theory that the social-security part of the benefit system will adequately provide for children where there is a widow. This type of adjustment appears to be essential to avoid excessive and duplicating benefits.

However, since the proposed social-security coverage is limited to benefits predicated upon basic military pay, rather than gross pay inclusive of allowances, there will be instances in which the social-security average wage is so low that OASI benefits for children may be insufficient. To meet this problem there are several provisions in the bill for supplemental payments by the Veterans' Administration on account of children in special circumstances.

Section 202 (b) authorizes an increase in the compensation payable to the widow for each child in excess of one where the social security average monthly wage was less than $160 or the decreased father did not die a fully or currently insured individual. Twenty dollars additional compensation would be paid by the Veterans' Administration for each child beyond the first one in these cases, subject to a ceiling on the aggregate amount of such payments represented by the difference between the monthly benefits to which the widow and child are entitled by title II of the Social Security Act and the benefits to which they would be entitled if the deceased's average monthly wage had been $160. However, there are technical deficiencies in the language of section 202 (b) as it now stands as to which the Department of Health, Education, and Welfare will doubtless be prepared to fully inform the committee, with suggestions as to the best means for correcting them. The Veterans' Administration is prepared to cooperate in resolving these technical problems and has already conferred with representatives of the Social Security Administration on them and on the best method for simplifying the administration of this provision.

Subsections 204 (a) and 204 (b) provide special payments in cases of children who have attained age 18 and are permanently incapable of self-support. These, likewise, are intended to plug a gap in which social-security benefits are not available, due to the age limit under

the social-security law of 18 years in the case of children. The definition of the term "child" which controls payment of VA compensation includes a child who exceeds the generally applicable age limit of 18 if permanently incapable of self-support. Subsection 204 (a) deals with such a child where there is no eligible widow and provides for an increase in the compensation being paid the child by an additional $25 per month. This means in a case involving only 1 child that the basic compensation rate of $70 would be increased to $95 per month after age 18 if the child became permanently incapable of self-support prior to that age.

Subsection 204 (b) involves the case of a child where there is a widow receiving compensation and provides that concurrently with the widow's allowance an amount of $70 per month will be payable to the helpless child after the child has attained age 18.

The committee will probably desire to consider these provisions in the light of the Social Security Act amendment contained in H. R. 7225, 84th Congress, which includes special provision for payment of social-security benefits for children who have reached age 18 and are incapacitated.

The CHAIRMAN. Amended to make the disabled children as dependents as long as they are disabled?

Mr. BIRDSALL. Yes, sir.

The CHAIRMAN. Would that require any change?

Mr. BIRDSALL. We come to that. We make a comment on that.

The CHAIRMAN. The Senate Finance Committee version—you deal with that, do you?

Mr. BIRDSALL. Yes, sir. That is later on.

It also appears that H. R. 7225 contains an offset provision which would have the effect of reducing the social-security benefit payable for such a child by the amount of the compensation payable by reason of the disability of the child by the Veterans' Administration. It would appear, therefore, that there is some inconsistency between the policy of subsections 204 (a) and 204 (b) of H. R. 7089 to provide supplements due to the absence of social-security benefits, and the policy embodied in H. R. 7225 that social-security benefits should not be payable to a helpless child over 18 to the extent that VA compensation or pension is payable by reason of the child's condition.

In any event, it is believed that the supplemental amount of $70 per month proposed in subsection 204 (b) of H. R. 7089 to be paid to the widow who has a helpless child more than 18 years of age in addition to the payment of dependency and indemnity compensation to the widow is excessive. This is particularly true when compared to the $25 supplement for the helpless orphan child who is more than 18 and the amount of $35 per month prescribed in subsection 204 (c) in the case of a child, where there is an eligible widow, who is beyond age 18 and is attending an approved educational institution.

In this general statement the Veterans' Administration has sought to develop some of the important factors which bear upon the basic changes in the benefit programs administered by this agency which would be brought about by this far-reaching proposal. This presentation has particularly dealt with some provisions which may be subject to challenge by those who are disposed to defend the general pattern of the existing benefit structure. It is hoped that this analysis

will be helpful to the committee, and it is believed that it will contribute to the general conclusion that this is a constructive piece of legislation and, subject to certain perfecting amendments of detail, should be enacted. For the convenience of the committee, we have attached to this statement a schedule of amendments on matters of detail, many of which are purely technical and but a few of which are dependent upon policy determinations.

The CHAIRMAN. These amendments will be made a part of the record and will receive the full consideration of the committee.

(The amendments are as follows:)

AMENDMENTS TO H. R. 7089, 84TH CONGRESS, SUGGESTED BY THE VETERANS' ADMINISTRATION

1. Page 7, line 12, insert the words ", except section 303," following "title III." In line 13 of the same page insert "and section 303" following "title II."

These amendments are necessary to avoid a conflict with section 303 and make it clear that for purposes of the 6 months' death gratuity the Administrator, rather than the Secretary concerned, will determine the question of whether death occurring after the end of the training period resulted from injury while in a training status in cases where the injury occurred while a member of a Reserve component was proceeding to or from active or inactive duty training. As now phrased, the concluding portion of section 102 (6) (B) dealing with the portal-to-portal coverage appears to vest this function in the Secretary concerned contrary to the generally applicable provisions of section 303 to the effect that the Administrator shall determine service connection of the death where death gratuity is claimed on account of a death occurring during the 120-day period following the end of service or training.

2. Pages 12 and 13, amend subsection 102 (11) (F) to read: "The Secretary concerned shall, at the request of the Administrator, certify to him the basic pay considering rank or grade and cumulative years of service for pay purposes of deceased persons with respect to whose deaths applications for benefits are filed under title II of this Act. The certification of the Secretary concerned shall be binding upon the Administrator."

This subsection presently requires the Secretary concerned to certify to the Administrator the rank or grade and the cumulative years of service for pay purposes of deceased persons with respect to whose deaths applications for compensation benefits have been filed. The amendment would make it clear that the military department shall likewise compute the basic pay itself and certify that ultimate fact rather than leaving the computation to the Veterans' Administration.

3. Page 13, line 9, insert after the word "time" the words "immediately following the date of such discharge or release."

This amendment would clarify the presumed intention that the travel time permitted under subsection 102 (12) following the end of a period of active duty, which travel time would be deemed to be active duty, must be measured immediately from the date of discharge and without any permissible hiatus.

4. Pages 17 through 22, sections 205 and 206, delete the word "dependent" wherever it appears preceding the words "parent" or "parents."

This is a perfecting amendment to make it clear that the income limitations stated in the bill are the criteria for determining the rates of compensation payable to parents and that no regulatory tests for dependency are intended to be added. The presence of the word "dependent" in these sections when referring to parents creates a possible ambiguity as to whether the Administrator might be expected to impose requirements for a showing of dependency on top of the specific income limitations specified in the bill. It is believed that the latter are designed to make the dependency tests specific in the terms of the law without leaving them open to variation or supplementation by regulations.

5. Page 19, line 23, insert the words "or disability" following the word "death."

This amendment would exempt disability compensation payable to a parent by reason of his own military service from the classification of "income" under section 205 of the bill respecting payments of dependency and indemnity compensation to parents who meet certain annual income tests.

This presents a policy question, but it is the view of the Veterans' Administration that this amendment would be a logical extension of the exemption al-

ready in the bill of items of compensation on account of the death of other servicemen in the same family where there are two or more sons who have died from service causes.

6. Page 22, line 15, delete "Except as provided in paragraph (3),". Page 23, delete lines 8 through 18.

Paragraph (3) of subsection 206 (e) of the bill is confusing as to intent. It may be designed to require the Veterans' Administration to make successive determinations and pay a child the larger of the two items of servicemen's indemnity and compensation each time there is a change in circumstances affecting the amount of one or the other. This is in conflict with the general principle of subsection 206 (e) that where dependency and indemnity compensation has once been granted no further payments of servicemen's indemnity to a person already on the rolls by reason of a past death shall be made. In other words, the election is a final one in all cases except what may be contemplated in paragraph (3) in the case of a child. In addition to the difficulty of administering the exception for the child, it would appear consistent with other provisions of the bill to require a onetime election by the child, through his guardian, where the child is receiving servicemen's indemnity and is also eligible for the new form of compensation. Under the terms of the bill, including subsections 206 (a) and 206 (b), it is believed that the child, through the guardian, would be protected by a right to elect between indemnity and the new compensation at such time as the child's eligibility for the new compensation arises. Paragraph (e) (3) is unnecessary for this purpose and the second sentence of that paragraph is in conflict with the principle of (e) (2).

7. Page 24, line 14, add the following sentence: "Dependency and indemnity compensation which is otherwise payable to a child shall commence effective the date on which the child's entitlement arose if application is filed within 1 year from that date; otherwise from the date of filing application."

This amendment is designed to protect a child from the consequence of a reasonable delay in filing claim in cases in which the widow dies or remarries or the child becomes entitled in his own right by virtue of having attained age 18 to the benefits provided by sections 204 (b) and (c) of the bill.

8. Page 25, section 209 (d) of the bill provides that a child eligible for compensation based on the death of one parent may not receive dependency and indemnity compensation based on the death of another parent who is not a natural parent. This is evidently intended, for example, to prevent payments to a child by reason of the deaths of both a stepparent and a natural parent in the same parental line. As drafted, however, it permits payments on account of both such deaths if the death of the stepparent first occurred, but would not permit this result where the first claim for compensation is predicated upon the death of a natural parent, the stepparent dying subsequently. This provision is a departure from existing law. If retained in principle, it is suggested that in line 8 on page 25 the words "eligible for" be deleted and the words "who receives" be substituted, and that in line 13 of the same page the words "who is not a natural parent" be deleted and there be substituted the words "in the same parental line".

9. Page 25, line 22, insert the words "for any period" after the word "'widow'".

This amendment would preclude an unintended construction that a widow who remarries prior to receiving compensation could not be granted the benefit for a period which elapsed before the date of remarriage.

10. Page 28, line 18, insert the words "the day following" after the words "begins on".

This amendment is necessary to provide a full 120 days following the end of the service or training period within which a service-connected death may occur and constitute the basis for payment of the 6 months' death gratuity. As presently phrased, section 303 (a) requires that the 120-day period shall begin on the date of discharge or release from duty, whereas it is probably intended that there shall be a full 120 days for this extended postservice coverage, exclusive of the day of discharge or release.

11. Page 29, line 21, insert the words "the Administrator determines that" after the word "unless."

This amendment is intended to make it clear that the determination as to whether the serviceman was discharged or released under conditions "other than dishonorable" for purposes of death gratuity in a case involving death from service causes during the period of 120 days following separation should be made

by the Administrator. This is in accordance with the same procedure for determining eligibility for dependency and indemnity compensation under the bill.

12. Page 64, delete lines 5 through 15 and substitute the following:

"(2) The first sentence of section 621 of the National Service Life Insurance Act of 1940 is amended by adding after the word 'separation' the following: 'prior to January 1, 1956.'"

This amendment is necessary to preserve for veterans discharged less than 120 days prior to the effective date of the bill the full 120-day period within which to secure postservice insurance under section 621 of the National Service Life Insurance Act. The existing provision of the bill sets a strict cutoff date after which no such postservice term insurance under section 621 could be issued and does not take cognizance of the fact that some individuals discharged just prior to the effective date of the act would be deprived of the full opportunity granted by the law in effect at the time of their discharge to acquire this form of postservice insurance.

13. Page 76, line 11, insert "title II of" after "or." In line 14 of the same page insert "title II of" following the word "under."

These amendments are necessary to limit the forfeiture provisions of section 15, Public No. 2, 73d Congress, to the dependency and indemnity compensation benefits under title II of the bill, which would be administered by the Veterans' Administration, and prevent the extension of these forfeiture actions to other benefits under the bill which are administered by other agencies. As phrased, section 501 (n) of the bill would include a reference generally to claims and benefits under "the Servicemen's and Veterans' Survivor Benefits Act" within the terms of section 15 of Public No. 2. This might result, for example, in an administrative forfeiture of benefits under one or more Veterans' Administration programs by reason of a fraud committed in connection with a claim processed by the military department for death gratuity. Section 15 deals with rights and benefits administered by the Veterans' Administration and does not extend to programs handled by other agencies.

14. There were submitted with the Veterans' Administration report of December 30, 1955, detailed amendments to H. R. 7089 which are necessitated by the enactment of Public Laws 193 and 194, 84th Congress, after the bill had passed the House of Representatives. Both of these laws affected the existing insurance provisions, and the amendments are of a purely technical nature. They will not be repeated here, but reference is made to the prior submission.

In its report the Veterans' Administration also recommended amendment of the proposed subsections 623 (a) and (b) of the bill to permit replacement or reinstatement of permanent plan insurance and replacement of expired term insurance while an individual continues in the active service following the effective date of the bill in those instances in which the insurance had been surrendered or allowed to expire while in service prior to the effective date of this bill upon the understanding that he would be covered by the indemnity as a substitute. As phrased, the bill is simply designed to protect the right of replacement during the 120-day period following the current tour of duty. In view of the discontinuance of the indemnity protection, it would seem equitable to allow these persons to pick up their insurance immediately without waiting until a remote time following the end of their current service period. This is a question of policy for the committee's determination. If a liberalization of this kind should be adopted, the Veterans' Administration will be ready with an appropriate amendment.

15. It is assumed that the bill will be given a new effective date, since the specified date of January 1, 1956, has passed. It is suggested that January 1, 1957, be designated instead. This will require a substitution of the new date of numerous places in the bill and adjustment of any other dates which may be related to the effective date. For example, in line 22 on page 64, the reference to "May 1, 1956" would become "May 1, 1957."

16. H. R. 10046, 84th Congress, "An act to simplify and make more nearly uniform the laws governing the payment of compensation for service-connected disability or death, and for other purposes," has been passed by the House of Representatives and is pending action by this committee. It is a reenactment in simplified form of various laws now in effect in the area of disability and death compensation. If that bill is enacted before or concurrently with H. R. 7089, a number of amendments in reference provisions of H. R. 7089 may be necessary. The Veterans' Administration is prepared with these amendments at such times as they may be for consideration. Similarly, H. R. 7049, 84th Congress, "An act to revise, codify, and enact into law, title 10 of the United States Code, entitled, 'Armed Forces', and title 32 of the United States Code, entitled 'National Guard',"

has been passed by the House of Representatives and is pending before the Senate Committee on the Judiciary. If enacted prior to H. R. 7089, certain references and other provisions in the latter bill may be affected. It is understood that the Department of Defense will be prepared to offer necessary amendments in respect to this matter, and the Veterans' Administration will be glad to cooperate as desired.

The CHAIRMAN. These amendments include those parts that you expressed opposition to?

Mr. BIRDSALL. Some were contained in our report to the committee and others have been added since, in view of the changed legislative situation.

The CHAIRMAN. The amendments will be given consideration. Thank you for a clear statement.

Mr. Birdsall, I have a few questions that I would like you to read and have you answer.

Mr. BIRDSALL. The first question, Mr. Chairman, is:

This bill apparently sets up a new definition of "widow." Will you state your views as to this definition in the case and the manner in which it differs from other definitions of "widow" in existing veterans' legislation, and the definitions in three other veterans' bills now before this committee, H. R. 10046, H. R. 10546, and H. R. 8458?

In H. R. 7089, the term "widow" is defined to include "a woman who was married to a person—before the expiration of 15 years after the termination of the period of active duty," or was married to the veteran "for five or more years" or "for any period of time if a child was born of the marriage."

As to World War II and Korean veterans today the marriage must have taken place within 10 years after December 31, 1946, and January 31, 1955, respectively. In a peacetime case the marriage must have occurred within 10 years after discharge.

As to the World War I veteran, the specific date is December 14, 1944. Or, if married after that date the wife must have lived with the veteran for at least 10 years continuously.

This is a more liberal definition in H. R. 7089 but we feel that at the same time it takes into consideration meritorious cases where a discharge may have occurred for good reasons early in the man's service, and if you require marriage within 10 years after that separation, it would give a very limited time.

So we are in accord with the more liberal marriage principle in H. R. 7089 for death compensation.

On H. R. 10046, the take the existing law and codify—in other words, the whole purpose of H. R. 10046 is to consolidate and simplify the existing laws governing the granting of death compensation and disability compensation, both to veterans and their dependents.

Title 38, as you know, contains repeated sections that have to do with laws going as far back as 1862. In fact, we do have some 1878 Revised Statutes in there that go beyond 1862.

The widow definition in H. R. 10046 was for the purpose of making a uniform definition for compensation purposes. It requires marriage within 10 years after discharge or for a period of 10 or more years. We would say that that probably should be revised to conform with H. R. 7089 on compensation in any amendment to the bill.

H. R. 10542 covers both pension and compensation. And there is no objection to that, Mr. Chairman, except that it is not quite as good

coverage as H. R. 7089, as to compensation, in that it does not cover the 15-year period as to which we think H. R. 7089 is a little more practical, but H. R. 10542 also covers pensions which we are not dealing with here. You would have to have a separate provision in case you wanted to get into pensions on the 15-year feature, but we feel that H. R. 10542 may be necessary for pension purposes and should be so limited if H. R. 10046 is amended as suggested.

H. R. 8458 is to change the marriage limiting date in Veterans Regulation No. 10 as it pertains to a comparatively small group of Spanish-American War veterans with service-connected disability.

It is a holdover, really technically, from the old law, with a September 1, 1922 marriage date. H. R. 8458 would change this to January 1, 1938, without regard to length of marriage. Where you have a service-connected death, you would have under H. R. 7089 a provision that takes care of the problem, I believe, in most cases, by the liberal 5-year alternative. I do not think you would have any difficulty by using the H. R. 7089 definition for general application to compensation cases.

I have already discussed H. R. 10046.

I believe that covers question No. 1, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. BIRDSALL. No. 2:

This bill, apparently, establishes payments on a sliding scale for dependent parents. Will you explain this clearly and concisely and state the views of the Veterans' Administration with respect to the proposal?

There are two principles involved. The existing principle is one where by regulation we determine the dependency of parents.

The principle in H. R. 7089 is different in that it sets up an income schedule, so to speak, with payments graduated downward as the income goes up. It involves additional administrative work.

However, we feel that we can work with it.

There have been numerous conferences with representatives of the agencies affected in connection with other provisions, and we have had plenty of study on our own.

Do you care to add anything to that? Mr. Knapp is one of the legislative directors.

Mr. KNAPP. Only that the reference in the opening statement goes into considerable detail as to the change in manner of determining dependency on the sliding scale. I believe Mr. Birdsall has covered that rather fully in the opening statement.

Mr. BIRDSALL. I might say this, that if you should in this bill go back to the principle that you have in the present law there is a bill—H. R. 10046—which has passed the House which would put that into statute.

On the other hand we think if you stay on the principle of allowing dependency to be regulated that it would be more flexible.

Senator CARLSON. Before you leave that, that is one of the questions and one of the problems that will bother me a little in this legislation. How are we going to justify to these nondependent parents that their son is not able to select dependency beneficiary and how can you go back home and meet these parents whose son was killed in action, assuming that they do have income in excess of this very maximum, which is $1,750?

Mr. BIRDSALL. Well, of course, as I said in my statement——

Senator CARLSON. I read your statement—I heard it. To me it will be a very difficult problem.

Mr. BIRDSALL. It is a difficult question, that is, to cover, because of the very fact that you have had these insurance programs for 40 years.

Senator CARLSON. I think every member of this committee is personally familiar with many parents who are drawing this as the result of this son who was killed in action. In instances, of course, it isn't necessary that they have it for a livelihood, to live on, but it is a rather difficult problem.

Mr. BIRDSALL. Yes, sir.

Senator WILLIAMS. How would this work in connection with the point that you just raised. For instance, a small farmer, sometimes his income may be negligible one year and the next year it can be substantially high. Would it result in some administrative problem of raising that and lowering it each year?

Mr. BIRDSALL. Yes, sir. I am launching forth a little bit on the interpretation of the bill now, but we would try, I think, to apply a standard of interpretation to the bill which we apply today in some of these income cases, so that we do not allow overpayments unnecessarily to arise.

In other words, we have a recovery provision in this bill. There is a recovery provision in our law. But there is also provision for waiver of recovery of overpayments. Where there is only a reasonable delay in reporting a material increase of income and the information comes in that is required, we probably would waive generally the overpayment.

We would probably have to do that to administer the bill. That might be a partial answer.

The CHAIRMAN. This does not affect any existing?

Mr. BIRDSALL. We would apply similarly such idea in trying to administer it. You would have that problem, however, because of your schedule that tells you that you can pay only so much, if the income is a certain amount. No, Mr. Chairman, this bill does not disturb the rights of parents now on the rolls.

Senator WILLIAMS. That is what I was wondering. There are cases where it would be almost impossible for the parent to estimate his income with any degree of accuracy.

Mr. BIRDSALL. We probably could work that out with them all right. It is just a question of fluctuating, as you say. That does make it difficult in those cases.

The CHAIRMAN. I assume that the effective date of this legislation would be January 1, 1957?

Mr. BIRDSALL. Yes, sir.

Senator CARLSON. We have a cutoff date there. I have every reason to believe that if we should get into actual hostilities again that we would rewrite or reenact that provision. I believe the pressure would be there. I may be wrong but it is not an easy one.

Mr. BIRDSALL. The third question, Mr. Chairman, is:

> Under the present law there is a distinction between wartime and peacetime service for purpose of benefits. Why does this bill eliminate this distinction?

Of course, I believe it results from a careful study of this whole situation, particularly in the light of the emergencies that have oc-

curred from time to time. Under the existing law where a disability is incurred under extra hazardous conditions or conditions simulating war we pay the wartime rates, anyway.

The disparity between wartime and peacetime rates is only a matter of 20 percent.

So we offer no objection to making that 100 percent in H. R. 7089.

There is always before you, and I imagine it may be brought to the committee's attention again, the one factor that has led to the differential. I would not want to go too far back. I will just go as far back as my own knowledge of the history.

You had changes in the Spanish-American War rates, and your service-connected disability rates. Although your general pension law was supposed to cover everyone in service, it made no difference, whether war or peacetime. Changes were made in Spanish-American War cases because of the fact that you have a different general situation in time of war than you do in time of peace.

So there may be, assuming this is enacted, requests for you to restore some distinction. But we do not feel that we should object to placing them on the same basis.

No. 4:

Will you list for the record all of the administrative problems resulting from this bill now anticipated by the VA?

Mr. Chairman, we have covered some of the major ones. I would say some of the comparatively minor ones are in our attachment with reference to the amendments, to try to cure what would be administrative problems.

There may be some others. Do you think there are any?

Mr. BLAND. No.

The CHAIRMAN. The amendments which you suggested would cover them?

Mr. BIRDSALL. I believe we have covered our ground, Mr. Chairman.

I want to say that Mr. Knapp and Mr. Bland, who are legislative directors, have worked intensively on this whole subject matter, many, many days, many hours, since it started.

Recent conferences have led to curing some of the administrative complications that we might otherwise have had to bring to the attention of the committee.

The CHAIRMAN. Are there any further questions?

Senator CARLSON. I just want to say this: We are very fortunate to have Mr. Birdsall up here to appear before this commiteee on this matter. I have known of his work personally for over 20 years. I think we will need him some more before we get through.

Mr. BIRDSALL. Thank you, Senator.

Senator MARTIN. Might I ask this one question?

Do you think this bill as now before us encourages voluntary military service?

I mean by that, practically all of the men in what we call the regular service are there voluntarily. And then we have, of course, the reservist, and the National Guard.

And those are groups that I have always felt ought to have every possible encouragement in our country.

It has been necessary for us in wartime to resort several times to selective service.

Personally, I would like to see it worked out that every boy in Amarica would have military training.

We are now worried about physical defects. I think those would be in so many cases entirely eliminated if they had militay training.

Then we sometimes seem to feel that we are forgetting our respect for the ideals of our country. I think that military training would correct many of those defects.

Do you think that this bill is encouraging to, we will call him, the volunteer?

Mr. BIRDSALL. I would say, Senator, that one of the essential features of this whole measure is to provide a real security and a reasonable benefit to the survivors of persons who die as the result of service-connected disability. That is particularly true as to those who will stay on in the service any length of time.

Senator MARTIN. Do you think it will be encouraging for young men to go into the service?

Mr. BIRDSALL. To stay?

Senator MARTIN. Yes.

Mr. BIRDSALL. Yes, sir. As a career proposition I think it is an excellent measure.

The CHAIRMAN. Are there any further questions?

If not, thank you for a very fine statement.

Mr. BIRDSALL. Thank you, sir.

The CHAIRMAN. The next witness is Adm. H. R. Houser of the Retired Officers Association.

STATEMENT OF ADM. H. A. HOUSER, RETIRED OFFICERS ASSOCIATION, INC.

Admiral HOUSER. Mr. Chairman and members of the committee, the Retired Officers Association appreciates the opportunity to appear here today in connection with the committee's consideration of survivors' benefits, contained in a proposal, H. R. 7089, passed by the House of Representatives on July 13, 1955.

The association, since 1944, has been advocating a program to provide benefits to survivors of the uniformed services, and its representatives have heretofore appeared before committees of both the House and the Senate to present reasons supporting this position.

In all of its previous testimony, the association has consistently expressed its conviction that the existing laws with reference to survivors' benefits are such as to call for change in order to strengthen our national defense.

That this is true is quite apparent from the extensive study by responsible departments and by a special committee known as the Kaplan committee and finally by two select committees of the House of Representatives. The recommendations of the Kaplan committee are found in Senate Document 89, part 2, 83d Congress.

H. R. 7089, now being considered by your committee, recognizes that conflicting and inconsistent existing laws have given disproportionately large benefits to some servicemen's widows and dependents, as compared to others under like conditions of service, or even regardless of length of service or other contributions to the national defense.

In addition to the basic benefits which the proposed legislation would provide, it is contemplated that members of the uniformed

services be blanketed under Social Security on a contributory basis.

The association believes it to be desirable that social-security benefits accrue to the members of the uniformed services and to their survivors. It is especially desirable that the provisions of coverage under social security be coordinated with changes, existing or proposed, as to the general social-security law.

The social-security measure, H. R. 7225, as passed by the House, contained a new section, 224, entitled "Reduction of Benefits Based on Disability."

The association is aware that the Senate Finance Committee rejected the provisions contained in the House bill for payment of disability benefits to totally and permanently disabled persons of age 50 and over.

Therefore, the above-mentioned section 244 as to reduction of benefits based on disability, as found in H. R. 7225, is apparently no longer in the bill as reported to the Senate but still remains in the House version. Final decision has not been made as to the matter.

Enactment of this section in its present form would deprive military personnel, retired for physical disability, or veterans receiving disability compensation, of part or even all the disability benefits to be derived from the social-security system.

It is noted that this would be true notwithstanding that such personnel would, under the terms of H. R. 7089, be required to contribute to the old age and survivors' insurance system.

It is desired to point out in this connection that the retirement and disability benefits accorded to members of the military services have been considered as part of their total compensation and not a gratuity.

In other words, such members have been deemed to have earned such benefits by reason of service in the military. It is submitted that these benefits, thus earned, should not serve to prejudice benefits which would accrue from another separate and distinct system to which contributions are made.

It would appear pertinent to note that the proposed new section 224 would not discriminate against certain other classes of persons such as those in receipt of disability compensation from private employers' indemnities.

In view of the above, it is earnestly recommended that, in the consideration of H. R. 7089, it be provided that military personnel retired for physical disability, or veterans receiving disability compensation are not to be deprived of part or all of the benefits accruing under the social-security system.

Our association considers the proposals contained in H. R. 7089 to be very well coordinated. Subject to the possible necessity of modifying the bill as indicated above, the association fully and enthusiastically supports the provisions of H. R. 7089 and submits its opinion that early favorable action is consistent with strengthened national defense and improved service attractiveness.

Our association believes that enactment of this bill will constitute a major accomplishment by the Congress in bringing together complex laws and removing to the greatest extent possible the inequities that have existed for so long.

The Retired Officers Association suggests that this much-needed legislative measure means much to the widows and dependents of servicemen.

The association thanks the committee for affording it the opportunity to present its views on this important matter now under consideration.

The CHAIRMAN. Thank you, Admiral Houser.

Are there any questions? Thank you very much.

Admiral HOUSER. Thank you.

The CHAIRMAN. The next witness is Maj. Gen. E. A. Walsh of the National Guard Association.

Senator MARTIN. I think that General Walsh is probably well known to this committee, Mr. Chairman. I would like to make this statement, that there is probably no one in the United States as familiar with the National Guard service of this country, and what it has accomplished, than General Walsh.

General Walsh succeeded me as the president of the National Guard Association of the United States. And the service that he has performed, I think, during peacetime is as important as the fine service that he rendered as a commander of a division.

The CHAIRMAN. General, we are very happy to have you with us.

General WALSH. May I say that the Senior Senator from Pennsylvania is most kind and generous, as he has always been.

The CHAIRMAN. You deserve what he said.

STATEMENT OF MAJ. GEN. ELLARD A. WALSH, PRESIDENT, ACCOMPANIED BY BRIG. GEN. JOHN L. STRAUSS, COUNSEL, NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

General WALSH. If it please the committee, I have a very brief statement which I will read. And with your permission, I would like to have the record show that I am accompanied by Brig. Gen. John L. Strauss of Missouri, who is the general counsel of the Association.

It is indeed a pleasure to appear before this committee in behalf of H. R. 7089, an act to provide benefits for the survivors of servicement and veterans, and for other purposes.

One has merely to briefly scan this proposed legislation together with the very excellent reports which accompany it in order to be made aware of the vast amount of detailed consideration and preparation necessary to its completion and presentation.

The select committee on survivors benefits is to be congratulated and highly commended for the development of such an immense and far reaching document.

The long overdue reappraisal and overhaul of existing survivor-benefit programs and the necessity for legislation of the type embodied in H. R. 7089 is adequately illustrated in the extensive analysis and documentary material contained in House Report No. 993 submitted by the Select Committee on Survivor Benefits.

The National Guard Association of the United States represents almost 500,000 guardsmen. All of these civilian soldiers and civilian airmen are actively participating in military training and duties through weekly unit training assemblies, additional weekend training assemblies, and annual full-time training in the field of at least 15 days.

Moreover, guardsmen perform countless hours of additional training in attendance at the many and varied service schools of the active Army and active Air Force in order to increase their professional military abilities and the overall combat potential of the Army National Guard and Air National Guard.

It is just and equitable that these hundreds of thousands of guardsmen be extended the protection and benefits provided in this proposed legislation while voluntarily preparing themselves to defend this Nation in time of emergency.

Because, in the past, certain administrative interpretations and decisions had adversely affected the protection and benefits which Congress has sought to extend to the guard, it is extremely important that any language in the proposed legislation affecting the guard be legally sufficient to accomplish the results sought to be obtained.

Moreover, the explanation in the report to accompany such legislation becomes highly significant subsequent to enactment in clarifying the intent of Congress pertaining to the interpretation of a particular point.

We urge that language be contained in this committee report which will adequately indicate to all that the intent of this legislation is to provide to guardsmen the protection and benefits of the act when engaged in training or duty under the applicable provisions of Federal law.

There has been supplied to the professional staff a technical amendment which we believe will clarify clause (C) of subsection (6) of section 102 of H. R. 7089 and which was developed in coordination with representatives of the Department of Defense.

Our experience over a period of years has proven that without language such as we have suggested it is entirely possible that certain protection and benefits may be lost in a maze of legal gymnastics surrounding the National Guard.

This amendment, as I said, Mr. Chairman and gentlemen, has already been submitted.

I would like to add one more thing in clarification of the testimony already presented here by the able witnesses from the Department of Defense.

The terms "Reserve" and "reservist" were used throughout that testimony. Very little distinction was made concerning National Guard men. The statement was made that survivors of members of the National Guard who die while on active duty or from service-connected causes are, by reason of a recent court decision, entitled to Federal Employees Compensation Act benefits.

Such a statement is not essentially correct and should be clarified for the record. Benefits for survivors of guardsmen have historically been identical to those provided for beneficiaries of deceased members of the Regular services.

Within the past 30 days, May 28, 1956, a board within the Department of Labor (which Department is charged with the administration of the Federal Employees Compensation Act), ruled that the dependents of an officer of the Air National Guard, by the name of Hoskin, who suffered death while on extended active duty during the Korean conflict, was entitled to benefits under the Federal Employees Compensation Act.

This is a single case, determined by action within the Department of Labor, and not by any court. Moreover, that determination was made solely on the facts and circumstances of that particular case and in no way enlarges the coverage provided to members of the National Guard when performing active duty for training or inactive duty training required by the National Guard Act, as amended.

(The proposed amendment is as follows:)

PROPOSED AMENDMENTS TO H. R. 7089

(By National Guard Association of the United States)

Delete clause (I) of section 102 (3) on page 5.

Change clause (C) of section 102 (6) on page 8 to read as follows:

"(C) A member of the National Guard or Air National Guard of the several States, Territories and the District of Columbia, when performing training or duty under sections 92, 94, 97, 99 or 113 of the National Defense Act of June 3, 1916, as amended, shall, for the purposes of benefits provided herein, be considered a 'member of a Reserve component of a uniformed service', and training or duty performed by such a member under those sections of that act shall be considered 'active duty for training,' or 'inactive duty training', as appropriate."

General WALSH. For that reason, we recommend that the amendment be adopted, so that there will be no question that this act is all-inclusive where the Army and the Air and National Guard are concerned.

Thank you very much.

The CHAIRMAN. Thank you very much. Your amendment will be brought before the committee in executive session.

General WALSH. Thank you, sir.

Senator MARTIN. I think probably it might be appropriate, Mr. Chairman, to put in this record that the volunteer soldier plan was initiated by Benjamin Franklin, in 1745. The weekly drill that we now have in the National Guard and in the Reserves was instituted in his plan. That has been carried on down through the years.

That is why I asked the question a while ago of the distinguished representative of the Veterans' Administration, whether or not this law as proposed will encourage the volunteer. I feel that practically all of the Regular Army, the Air Force and the Navy, are volunteers.

A man goes to West Point, or Annapolis, or to the new Air Force Academy, voluntarily. He is not selected for it. It is a voluntary proposition. I would like to see this law, if it is enacted, that it will encourage men to join the regular forces, the National Guard, and the Reserves.

Do you think that this law as it is proposed will do that?

General WALSH. Yes, sir, Senator. It is very significant. At the present moment the Army and Air National Guard is at a strength of two and one-half times greater than it had at the outbreak of World War II.

During the months of March and April of this year there was a net increase in strength of over 43,000, all of which was purely voluntary. That was done without the expenditure of any special recruiting funds, other than as units may have spent their own money.

We give much of the credit for that increase to the benign legislation which Congress has enacted in the past. I refer notably to the death and disability benefits under Public Law 108, which was somewhat vitiated by the Career Compensation Act.

I do not believe that it is generally known or understood, even by the Congress, and there I have to be careful because so much of this is classified, but the Army and Air National Guard has taken over many missions from the active armed services.

For example, we have hundreds of people in the Air National Guard that are on permanent alert. By mutual agreement between the Air Force and the sovereign States, the Air Force may order those people into the air instantly, without going through the ordinary or usual channel.

The same thing holds true on the Army side, where the Army Guard has taken over and actually is manning on a 24-hour basis antiaircraft sites all over the country.

You understand, I cannot go into any more detail.

The whole concept of duty and service has completely changed within the past 4 or 5 years. We suppose in the normal course of events that we will be constantly taking over more and more missions from the Active Army and Active Air Force and, particularly, if the time should come when those forces are cut back to what they were in normal or peacetime.

Mr. Chairman, we are very grateful for this opportunity of appearing before this committee this morning.

The CHAIRMAN. We are glad to have you, General.

Are there any further questions?

General WALSH. Thank you, sir.

The CHAIRMAN. The committee will be in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12 noon, the committee adjourned, to reconvene at 10 a. m., Wednesday, June 6, 1956.)

78543—56——11

SURVIVOR BENEFIT ACT

WEDNESDAY, JUNE 6, 1956

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:20 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), Smathers, Martin of Pennsylvania, Williams, and Millikin.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order. I submit for the record the reports on H. R. 7089 submitted by the Department of Health, Education, and Welfare on December 14, 1955, and January 9, 1956.

(The matter referred to is as follows:)

DECEMBER 14, 1955.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: This is in further reference to your request dated July 22, 1955, for information concerning H. R. 7089, a bill to provide benefits for the survivors of servicemen and veterans, and for other purposes, now pending before the Committee on Finance of the Senate. Enclosed is a staff report furnishing information you requested.

The data are based on the assumption of peacetime conditions. In order to develop data and estimates relating also to war conditions as you requested we would have to make assumptions on many factors which we are not in a position satisfactorily to do. For example, we would need to take into account the size and composition of wartime military forces, the nature of risks and hazards encountered, the casualty rates, when and where the war would be fought, and other similar factors. For these reasons, we do not feel it would be possible for us to prepare data based on the assumption of another war.

We hope that the enclosed information will be helpful to you and the Committee on Finance in considering H. R. 7089. If we can be of further assistance, please let us know.

Sincerely yours,

———— ————, *Secretary.*

Enclosure.

INFORMATION CONCERNING OASI PROVISIONS IN H. R. 7089, TO PROVIDE BENEFITS FOR THE SURVIVORS OF SERVICEMEN AND VETERANS, AND FOR OTHER PURPOSES

1. List, cite, identify, and describe all points at which this proposed legislation touches the social-security system in any respect

See the attached chart entitled, "Comparison of Military Provisions in Existing Social Security Law and Old-Age and Survivors' Insurance Provisions in H. R. 7089."

2. *Advise as to the degree to which social-security coverage under the bill would be new, expanded beyond present, or reduced, or continued at current extent, by categories such as retirement, survivors, dependents, etc.*

Coverage.—The extension of OASI coverage on a contributory basis to members of the uniformed services on active duty, with contributions and benefits computed on basic service pay—as provided in H. R. 7089—would result in some broadening of the social-security coverage of service personnel.

The present special provisions for gratuitous OASI wage credits for military service preclude the granting of these wage credits for periods of military service which are counted toward a benefit payable under another Federal program other than those administered by the Veterans' Administration. These restrictions would not apply under the contributory coverage provided by the bill. Moreover, the coverage of members of the uniformed services on active duty or active-duty training would be broader than the area of "active military service" for which gratuitous wage credits can now be granted. For example, commissioned officers of the Public Health Service would have contributory coverage under H. R. 7089; under present law, these officers are not eligible for social-security wage credits except for periods of service on active duty with the Armed Forces or in time of national emergency when they are deemed to be a contingent of the Armed Forces. Under H. R. 7089, service as a "member of the uniformed services" also includes service as a cadet at the United States Military Academy, Air Force Academy, or Coast Guard Academy, a midshipman at the United States Naval Academy, and as a reservist, when the reservist is ordered to annual training for 14 days or more and while he is performing authorized travel to and from that duty.

Another area of broader coverage results from the fact that contributory coverage is applicable the first day a member of the uniformed services enters upon active duty; under present law an individual must have served at least 90 days on active duty (unless discharged earlier because of a service disability) before social security wage credits may be granted.

The bill also contains some special OASI provisions other than those relating to contributory coverage that would improve the retirement and survivor protection of servicemen and veterans under the social security system. The bill would modify the present $160 military wage credit provision to permit an individual who retires or dies after 1955, and who performs military service after that date, to receive the OASI wage credits of $160 for active military service performed between 1950 and 1956 even though the same period of military service is counted for retired pay under one of the uniformed services staff retirement systems; thus, career servicemen would receive OASI protection for this specified period which would be additive to their military retired pay. Increased retirement and survivor protection would be given commissioned officers of the Public Health Service and Coast and Geodetic Survey by making such officers eligible for the gratuitous wage credits for active service performed after July 29, 1945, and prior to January 1, 1956. The special provisions which provide OASI benefits for servicemen and veterans—deemed insured status for deaths in service or from service-connected causes and the waiving of the work requirements for disability freeze purposes—would give additional protection to military personnel.

Although the contributory OASI coverage provided under H. R. 7089 is generally speaking broader than the gratuitous coverage provided for military personnel under present law, there are situations in which the amount of retirement and survivor benefits payable under contributory coverage on the basis provided in the bill would be smaller than under the present wage-credit basis. Service personnel who now receive gratuitous OASI wage credits of $160 a month but whose basic service pay averages less than $160 a month would receive smaller OASI benefits under contributory coverage in cases where the benefit is based entirely, or almost entirely, on their military service coverage.

Beneficiary categories.—H.R. 7089 would not add any new beneficiary groups for veterans and servicemen; the retirement, survivor, and dependent benefits payable under the bill are the same as those payable under existing law on the social security accounts of indviduals engaged in civilian employment or self-employment. The special OASI provisions referred to above would relax the eligibility requirements under special circumstances but would not provide for the payment of benefits to any dependent or survivor who would not be eligible for benefits if the serviceman had met the usual eligibility requirements contained in the existing law.

3. Estimate, as far as practicable, additions to social-security rolls resulting from the bill, by categories, assuming continuation of peace; assuming another war

It is estimated that once this coverage has been in effect long enough to be somewhat mature, there would be an annual addition to the benefit rolls of the following beneficiaries: 1,500 primary beneficiaries, 1,200 wives, 1,800 widows aged 65 and over, 1,800 widowed mothers and 3,000 children.

As explained in the covering letter, data based on the assumption of another war cannot be derived.

4. Estimate, as far as practicable, additional annual social security revenue to be contemplated as a result of the bill, split as between individuals' contributions and payments by the Government as an employer assuming continuation of peace: assuming another war

It is estimated that the additional annual income to the OASI system through contributions will be as follows:

Taxable years (inclusive)	Tax rates [1] (percent)	Servicemen's contribution (in millions)[2]	Annual total contribution (in millions)
1955–59	2	$114	$228
1960–64	2½	142	284
1965–69	3	171	342
1970–74	3½	200	400
1975 and thereafter	4	228	456

[1] Tax rates imposed on employees and employers equally as provided in present law. Maximum income taxable annually, $4,200.

[2] Assumes an estimated military strength of 2.85 million each year; equal amounts would be payable annually by the U. S. Government as employer.

As explained in the covering letter data based on the assumption of another war cannot be derived.

5. Estimate, as far as practicable, additional annual cost to the social-security system, by categories, under the bill, assuming continuation of peace; assuming another war

Informatiton on this point will be sent to you as soon as possible.

6. and 7. Estimate the effect on all aspects of the system, including its soundness of eliminating the 6-quarter requirement for one segment of coverage under peacetime conditions; under war conditions

Estimate the effect on all aspects of the system, including its soundness, of waiving the 5-year coverage requirement for disability freeze for one segment of coverage under peacetime conditions; under war conditions

Under these special provisions persons who die while in service or from service-connected causes, including some such persons who have died since the beginning of World War II (September 16, 1940), would be deemed to be insured under OASI even though the usual requirements as to previous covered employment are not met; in addition, the employment requirements for the disability freeze provision of the OASI program would be waived in the case of persons who have a service-connected disability.

Although these provisions would extend to personnel of the uniformed services a type of special treatment that is not accorded to persons engaged in civilian employment, the provisions appear to be desirable from the standpoint of the objectives of the bill—that is, to provide an adequate overall structure of survivor protection for the uniformed services with the level of compensation payments based on the assumption that OASI benefits are also payable. Conceivably, these special provisions could eventually lead to requests for a similar special treatment of various other groups under the old-age and survivors insurance program; this seems unlikely, however, since special benefits have traditionally been provided for servicemen and veterans. Since the special provisions would not endanger basic OASI program principles and since the OASI trust fund would be reimbursed for additional costs attributable to the provisions, they have been accepted by the Department of Health, Education, and Welfare as part of a program that includes contributory OASI coverage of the uniformed services.

The costs of these special OASI benefits for servicemen would be relatively small. The great majority of servicemen who die in service or who die or become disabled as a result of service-connected causes would not be affected by the special provisions. They would be insured in the event of their death or, if disabled, would be eligible for the disability freeze, solely as a result of covered civilian employment and military service. The provisions would be of value mainly to young men who go into service shortly after completing school and before acquiring OASI protection on the basis of covered civilian employment.

According to the report of the select committee of the House of Representatives (H. Rept. No. 993, pt. I, p. 17), there are estimated to be approximately 3,700 cases where survivors are ineligible for social-security survivor benefits, even though the $160 gratuitous wage credit was provided, because the deceased died on active duty before becoming insured under the program. It is estimated that in future years, the deemed insured status provision will be applicable to about 1,200 cases per year and the cost of paying benefits in these cases may be about $600,000 annually. The cost of the additional benefits which would be payable under the special disability freeze provision has been estimated to be roughly $500,000 annually.

In view of the relatively small cost of these special provisions and the fact that reimbursement of the trust fund would be made from general revenues on a current basis there would appear to be little possibility of serious adverse effect on the financial stability of the system, even under wartime conditions. Despite the relatively small costs involved, the Department of Health, Education, and Welfare believes that it is only fair that these special benefits be paid from general revenues rather than from the contributions of persons covered by the OASI program. Moreover, the provision for meeting the costs from general revenues would provide a safeguard against any possibility of unwarranted broadening or liberalization of these special provisions in the future.

As explained to the covering letter, data based on the assumption of another war cannot be derived.

8. Advise as to differences in rates paid in categories involved by this bill, such widows, dependents, orphans, etc., along with differences in qualifications, and limitations, as between those paid currently to beneficiaries of veterans and servicemen, and those provided under social-security laws

We are not clear as to what additional information is desired concerning the social-security provisions. As indicated in reply to item 2, H. R. 7089 would not add any new or additional beneficiary categories or new methods of computing social-security benefits. We believe that the question may be concerned chiefly with veterans' benefits and the Veterans' Administration will furnish appropriate information.

9. Advise as to whether it would be accurate to regard the effect of the proposed bill as a shift of the base for military retirement and survivor benefits to the social-security system

Under existing law, gratuitous social-security credit has been provided on a temporary basis for the great majority of servicemen for a number of years. The contributory OASI coverage provided by H. R. 7089 therefore does not add an entirely new component to the benefit structure for members of the uniformed services. From this standpoint, it might be considered that the bill would merely establish formal recognition of and make permanent an arrangement that had been in effect on a temporay basis for a long period of time. Nevertheless, it is significant that in addition to improving coverage by relating it to the serviceman's basic pay H. R. 7089 would cover all servicemen (rather than the great majority). Therefore, in the sense that the level of other benefits for servicemen could, under the bill, be set in the knowledge that a basic OASI benefit would also be payable, it might be considered that the base of the military benefit structure would be shifted to OASI. Under the bill, the level of survivor compensation payable by the Veterans' Administration would in fact be adjusted to take into account the benefits payable under old-age and survivors insurance.

10. Submit such other pertinent comment of a factual or technical nature as you may deem to be appropriate

We do not have additional comments to submit with regard to the proposed bill at this time; however, we will have several perfecting amendments ready for submission to the committee soon.

Comparison of Military Provisions in Existing Social Security Law and Old-Age and Survivors Insurance Provisions in H. R. 7089

General summary

Present law [1]	H. R. 7089
Military service is now excluded from regular contributory OASI coverage. Special provisions in the social security law, however, provide (subject to certain restrictions) free OASI wage credits for each month of active military service between Sept. 15, 1940, and Apr. 1, 1956. Allowable OASI military credits, together with social security credits earned in employment and self-employment covered by the program on a contributory basis, are counted in determining an individual's eligibility for, and amount of, social security benefits. These special wage credit provisions were formulated in recognition of the fact that servicemen have no opportunity during their period of military service to acquire social security credit by actually working in employment covered by the program. When first introduced, they were intended to give veterans about the same status under OASI as they might have had if military service had not interfered with their civilian work. These provisions have always been recognized as a temporary measure pending formulation of a long-range solution to the broader problem of providing adequate retirement and related benefits for military personnel. The costs of the benefits resulting from the free wage credits are met from the Federal old-age and survivors insurance trust fund and thus are borne by the employees, their employers, and self-employed people covered under the program; there are no provisions for reimbursement to the trust fund from general revenues. There is no coordination between the benefits payable under OASI and the benefits payable under the Veterans' Administration programs.	Military service would be brought under the regular contributory OASI coverage provisions now applicable to most civilian work. Servicemen and their employer—the Federal Government—would each pay contributions under the tax schedule in present law. Benefits would be computed in the regular manner but would be related to the serviceman's basic pay (instead of gross pay, which would be more comparable to the earnings which govern the social security taxes and OASI benefits of civilians). The types of OASI benefit payments now available on the basis of covered civilian employment would be available on the basis of military employment and, except for a few special concessions made to servicemen and disabled veterans, under the same conditions. The benefits which would result from these special concessions are, in effect, veterans benefits payable under OASI and are needed to round out the revised structure of survivor benefits. Their cost would be paid from general revenues and not from the OASI trust fund. Major revisions would be made in existing Federal survivor-benefit programs for servicemen and veterans to take into account the retirement and survivor protection afforded members of the uniformed services under contributory OASI.

[1] See appendix A for summary of OASI system.

Provision (and H. R. 7089 references)	Present law	H. R. 7089
1. Contributory OASI coverage. *Sec. 401 (pp. 31-32).*—Basic service pay included in OASI definition of "wages." *Sec. 402 (a) and (b) (pp. 32-35).*—Uniformed services included in OASI definition if "employment." Determinations as to "wages" and "employment" to be made by services. *Sec. 414, 415, and 416 (pp. 58-62).*—Make corresponding changes in Internal Revenue Code.	No provision for contributory coverage of uniformed services. Gratuitous OASI wage credits are provided, however, under certain conditions described below.	Effective Jan. 1, 1956, regular contributory OASI coverage would be extended to members of the uniformed services (including members of the Commissioned Corps of the Public Health Service and the Coast and Geodetic Survey) on active duty and active training with contributions and benefits computed on basic service pay.[1] Employee and employer contributions, in accordance with the tax schedule contained in the present law, would be imposed on servicemen and the U. S. Government, respectively.[2] (See 6. Financing of OASI provisions.)
2. Special OASI Provisions for Military Personnel..... A. Gratuitous wage credits. *Sec. 404 (a) (pp. 36-40).*—Extends creditable period to Jan. 1, 1956.[3] Removes certain restrictions on granting of credits. *Sec. 501 (b) (p. 68) and (d) (pp. 71-72).*—Public Health Service and Coast and Geodetic Survey eligible for wage credits. Provides for recomputations of their OASI benefits.	Gratuitous wage credits of $160 are granted for each month of active military service after Sept. 15, 1940, and before Apr. 1, 1956. These wage credits are not granted if a benefit based in whole or in part on the same period of military service is determined payable by another agency of the U. S. Government other than the Veterans' Administration.	The gratuitous wage credits would not be granted for miltary service performed after the effective date of contributory coverage,[3] but would still be granted for service performed before that date. Moreover, in the case of individuals who served in the uniformed services at any time after 1955, the present restrictions on the granting of the gratuitous wage credits when a benefit is payable by one of the uniformed services would not apply with respect to military service performed after 1950 and before 1956. The existing gratuitous wage credit provision would be extended to apply to active service (1) as a commissioned officer of the Public Health Service performed after July 3, 1952, and before Jan. 1, 1956, and (2) as a commissioned officer of the Coast and Geodetic Survey performed after July 29, 1945, and before Jan. 1, 1956.[4]
B. Deemed insured status under OASI. *Sec. 405 (pp. 43-44).*—Insured status in case of death after 1955. *Sec. 407 (pp. 49-51).*—Insured status in case of death between Sept. 15, 1940, and Jan. 1, 1956.	The only comparable provision concerns veterans of World War II who died during the 3-year period following their discharge from military service. These veterans were deemed to have died fully insured under OASI and to have an average wage of at least $160 a month.	All servicemen in the uniformed services (active duty or inactive duty) at any time after Sept. 19, 1940, who die in service or from a service-connected cause would be deemed to have died as fully and currently insured individuals. (In the case of death after separation from service, the individual's discharge or release must have been under conditions other than dishonorable.) The provision would apply retroactively to deaths between Sept. 15, 1940, and Jan. 1, 1956 (the effective date of contributory coverage under the bill), and prospectively to deaths after Jan. 1, 1956.[5] With respect to deaths occurring before Jan. 1, 1956, the provision stipulates that survivor benefits would be based on the minimum benefit payable under OASI.[6]
C. Work Requirements of the Disability "Freeze."[7] *Sec. 406 (pp. 44-49).*—Certain servicemen will not be required to meet work requirements for freeze (see other columns).	To qualify for the disability "freeze" a disabled individual must have worked in employment covered by OASI for a substantial and recent period of time prior to the onset of his impairment; he must have worked under OASI at least 5 out of the last 10 years, and 1½ out of the last 3 years, immediately before the onset of his disability. No special provisions for servicemen, except that military service after Sept. 15, 1940, may, generally speaking, be counted toward above requirements.	The work requirements for eligibility to the OASI disability freeze (at least 5 out of the last 10 years, and 1½ out of the last 3 years) would be waived in the case of any individual who is under a service-connected disability which existed either at the time of his discharge from service or within 3 years after his separation. The provision applies to all members of the uniformed services in active duty or inactive duty training service after Sept. 15, 1940. However, to qualify for waiver of the usual work requirements, servicemen discharged or separated from the services before Jan. 1, 1956, must be under a disability and file an application for the freeze prior to Jan. 1, 1959; servicemen discharged after December 1955 may apply within 3 years of discharge or 3 years after the disability occurred, if later.

D. Reinterment of servicemen dying overseas. *Sec. 403 (p. 36).*	Permits the filing of an application for lump-sum payments (based on burial expenses) within a 2-year period following the interment or reinterment in this country of the body of a serviceman who dies overseas; applies to deaths occuring after Sept. 15, 1940 and before Apr. 1, 1956.	Extends the provision in present law to cases in which deaths occur after the effective date of OASI coverage of military service, i. e., Jan. 1, 1956.[3]
3. Relationship between OASI and the Civil Service Retirement Act. *Sec. 404 (b) (pp. 40–41).*—Waiver of certain survivor annuities in order to have military service counted under OASI. *Sec. 412 (pp. 56–58).*—Military service after effective date of contributory OASI coverage not creditable under the CSRA if an OASI survivor benefit is payable.	$160 military-service credits not granted under OASI if military service is counted toward an annuity under the United States civil service retirement system.	Survivor annuitants under the United States Civil Service Retirement Act would be permitted to waive their rights to a survivor annuity based in part on credit for military service (which would otherwise be creditable under OASI as a result of the $160 wage credits) and thus could remove the present restriction on counting the $160 wage credits toward a social security survivor benefit. With regard to military service performed after the effective date of contributory coverage, the survivor would have no option; if he is eligible for a social security benefit, such military service could not be counted in computing a survivor annuity under the Civil Service Retirement Act. In the case of a widow or child to whom civil service annuities are payable prior to a time when OASI benefits are payable, the military service credits would be counted in computing the annuity; recomputation would be made to exclude such service at a later date if OASI became payable.
4. Special Railroad Retirement Provisions for Military Personnel. A. Benefit Provisions. *Sec. 402 (a) (pp. 32–35) and sec. 411 (a) (pp. 53–55).*—The new OASI military service credits would be inapplicable to military service creditable under the Railroad Retirement Act. Military service to be creditable under the Railroad Retirement Act only if the individual has at least 10 years of creditable service under that act, including military service.	The railroad retirement and OASI programs are now closely coordinated. In both survivors and retirement cases in which the worker has less than 10 years of railroad service, the employment records are combined and the benefits are paid by the old-age and survivors insurance system. In survivors cases in which the worker had 10 or more years of railroad employment, records are combined and the benefits are usually paid by the system under which the employee last worked. In retirement cases in which the worker has a total of 10 or more years of railroad employment, there is no combining of employment records; railroad retirement benefits are payable on the basis of the railroad employment, and if the worker also has enough employment covered under OASI to qualify for benefits under this program, he may receive retirement benefits under both programs. The railroad retirement program, like OASI, provides gratuitous military service wage credits of $160 per month. A veteran must have worked in railroad employment in the calendar year he entered military service or in the preceding calendar year in order for his military service to be creditable under the Railroad Retirement Act. Railroad retirement wage credits of $160 per month were given for the periods from Sept. 8, 1939, through June 14, 1948, and from Dec. 16, 1950 to the present (as well as for certain periods prior to 1937).	Would continue the $160 gratuitous monthly wage credits that are provided under the railroad retirement program for military service. However, for military service after 1955, such gratuitous military credits would be provided only for workers with 10 or more years of railroad employment. (In line with present provisions of the Railroad Retirement Act, military service would be counted in determining whether an individual had 10 years of railroad service.) Since benefits are payable under the railroad system only where the worker has 10 years of railroad service this 10-year requirement has no real significance so far as benefit payments under the Railroad Retirement Act are concerned; however, the requirement does mean that the gratuitous railroad military service credits would not be used by old-age and survivors insurance in under-10-year cases. Generally speaking, military service performed after the effective date of the bill would not be creditable toward OASI benefits if already creditable toward railroad retirement benefits, despite the fact that such service would in other respects be considered covered by OASI. The bill requires the Railroad Retirement Board to keep the Secretary of Health, Education, and Welfare informed on a current basis of all periods of military service performed after 1955 which are creditable under the Railroad Retirement Act.

Footnotes at end of table, p. 166.

Provision (and H. R. 7089 references)	Present law	H. R. 7089
	As noted above, in all survivor cases, and in retirement cases in which the worker has less than 10 years of railroad service, payment is made by 1 agency or the other, based on combined credits. In these cases, the paying program gives the military wage credits if the worker qualifies for such credits; if he does not qualify for military credits under the paying program, but does qualify under the nonpaying program, the military service credits provided under that program are used. In retirement cases in which the worker has 10 or more years of railroad service, benefits may be payable under both programs. If the individual is eligible for military wage credits under both programs, the military credit "offset" provisions of the two programs interact so the effect is that the railroad program gives credit for the military service and old-age and survivors insurance does not.	OASI payments would be affected as follows in cases where a period of military service after 1955 is creditable under the Railroad Retirement Act: 1. In those over-10-year railroad cases where OASI pays on the basis of combined records (see explanation of present law) OASI would credit military service on the basis of the $160 a month gratuitous railroad retirement military credits, rather than on the basis of the serviceman's basic pay—the pay on which OASI would have collected taxes. (Of course, in under-10-year railroad cases military service would not be creditable under the railroad program, and OASI would use the contributory military service credits.) 2. Where OASI pays retirement benefits on OASI wages alone, and the military service is creditable under the railroad program, OASI would not count military service toward benefits (as the fact that military service was creditable under the railroad program would preclude the use of the OASI contributory mili ary service cre lits).
4. B. Financing of railroad retirement military wage credits. *Sec. 411 (b) (1) (p. 55).*—Provides for Treasury payments to the Railroad Retirement Account with respect to the railroad gratuitous military service credits for years after 1955. *Sec. 411 (b) (2) (p. 56).*—Provides that in making cost adjustments between the OASI and railroad retirement systems, account is to be taken of taxes collected under OASI.	Under the present railroad retirement law the Railroad Retirement Account is paid, with respect to the gratuitous military service credits provided under the railroad retirement program, amounts from the general Treasury equal to the sum of (*a*) the cost of crediting military service rendered prior to January 1, 1937, and (*b*) the taxes which should have been paid on compensation at the rate of $160 a month for each month of creditable military service after 1936. [9] (See preceding page.)	The bill contains a special provision to finance the benefits which the Railroad Retirement Board would pay on the basis of the $160-a-month gratuitous railroad credits granted for military service after 1955. It provides that the Treasury would pay into the railroad retirement account amounts equal to the railroad taxes on that military service after 1955 which is creditable under the railroad program (based on a $160-a-month figure) without regard to whether the individual had 10 years of railroad service) minus the amount of all OASI taxes paid on such military service. In addition the bill specifies that in making cost adjustments between the 2 systems the Railroad Retirement Account would be "credited for the OASI taxes on all military service creditable under the Railroad Retirement Account, including the service of under-10-year railroad workers. Considering this provision in conjunction with the general cost adjustment provisions in sec. 5 (k) (2) of the Railroad Retirement Act, the net effect intended so far as OASI is concerned apparently is that OASI would "reinsure" military service creditable

		under the railroad program on much the same basis that it now reinsures all railroad employment. That is, OASI would in all cases retain the contributions it collects on military service covered under the program. Where the benefit is payable under the railroad retirement program, the cost adjustment provision would operate so that OASI would pay to the railroad program amounts equal to the OASI benefit based on the basic pay of the servicemen—the amounts on which OASI contributions had been paid. Where OASI pays, no exchanges of funds between the 2 systems would be made. (As noted under the "benefits" section, where OASI pays, and the military service is creditable under the railroad program, OASI will either not count the military service toward benefits, or will pay benefits based on the railroad retirement gratuitous military credits of $160, rather than on the basis of the serviceman's basic pay, on which OASI would have collected taxes.)
5. Common applications for social security and Veterans' Administration purposes. *Sec. 410 (p. 53) and sec. 503 (pp. 79–80)*—provide for common application for survivor benefits:	----------	An application filed for veterans' compensation would constitute an application for social security survivor benefits and vice versa. The purpose of this provision is to provide that an application filed with the Veteran's Administration should establish a filing date for OASI purposes and vice versa, and that proofs filed with a claim with either of the two agencies should, as necessary, be made available to the other agency. It is not intended that either agency should be injected into the development of claims under the program administered by the other agency; the intended procedure would only initiate claims.
6. Financing of OASI provisions: A. Contributory OASI coverage. *Sec. 414, 415, 416 (pp. 58–63).*—Amend the Internal Revenue Code to extend appropriate provisions of the Federal Insurance Contributions Act to service in the uniformed services.	(Not applicable.)	Servicemen and the U. S. Government, as employer, would each pay contributions as required under the tax schedule in existing law. Assuming an Armed Forces strength of 2.8 million and the present OASI contribution rate, it is estimated that the cost to the U. S. Government would be about $115 million annually.
B. Reimbursement for costs attributable to $160 wage credit provisions.	None; all costs are now borne by the OASI trust fund. The 1946 amendments to the social security law required the Treasury to reimburse the trust fund for the cost of additional benefits paid out as a result of the special military provisions which these amendments provided (under which World War II servicemen who died during the 3-year period following their discharge from service would be deemed to have died fully insured under OASI and to have an average wage of at least $160 a month). The trust fund was reimbursed for about $15½ million on account of benefits paid under this provision before September 1950. The Social Security Act Amendments of 1950, which introduced the provision which granted $160 social security wage credits for each month of active military service after Sept. 15, 1940, omitted provisions for reimbursement of the trust fund for the cost of benefits based on these credits. They also deleted the reimbursement provision but not the special insured status provisions which the 1946 amendments had provided.	Trust fund would be reimbursed for the past and future expenditures resulting from the $160 military service wage credit provision in the present law. Reimbursement for approximately $190 million of past expenditures would be distributed over a 10-year period; reimbursement for an estimated $500 million of future expenditures [10] resulting from the gratuitous wage credits would be made as benefits are paid out.[11]

Footnotes at end of table, p. 166.

Provision (and H. R. 7089 references)	Present law	H. R. 7089
C. Reimbursement for costs attributable to special provisions. *Sec. 409 (pp. 52—53).*—Provides for such reimbursement of OASI trust fund from general revenues.	Not applicable since the special provisions would be added by H. R. 7089.	OASI trust fund would be reimbursed for all future expenditures attributable to the "deemed insured status" and disability "freeze" provision. It is estimated that these costs would be about $2.1 million annually.[12]

[1] The basic pay for enlisted personnel ranges from $78 per month (E-1, under 4 months to $335 (E-7 personnel with over 30 years of service). Basic pay for junior officers begins at about $220; most officers receive more than $350 per month maximum creditable under OASI (see appendices B and C).

[2] Present law provides the following contribution schedule for covered employees and employers; 1955–59, 2 percent (each); 1960–64, 2½ percent (each); 1965–69, 3 percent (each); 1970–74, 3½ percent (each); after 1974, 4 percent (each). Contributions and benefits are based on the first $4,200 of annual covered earnings.

[3] At the time H. R. 7089 was passed by the House of Representatives, gratuitous wage credits could not be granted for service after June 30, 1955; this date was subsequently extended to Apr. 1, 1956, by Public Law 325. If H. R. 7089 were enacted into law subsequent to Jan. 1, 1956, and contributory coverage were to be effective Jan. 1, 1956, provision would be needed to protect any benefit rights—either eligibility or benefit amounts—which may have accrued to servicemen on the basis of the provisions in existing law.

[4] Under existing law, members of the commissioned corps of the Public Health Service have been intermittently entitled to certain Armed Forces survivor benefits while serving on active duty with the Armed Forces, or in time of war when the corps was declared to be a military service by Presidential executive order. The bill would correct the inequities and anomalies that result from this situation by providing that the commissioned corps of the Public Health Service shall have continuous coverage under Veterans' Administration laws and under old-age and survivors insurance.

[5] The purpose of this provision is to assure that at least minimum OASI benefits will be payable to the qualified survivors of military personnel in the event the individual's death occurs any time he is in active service or inactive duty service. Without this special provision, servicemen (like other persons covered under the program) would be required to have at least 6 quarters of coverage (about 18 months of coverage under the program) to be insured for OASI benefits; this provision deems servicemen to be insured for OASI benefits the first day they enter service.

[6] The retroactive provision granting deemed insured status to servicemen whose deaths occur prior to Jan. 1, 1956, assures minimum benefits to those persons who died with less than 6 quarters of coverage. The result will be, generally speaking, that the survivors of deceased personnel who are now receiving only VA payments will be placed in a position comparable to the survivors who are now receiving both VA and OASI payments.

[7] The disability "freeze" provision, added to the social security law by the 1954 amendments, is designed to protect the old-age and survivors insurance benefit rights of individuals who are unable to continue working under the system because of an extended, total disability. An individual adjudged totally disabled can have a period of extended disability disregarded in determining eligibility for benefits at age 65 or at death and also in determining the benefit amounts. The social security law does not provide for the payment of cash disability benefits.

[8] Public Law 325, enacted on August 9, 1955, subsequent to the passage of H. R. 7089 by the House of Representatives, extended the provision in present law to deaths occurring after June 1955 and before April 1956.

[9] As a part of the general coordination of programs, the Railroad Retirement Act provides for cost adjustments to place the old-age and survivors insurance trust fund in the position it would have been in if railroad employment had been covered under old-age and survivors insurance since 1937. In effect, these cost provisions constitute a method of partially reinsuring railroad benefits under the old-age and survivors insurance program. In other words, old-age and survivors insurance in effect receives from the railroad retirement account contributions with respect to railroad service and pays benefits based on railroad service. In some cases these benefits are paid directly to beneficiaries by old-age and survivors insurance, while in other cases they are credited to the railroad retirement account.

[10] Estimate based on wage credits granted for military service performed prior to April 1, 1956.

[11] There are several possible bases for determining the amount in which the trust fund might be reimbursed in the event that the Congress should provide for reimbursement of the fund. The estimates given were made on the so-called "excess cost" basis. Under this method, the trust fund would be reimbursed for the additional benefit amounts actually paid out of the fund on account of the gratuitous credit provisions—that is for the difference between benefit amounts computed by using the gratuitous provision and the actual benefit amount if any, that would have been paid if the gratuitous credit provision had not been enacted. This method of computation would result in the Government's paying somewhat less than a proportionate share of the cost of the gratuitous credit.

[12] Estimate made on the "excess cost" basis.

APPENDIX A. SUMMARY OF OLD-AGE AND SURVIVORS INSURANCE SYSTEM

I. Benefits payable to:

(*a*) Retired worker age 65 or over.

(*b*) Wife of retired worker if she is age 65 or over, or regardless of age, if entitled child under age 18 is present. Dependent husband[1] of retired worker if he is age 65 or over.

(*c*) Widow or dependent widower,[1] age 65 or over, of deceased worker.

(*d*) Children (under age 18) of retired worker, and children of deceased worker and their mother (the worker's widow, or in some cases his divorced wife) regardless of her age.

(*e*) Dependant parents,[1] age 65 or over, of deceased worker, if no surviving widow, widower, or child who could have received benefits.

(*f*) In addition, a lump-sum payment upon death of an insured worker.

(*g*) In effect, no individual can receive more than one type of monthly benefit, but rather the largest for which he is eligible.

II. Insured status:

(*a*) Based on "quarters of coverage." An individual paid $50 or more of nonfarm wages in a calendar quarter is credited with a quarter of coverage for that quarter ($4,200 of wages in a year automatically gives 4 quarters of coverage). An individual paid $100 or more of farm wages in a year is credited with 1 quarter of coverage for each full $100 of such wage ($400 or more of such wages automatically gives 4 quarters of coverage). An individual with creditable self-employment income in a year (in general, $400 or more) automatically receives 4 quarters of coverage.

(*b*) Fully insured status gives eligibility for all benefits except dependent husband's benefits and dependent widower's benefits, which require both fully and currently insured status, and child's benefits in respect to a married woman which may be payable only if she has currently insured status. A fully insured person is one who at or after attainment of age 65 (or death, if earlier) fulfills any one of the following three alternative requirements:

(1) Has 40 quarters of coverage.

(2) Has at least 6 quarters of coverage and at least 1 quarter of coverage (acquired at any time after 1936) for every 2 quarters elapsing after 1950 (or age 21 if later) and before age 65 (or death if earlier); see item V, for effect of disability on elapsed period.

(3) Has a quarter of coverage in each of the first 6 quarters after 1954 and has a quarter of coverage in every quarter thereafter until (but not including) the quarter in which he attains age 65 (or dies, if earlier).

Most persons who become fully insured will do so under the first or second alternatives. The second alternative enables a person who attained age 65 before July 1951 to become fully insured with just 6 quarters of coverage acquired at any time. Elderly persons who are newly covered under the 1954 amendments may meet the third alternative even though not the second. Thus a person who is newly covered under the 1954 amendments and who attains age 65 before October 1956 will be fully insured if he has a quarter of coverage in each of the 6 quarters beginning January 1, 1955 and ending June 30, 1956. The third alternative is not effective in any case for persons reaching age 65 or dying after September 1958.

(*c*) Currently insured status (eligible only for child, mother, and lump-sum survivor benefits; necessary for husband's and widower's benefits) requires 6 quarters of coverage within 13 quarters preceding death or entitlement to old-age benefits (see item V for effect of disability on 13-quarter period).

III. Worker's old-age benefit (called primary insurance amount):

(*a*) Average monthly wage may be computed under three methods:

(1) "Old law" average: Based on period from 1937 to age 65 or subsequent retirement (or death if earlier) regardless of whether in covered employment in all such years, with drop-out of low years, as described in (4).

(2) "New start" average with drop-out: Same basis as (1), except beginning with 1951 rather than 1937, for those with 6 or more quarters of coverage after 1950, with drop-out of low years, as described in (4).

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[1] Proof of dependency must, in general, be filed within 2 years of worker's entitlement in cases of a dependent husband, and within 2 years of death in cases of a dependent widower or dependent parent.

(3) "New start" average without drop-out: Same basis as (2), except that drop-out described in (4) is not used).

(4) In computing the average wage under methods (1) and (2), but not under method (3), the lowest years (years in which there were little or no earnings) up to 4 may be dropped out, plus an additional low year may be dropped out if there are at least 20 quarters of coverage. In general, drop-out can be used if individual has 6 quarters of coverage after June 1953, or if individual first became eligible for benefits after August 1954.

(5) Further dropout for all three methods is available for disabled persons (see item V).

(*b*) Monthly benefit amount is computed from whichever of the three average wages gives the largest benefit, as follows:

(1) Using the "old law" average or "1937" method, the "original" monthly amount is 40 percent of first $50 of average wage under method (1), plus 10 percent of next $200, all increased by 1 percent for each calendar year before 1951 in which at least $200 of wages was paid. This "original" amount is then increased by a conversion table to give the primary insurance amount, as indicated by the following table for certain illustrative cases:

Original amount:	*Primary insurance amount*	Original amount:	*Primary insurance amount*
$10	$30.00	$30	$66.30
15	40.00	35	73.90
20	47.00	40	81.10
25	57.40	45	88.50

(2) Using the "new start" average with dropout or "1954" method, the primary insurance amount is 55 percent of first $110 of average wage under method (2), plus 20 percent of next $240.

(3) Using the "new start" average without dropout or "1952" method, the primary insurance amount is $5, plus 55 percent of first $100 average wage under method (3), plus 15 percent of next $250 (actually this formula is used only for average wages of less than $130 since method (2) always yields a larger amount for other cases).

(*c*) Minimum primary insurance amount is $30.

(*d*) Illustrative primary insurance amounts under "1954" method for various proportions of time in covered employment for worker who becomes age 65 on January 1, 1991:

Average monthly wage while working	Proportion of years after 1950 in covered employment		
	All	One-half	One-quarter
$50	$30.00	$30.00	$30.00
100	55.00	31.40	30.00
150	68.50	46.80	30.00
200	78.50	61.30	31.40
250	88.50	66.90	39.10
300	98.50	72.70	46.80
350	108.50	78.50	55.00

IV. Benefit amounts for dependents and survivors, relative to worker's primary insurance amount:

(*a*) Wife or dependent husband—one-half of primary.

(*b*) Widow or dependent widower—three-fourths of primary.

(*c*) Child—one-half of primary, except that for deceased worker family, an additional one-fourth of primary is divided among the children.

(*d*) Dependent parent—three-fourths of primary.

(*e*) Lump-sum death payment—three times primary, with $255 maximum.

(*f*) Maximum family benefit is $200 or 80 percent of average wage if less (but not to reduce below the larger of $50 or 1½ times the primary).

(*g*) Minimum amount payable to any survivor beneficiary where only one is receiving benefits is $30.

(*h*) Illustrative monthly benefits for retired workers under "1954" method (figures rounded to the nearest dollar):

Average monthly wage	Single, or married with wife not entitled	Married with wife age 65 or over
$50	$30	$45
$100	55	83
$150	69	103
$200	79	118
$250	89	133
$300	99	148
$350	109	163

(*i*) Illustrative monthly benefits for survivors of insured workers under "1945" method (rounded to nearest dollar):

Average monthly wage	Widow age 65 or over [1]	Widow and 1 child	Widow and 2 children	Widow and 3 children	1 child alone	2 children alone
$50	$30	$45	$50	$50	$30	$38
$100	41	83	83	83	41	69
$150	51	103	120	120	51	86
$200	59	118	157	160	59	98
$250	66	133	177	200	66	111
$300	74	148	197	200	74	123
$350	81	163	200	200	81	136

[1] Also applicable to aged widower or aged parent.

V. Preservation of benefit rights for disabled: Periods of total disability of at least 6 months' duration are excluded in determining insured status and average monthly wage, provided the disabled worker has at least 6 quarters of coverage in the 13 quarters ending with the quarter in which he is disabled and at least 20 quarters of coverage in the 40 quarters ending with the quarter in which he is disabled. Determinations of disability are, in general, made by State agencies in charge of vocational rehabilitation.

VI. Employment permitted without suspension of benefits (called work clause or retirement test): A beneficiary can earn $1,200 in a year in any employment, covered or noncovered, without loss of benefits. For each $80 (or fraction thereof) of covered or noncovered earnings in excess of $1,200, 1 month's benefits is lost. In no case, however, are benefits withheld for any month in which the beneficiary's remuneration as an employee was $80 or less and in which he rendered no substantial services in self-employment. For beneficiaries age 72 or over, there is no limitation. If a retired worker's benefit is suspended, so also are the benefits of his dependents.

VII. Covered employment:

(*a*) All employment listed below which takes place in the 48 States, the District of Columbia, Alaska, Hawaii, Puerto Rico, or the Virgin Islands, or which is performed outside the United States by American citizens employed by an American employer (or, by election, by an American citizen employed by a foreign subsidiary of an American employer) is covered employment. Also covered, under certain conditions, is employment on American ships and aircraft outside the United States.

(*b*) Individuals engaged in the following types of employment are covered:

(1) Virtually all employees in industry and commerce, other than long-service railroad workers (the service of those who retire or die with less than 10 years of railroad service is covered).

(2) Farm and nonfarm self-employed (other than lawyers, doctors, dentists, and other medical practitioners) with $400 or more of net earnings from covered self-employment.

(3) State and local government employees not covered by a retirement system, and those covered by a retirement system (excluding firemen and policemen) on a referendum basis in which a majority of those eligible to vote are in favor of coverage; in any event; the State must elect such coverage.

(4) Nonfarm domestic workers (based on $50 in cash wages from one employer in a quarter).

(5) Farm workers, including farm domestic workers (based on $100 or more in cash wages from any one employer in a year).

(6) Ministers and members of religious orders (other than those who have taken a vow of poverty) either employed by nonprofit institutions (in positions which only a minister can fill) or self-employed are covered on individual elective basis as self-employed. Other employees of nonprofit institutions are covered on elective basis; employer must elect coverage, and at least two-thirds of employees must concur in coverage (then all employees concurring in coverage and all new employees are covered).

(7) Federal employees who are not now covered by retirement systems established by law of the United States other than a few specifically excluded small categories.

(8) Definition of "employee" is broadened from strict commonlaw rule to include following groups as "employees": Full-time wholesale salesmen; full-time life insurance salesmen; agent-drivers and commission drivers distributing meat, vegetable, or fruit products, bakery products, beverages (other than milk), or laundry or dry-cleaning services; and industrial homeworkers paid at least $50 in cash during a quarter and working under specifications supplied by employer.

VIII. Wage credits for World War II and subsequent military service: World War II veterans and those in service thereafter (including those who die in service) are given wage credits of $160 for each month of active military (including naval) service in World War II and thereafter through March 1956 except that credit is not given if service is used for any other Federal retirement or survivor system (other than compensation or pension payable by the Veterans' Administration); additional cost is to be borne by trust fund.

IX. Maximum annual wage and self-employment income for benefit and contribution purposes: $4,200 per year for 1955 and after ($3,600 in 1951–54 and $3,000 before 1951).

X. Tax (or contribution) rates:

(*a*) 2 percent on employer and 2 percent on employee through 1959, 2½ percent for 1960–64, 3 percent for 1965–69, 3½ percent for 1970–74, and 4 percent thereafter.

(*b*) For self-employed, the rate is 1½ times that for employees. Self-employment income taxed is, in general, net income from trade or business; special optional provisions based on 50 percent of gross income are available for farmers with gross income of less than $1,800.

(*c*) No provisions for authorizing appropriations from general revenues to assist in financing the program.

APPENDIX B.—*Illustrative OASI monthly benefits computed on basic pay of enlisted personnel*

Total service and pay grade at death [1]	Average basic basic pay [2]	Retirement benefits [4]		Survivors benefits [3]		
		Worker only	Worker and wife	Widow and 1 child	Widow and 2 children	Child, aged widow, dependent parent
4 months (E–1)	$78	$43	$64	$64	$64	$32
1 year (E–1)	81	45	67	67	67	34
1½ years (E–2)	82	45	68	68	68	34
2 years (E–3)	87	48	72	72	72	36
3 years (E–4)	104	57	86	86	86	43
4 years (E–5)	119	62	94	94	95	47
6 years (E–6)	144	67	101	101	115	51
10 years (E–7)	185	76	113	113	148	57
14 years (E–7)	208	80	180	120	160	60
20 years (E–7)	233	85	128	128	170	64

[1] Assumes promotion history as follows: E–1 for 1 year; E–2 for 6 months; E–3 for 6 months; E–4 for 1 year; E–5 for 1 year; E–6 for 2 years; E–7 thereafter.

[2] Wages are averaged over actual months of service without application of the OASI "dropout" or "minimum divisor" provision.

[3] In addition to monthly survivor benefit shown, a lump-sum death payment is made to a surviving spouse or to an individual who paid burial expenses.

[4] Benefits which would be payable at retirement on the basis of average basic pay comparable to amounts shown in the "Average basic pay" column.

APPENDIX C.—*Illustrative OASI monthly benefits computed on bais pay of commissioned officers*

Total service and pay grade at death [1]	Average basic basic pay [2]	Retirement benefits [4]		Survivors benefits [3]		
		Worker only	Worker and wife	Widow and 1 child	Widow and 2 children	Child aged widow, dependent parent
1½ years (O-1)	$222	$83	$124	$124	$166	$62
3 years (O-2)	263	91	137	137	182	68
6 years (O-3)	306	100	150	150	200	75
10 years (O-4)	325	104	155	155	200	78
14 years (O-5)	332	105	157	157	200	79
18 years (O-6)	336	106	159	158	200	79
23 years (O-7)	338	106	159	159	200	80
30 years (O-8)	340	107	160	160	200	80

[1] Assumes promotion history as follows: O-1 for 1½ years; O-2 for 1½ years; O-3 for 3 years; O-4 for 4 years; O-5 for 4 years; O-6 for 4 years; O-7 for 5 years; O-8 thereafter.
[2] Wages are averaged over actual months of service without application of the OASI "dropout" or "minimum divisor" provisions.
[3] In addition to monthly survivor benefits shown, a lump-sum death payment is made to a surviving spouse or to an individual who paid burial expenses.
[4] Benefits which would be payable at retirement on the basis of average basic pay comparable to amounts shown in the "Average basic pay" column.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
January 9, 1956.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR MR. CHAIRMAN: This letter is in response to your request of July 21, 1955, for a report on H. R. 7089, a bill to provide benefits for the survivors of servicemen and veterans, and for other purposes.

The bill would make major revisions in existing Federal benefit programs for survivors of persons dying in military service or from service-connected causes and would simplify the present complex structure of benefits. The bill would continue the lump-sum death gratuity of 6 months' pay which is payable by the service department concerned but would apply a statutory minimum and maximum to this payment. In lieu of all other survivor benefits now payable under veterans' laws with respect to death in service, the bill would provide a new service dependency and indemnity compensation, payable by the Veterans' Administration, and would extend contributory old-age and survivors insurance coverage to members of the uniformed services (including the Public Health Service and the Coast and Geodetic Survey), with contributions and benefits computed on basic pay. The bill contains several special old-age and survivors insurance provisions which would apply only to servicemen and certain former servicemen. The bill would provide for reimbursing the Federal old-age and survivors insurance trust fund for costs attributable to the special provisions in existing law relating to servicemen as well as for costs attributable to the special provisions in H. R. 7089.

The Department of Health, Education, and Welfare favors the objectives of the bill and believes that it would provide an improved system of survivor benefits for members of the uniformed services. The bill would substantially carry out the recommendations of the President and this Departemnt that old-age and survivors insurance coverage be extended to members of the uniformed services on a contributory, wage-related basis.

Under the bill, old-age and survivors insurance coverage would apply only to the basic pay of servicemen rather than their gross pay. This restriction would exclude such items as the value of food, shelter and various allowances and special pay. While the effect of this provision would be to establish a substantially lower base for old-age and survivors insurance contributions, the level of benefits would also be lower. Old-age and survivors insurance protection is designed to provide a partial replacement of earnings that are lost by reason

of the worker's retirement or death. This Department believes that this purpose would be better served if servicemen, like civilian employees, were covered under old-age and survivors insurance on the basis of their gross pay.

We endorse the inclusion of the commissioned corps of the Public Health Service under the provisions of the bill. Under existing law, members of the commissioned corps of the Public Health Service have been intermittently entitled to certain Armed Forces survivor benefits while serving on active duty with the Armed Forces, or in time of war when the corps was declared to be a military service by Presidential Executive order. The bill would correct the inequities and anomalies that result from this situation by providing that the Commisisoned Corps of the Public Health Service shall have continuous coverage under Veterans' Administration laws and under old-age and survivors insurance.

This Department urges most strongly that your committee approve the provision in H. R. 7089 for reimbursement of the Federal old-age and survivors insurance trust fund for the cost of the existing provision for old-age and survivors insurance wage credits of $160 for each month of active military service performed after September 15, 1940. The fact that such reimbursement is provided in H. R. 7089 was a major consideration in this Department's endorsement of the recent extension (to April 1, 1956) of the period of service for which these gratuitous wage credits can be given. The reimbursement provision in H. R. 7089 is needed to correct the present situation in which the contributors to the trust fund are required to bear the costs of the gratuitous wage credits. It seems to us extremely unfair that the cost of these special benefits which have been provided for servicemen should be borne by the contributors to the trust fund, that is, by those who pay social-security taxes. These taxes though satisfactory for meeting the cost of benefits to the contributors, cannot be justified as a means of meeting the costs of other Government payments, such as the special benefits for servicemen.

As we testified before the select committee of the House of Representatives, this Department is convinced that there is no question as to the administrative feasibility of bringing the services under contributory social security. The reporting of necessary wage information can be handled in large part through facilities that have already been established for payroll purposes.

At the appropriate time in the consideration of this bill by your committee, we would appreciate the opportunity to offer certain perfecting amendments and suggestions for relatively minor changes. We are continuing our examination of certain provisions of the bill, including the amendment relating to the railroad retirement system, which was added to the bill just prior to its passage by the House of Representatives.

Although we are of the opinion that the bill would be more satisfactory if it provided that contributory old-age and survivors insurance coverage be based on servicemen's gross pay, we believe that the coverage provided on a contributory basis by H. R. 7089 will strengthen and improve the survivor and retirement protection of servicemen. The Department endorses the bill and recommends favorable action on it by the Congress.

The Bureau of the Budget advises that it perceives no objection to the submission of this report to your committee and that enactment of H. R. 7089 would be in accord with the program of the President.

Sincerely yours,

(Signed) M. B. FOLSOM, *Secretary.*

The CHAIRMAN. The first witness is Mr. Charles I. Schottland, Commissioner of Social Security.

STATEMENT OF CHARLES I. SCHOTTLAND, COMMISSIONER OF SOCIAL SECURITY OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. SCHOTTLAND. Thank you, Mr. Chairman. Members of the committee, I am Charles I. Schottland, Commissioner of Social Security of the Department of Health, Education, and Welfare. The Department appreciates this opportunity to present its views on H. R. 7089, the Servicemen's and Veterans' Survivor Benefits Act. Sec-

retary Folsom has asked me to express his regret that he is not able to be here.

The Department believes that the enactment of H. R. 7089 would prove a considerably improved system of survivor benefits for members of the uniformed forces. Under this bill, all of the Nation's servicemen would have social-security protection on much the same basis as workers in private employment. In addition, if death occurred in service or from service-connected causes, there would be benefits payable to the surviving family under the veterans laws. The enactment of H. R. 7089 would bring about a marked simplification of the present complicated and overlapping provisions for payments to survivors of servicemen. Under the present laws there can be widely varying survivor protection as between servicemen with equal pay and service; in other instances, a completely inadequate benefit may be payable to the widow of an officer who has given a lifetime of service to our Armed Forces. The bill would correct these inequities that now occur. Servicemen would be assured of continuous social-security protection which would follow them into and out of military service. Benefit rights under the regular social-security coverage provisions would be much easier for servicemen and their dependents to understand than the restricted credits that are sometimes granted and sometimes withheld under the provisions for gratuitous military service credit which expired April 1.

Of the several benefit programs affected by H. R. 7089, this Department is primarily concerned with the old-age and survivors' insurance program, and I will therefore direct my comments to the provisions of the bill extending social-security coverage to members of the Armed Forces. As you know, the need for improvement and simplification of the military survivor-benefit programs has been studied by a number of groups during recent years—by the 1948 Advisory Council on Social Security which was created by the Committee on Finance, by a special committee of the Department of Defense, by the Committee on Retirement Policy for Federal Personnel, by the President's Commission on Veterans' Pensions, and by the Select Committee on Survivors Benefits of the House of Representatives, 84th Congress. Each of these groups has come to the conclusion that a sound system of survivor benefits for members of the Armed Forces must rest on a foundation of social-security coverage, and that the social-security coverage should be on the same contributory basis that applies to all other segments of the Nation's economy.

This committee is, of course, aware of the extensive use that has been made of social-security benefits in private industry to provide a base on which supplementary survivor or retirement protection can be built. Extending old-age and survivors insurance coverage to military personnel would similarly provide a sound foundation to which can be added appropriate supplemental benefits for the families of servicemen who die from service-connected causes—whether death occurs on active duty or after leaving service. This is the approach that is contemplated in H. R. 7089. We believe that the social-security coverage provided by H. R. 7089 would be even more effective if coverage applied to servicemen's gross pay, rather than their basic pay, but the general approach taken by the bill is a sound one.

This committee is also aware that one of the great advantages of social-security coverage for any group is that the broad coverage of

the program assures a continuity of protection that cannot be provided under a special system for the group. This advantage of social-security coverage is of paramount importance in the case of our Armed Forces. During the course of a year about 850,000 men either enter or leave military service. Many servicemen come from noncareer jobs covered under social security; most of those who leave will soon get into work that is covered under the program and will remain there for the rest of their work lifetime. If the veteran does not continue to build up social-security rights during his period of military service he will have a gap in his social-security earnings record and, in most cases, will be at a definite disadvantage compared with the man who had no break in his social-security coverage.

While the survivor benefits of social security, accruing to both the career serviceman and the civilian soldier, would have a vital role in the structure of benefits contemplated by H. R. 7089, the advantages of social-security coverage for servicemen from the standpoint of the old-age insurance benefits should not be overlooked. By giving servicemen regular coverage under social security the Government can fulfill at a moderate cost an important obligation that it owes as an employer to its noncareer servicemen—the obligation to provide some retirement credit for periods of military service. The only special provision for old-age benefits for the noncareer serviceman is the veterans pension, which is of course subject to a test of need. Of every 100 persons who enter our Armed Forces, 97 do not remain for the 20-year period required to qualify for retirement benefits under the service retirement system.

The uniformed services retirement system is designed to promote career service and thus performs an invaluable function which might be impaired if retirement credit under that system was also given to non-career servicemen. Provision of retirement credit for short service personnel by means of social-security coverage would raise no such problem and would have important advantages for both the serviceman and the Government. The Congress has said to virtually all employers in private industry that they must share in providing social-security credit for their employees. We believe that the Government should accept the obligation that it, too, has as an employer to provide regular social-security coverage for the members of its Armed Forces.

The Department has carefully considered proposals which have been made from time to time to give OASI credit for military service on some basis other than contributory OASI coverage. Although some of these proposals might be adequate as stopgap measures, they have major disadvantages when viewed as possible permanent arrangements. For example, the provision in the present law for a flat $160-a-month social-security wage credit would not be satisfactory as a permanent plan. One objection inherent in any flat-credit approach is the practical difficulty of arriving at a satisfactory amount for the credit. Regardless of the amount selected, it will be either too high to reflect the pay of some servicemen or too low to represent the pay of others. From the standpoint of cost to the Government, the establishment of a flat credit plan as a permanent arrangement would probably soon lead to pressures for substantially increasing the amount of the credit—possibly to the maximum of $350 a month. Not only would a $350 wage-credit plan be very costly to the Government but

the disadvantages inherent in any flat wage credit approach would be perpetuated.

This Department urges most strongly that your committee approve the provision in H. R. 7089 for reimbursement of the Federal old-age and survivors insurance trust fund for the cost of the existing provision for gratuitous social-security wage credits of $160 for each month of active military service performed after September 15, 1940. The fact that such reimbursement is provided in H. R. 7089 was a major consideration in this Department's endorsement of the extension to March 31, 1956, of the period of service for which these gratuitous wage credits can be given. The Department would oppose any long-range extension of the present provision unless reimbursement of the trust fund is also provided for the cost of such extension. The reimbursement provision in H. R. 7089 with respect to the costs of the provisions already enacted is needed to correct the present situation in which the contributors to the trust fund are required to bear the costs of the gratuitous wage credits. It seems to us extremely unfair that the cost of these special benefits which have been provided for servicemen—a cost that in all other cases is met from general revenues—should in this instance be borne by a special group consisting of the contributors to the trust fund—that is, by those who are required to pay social security taxes. These taxes, unlike incomes taxes, apply only to the first $4,200 of annual earnings. Though a tax of this kind is satisfactory for meeting the cost of benefits to the contributors, it cannot be justified as a means of meeting the costs of other Government payments, such as the special benefits for servicemen.

We endorse the inclusion of the Commissioned Corps of the Public Health Service under the provisions of the bill. Under existing law, members of the Commissioned Corps of the Public Health Service have been intermittently entitled to certain Armed Forces survivor benefits while serving on active duty with the Armed Forces, or in time of war when the corps was declared to be a military service by Presidential Executive order. This bill would correct the inequities and anomalies that result from this situation by providing that the Commissioned Corps of the Public Health Service shall have continuous coverage under Veterans' Administration laws and under old-age and survivors insurance.

There would be no problems of any consequence in administering the provisions of the bill. Based on our discussions with other agencies involved and our experience in operating under the present law, this Department is convinced that there is no question as to the administrative feasibility of bringing the services under contributory social security. The reporting of necessary wage information can be handled in large part through the existing military payroll offices. We have reached agreement with the Department of Defense on a system of reporting service pay semiannually rather than on the quarterly basis required of all other employers with the exception of farmers. During our discussions, the possibility of reporting service pay on an annual basis for social security purposes was explored, but we concluded that this step would not be feasible until such time as provision is made for employers generally to report on an annual basis. Legislation providing for annual reporting by all employers,

at an estimated savings to the employers of about $22 million a year, has been introduced in the House and we are hopeful that it will be considered by Congress.

To summarize, Mr. Chairman, the Department believes that the extension of contributory, wage-related social security protection to members of the uniformed services would be a highly desirable step. In our opinion, H. R. 7089 would provide major improvements in the survivor and retirement protection of the members of those services. The bill would bring about a considerable simplification of present provisions and the causes of many present inequities in benefit amounts would be removed. The social security coverage provided by the bill can be economically administered by the service departments and by this Department under existing facilities. By providing for reimbursement of the trust fund for the cost of the gratuitous social security benefits now provides for servicemen, the bill would make a much needed correction of an unfair situation that now exists. The Department of Health, Education, and Welfare endorses H. R. 7089 and recommends favorable action on it by the committee.

Mr. Chairman, we may have some minor technical amendments with reference to dates and other things, because some of the dates were geared to the possible passage last year, and those will be taken up with the committee.

The CHAIRMAN. We may take that up in executive session Monday. I have several questions I would like you to answer. It may be you have covered them, or some parts of them, in your statement. Will you read the question?

Mr. SCHOTTLAND. The first question:

Would this bill cover military personnel into the social security system on the same basis as other segments of the population? If not, please state the exceptions which would be established in this legislation for military personnel.

This bill would put military personnel into social security on the same basis as all other segments of the population, with several exceptions. One exception is that upon entering the military service, a person would be deemed to be insured for survivor protection, whereas upon entering private employment, he does not become insured until he has worked 6 quarters.

Now, the reason for this immediate coverage for military personnel is that this is primarily a veterans' benefit, and in a bill to provide coordination, we did not want to have two sets of veterans survivors' benefits. That is, a person joins a military force, and 2 weeks after, he drops dead. We did not want to have one set of survivors' benefits for that person and another set for the man that died 7 quarters after entering military service. So that in effect, what this does, is use the OASI system as a method for taking care of the first 6 quarters.

Another difference is that in most civilian occupations, social security is figured on gross pay. In this bill, it is figured on base pay. The Department would have preferred that coverage apply to gross pay, but we recognized the objections that were raised to it.

The principal objection is that servicemen in the lower enlisted grades would have a large tax in proportion to their cash pay. Say a service man is getting $80 and we start figuring in his gross pay for room and board, and so on. That would be about $200. He would pay 2 percent under the present provisions, on $200, which would be

about 5 percent on his $80, and it seemed quite a big slice to take. We believe that this difficulty probably could be worked out. However, we are willing to go along with the bill as is.

The CHAIRMAN. Are they the only two differences?

Mr. SCHOTTLAND. The only other difference is that a serviceman who becomes disabled as a result of military service would not have to meet the requirements as to amount of covered work in order to be eligible for the OASI disability freeze.

Your next question:

Will you state, first, whether social security benefits under this bill will be tax free and second, whether regular military retirement pay and other military payments are tax free.

First, the social security benefits under this bill would be tax free in the same way that other social security benefits are.

With reference to the regular military retirement pay and other regular military benefits, the same rule would be applied to those that is now applied; and the general situation, as I understand it, is that where a retirement system is based on longevity of service, the benefit is taxed.

Senator WILLIAMS. Is the military pension subject to tax now?

Mr. SCHOTTLAND. Yes, except the disability retired pay.

The CHAIRMAN. To what extent is the social security benefit exempt from taxation?

Mr. SCHOTTLAND. Social security is completely exempt from taxation.

The next question:

Other employers are required to make social security reports quarterly. How often will such reports be required from military personnel under this bill?

We have worked out arrangements whereby the reports will be made every 6 months under this bill, but with a quarterly subdivision. We are hoping that the Congress will enact a proposal which the administration has made for annual reporting for all employers. In that case, we would work out a different arrangement with the Department of Defense; but under this bill as of now, we will have a 6 months' reporting. Six months would be simpler for the Department of Defense. With their personnel spread all over the world, it is quite a hardship to require a quarterly reporting so the reporting would be made every 6 months, or upon separation from the service. This is satisfactory to the Department of Defense and is proper for our purposes.

The next question:

The Congress has been extending the so-called $160 social security wage credit for service personnel over a period of years. Will you state how long this has been going on—the indebtedness to the social security trust fund and the Department's views of the moral and fiscal requirement that the fund be reimbursed?

I might start with the last part of it first. The Department's views of the moral and fiscal requirement that the fund be reimbursed. I think that this is very well stated by the House committee which considered the matter. If I might just quote from them, they reported that, "The orderly liquidation of this debt is a moral obligation of the Government." It went on in some detail. We feel that it is both a moral obligation and a sound fiscal requirement. All of the cost

figures which we present to this committee from time to time are based on contributions which come into the fund and the benefits that go out of it. Special benefits for servicemen have always, under other programs, been a charge on the General Treasury and should in this case be a charge on the General Treasury. We do not think it is fair or proper for the fund to continually put out money for this purpose, without being reimbursed.

Now, with reference to the amount of money that is involved. As of March 31, 1956, the fund has already paid out, in out-of-pocket cash, an estimated $199 million to persons, based on military service credits. There is a future liability on this account that is estimated to be some $560 million, but the out-of-pocket cash is, as of March 31, 1956, $199 million.

Now, this bill does provide that this $199 million will be amortized over a period of 10 years, and in addition the current additional benefits will be paid to the trust fund from general funds as they are paid in cash from the trust fund.

Now, this provision was put into the law in 1950. There has been no reimbursement since then. Up through August 1950 there was reimbursement for the special provisions in the 1946 legislation.

I think that the record—as I understand what happened at the various committee meetings of the Ways and Means Committee and this committee—indicate a rather clear intent that this should be done at the appropriate time. As a matter of fact, in the consideration by the House Ways and Means Committee, I think it is correct to say, they would have inserted a reimbursement provision in H. R. 8615 had it not been that this bill, which is now before you, carried such a provision.

The CHAIRMAN. $199 million has actually been paid out?

Mr. SCHOTTLAND. That is correct.

The CHAIRMAN. Is it proposed to reimburse with interest? Pay interest on it?

Mr. SCHOTTLAND. Yes, sir.

The CHAIRMAN. Two and a half percent?

Mr. SCHOTTLAND. Yes, sir.

The CHAIRMAN. No interest on the accrued?

Mr. SCHOTTLAND. No interest on the accrued.

Mr. SMATHERS. There is no interest on the $199 million already paid out?

Mr. SCHOTTLAND. There is to be interest on the $199 million.

The CHAIRMAN. But the accrued is to be paid as it occurs. As it will be paid out, it will be added?

Mr. SCHOTTLAND. That is correct.

The CHAIRMAN. I think that is a fair arrangement.

Mr. SMATHERS. The question in my mind, you are extending this payment over a period of 10 years. You accumulate in a shorter time than that. Your obligation will be accumulating over a period of 5 years. I recognize the fact that it is difficult, sometimes, to pay back as rapidly as you pay out but I think I would have been a little more in favor of it had you tried to repay the same as you paid out—in 5 years.

Mr. WILLIAMS. Had you paid back as first recommended by the Defense Department, as it was recommended to be paid by the Defense

Department in the testimony the first day, you would have gained because they proposed to get about a billion and a half. We corrected the error the next day.

Mr. SCHOTTLAND. The next question is—

Will you please state for the record how much the railroad retirement fund owes the OASI trust fund as of the middle of last year?

About $209 million.

Will you please state for the record how this debt situation between the Federal trust fund developed and state whether any provisions exist for paying it off?

The debt situation developed as follows:

We have under the law, exchange provisions between the two funds. As a person becomes eligible for railroad retirement, when the benefits are paid out, we figure how much would have been paid to him if he had been covered under old-age and survivors insurance. Then we balance it out between these benefit payments and the taxes we would have collected if railroad employment had been under OASI.

Now, this indebtedness of railroad retirement draws interest but in the meantime, has been going down and there may come a time, actually, when we owe them money. We don't know just how it will eventually work out. It depends, a great deal, on the employment situation and other things. It is because of the exchange provisions and the credit given one program against another, that this situation has developed.

The CHAIRMAN. Do you pay the railroad retirement fund out of your funds now? Isn't that separate? Don't they pay separately? Doesn't railroad retirement make their own payments?

Mr. SCHOTTLAND. Yes, but there are certain persons, say, some short-term workers and others, that will be getting OASI payments but part of the time, they make payments into the railroad retirement funds. We have offset provisions for this.

The CHAIRMAN. How did they accumulate a debt, then, to your fund of $208 million? How does that come about?

Mr. SCHOTTLAND. I wonder if, on these actuarial questions, our Chief Actuary, Mr. Robert J. Myers, might explain the situation?

Mr. MYERS. Mr. Chairman, the situation as to this financial interchange between railroad retirement and OASI is that the OASI trust fund is to be put in the same position that it would have been if railroad employment had always been covered under social security. In other words, the OASI trust fund, in essence, is reinsuring a part of the railroad retirement system. The calculations have been made so that over the past years, in theory, we have been credited with all the OASI taxes that would have been on railroad employment, and in turn, we credit the railroad retirement account with all the benefits that we would have paid to railroad workers. This process has resulted in the fact that we would have collected, as of the middle of last year, some $208 million more in taxes and accumulated interest than we would have paid out in benefits to railroad workers. Over the last few years, this amount, as Mr. Schottland said, has been decreasing because of the heavy retirement benefit costs due to the older age of railroad workers as compared with the general working population.

If a man has both social-security coverage and railroad-retirement coverage, we determine how much additional OASI benefit he would

get as a result of his railroad employment if it had been social-security employment. We credit the additional amount to the railroad-retirement acccount. At the same time, the OASI trust fund is credited with the taxes that would have been levied on the railroad payroll at the OASI rates. This is all done on paper. The net balance of the transaction is transferred from one system to the other. We started off with a balance in our favor, but this initial debt is left in the railroad-retirement account as a debt to social-security. Railroad Retirement has been paying interest on that, to us. If this debt is ever liquidated, as it is now in the process of doing, in the next few years the social-security system might have to transfer some money to the railroad retirement system. If the money starts flowing the other way, as I believe it might possibly do in the long run, they will transfer money to us each year representing the excess of the taxes on railroad payrolls at the social-security rates over the benefits we would be paying railroad workers.

Senator WILLIAMS. Is it your intention to let this run and mathematically work itself out, ultimately?

Mr. MYERS. The law provided that this initial amount, which was $488 million as of June 30, 1952, would be left in the railroad-retirement account but would be subject to any reductions. There would be interest paid on it, which we have received over the years, some $10 million a year for the last 3 years. The intention is that any reductions in this amount arising as experience unfolds would be taken off of it. If it were ever liquidated, from that point on, all transactions, either one way or the other way, would be in actual cash. I believe the reason for that procedure is that this initial debt of $488 million would have been a substantial part of the rilroad-retirement account and it was felt better to keep it as a bookkeeping debt as far as the OASI trust fund is concerned. We are just as well off, whether they held it and paid interest on it, or whether we held it and invested it and also got interest on it.

The CHAIRMAN. The next question?

Mr. SCHOTTLAND (reading):

> Will you please state for the record whether this money now being held by the railroad retirement trust fund is invested in Federal securities. If so, at what rate of interest? How much has it earned to date?

It is invested in Federal securities. They receive a 3 percent interest rate but I do not know the status of the earnings. I don't have the exact figures for the retirement funds with me.

The CHAIRMAN. The customary interest rate is 2½.

Mr. MYERS. The railroad retirement account gets 3 percent. The OASI trust fund has been getting less than 2½ percent most of the time by virtue of the special provisions of the present law, but this will be raised by virtue of a provision in H. R. 7225 that this committee added, which provides that the interest rate on our securities shall be based on the average of long-term Government securities rather than all securities.

The CHAIRMAN. With the addition of $80 million a year in income.

Mr. MYERS. No. I think it is less than that for the early years, since it would not yield too much gain because of the present particular interest-rate situation and the present relatively small size of the trust fund as compared with its estimated future size.

The CHAIRMAN. It used to be quoted as $80 million.

Mr. MYERS. Over the long range, that figure is about right, Mr. Chairman. In fact, the additional interest earnings of the trust fund might well average somewhat more than that.

The CHAIRMAN. The next question?

Mr. SCHOTTLAND (reading):

Is the Department of Health, Education, and Welfare satisfied to let this situation continue? Did the Department approve of it? Do you have any recommendations to make now, in this respect?

We have been quite concerned about the overall situation with reference to our relationship to railroad retirement. We are now studying the matter, and hopefully will come up with some recommendation. We are concerned for two reasons. One is that we feel that all of these programs should be similarly financed, on a sound basis; and in the second place, we do have an obligation to the Congress by virtue of the provision in the law that we shall study and report upon, as well as coordinate, the various programs of economic security of the Government; and at this stage, all I can say is that we do have a number of questions. We are studying the matter and hopefully will come up with some recommendation sometime in the future.

Senator WILLIAMS. As I understand the relationship between the railroad-retirement fund and the social-security fund, you merged as regards to payments to the employee himself, but when the employee dies, as to the survivorship and the survivor, you are not merged? You disregard any responsibility at all?

Mr. MYERS. Senator Williams, I believe, as I understand your question, it is the other way around. In the survivor cases, whether we pay the benefits or whether the Railroad Retirement Board pays the benefits, the benefits are based on the combined earnings of the man in railroad and social security employment. For retirement cases, if the railroad worker has more than 10 years of railroad service, he gets separate benefits; one from the Railroad Retirement Board, and if he qualifies with social security earnings, he gets a benefit from us.

Senator WILLIAMS. That is correct. If he qualifies under both the retirement systems, if he works for the railroad over a 10-year period, and if he worked in private industry and qualified for social security, the railroad employee can draw benefits from both retirement funds to the extent he contributed. When he dies, his widow only draws benefits from one, whichever is greater?

Mr. MYERS. From only one system, but based on the combined earnings, so the widow will get a larger benefit than if it were just based on railroad earnings or if it were just based on social security.

Senator WILLIAMS. Sometimes it figures out that way. Sometimes it figures out there is practically no change.

Mr. MYERS. It could be that way in some cases.

Senator WILLIAMS. There is no benefit whatsoever then, in that particular instance.

Is that applicable to any other condition? Would that be applicable in this bill, as far as military personnel are concerned, or would it extend on over?

Mr. MYERS. No. That would not be applicable because there is then not this interrelationship between two contributory systems. The military system, of course, as you know, is a noncontributory one and

the benefits are completely separate. The survivor benefit is completely separate.

Senator WILLIAMS. It will be contributory after this, if this is passed.

Mr. MYERS. So far as old-age and survivors insurance is concerned; not as far as the other benefits.

Senator WILLIAMS. This bill, as I understand it, for the widows, raises the minimum from $70 under the existing law to $112 but the $112 is composed of a combined benefit from the Veterans' Administration and the social security. Is that correct?

Mr. MYERS. No.

Mr. WILLIAMS. From the Veterans' Administration alone? Does social security pay in addition?

Mr. MYERS. Social security pays in addition.

Senator WILLIAMS. When we were speaking on this chart, of raising the benefits of widows from $70 to $112 under this bill, then they were in reality raising it from $70 to $112 plus the social security. Is that correct?

Mr. MYERS. Plus the social-security benefit, when the widow is eligible for social security which is only when she is over 65 or has young children in her care.

Senator WILLIAMS. That is right. I mean, no part of the $112 is considered as social-security payments; is that correct.

Mr. MYERS. That is correct, Senator Williams.

The CHAIRMAN. Are there any other questions? None.

The CHAIRMAN. Thank you very much, Mr. Schottland.

Mr. SCHOTTLAND. Thank you.

The CHAIRMAN. Our next witness is Mr. Kraabel, accompanied by Mr. Charles W. Stevens, assistant director of the national rehabilitation commission of the American Legion.

STATEMENT OF T. O. KRAABEL, DIRECTOR, NATIONAL REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. KRAABEL. Mr. Chairman, gentlemen of the committee, my name is T. O. Kraabel, director of the national rehabilitation commission of the American Legion.

I am accompanied by C. H. Olson, assistant director of the legislative commission, and Mr. Charles W. Stevens, the assistant director of rehabilitation; Warren McDonald, the research specialist, and John J. Corcoran, the legal consultant of our staff.

We appreciate very much, Mr. Chairman and gentlemen of the committee, the opportunity to present our views on this bill and to appear before this distinguished committee. This bill, H. R. 7089, has been both the subject and object of extensive studies, research, analyses, presentations, and hearings. It was brought forth by a bipartisan select committee of the House of Representatives and passed in that branch of Congress, as the committee knows, on July 13, 1955. Since that time the legislation has also had the careful consideration of this committee and its staff. There should be no need to particularize except as it may be necessary to set forth the stand of the American Legion.

The American Legion was first alerted to the significance of the proposed legislation when in the fall of 1954 it was noted that efforts

were being made to formulate a new program of benefits for survivors of present and formers members of the Armed Forces. Our organization is concerned primarily with war veterans and the dependents of veterans. The term "former members" would obviously include war veterans.

Informal discussions were held by the legislative and rehabilitation directors with 2 or 3 members of the original select committee which initiated the studies during the latter days of the 83d Congress. Representatives of our organization appeared at hearings that fall and set forth the Legion's basic concepts as to compensation and benefit programs for dependents of those who had served in defense of the country during an armed conflict.

With the advent of the 84th Congress and the creation of a new select committee, the American Legion again took part and continued its studies of the proposals. The assistance of our organization was requested by the chairman of the select committee and by the chairman of the House Committee on Veterans' Affairs, who was a member of the special group. Moreover, the national commander and national rehabilitation chairman saw possibilities of improvement and adjustments in behalf of war veterans' widows and children in what was being proposed. They also noted the attempts at equalizing some of the awards being made and which would be made under current laws. Under instructions from those two leaders, the director and staff of the national rehabilitation commission, in collaboration with the staffs of the legislative, child welfare, and economic group, undertook to make constructive and beneficial recommendations to the select committee to the end that a good proposal would be forthcoming.

At this point, permit me to go back and cite some of the considerations that prompted the efforts at a new benefits program for survivors of veterans. These originated in or had their impact upon primarily the Executive Office of the President, the Department of Defense, the Department of Health, Education, and Welfare, and the Comptroller General.

1. The excessive disparity in many cases in amounts of benefits payable to survivors of members of the Regular Establishment and Reserves participating in the Korean conflict. Service in the Reserves during peacetime had been ruled by the Federal Government as civilian service. Since the Korean conflict had been termed a peacetime police action reservists participating therein came under the act covering civilian employees of the Federal Government.

2. The plight of certain widows of career-service personnel who receive only death compensation, and no other awards, from the Federal Government which their husbands had served for the greater part of their respective lives.

3. The desire to make military service more attractive, and to afford a greater element of security for survivors of those who serve.

4. The national service life insurance situation, wherein the Government had incurred great cost and administrative difficulties in maintaining the program during World War II and the immediate postwar years, as against the distribution of the special 1948 NSLI dividend constituting approximately 70 percent of what the participating policyholders had paid in.

5. The possibility of members of the Armed Forces participating in the expanding social security—OASI—program of the Federal Government.

Among the considerations which weighed heavily with the American Legion, as its studies of the original plans leading up to H. R. 7089 progressed, were:

First: Preservation of the Veterans' Administration as an independent Federal agency administering programs for veterans and their dependents.

Second: Increased death compensation rates for widows and children.

Third: Raising the minimum of the 6-month death gratuity for widows of those in the lower ranks, and decreasing the maximum.

Fourth: Preservation of certain features of the insurance laws; and

Fifth: Improved benefit status for dependent parents.

The hearings and reports preceding and accompanying H. R. 7089 present quite a story of time and energy spent on forging the draft of this new proposal. The American Legion appreciates the opportunity it had not only to be heard before the select committee but also to work with members of its staff in supplying over 30 constructive changes designed to strengthen the original proposal. It was recognized from the first that any final draft of this legislation would be subject to such amendments as might be deemed necessary to correct deficiencies, effect adjustments, or eliminate operational defects.

At the 1955 national convention the national rehabilitation commission of the American Legion had the privilege of having this bill and its provisions explained in considerable detail by the staff director of the select committee. This information was supplemental to that which our own staff people had gained through individual studies. Despite the difficulty of readily grasping the intricacies and details of such a proposal the commission, in collaboration with its staff members, expressed support of the new legislation. Moreover, the convention itself adopted Resolution 77 expressing support with certain reservations. Copy of that resolution is made a part of this presentation.

In the days since the national convention there have been additional studies, exchanges of views and questions as to just what this bill will or will not do. On the basis of these expressions, the American Legion has other amendments to offer for the consideration of this Senate committee. These are also offered as part of this presentation. They will be discussed in detail, as the committee may wish.

In consonance with instructions contained in Resolution 77 mentioned above, which accompanies this statement, the following five proposals for amendment are recorded:

1. Provide a supplemental VA dependency and indemnity compensation for multiple children in families where a widow receives such an award and old-age and survivors insurance payments by the Social Security Administration are inadequate.

Where there is a widow with a child or children, present law providing VA death compensation payments recognizes each such child. The present monthly death compensation rate for a widow alone is $87 in a wartime service-connected death. In such a death, it is $121 for a widow with 1 child, $34 more. For each additional child, the

award is increased by $29 and there is no limitation on the total amount payable. This is as it should be, for the more children there are the more it costs to care for them.

In its endeavor to provide for improved survivor benefits, it is known that the House select committee made an earnest effort in subsection 202 (b) to provide for the minor children with whom we are here concerned. We feel that the present language of the subsection, however, fails to do adequately what we think needs be done. To translate this into the required language may be somewhat difficult but this is what we have in mind. Where there is a widow with a child or children, the survivor benefits for them can be improved, only if it is provided in this bill that there be a supplemental VA dependency and indemnity compensation payment to the widow for each child in such amount that the total combined amount of DIC and OASI shall equal or exceed somewhat the monthly monetary payment under existing law.

By virtue of the definition of child through subsection 102 (7) of this bill, in sections 203 and 204 ample recognition is accorded a child or children where there is no widow and, in certain instances, where there is a widow. There remains the group, however, above-mentioned who are to be benefited only if subsection 202 (b) is amended precisely.

The subsection provides for a supplemental VA DIC payment of $20 monthly to the widow receiving dependency and indemnity compensation, under specified limitations, for each child in excess of one but with a limit upon the number for whom the payment may be made.

The apparent purpose of subsection 202 (b) is to assure additional protection for children through the Veterans' Administration, where a widow receives DIC but OASI payments for children are not made or are inadequate. As the subsection reads presently, our interpretation and application to hypothetical cases cause us to believe that too few children will benefit.

We are concerned that there shall be a full recognition in this legislation of the Government's responsibility toward each and every child in a service-connected death. We are certain that no Member of the Congress would endorse a measure which fails to discharge this responsibility.

With present law providing a $34 monthly payment for the first child and $29 for every additional child to a widow in addition to the $87 death compensation award for herself, something more must be done than is proposed in subsection 202 (b) in the case of a child who has not attained the age of 18, if the desired improvement is made in the survivor-benefit program. A supplemental DIC award of but $20 monthly, and this only for a relatively small number of children, is not the answer, in our opinion.

We recommend that subsection 202 (b) be rewritten to provide for an aggregate monthly payment of at least $30 monthly for each and every child under age 18 where a widow is receiving dependency and indemnity compensation under subsection 202 (a). In the event that an OASI payment is not made for a child, or such payment is less than $30 monthly, we recommend payment of supplemental DIC for the child in such amount as will insure a minimum aggregate award of $30.

2. Provide a supplemental VA dependency and indemnity compensation payment for each illegitimate child of a deceased veteran or serviceman, if the Veterans' Administration recognizes the child as his.

An illegitimate child has no recognition under the OASI program. The Veterans' Administration will recognize the child as to the father only if acknowledged in writing, signed by him, or if he has been judicially ordered or decreed to contribute to the child's support or has been, prior to his death, judicially decreed to be the putative father of such child, or if he is otherwise shown by evidence satisfactory to the Administrator of Veterans' Affairs to be the putative father.

The definition of the term "child" in Veterans Regulation No. 10, as amended, applies under titles II and III of this legislation, by virtue of subsection 102 (7). Thus such a child, who has attained age 18, would benefit by the provisions of sections 203 and 204 in title II, as they apply to dependency and indemnity compensation for a child.

In providing VA dependency and indemnity compensation payments, cognizance has been taken of the fact that there is an SSA old-age and survivors' benefit payment as well for a child or children under age 18 in considerable numbers of cases. To assure equitable treatment for all children, it would appear necessary to provide a supplemental VA DIC payment for an illegitimate child under age 18, who is recognized by the Veterans' Administration as a child of the deceased serviceman or veteran, because the Social Security Act makes no provision for an OASI payment to such a child. This is recommended. However, should our proposal for amendment of subsection 202 (b) be accepted, these children would be comprehended and thus provided for.

3. In addition to exclusions of annual income now in section 205 (g) of the bill, it is recommended that there be excluded from consideration in determining the entitlement of a parent to VA dependency and indemnity compensation (*a*) VA disability compensation payments, and (*b*) VA-administered contract insurance payments for disability or death.

In determining the dependency of a parent for the purpose of an award of VA death compensation under present law, the above payments are excluded. They should also be excluded in determining entitlement of a parent to dependency and indemnity compensation. The fact that these payments are made does not lessen the Government's obligation toward the parent whose child's death is attributable to active military or naval service.

Because a parent has become disabled as a result of his own service so that VA compensation is awarded him, he should not be deprived of nor have reduced, the dependency and indemnity award for the death of his child. To do so would be inequitable in that it would place a burden upon him which could not be imposed upon a parent who served in the Armed Forces but sustained no service-connected disability, or upon a parent who performed no military nor naval service whatever. It is inconceivable that there should be doubt that there is full justification for concurrent payments of compensation to a parent as a veteran on account of his own service-connected disability and of service-connected dependency and indemnity compensa-

tion to such parent on account of the death of his child as a result of the latter's service. This simple statement should suffice to show why the American Legion strongly urges exclusion of a disability compensation payment as income in determining dependency of a veteran as a parent for the purpose of an award of dependency and indemnity compensation for the death of his child.

This needs to be said to illustrate our firm conviction that the insurance and dependency and indemnity compensation payments should also be made concurrently.

VA insurance payments for disability are made to veterans on account of provisions of their contracts with the Government for which they paid the required premiums. In the war risk yearly renewable term and United States Government life-insurance contracts, an agreement was made that monthly disability benefit payments would be made to the insured veteran in the event he established the fact that he had become permanently and totally disabled. He paid for this protection as well as for insurance against his death. Insureds under both United States Government and national service life insurance had the privilege extended them by the Government of obtaining for an extra premium payment additional insurance against their becoming totally disabled before a specific age. There are monthly disability benefits payable to such insureds as have this protection, after they have established that total disability has existed for a requisite length of time. When a veteran has paid for this insurance to provide for himself an added benefit, it must be recognized that he is being penalized for his thrift and foresight where, totally or totally and permanently disabled as he is and thus unemployable, the monthly benefit payment is considered as income so as to deny to him, or reduce the amount of a payment of, dependency and indemnity compensation which would be payable otherwise on account of the service-connected death of his child.

Say that a parent is awarded the proceeds of a VA insurance contract as the beneficiary of a deceased child who gained the right to obtain insurance through performance of active military or naval service. The child assumed an abligation toward the parent which he believed was warranted by the care the parent bestowed upon him. He paid for the insurance with premiums from his earnings in employment during service or subsequently, designating his parent as beneficiary. He did this because his filial regard for the parent's welfare in event of his own death was such that he wanted this monetary benefit to provide greater comfort for the parent. This cannot be gainsaid. Where such child's death results from his active military or naval service, denial or reduction of the DIC payment to the parent because of the insurance payment in effect shifts from the Government to the child in whole or in part the burden of the parent's care. In determining income for the DIC payment purpose, exclusion of the VA insurance payment would accord equal treatment in the service-connected deaths of insured and uninsured veterans.

The Congress has hereto fore manifested its desire that there be concurrent compensation and insurance payments in these cases. There appears to be no good reason which would cause a departure from this traditional recognition of the Government's full obligation. The aim of the select committee of the House—its stated objective—

was to provide an improved-benefit program. Our proposals for amendment here are made with this in mind.

4. Authorize revival or replacement of United States Government or national service life insurance permanent plan contracts, surrendered by virtue of provisions of section 5 of the Indemnity Act of 1951, within 120 days after effective date of H. R. 7089, instead of within 120 day after separation from active service as proposed in subsection 501 (a) (4).

In the subsection mentioned, this bill would add a new subsection 623 (a) to the National Service Life Insurance Act of 1940. The purpose is to reestablish a right now provided in section 5 of the Indemnity Act of 1951. That section had authorized cash surrender of a permanent plan USGLI or NSLI policy, so as to enable a member of the Armed Forces to take advantage of the gratuitous coverage of the servicemen's indemnity. An insured who surrendered such a policy was accorded the right to reinstate or replace without good health showing the amount of insurance surrendered, within 120 days after date of separation from active service while still covered by the servicemen's indemnity.

Where an insured took advantage of this privilege of surrender of his policy, he undoubtedly assumed that the servicemen's indemnity coverage would continue for so long as he remained in active service. In subsection 502 (10), H. R. 7089 would repeal the Servicemen's Indemnity Act of 1951. This being the case, it is our sincere belief that a member of the active service should be allowed to revive his permanent plan insurance and continue it on a premium-paying basis thereafter, upon application within 120 days after the effective date of the enactment. This would place him in that position which he had expected to have when he surrendered his contract.

This is recommended: Amendment of the proposed subsection 623 (a) of the NSLI Act of 1940 to authorize replacement or reinstatement of a surrendered contract upon application in writing made within 120 days after effective date of enactment or within 120 days after date of separation from active service, whichever is later, at the option of the member continuing on active service in the Armed Forces.

5. Authorize replacement for a further term of 5-year level-premium-term United States Government or national service life insurance, where the term expired during active service after April 25, 1951, and before effective date of this enactment, within 120 days after the effective date of this enactment, instead of within 120 days after separation from active service as proposed in subsection 501 (a) (4).

In the subsection mentioned, this bill would add a new subsection 623 (b) to the National Service Life Insurance Act of 1940. The purpose is to reestablish a right now provided in section 5 of the Indemnity Act of 1951 which act this bill in subsection 502 (10) proposes to repeal. That section had permitted replacement upon proof of good health of a term USGLI or NSLI policy, the term of which had expired while the person was in active service after April 25, 1951, or within 120 days after separation from such active service, upon application made within 120 days after separation.

This right was accorded apparently on the basis of the assumption that an insured had permitted the term to expire without renewal for a further term in order to take advantage of the gratuitous servicemen's indemnity coverage. It is our considered opinion that such a

person should be placed in that position which we might have expected to have when he permitted his term policy to expire. Where such a person continues in active service after the effective date of this enactment, we think he should be allowed to replace his term insurance in the amount of the expired policy and continue it on a premium-paying basis thereafter, upon application within 120 days after the effective date of this enactment if he chooses.

This is recommended: Amendment of the proposed subsection 623 (b) of the NSLI Act of 1940 to authorize replacement for a further term of an expired term contract of USGLI or NSLI, where the expiry date fell after April 25, 1951, and before the effective date of this enactment while the person was in active service, upon application in writing made within 120 days after effective date of enactment or within 120 days after date of separation from active service, whichever is later, at the option of the member continuing on active service in the Armed Forces.

We believe also that this committee will want to consider these items in determining its action on the legislation here pending:

1. An effective date of January 1, 1956, was reasonable as proposed when this bill passed the House of Representatives on July 13, 1955. Should the measure become law in the present session, it would appear that an effective date of January 1, 1957, might well be designated. This is recommended. With a changed effective date, we understand that other related dates now appearing in the bill would be correspondingly changed.

2. The Congress has uniformly adhered to the concept that servicemen and veterans should be provided benefits on the basis that they have served their country as members of the Armed Forces. There has been a differentiation between them and civilian personnel employed by the Federal Government.

The American Legion recognizes that commissioned officers of the United States Public Health Service and of the United States Coast and Geodetic Survey are included in the members of the uniformed services, with members of the Armed Forces, in the provision of benefits by the Career Compensation Act of 1949 (Public Law 351, 81st Cong.) in that their active service and retired pay is prescribed. Without detracting in any manner whatsoever from the importance of the work which they perform, we wish to point out that they serve the Federal Government as civilian employees of the Departments of Health, Education, and Welfare, and of Commerce, respectively. They are admittedly detailed to serve with the Armed Forces on occasion. While civilian employees, we cannot see that they should be encompassed by this measure which is obviously aimed at improving the status of former members of the Armed Forces when in retirement and which has also as its goal an improved benefit program for survivors of Armed Forces' personnel.

3. Heretofore, we have seen a distinction made by Congress between benefits provided for survivors of those who served in wartime or engaged in extrahazardous service otherwise and of those who served in peacetime only. The survivor in a service-connected peacetime death is awarded under existing law 80 percent of the compensation payable in a wartime death, the wartime rate being payable also for a death directly resulting from armed conflict or extrahaz-

ardous service. This bill would authorize payment of an identical dependency and indemnity compensation award to eligible survivors in wartime and peacetime deaths. The American Legion still believes that there is justification for continuing the practice of awarding a greater amount on wartime basis than on a peacetime basis, in the payment of compensation for death.

4. A codification of VA-administered laws relating to the payment of compensation is contained in H. R. 10046 which passed the House on April 16 and is now pending action of this committee. A bill to liberalize the term "widow" passed the House on May 24. It would benefit certain widows who are not defined as such in H. R. 7089, as well as for a larger group of women who are defined in subsection 102 (8) of H. R. 7089. This bill (H. R. 10542) is also pending in this committee. The American Legion supports enactment of both these measures. Our organization believes the committee will want to make certain that proper consideration is given them when deciding the disposition of H. R. 7089. There is a need for their correlation.

5. There will accrue to members of the Armed Forces, who make the military or naval service a career, an old-age and survivors insurance benefit when they attain age 65 in addition to retired pay they have earned through service, by virtue of the contributory social security coverage this bill provides for prospectively from the effective date of enactment. There will be those, however, who do not make the service a career who might have less OASI credit because of low earnings during a limited period of active duty in the Armed Forces. It is our belief that this should not be and that an amendment to H. R. 7089 would be justified to assure members of the Armed Forces who make social security contributions from active service pay that they will lose nothing by so doing.

A worker may now drop out up to 5 years of his earnings where his ultimate award might be lessened by low wage credits earned in those years. We would assume that a person who had remained in active military or naval service for a longer period than 4 years might be presumed to have attained career status. On this premise, we recommend for the committee's consideration this proposal on behalf of those with service of 4 years or less with the stipulation cited.

Authorize the dropout of up to 4 years' Armed Force service, in addition to the 5-year dropout allowed by the 1954 Social Security Act amendments, where old-age and survivors' insurance payments would be reduced on account of low military wage credits, if a minimum of 20 quarters of OASI civilian coverage has been earned, the fund to be reimbursed on an excess-cost basis.

The American Legion, in consonance with instructions from the national executive committee and the above-cited resolution from the 1955 national convention, supports enactment of this legislation. Moreover, the American Legion urges favorable consideration of the 10 additional proposals, which we are convinced will make the legislation stronger and more equitable.

Our organization will continue to study these provisions, and will feel free to offer additional recommendations to the appropriate committees of the Senate and House as to any inequities, deficiencies or operational defects that may show up. It will continue its deep solicitude of the preservation of the Veterans' Administration as a

single Federal agency administering laws for veterans and their dependents, and will resist vigorously any trend or indication that this agency and its functions may be taken over by another department of the Government.

The United States Congress has brought forth and placed on a high plane an outstanding set of laws and programs for this country's defenders and their dependents. Repeated investigations, surveys, inspections, etc., by both private and Government agencies over the past several years would indicate that some cutback, merging, or reduction of same may be contemplated. The American Legion is keenly aware of this. At the same time it has confidence in the leadership of Congress in conserving that which it has built. The American Legion will continue to do its part in such a conservation program.

NATIONAL CONVENTION, THE AMERICAN LEGION, MIAMI, FLA., OCTOBER 10–13, 1955

RESOLUTION NO. 77

Resolved, That the American Legion, in national convention assembled in Miami, Fla., October 10–13, 1955, does hereby declare its position on H. R. 7089, 84th Congress, a bill to provide benefits for survivors of veterans and servicemen, as follows:

The American Legion supports the enactment of this legislation in the 84th Congress, aware that it has many important provisions to improve benefits to tens of thousands of survivors of those who are, or were, eligible for membership in our organization by virtue of honorable service in World Wars I or II or the Korean conflict.

The American Legion is vitally concerned that this legislation shall recognize fully the obligation of the Federal Government to those who perform active military or naval service and to the surviving widows, orphans, and dependent parents of veterans and servicemen whose deaths are service connected and accordingly requires that its national legislative and rehabilitation commissions seek to obtain acceptance by the Congress of these amendments in the further consideration of the measure in the second session:

1. Provide a supplemental VA dependency and indemnity compensation for multiple children in families where a widow receives such an award and old-age and survivors' insurance payments by the Social Security Administration are inadequate:

2. Provide a supplemental VA dependency and indemnity compensation for each illegitimate child of a deceased veteran or serviceman, in each case, whether or not a widow receives such an award, which child is recognized by the VA as the offspring of the person who served but who has no recognition under the OASI program;

3. In addition to exclusions now in the bill, exclude from consideration as annual income of a parent in determining entitlement to VA dependency and indemnity compensation—

(*a*) VA disability compensation payments, and

(*b*) VA-administered contract insurance payments for disability or death;

4. Authorize revival or replacement of USGLI or NSLI permanent plan contracts surrendered by virtue of provisions in section 5 of the Indemnity Act of 1951, within 120 days date of enactment of H. R. 7089, instead of within 120 days after separation from active service as proposed; and

5. Authorize reinstatement and renewal for a further term of 5-year level-premium-term USGLI or NSLI, where the term expired during active service after April 24, 1951, and before the end of a 120-day period after enactment of the preposed legislation, upon application within 120 days after the date of enactment, instead of within 120 days after separation from active service as proposed.

The American Legion will observe the administration of the programs with which the bill is concerned and will in future present to the Congress such recommendations as are deemed necessary should experience reveal further defects not apparent today.

The CHAIRMAN. Thank you very much, indeed. Are there any questions?

(None.)

The CHAIRMAN. We certainly appreciate your courtesy.

The next witness will be Mr. Omer W. Clark, national director of legislation, Disabled American Veterans.

STATEMENT OF OMER W. CLARK, NATIONAL DIRECTOR OF LEGISLATION, DISABLED AMERICAN VETERANS

Mr. CLARK. My name is Omer W. Clark and I am national director of legislation, Disabled American Veterans. I am accompanied at this hearing by Mr. Cicero F. Hogan, national director of claims, who is seated on my right, and by Mr. Elmer M. Freudenberger, assistant director of legislation, who is seated on my left.

The Disabled American Veterans appreciates the invitation of this committee and the opportunity to express our views as to the provisions of H. R. 7089, a bill to provide benefits for the survivors of servicemen and veterans and for other purposes.

As you are aware, the DAV is primarily interested in the welfare of the veteran who was wounded, gassed, disabled, or diseased as a result of his active service in the Armed Forces during time of war, and for the widows, children, and dependent parents of those service persons who were killed in action or who died as a result of wounds, disability, or disease incurred in line of duty in time of war or died after separation from active service as a result of such service incurred disabilities.

In order to facilitate the study of the views expressed herein it is believed advisable to include our comments under several hearings as indicated below, even at the risk of oversimplification.

DEATH GRATUITY

Under the present legislation the 6 months' death gratuity provides a minimum payment of $468 and a maximum payment of $7,656. H. R. 7089, in restricting payment to (1) the deceased's spouse, (2) the children, (3) natural parents, (4) persons who stood in loco parentis, or (5) brothers and sisters, increases the minimum payment to $800 and reduces the maximum payment to $3,000. It is believed that the amounts provided in the bill under consideration are equitable and are adequate to answer the purpose of a death gratuity.

INDEMNITY

The present laws provide for the payment of a $10,000 indemnity to the survivors and it is interesting to note that 70 percent of these payments went to parents, 25 percent to widows and children and 5 percent to others. H. R. 7089 would eliminate the indemnity provision. It is the well-considered opinion of this organization that in times of war, or national emergencies such as the Korean conflict, when many young men are taken into the Armed Forces, usually through the draft, that some form of automatic coverage, whether it is called insurance or indemnity, should be in effect. The parents and families of those young persons have quite an investment in them and

in many cases the serviceman or servicewoman will not take out optional insurance or a sufficient amount of it to protect their families in the event of death. Moreover, as one witness so aptly stated at a hearing before the Select Committee on Survivor Benefits, House of Representatives:

> In time of war servicemen cannot buy insurance without war clauses, and the Government, therefore, has in such times a distinct responsibility to provide additional indemnity.

It was further stated—

> there are very few deaths among military personnel in peacetime where there is no widow, children, or dependent parents. In wartime, however, large numbrs of young men die without dependents (in fact). In many of these cases, the parents have made great sacrifices to rear and educate the children. It would thus seem reasonable for the Government to make such contribution in wartime * * *.

Without an indemnity or other similar provision of automatic coverage there would be many instances where the surviving parents of persons killed or who otherwise died during a war or national emergency would have to wait a long, long time before reaching the age of 65 years to receive any monetary benefits such as social security based upon the death of their children in service, if in fact they would ever receive anything from the Government except death gratuity. While this Nation is now technically if not actually in a state of peace it must be borne in mind that many individuals continue to be taken into the Armed Forces by way of the draft and there is every likelihood that this situation will obtain for an indefinite period of time. In all fairness it should be pointed out that the Select Committee on Survivor Benefits in House Report No. 993, part 1, on page 6, states in part:

> The committee concluded that this benefit (indemnity) should be terminated and payments formerly made under this program integrated with the existing Veterans' Administration compensation program by increasing significantly current compensation payments so a to reflect an indemnity increment therein.

With reference to the matter of increasing death compensation benefits the DAV would invite your attention to the following comments under the subject:

VETERANS' ADMINISTRATION COMPENSATION

The present laws provide death compensation at the rate of $87 monthly for a widow and no children; $121 monthly for a widow and 1 child, and $29 monthly for each additional child. Where there is no widow the present amounts are $67 for 1 child; $94 for 2 children; $122 for 3 children, and $23 for each additional child. There is also now provided death compensation at the rate of $75 monthly for a dependent parent and $80 monthly for 2 such parents. H. R. 7089 would increase the death payments in all catagories but would base such amounts on a pay-related arrangment depending upon the attained service pay of the deceased person. In other words, under the proposed legislation, the widow of a general would receive a much greater award than the widow of an enlisted man. In my statement to the select committee on June 9, 1955, I stated in part:

> The plan certainly reverses the historical concept of equal benefits for all based on honorable service during a wartime period.

It may be rather suprising to know that the proposal to accord advantages to widows based upon rank is not a new development as in 1917 Congressional Record contains the significant remarks of a Senator of that day as follows:

> In the democracy of the grave all men at last are equal. There is neither rank nor station nor prerogative in the republic of the grave. The poor man is as rich as the richest and the rich man is as poor as the poorest. There the politician forsakes his honors, the poor man his diginity, the invalid needs no physician, and the weary are at rest.

Perhaps the rest might be more untroubled if the deceased enlisted serviceman or junior officer had the knowledge prior to his death that his survivors would be adequately taken care of by a grateful Government without a distinction being made based upon rank and pay attained during his lifetime. It is realized that the provisions of H. R. 7089 as to such distinctions in the amounts provided for survivors is highly controversial even in the membership of the veterans' service organizations. The bill under consideration as to this feature may not be without some merit in attempting to offer incentives from the standpoints of recruitment and retention of personnel but it must be conceded that it would affect many survivors whose deceased sons and daughters, fathers and mothers, entered the Armed Forces without any intention on the part of such persons to follow that activity as a career or to remain therein after the war or national emergency was over. It is believed that there might be far less opposition to the oill if a distinction had been made between those who desire to make the military service an occupation or career and those who entered the service because of a desire to serve during wartime or national emergency, or were drafted, and had no such intention of remaining.

The DAV has a bill in which we are very much interested and we hope that it becomes law this session of the Congress. I refer to H. R. 11310, introduced by the chairman, House Committee on Veterans Affairs, on May 17, 1955, a bill that would increase the death compensation based upon wartime service for a widow without children to $125 monthly; to $160 monthly for a widow with 1 child and $35 monthly for each additional child; 1 child where there is no widow, would receive $75 monthly; 2 children, no widow, $100 monthly; 3 children no widow, $150 monthly, with $30 monthly for each additional child. A dependent father or mother would receive $80 monthly, or both $45 each. These rates are most equitable, the proposed increases are needed and the amounts payable are without regard to the deceased's rank or pay. We strongly urge your support of this feature and the other provisions of H. R. 11310 at such time as it is presented to you for consideration following House action.

In regard to the provisions of H. R. 7089 which affects dependent parents of deceased service personnel, this organization cannot in good conscience subscribe to the limitations imposed which would not only eliminate as dependents many persons who have or could qualify under the existing provisions of the law and VA regulations but would authorize a sliding scale of monetary benefits depending upon the amounts of annual income received by the dependent parents. As one example, it may be cited the case of a parent whose annual income is $750 in which event the bill would permit that parent to receive $75 monthly death compensation, whereas if the annual income

is $1,500 to $1,750 the death compensation rate is only $15 monthly. There are several other income payment provisions between the two extremes mentioned herein. Other sliding scales relate to 2 parents not living together and 2 parents who do. The select committee stated in part—

the committee feels that existing VA compensation payments to parents in seome cases may be discouraging certain parents from seeking and retaining gainful employment. The committee does not wish to encourage voluntary unemployment.

SOCIAL SECURITY (H. R. 7089)

At the last national convention of the Disabled American Veterans a resolution was passed which, in part, reads as follows:

It appears that the radical proposals would, among other things, extend social security on a contributory basis into the Armed Forces, and death compensation or death pension would be put on an income limitation basis in which even United States Government life insurance and national service life insurance, which have always been exempt for consideration as income, would be considered income against dependents, and the estates thus built by by veterans with their own money, for dependents, would be wiped out, so to speak, and the ultimate purpose of the project would be to level off and reduce survivor benefits to the lowest common denominator.

The resolution then proceeds to state:

We believe that the basic statutory rights which Congress has heretofore provided for disabled veterans and their dependents is, in part, the cost of war, and that the veteran and his dependents are entitled to be treated as a separate class in this respect, and that social security, and any other benefits, are only collateral and supplementary, and if the veteran and his dependents are entitled to benefits under social security, by virtue of having qualified under the law by the contribution from his own pay, and the contribution of his employer, then, in that event, social-security benefits should be paid simultaneously with the payments of benefits accruing under veterans' legislation without any set-off, deduction, or merging of social security with veterans' benefits.

It may be added that social security was never intended to take the place of death benefits payable because of loss and sacrifice sustained in or as the result of active military service in time of war. These thoughts are tendered for your most earnest consideration in determining the merit of the social security provisions of H. R. 7089 and their possible and probable effects upon the survivors of the war dead.

FEDERAL EMPLOYEES COMPENSATION ACT (FECA)

H. R. 7089 would eliminate the very inequitable provisions of existing law which permit the survivors of a reservist killed in line of duty to obtain under FECA far greater benefits than in the case of survivors of persons who met death in service but were not Reserve personnel. As the select committee has pointed out—

to provide certain reservists with a level of survivor benefits denied men with service of equal rank in performing equally hazardous duty creates a situation which offends one's sense of equity.

It was stated that of all the witnesses appearing before the committee there were none—including the Reserve groups—who did not agree that this discriminatory survivor benefit should be terminated immediately. This organization agrees with the conclusion reached as to this particular item by the Select Committee on Survivor Benefits.

May I again express appreciation for the consideration you have shown me and my colleagues and in conclusion it is desired to state that the DAV and its national service headquarters located at 1701 18th Street NW., Washington, D. C., stands ready at all times to assist your committee in its deliberations relative to proposed legislation for or affecting the war dead and disabled, their widows, children, and dependent parents. Thank you again for your kind attention.

The CHAIRMAN. Our next witness is Mr. William J. Otjen.

STATEMENT OF WILLIAM J. OTJEN, CHAIRMAN, NATIONAL LEGISLATIVE COMMITTEE, UNITED SPANISH WAR VETERANS; ACCOMPANIED BY MRS. HATTIE B. TRAZENFELD, COCHAIRMAN, AUXILIARY LEGISLATIVE COMMITTEE

Mr. OTJEN. Mr. Chairman and members of the committee, I am William J. Otjen, of Enid, Okla., past commander in chief of the United Spanish War Veterans and chairman of the national committee on legislation and its administration of that organization.

I have with me Mrs. Hattie B. Trazenfeld, a past national president of our auxiliary and cochairman of the auxiliary legislative committee.

Of course, we have given due study to the proposals incorporated in the measure before this committee. We do not question the major portion of H. R. 7089, which is apparently designed principally for the relief of dependents of career personnel. We are in complete accord, especially with the objective of increasing death compensation rates for service-connected dependents of the honored dead.

With that thought in mind, I wish to confine my remarks in considering the objectives of H. R. 7089 to a proposed amendment which has been introduced by Senator Green of Rhode Island, and which is before you, and I understand that an amendment is to be introduced by Senator Cotton, of New Hampshire, for the same purpose. They are both similar in character and the efforts of both meet the same objective.

These objectives are that for reasons, which I hope to be able to describe in full, intended to request that surviving widows of deceased veterans of the Spanish-American War, the Philippine Insurrection and the Boxer uprising be included within the terms of the Hardy bill as service-connected and at the proposed rates defined under that bill.

As we are advised, at this time, the rolls of the Veterans' Administration will show 334 Spanish War veterans as service-connected; they show 1,193 dependents as service-connected. They show as of December 31, 1955, 56,019 non-service-connected veterans and 80,903 such dependents. We do not dispute the rolls of the Veterans' Administration, but we certainly know that this tabulation of figures does not do justice to the veterans of the Spanish War. Let me emphasize that embraced in the Spanish War veterans are the veterans who served during the official period of the Sanish War in 1898. Also embraced are those who served until July 1, 1902, either in the Boxer Rebellion or in the Philippine Insurrection. Our tabulation shows that 61 percent of the Spanish War veterans—covering this period—served overseas.

There are members of this honorable body, Senator Martin, of Pennsylvania Senator Green, of Rhode Island, Senator Neely of West Virginia, and of those who have recently retired, Senator Tom Connally of Texas, and Senator Gillette, of Iowa, all of whom were Spanish War veterans, and who have vivid recollections of what was faced by that volunteer army of 1898.

They were all volunteers; they enlisted for the meager pay of $13 per month. They drilled in heavy blue uniforms, ate hardtack, and food which was supposed to be left from the Civil War. The food was such, the facilities of the camps were such—lack of sanitation, lack of medical supplies, lack of proper food—that sickness became abnormal. It could not be coped with. These men drilled in their blue uniforms with sticks instead of muskets. Disease was rife and the death rate very high. Scarcely any hospital records were kept. The senior Members of the Senate will remember the tales of Montauk Point where sickness became almost unbelievable. It was appalling.

Of that terrible period of the Spanish War, no adequate records were kept, no hospital records available. When the regiments were mustered out, the men were simply glanced at with no physical examination, and they returned to their homes. They had no benefits of the present GI training which we think that Congress can be greatly commended for putting into effect. None of the Spanish War veterans had the advantage of college training—it would have meant much to them. They had no benefit from loans for business purposes; they had no bonuses except in a few States, but in their declining years, the thing which is worse for them is that there is no record of hospitalization, no record of service-connected disability. That is the reason why so few are shown as service connected.

In my own experience in the Philippines my company lost one-half of its men, but men of that company shot and wounded grievously were—and are—carried on the Veterans' Administration rolls as non-service connected.

The Veterans' Administration—and I say this without criticism—just does not have a tabulation of the living Spanish War veterans who were service connected, nor does it have a complete tabulation of the deceased Spanish War veterans who were service connected. If it had such records, those records would doubtless show that many of the veterans of 1898–1902 would have disabilities directly resulting from armed service. However, the absence of such records is the reason why the vast majority of the Spanish War Veterans are receiving the pension rates, and that is why I am appearing before this committee.

We feel that considering the advanced age of Spanish War veterans, their increased death rate—1,367 of our veterans passed away during the 3 months ending December 31 by VA computation—that something must be done immediately about the widows of these veterans. As for the widows, the maximum number has been reached. The rolls fluctuate just a little from month to month now, but the roll will decrease steadily. We think it only just and fair, and we advocate strongly that the dependents of the Spanish War veterans be included in H. R. 7089 as presumptively service connected.

I would like to call attention at this point to a brief colloquy that took place on the floor of the House last July 13, when the Hardy bill, H. R. 7089, was being considered.

The reference is to a question asked by the Honorable Barratt O'Hara of Mr. Teague, of Texas. Congressman O'Hara is the last surviving veteran of the Spanish-American War serving in the House of Representatives, and, as this committee well knows, Mr. Teague is the chairman of the House Committee on Veterans' Affairs and was a most important member of the select committee which drafted and approved the Hardy bill.

The colloquy follows:

Mr. O'HARA of Illinois. Mr. Chairman, I shall not take the 5 minutes. I am not accustomed to criticizing committees. I think this committee has worked hard and has come before us with a bill that has much merit. The members of the committee are outstanding in ability and in knowledge of veteran problems. I doubt, however, that we have had sufficient time to read the bill and to study its provisions. I regret that the bill comes to the floor under a closed rule. It would have more quieting to our concern in guarding against inadvertencies if the rule had been open. I am speaking especially for the Spanish-American War group. My colleagues will appreciate my position as the last remaining veteran of that war of the 96 or 97 who have served in this body. Among our Spanish-American War veterans, there is some concern. We feel that the House could have quieted that concern if there had been an open rule, and it had been permissible to present an amendment that in substance would have recognized that in the Spanish-American War there were no records kept. Now, I know how difficult it is for younger veterans to appreciate conditions at that time. So that it may be made clear in the record, I have requested this time to ask one who knows, the great chairman of the Committee on Veterans' Affairs, the gentleman from Texas—Mr. Teague—to make comment on that phrase.

Mr. TEAGUE of Texas. I would certainly agree with the gentleman that the records kept during the Spanish-Amirecan War and during World War I and World War II are altogether different. The records are very poor, when we find any record at all, so far as the Spanish-American War veterans are concerned.

Mr. O'HARA of Illinois. So that it would be impossible for a Spanish-American War veteran or his widow to prove that the veteran had service-connected injuries?

Mr. TEAGUE of Texas. That is so in practically every case.

This status has been recognized officially by our Government on two occasions. You Members of the Senate will recall the Economy Act that was passed during 1933. Two years later, the Congress restored the pension payments to Spanish War veterans and their dependents, and when President Roosevelt approved the restoration bill, he issued a statement which called attention to what could be termed a great difference between the services rendered by Spanish War veterans and those rendered in subsequent wars.

Mr. Chairman, I would like to read the text of the White House statement explaining the reasons which actuated the President in signing the bill restoring these pension rights. It follows exactly:

The President, in signing today (August 13) H. R. 6895, a bill reenacting laws dealing with pensions granted to veterans and the dependents of veterans of the Spanish-American War, the Philippine Insurrection, and the Boxer Rebellion, made clear the definite distinction between legislation relating to veterans of early wars and the veterans of the World War.

The Congress on many occasions has recognized that because of the complete absence of any system or policy initiated during or immediately following the Civil War, the Indian Wars, and the Spanish-American War, and because of lack of adequate medical care from the point of view of modern standards, the veterans of these earlier wars could be compensated and taken care of only through some form of pension system.

In the case of the World War, however, the Congress at the very beginning of the war adopted an entirely new system of care and benefits. This new system

applied to all who fought in the World War, extended to them additional compensation if they had dependents, as well as insurance, hospitalization, vocational rehabilitation, and the adjusted service certificate (the bonus).

The veterans of the Spanish-American War now approaching an average age of 62 years, had none of these advantages except hospitalization in recent years. Their case therefore, cannot be compared to the case of World War veterans. For the same reason the approval of this bill establishes no ground or precedent for pensions for the World War group; theirs is an entirely different case.

There are some inequalities involved in this legislation but the President recognizes the fact that the Spanish-American veterans were once on the rolls, under prior legislation, that they are approaching advanced age, that their disabilities are increasing.

The President's action is taken appropriately on the anniversary date of the occupation of Manila by the American forces.

Later, in 1951, the Congress passed the bill known as our outpatient treatment bill, which was vetoed by the Chief Executive. It was passed by both Houses of Congress by an overwhelming vote over the veto. That bill provided that because of lack of hospital records and service-connected records, Spanish War Veterans should be presumed and considered as service connected for outpatient treatment purposes. So, we thing this is a just measure which will not cost the Government of the United States much for the reason that our ranks are so rapidly thinning.

The veterans of the Spanish War are asking no increase in pension for themselves in this Congress, but the pension of $54.18 which is paid the elderly widows of the Spanish War does not provide a decent living expense. We feel that this amendment would be a just recognition of the incomparable service of these aging veterans and aging widows. Every elderly man and woman realizes the high cost of living and the high cost of medical treatment for the aged. Our people are no exception.

We veterans of the Spanish-American War are inclined to boast that ours was the last war this country has won in which the peace treaty did not give away the benefits obtained. The achievements of the Spanish War veteran added to this great country of ours, Hawaii, Puerto Rico and the Philippines. They made us a world power. Ours was the only war in which this country has been engaged in which returns to this country were far greater than the cost. The Spanish War opened up the markets of Asia and the Far East to the United States, and increased the trade of the Nation enormously. You gentlement know that the period following our war was commonly referred to as "The golden era."

We feel that it would be but just compensation to that volunteer army of 1898–1902 to adopt our requested amendment to H. R. 7089, which would provide that the death of a veteran shall be conclusively presumed to have resulted from disease or injury incurred or aggravated in line of duty while so serving.

I might suggest, Mr. Chairman, that a member of the Hardy committee suggested that we present this amendment.

Mrs. TRAZENFELD. As cochairman of the legislative committee for the United Spanish War Veterans, may I say that our organization—and I speak for the 80,000 widows that this amendment would affect—concurs completely in the statement rendered by our chairman, Mr. Otjen, and we feel that should this committee in their deliberations find it within their hearts to grant this request, a great injustice of

long standing could be corrected, and that much happiness and much good and at very little cost would be accomplished.

Thank you.

The CHAIRMAN. Our next witness will be Mrs. Marie Monoz, Gold Star Wives.

STATEMENT OF MRS. MARIE MUNOZ, NATIONAL LEGISLATION CHAIRMAN, GOLD STAR WIVES OF AMERICA, INC.

Mrs. MUNOZ. Mr. Chairman, members of the committee, I have here a prepared statement by the national president of the Gold Star Wives of America, endorsing completely H. R. 7089, which I would like to present and have printed in the record. To save time at the moment, I will not read it.

The CHAIRMAN. It will be inserted in the record.

(The statement to be inserted is as follows:)

STATEMENT TO THE SENATE FINANCE COMMITTEE ON H. R. 7089 BY LARUE L. YESSEN, NATIONAL PRESIDENT, GOLD STAR WIVES OF AMERICA, INC.

Mr. Chairman and members of the Senate Finance Committee, I'm sorry that I am unable to appear before you to give my statement in person. However, I know that Gold Star Wives of America will be ably represented by our founder and national legislation chairman, Mrs. Marie Jordan Munoz.

We are happy to see that your committee has at last cleared the way for hearings on H. R. 7089, the survivors' benefits bill. At our national convention, last year, a resolution was passed in favor of this bill, and we do hope it will be law, before we reconvene in July. Its passage will mean a great deal to a great many widows of servicemen, both past and future. We ask that you be sure that widows of the World Wars and the Korean conflict are included and given the option to keep the old or accept the new system.

I am aware of the great controversy that surrounds this bill, and the many pros and cons. In considering this bill, I should like to make it clear, that Gold Star Wives of America feels very strongly, that a sliding scale of compensation would be a good thing. True—there is "no rank in death" and my Pfc was as important to me as the general was to his widow. However, we must take into consideration that in civilian life, the family of the man who earns $10,000 per year pays fore for housing, etc., than the family that is getting along on $3,000. Therefore, his family is left with greater obligations upon his death. The same is true of the services.

We realize that the objective of taking the service widow away from the jurisdiction of the Veterans' Administration, social security and all the many other agencies she has to cope with now, and placing her under one agency the Department of Defense would be a good thing. Too many widows lost out on social security, FECA, and other benefits they were entitled to, because they were not informed that they were eligible for benefits from these various agencies. They lost out a great deal. Sometimes for as long as 5 years.

We also want to have it understood, that it is not our intention to take anything away from anyone or any group. We simply seek greater equality for all. More for some and less for others, so that we may all be receiving a fair sum, with the least difficulty.

We are not in favor of doing away with the Veterans' Administration, as many opponents of this bill seem to feel it might lead to. We are only interested in increased benefits for all widows of servicemen under 1 system and under 1 agency. We do not want to see any other group lose out because of the service widow, and frankly cannot see what one has to do with the other. Every man or woman, who served our country in war or in peace and gave his life, his blood, a limb, his mind, or sacrificed his livelihood or career is entitled to consideration by a grateful Government and his family likewise.

Mrs. MUNOZ. I will confine my remarks to just a few general comments about the bill.

First, I would like to read for you the resolution passed at the last national convention of the Gold Star Wives of America in Minneapolis.

Resolved, That the Gold Star Wives of America go on record as supporting the recommendations of the Select Committee on Survivor Benefits, and ask that all chapters express great appreciation to Congressman Hardy and to the members of his committee for the excellent work done by that group.

Upon several occasions since World War II, I have had the opportunity of appearing before this committee on various bills having to do with compensation for children of deceased servicemen and for widows of deceased servicemen. I must say that I appeared upon those occasions with a degree of reluctance, feeling that possibly those bills were just more or less giving an aspirin to a patent that needed a complete major operation.

We have felt for a number of years that a study should be made of this type, seeing the entire problem in the light of the various agencies rather than seeing it in just a one-shot operation.

There have been too many overlapping agencies in the past; too many overlapping committees studying the problem; and it is with a great deal of gratitude that we have finally been able to appear on a bill that has been worked out as a special case, reviewing all the various aspects of the legislation.

We agree completely with the proposal that the work of providing benefits for servicemen's survivors should be handled through both the Social Security and the Veterans' Administration. This seems like a most practical solution to the situation. The importance of streamlining the past operations cannot be overemphasized.

In the past years, after the war was over, we would notice a great number of widows and dependents of deceased servicemen had no knowledge they could draw benefits from more than one agency. For years, they have not been drawing social-security benefits because they did not know they were entitled to social-security benefits.

The $162 per month credit given to servicemen for wartime service was a wonderful stopgap operation, in order to provide some coverage for World War II men when no coverage was allowed. If allowed to continue, however, it would become completely unrealistic in time.

We believe the only measure to be done is to put the Armed Forces under a phase of social security. That would give to the men something based on their attainment in life. There have been many quotations in the past that men are alike in death and their families should be provided for equally, but that theory has not been carried over into any other phase of benefit. Certainly social security is based upon the man's attainment in life. There is no reason why the Armed Forces should not be in the same way, right along, since better advantages have been provided for servicemen's dependents under social security. It has been with consistency that the widows and dependents of regular service personnel have been left out or are receiving less benefits than the other people who have been dependents of armed service personnel. This, of course, is not as it should be and certainly it is grossly unfair. When a man gives his life toward a career, there should be some compensation for that occupation in life, just as there is in private industry.

There is one caution that we should like to bring out, and that is for the election privilege that is being granted under this bill for widows

of men who died in the past. That is that when they are given this opportunity for election, that they be given sufficient amount of time to make up their minds, and also, that it be very carefully pointed out to them, the advantages of both selections. I believe on this entire situation, there have been many articles in newspapers that have succeeded in bewildering widows as to what this bill is all about, rather than clarifying it for them.

So one major point, outside of endorsing the bill wholeheartedly, is to ask that great effort be made in explaining the bill and the benefits to them individually, so that the widows will know exactly what they should do under these circumstances.

Are there any questions?

Thank you.

The CHAIRMAN. I would like to insert in the record a statement by the Disabled Officers Association, dated June 6, 1956, signed by G. D. Tilghman, national adjutant.

(The statement to be inserted is as follows:)

DISABLED OFFICERS ASSOCIATION,
Washington, D. C., June 6, 1956.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR SENATOR BYRD: While it is not our desire to add to the burdens of your committee by having a spokesman personally appear in support of H. R. 7089, we do ask that the accompanying statement be inserted in the record.

Sincerely yours,

G. D. TILGHMAN, *National Adjutant.*

STATEMENT OF G. D. TILGHMAN, NATIONAL ADJUTANT, DISABLED OFFICERS ASSOCIATION, REGARDING H. R. 7089

Mr. Chairman and members of the committee, the Servicemen's and Veterans' Survivor Benefit Act was designed to more adequately care for surviving dependents of persons who die during or as a result of active military service. Opponents of the act have charged that its primary purpose is to benefit "the brass." We do not subscribe to that view.

Under the terms of this measure rank and years of service would play an important part in the computation of death benefits. That, we believe, is at it should be. This is not a wartime measure. Its purpose is to care for widows and other dependents of persons whose death results from active war or peacetime service. Pensions or compensation paid to dependents of persons who lose their lives in industrial accidents and in other Departments of the Government are based on the workers earnings. Therefore, we can think of no logical reason for objection to this measure.

The organization for which I speak wholeheartedly supports the principles of H. R. 7089.

The CHAIRMAN. The meeting is adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12 noon, the committee adjourned, to reconvene at 10 a. m., Thursday, June 7, 1956.)

SURVIVOR BENEFIT ACT

THURSDAY, JUNE 7, 1956

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:15 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, George, Frear, Martin of Pennsylvania, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The hearing will come to order.

The first witness is Charles E. Eckert of the General Accounting Office.

Will you proceed, sir?

STATEMENT OF CHARLES E. ECKERT, LEGISLATIVE ATTORNEY, OFFICE OF THE COMPTROLLER GENERAL; ACCOMPANIED BY LLOYD A. NELSON, ASSOCIATE DIRECTOR, CIVIL ACCOUNTING AND AUDITING DIVISION, GENERAL ACCOUNTING OFFICE

Mr. ECKERT. Mr. Chairman and members of the committee, we appreciate the opportunity to appear before the committee to express our views on this bill which is designed to provide a new program of benefits for the survivors of servicemen and veterans.

Our views on the bill were fully set forth in a report to this committee dated December 22, 1955.

We request that that report be made a part of the record.

The CHAIRMAN. Without objection that will be done.

(The document referred to is as follows:)

COMPTROLLER GENERAL OF THE UNITED STATES
Washington, December 22, 1955.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate.

DEAR MR. CHAIRMAN: Further reference is made to your letter of October 4, 1955, acknowledged October 6, forwarding a copy of the bill H. R. 7089, 84th Congress, designed to provide a new program of benefits for the survivors of servicemen and veterans and requesting our comments thereon.

The General Accounting Office has long advocated a reevaluation by the Congress of the existing multiple and highly complex programs of survivor benefits. Our representatives worked closely with the staff of the House Select Committee on Survivor Benefits, and we believe that H. R. 7089 contains the basic principles essential to carry out the Government's obligation to the survivors of its service

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personnel and veterans. We are in agreement with the general approach of the proposed legislation and are satisfied that the bill, if enacted, will represent a great improvement over existing law. However, we believe the bill could be improved in certain areas to provide greater uniformity of treatment of beneficiaries and to eliminate certain inequities contained therein, while at the same time effecting substantial economies to the Government. The areas in which we recommend further consideration are set forth briefly as follows:

H. R. 7089, in adopting the social-security program on a contributory basis, uses the principle of the base pay of members of the military service with supplementary survivor benefit payments by the Veterans' Administration in certain instances where the average wage is less than $160 a month. As a result of the adoption of the base pay method, the vast majority of military personnel will earn wage credits at less than $160 per month, thus becoming eligible for benefits less than are currently available to all members of the services and certainly less than that which they reasonably may have accrued during outside commercial employment. Currently the average wage under social security for male workers is $258 per month.

We believe that the wage credits for social-security purposes should be more nearly alined with the gross pay of service personnel. This could be accomplished by the adoption of assigned wage credits as recommended by the Kaplan Committee or by using the base pay principle and providing a minimum social-security coverage of $160 per month. We believe that the adoption of this principle would provide more equitable treatment for the military personnel in the lower ranks and grades and would eliminate the necessity of providing supplemental payments in those instances where the average wage is less than $160 per month. Also, it would eliminate a clear discrimination which would exist because the bill otherwise provides for a fixed credit of $160 per month in the case of railroad employees.

H. R. 7089 is designed to provide a free survivor benefit program plus social security on a contributory basis in lieu of existing benefits, including national service life insurance. However, the bill would permit beneficiaries now on the Veterans' Administration compensation rolls to elect to the higher rates provided by the bill without any reduction because of benefits accruing from Government life insurance. Also, survivors entering the program in the future who are eligible for Government life-insurance benefits would receive such insurance in addition to the new higher dependency and indemnity compensation. Thus, those survivors receiving insurance benefits will receive greater benefits than those not entitled to insurance and the principle of the bill to provide uniformity of benefits is lacking in this area. For this reason and since the Federal Government has underwritten the national service life insurance fund to the extent of some $4.5 billion, we urge that the bill provide for a reduction in benefits by an amount designed to represent insurance benefits paid or being paid. We suggest a reduction in the dependency and indemnity compensation payment at the rate of $3 per month per $1,000 worth of insurance in force. This principle offset was adopted by the Congress in the enactment of the Indemnity Act of 1951 (Public Law 23) wherein it was provided that the indemnity of $92.90 per month would be reduced by $9.29 for each $1,000 of insurance in force. We believe this principle, which will provide greater uniformity of benefits, as well as a reduction in costs to the Government, should likewise be applied here.

The extension of social security to the uniformed services on a contributory basis as provided in the bill would result in substantial retirement benefits to military personnel. Under the bill these benefits would be completely additive to the noncontributory retired pay already provided for our military personnel at rates up to 75 percent of base pay. The total benefits which thus would be received by such retired personnel are in our opinion excessive and out of line with existing Federal civilian programs. It may be noted here that the Kaplan Committee in recommending the adoption of the social-security program to the civilian retirement program proposes an adjustment of civilian retired pay upon the advent of payments under the social-security program. It is our view that similar adjustment of the military retired pay should be made when retirement benefits are received by the member under the social-security program.

We believe that the criteria set forth in the bill for payment of benefits to dependent parents represents a vast improvement over the existing programs. The proposed bill provides a sliding scale of income limitations within which certain allowances would be paid to parents. Also, the proposed bill requires the inclusion as income of various types of payments from Federal sources heretofore exempted. We recommended that there be added to the criteria for de-

pendent parents a provision which would require the parent to be employed to the extent of his ability or unemployable by reason of age, incapacity, or inability to secure work to be eligible for benefits. In any event, we strongly recommend that the criteria which is finally adopted in this new program of benefits should apply equally to those parents now on the rolls of the Veterans' Administration.

The proposed bill revises the existing 6-month death gratuity program to provide more equitable payments of this gratuity. However, under the terms of the bill certifying and disbursing officers would be relieved of liability for certain erroneous payments in the absence of fraud, gross negligence, or criminality on their part. Also, provision is made for the waiver of recovery of any such erroneous payments or overpayments when the Secretary concerned concludes that such recovery would be against equity and good conscience. It is our position that the vesting of this final authority in administrative officers of the Government violates the system of checks and balances which has been inherent in our system of government. Further, we feel very strongly that to guarantee disbursing officers relief from erroneous payments in the absence of fraud, gross negligence, or criminality obviously will tend to encourage carelessness in the payment of the death gratuity. We believe that disbursing officers should be afforded relief from any such erroneous payments only on a showing that such payments were not the result of bad faith or a lack of due care on the part of the disbursing officer. Certainly the Government is entitled to this much protection in the payment of its obligations. Since the Congress by the enactment of Public Law 365, 84th Congress, has expressly provided the means for relief of disbursing officers where erroneous payments are shown not to have been the result of a lack of due care on their part, we feel very strongly that the provisions contained in section 304 (b) and (c) should be eliminated.

H. R. 7089, as amended on the floor of the House, contains a major inequity as it relates to railroad workers and all other workers who enter military service. Provision is made in the bill as passed to provide a fixed wage credit of $160 per month under the railroad retirement system for those persons in military service who subsequently become eligible for benefits through the railroad retirement system. However, the nonrailroad worker in military service will receive a social-security credit equal to base pay only, ranging from $78 per month to $350 per month with about 75 percent of all servicemen receiving credits ranging from only $78 to $140 per month. It appears only proper that the bill be amended so as to provide essentially equal treatment to railroad workers and nonrailroad workers while in military service. This could be accomplished, as indicated earlier in this letter, by providing either assigned wage credits by pay grade that would be applicable to both groups of workers or by using the base pay method with a minimum base pay for social security and railroad retirement purposes of $160 per month. If it is determined, however, that the nonrailroad workers shall have a wage credit for social-security purposes calculated on base pay only, then conformity would seem to require that H. R. 7089 be amended so as to provide railroad workers with that same type of credit only.

Under existing law the Government pays the Railroad Retirement Board a tax of 12½ percent on each $160 credit earned by railroad workers while in military service. However, the $160 free credit now authorized by law for social-security purposes is not covered by an appropriation to the social-security fund equal to the taxes on such free credits. In our audit report on the railroad retirement system submitted to the Congress on February 10, 1955, it was pointed out that the railroad retirement account had received in appropriated funds and accrued interest thereon to June 30, 1953, approximately $324 million more than was estimated by the Board to be required to meet the related benefit payments arising from the crediting of military service as railroad employment at the rate of $160 per month for each month of military service. We recommended in that report the recovery of a substantial portion of the amounts appropriated and made available to the Board for these free military credits.

H. R. 7089 as now written continues in effect the present tax basis of crediting funds to the railroad retirement account for military credits with the exception that such sum is to be reduced by the amount of social-security taxes paid on such railroad workers while in military service. The net result will be the payment of a tax by the Federal Government in the order of approximately 9 or 10 percent rather than 12½ percent of the $160 military wage credits for railroad retirement purposes. Thus, the bill will continue in effect payment to the railroad retirement fund of amounts greatly in excess of those required to meet the related

benefits. The bill as originally introduced provided for reimbursing the Railroad Retirement Board for the cost to the fund of the military credits as determined at the time claims would arise rather than paying the Board on a tax basis. It is our view that such an approach was a sound one and should be adopted by the Congress. In fact, this very bill adopts that same approach in providing that reimbursement to the social-security fund, for the free $160 wage credits provided to all servicemen since 1940, shall be on the basis of cost to the fund as distinguished from a tax basis. Certainly, if such basis is considered equitably to reimburse the social-security fund for the cost of such credits, it must be considered equally equitable to discharge the Government's obligation to the railroad retirement system for such credits. Also, it is to be noted that in authorizing payment for the cost of crediting military service rendered prior to January 1, 1937, the Railroad Retirement Act itself provides for payment to the railroad retirement system of only that amount sufficient to meet the additional cost thereof to the system. We strongly recommend that this section of the bill be deleted and that there be substituted therefor the provisions of the bill as originally introduced.

However, if it is determined that the railroad retirement system should be reimbursed on a tax basis, it is believed that the committee should consider adopting some alternative approach which would more reasonably discharge the Government's obligation to the system. One such approach would be to allow the railroad worker upon entering service to elect whether he would be covered by the railroad retirement system or by social security. If he elects the railroad retirement system, then the rate of contribution to the system (now 12½ percent) would be paid 6¼ percent by the member through payroll deduction and 6¼ percent by the Government, and social-security tax would not be paid by him or by the Government.

Additional details on the foregoing points, as well as certain suggestions for technical amendments of the proposed bill, are attached hereto as exhibit A. Members of our staff are available on request to discuss any of these matters with the committee or its staff.

The recommendations made would in our opinion strengthen the bill and more nearly meet the test of the Government's obligation to the survivors of its military personnel and veterans, and at the same time provide substantial economy to the Government. However, we believe that the bill even in its present form is advantageous over the various benefit programs now provided by law.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

EXHIBIT A

SOCIAL-SECURITY COVERAGE FOR THE UNIFORMED SERVICES; BASE PAY VERSUS GROSS PAY PHILOSOPHY

The General Accounting Office endorses the idea of placing the uniformed services under the social-security system on a contributory basis. This endorsement was expressed in a report to the House select committee on October 27, 1954, and in subsequent testimony before the House Select Committee on Survivor Benefits. The Kaplan Committee, in its report on integration of the military services into the social-security system, recommended the assignment of a stated wage credit for each pay grade beginning at $200 a month and ranging to a maximum of $350 per month (the maximum monthly wage credited under the current social-security law), as shown in the following table:

E–1 and E–2	$200
E–3	220
E–4	260
E–5	300
E–6 and above	350

It can be seen that by using the above assigned wage credits, there would be simplicity in administration (only five variations) and the man would receive a credit that approximated the value of his gross pay.

This Office endorses the recommendation of the Kaplan Committee which would provide for the use of these assigned wage credits as a basis for (1) determining the tax paid by the employee and the Government, and (2) calculating the survivor and retirement benefits under the social-security system.

H. R. 7089 provides that only the base pay of those in the uniformed services will be used to determine the amount of tax and the subsequent benefits. This arrangement results in a very low wage credit for all persons in the uniformed services other than those in the upper grades. In fact, in the lower grades the base pay method for protection under the social-security system provides a penalty for military service since it tends to lower the average wage of an individual for social-security purposes as a result of his military service. Those in the upper grades would not incur any disadvantage. It is doubtful that the Federal Government should impose this penalty on an individual because he renders service in the Military Establishment. The base pay of enlisted men by grade and the percentage is summarized as follows (per S. Doc. 89, pt. 2, 83d Cong., 2d sess.):

Grade	Percent of men in grade	Pay by years of service			
		Under 2	Over 2	Over 3	Over 4
E-1	10.3	$78.00 or 83.20	$98.80	$98.80	$106.60
E-2	24.7	85.80	101.40	101.40	109.20
E-3	25.8	99.37	117.00	117.00	132.60
E-4	17.6	122.30	140.40	140.40	159.90
E-5	10.5	145.24	163.80	163.80	183.30
E-6	6.2	175.81	187.20	187.20	195.00
E-7	4.9	206.39	222.30	222.30	230.10
Total	100.0				

NOTE.—An enlisted man will not reach the social-security maximum of $350, unless he has substantial hazard-duty pay.

Similar data for officers is summarized as follows:

Grade	Percent of men in grade	Pay by years of service			
		Under 2	Over 2	Over 3	Over 4
01	19.9	$222.30	$237.12	$296.40	$296.40
02	22.2	259.36	274.18	335.40	335.40
03	26.0	326.04	326.04	351.00	374.40
04-08 [1]					

[1] All above the social-security maximum of $350.

During the past 15 years there has been provided to all military personnel a free-wage credit of $160 per month. This rate was established in 1946 when the average annual wage of male workers with 4 quarters of coverage under social security was $2,269, or $189 per month (p. 36 of S. Doc. 39, 84th Cong., 1st sess.). The average annual wage for male workers with 4 quarters of coverage in 1953 was $3,100 (when the maximum allowable was $3,600—while at present the maximum is $4,200) for a monthly average of $258 in contrast to a fixed credit of $160. It would seem that the new bill should provide no smaller wage credit than has been provided heretofore and that in the light of current conditions it should be increased to a minimum higher than $160. Accordingly, 1 of 2 alternatives should be followed in H. R. 7089—(1) to adopt the Kaplan committee recommendations for an assigned wage credit, or (2) use base pay with an assigned floor of $160 per month. It is interesting to note that the Congress enacted legislation (Public Law 381, 84th Cong.) providing for a minimum wage of $1 an hour for work involving interstate commerce. Based on a 22-day month, at 8 hours per day, this minimum wage will result in a minimum earning of $176 per month. It would seem that if commercial workers in interstate commerce are to be guaranteed this hourly wage rate, the military personnel likewise should be guaranteed for social-security purposes a minimum monthly wage of $160 or $200. The Kaplan committee calculated that the value of cash pay and pay in kind for a private (E-1) was $200 per month. Although we believe that such a minimum assigned wage credit would be proper, we can see no real objection to setting that minimum at $160 per month, thus making it possible

in many case to follow the base-pay principle adopted by the Select Committee; but where the base pay was less than $160, it would be raised automatically to $160 for social-security purposes. H. R. 7089 provides a complex adjustment in section 202 (b) to increase VA benefits to surviving widows with children when the average monthly wage of the deceased serviceman or veteran for social-security purposes is less than $160. Section 202 (b) could be deleted from the bill as it would be unnecessary if the assigned wage credit ranging from $200 to $350 a month, or base pay with a minimum of $160 or $200 a month was adopted in lieu of the base-pay-only approach contained in the bill. Although section 202 (b) provides a measure of protection to widows with children for the low-base-pay cases, no protection has been afforded to the serviceman against a reduction in retirement annuity resulting from military service.

Another problem is the unequal treatment afforded as between the nonrailroad group and the railroad group. All railroad workers in the uniformed services would, under the proposed bill, receive fixed credits of $160 per month under the railroad retirement system while others would be limited to base pay, with the result that the vast majority will accrue credit at less than $160 a month.

The advantages which would accrue from adopting a wage credit more nearly commensurate to the gross pay of the member may be summarized as follows:

1. More realistic and equitable coverage because gross pay of lowest rank approximates $200 per month.
2. More uniformity of treatment of survivors.
3. Elimination of complex provisions of section 202 (b) of the bill which provides special VA payments where average wage is less than $160 per month.
4. Elimination of discrimination between railroad workers and others which arises because the bill in effect guarantees $160 wage credit to railroad workers.

INSURANCE OFFSET

Since 1940 the Federal Government has underwritten the national service life insurance program for servicemen and veterans. All deaths occurring in service or in a period after discharge from service where the cause can be traced to injury or disease incurred as a result of service are considered to be extrahazardous in character. Such extrahazardous death claims are chargeable to the "National service life insurance appropriation" for the present value of the policy claim at the time of death, and such sum of money is then transferred to the national service life insurance trust fund for subsequent payment to the designated beneficiaries in accordance with the settlement option selected by the insured. As indicated earlier, about 90 percent of the claims arising out of World War II were deemed to be due to the extrahazardous service. The result has been that the Government has appropriated through the national service life insurance appropriation the sum of $4.5 billion to meet claims under the National Service Life Insurance Act. In addition to these insurance claims, there has been paid to surviving widows, children, and parent several billion dollars under the Veterans' Administration compensation laws. The compensation rates currently in effect for widows are lower than planned in H. R. 7089. The wartime rate for a widow is $87 per month and the peacetime rate is $69.60 per month. Accordingly, under current law a widow may receive national service life insurance plus $87 a month, or under the more recent Serviceman's Indemnity Act she may receive $92.90 a month for 10 years plus $87 a month for her remaining unremarried lifetime.

The new bill would eliminate (1) the current indemnity payment of $92.90 monthly which continues for 10 years, and (2) further insurance payments unless the insurance was purchased prior to enactment of H. R. 7089, and would substitute the higher dependency and indemnity compensation rates stated in H. R. 7089. These higher rates would range from a low of $122 per month to a high of $242 per month, depending on the rank of the serviceman. These higher compensation rates were in recognition of the fact that national service life insurance would no longer be available if not purchased prior to enactment of H. R. 7089, and that the indemnity of $92.90 per month for 10 years only would be eliminated. The proposed law represents a distinct improvement over present law in that the survivor's benefit is not dependent upon the deceased having acquired Government insurance, and benefits do not cease at the end of 10 years if the widow is still unremarried.

It can be seen, therefore, that under the new proposed law the surviving widows will be taken care of in a reasonably adequate manner for the remainder of their unremarried lifetime at no cost to them and at no cost to the serviceman except a nominal deduction from pay for the social-security tax. The social-

security benefit (in addition to the VA payment of $122 to $242) would begin when the widow reaches age 65, or immediately if children are involved and until they are age 18.

It appears most inequitable to permit the several thousand widows now on the rolls of the Veterans' Administration, or those who hereafter enter such VA compensation rolls and who have NSLI protection as well, to elect to the new program which is designed to make adequate compensation payments without insurance. The effect of permitting those now on the VA compensation rolls, or who later enter such rolls with insurance, to make an election to the new higher rates without some reasonable offset for any NSLI in force is placing a distinct advantage in favor of those widows now on the rolls or hereafter entering on the rolls who are beneficiaries under NSLI policies, as against those who have no insurance. Those widows with Government insurance will receive the same dependency and indemnity compensation payments as all other eligible widows and in addition will receive insurance—insurance that is largely underwritten by the Federal Government. It seems only proper that one condition for election of those now on the compensation rolls of the VA to the new higher rates is to require a reduction in the dependency indemnity compensation rates by an amount equal to $3 per month for each $1,000 of Government life insurance in force. When the Indemnity Act of 1951 was enacted, it provided for an offset of $9.29 per month for each $1,000 of Government life insurance in effect.

Failure to make such reduction will create an inequitable set of conditions between veterans' widows now on the rolls or hereafter entering the rolls who have insurance and those who do not have insurance. The inevitable result will be a clamor to reinstate the insurance program on top of the generous provisions of H. R. 7089.

We are not in a position to make a reliable estimate of the cost of converting widows now on the veterans' rolls to the higher rates specified in H. R. 7089, nor are we in a position to make a reliable estimate of the amount that would be saved if the insurance offset principle were applied in converting the present rolls to the new higher rates. However, we can state some amount which indicate the order of magnitude of the conversion without an offset for insurance and the order of magnitude of what would be saved if the insurance offset principle were applied. During and following World War II, approximately 90 percent of the men in service had national service life insurance, and the average coverage for those insureds was in the approximate amount of $9,000. Thus, the overall average coverage of all persons in service was approximately $8,000. Accordingly, insurance has been or is being paid in most cases, and an insurance offset would be applicable in a large percentage of cases, for a monthly amount ranging from $3 to $30, for an average of possibly $25. It is estimated that to convert the present rolls of widows and those who will elect to convert when their children reach age 18, it will cost in the neighborhood of $500 million to $900 million over the remaining lifetime of these beneficiaries. If these same survivors were to have a reduction in the new monthly rates equal to $3 per month for each $1,000 of insurance that had matured, then the cost of the conversion from the old rates to the new rates would be reduced by something in the neighborhood of $200 million to $400 million, or approximately one-half as much cost as would be involved without an insurance offset.

SOCIAL SECURITY RETIREMENT BENEFITS FOR RETIRED MILITARY PERSONNEL

As proposed in H. R. 7089, retirement provisions flowing from the extension of the social-security system to the uniformed services would result in completely additive social-security retirement on top of the present military retirement benefits.

While the serviceman would be contributing to this portion of his retirement program through the social-security system, thus giving some basis for making the social-security benefits additive, it is believed that an overall examination of the current noncontributory benefit now provided through retired military pay, plus those to be provided from social security, when compared with other comparable programs, such as the Federal civilian retirement program, provide ample evidence that the total benefits would be excessive and out of line with the Federal civilian program (or the Kaplan committee proposal for the civilian program) as well as being out of line with most non-Federal civilian programs.

The General Accounting Office is in full accord with the extension of social security to the uniformed services on a contributory basis. However, it is believed that under present day military retired levels, such social security

retired benefits should not be wholly additive to existing retirement benefits. Rather, it is strongly recommended that the bill appropriately provide for a reasonable reduction in monthly military retired pay when such retiree begins to draw social security retirement benefits. A serviceman retiring before becoming eligible for social-security retirement would continue to receive the present military retired pay, but it would be subject to recomputation at the time he began drawing social security retirement. Such a recomputation would be consistent with the Kaplan committee recommendations in connection with the integration of the civil service retirement system with the social security system. Under the Kaplan committee proposal, civil-service workers could retire at age 55 or some later date under varying circumstances and receive retired civil-service pay essentially in accordance with present law. However, when such retired Federal employee reached age 65, his civil service retired pay would be reduced by a certain factor to compensate for increased retired pay through the social-security system. It would appear that the same principle should be applied by the Government to all of its retired personnel whether they be civilian workers or military workers.

DEPENDENT PARENT BENEFITS, CRITERIA FOR ELIGIBILITY

The General Accounting Office has been concerned for some time regarding the excessive relative number of dependent parents on the Veterans' Administration compensation rolls. The fact that approximately 55 percent of all individuals who died in World War II or died subsequently from service-connected causes now have parents on the VA compensation rolls seems clearly to indicate that the current eligibility standards for surviving parents are too loose. The select committee of the House took two significant actions to remedy this condition: (1) They included substantially all classes of income received by the parent in determining his eligibility for dependency compensation (heretofore any VA payments were not counted as income in determining dependency of a parent); and (2) they provided a sliding scale whereby the monthly VA payments would be adjusted downward as the other income of the parent was increased. These two significant steps with respect to future eligible parents will contribute greatly to reduce the cost of the dependent parent program and place it on a more realistic and equitable basis. However, there still has not been provided any requirement that a parent must be unable to work, or able to work but unable to find work, before being eligible for placement on the VA compensation rolls.

It would seem that as a minimum the Federal Government should require a "dependent" parent to be engaged in gainful employment or be unable to engage in such employment due to disability or lack of available work, before being eligible for dependency compensation. Otherwise, the Government is placed in the position of making payments to individuals at the rate of $80 a month to 1 person and $100 a month to 2 persons merely because those persons do not have income at the rate stated in the bill and who do not bother to obtain income by going to work. If parents are able to work, but unable to find employment, then standards established by State unemployment agencies could be accepted as a basis for a finding by the Veterans' Administration that the parent is in fact unable to find employment, and thus is eligible for dependency and indemnity compensation while so unemployed.

It would appear most appropriate for the bill to provide that whatever standards are established for dependency of parents should apply equally to all dependent parents now on the rolls of the Veterans' Administration.

RAILROAD RETIREMENT

The railroad retirement system is a separate system of retirement and survivor benefits for railroad workers. It is essentially a plan which combines the private employer plans and the social-security plan into one overall plan, financed jointly by the carriers and the workers. The tax rate is 12½ percent of earnings up to $350 per month, while the social security current tax rate is only 4 percent and applies to the first $4,200 earned in a calendar year. The employer and employee share equally in these taxes.

Under existing law the railroad workers and nonrailroad workers receive free wage credits of $160 a month while in military service. The Federal Government pays a 12½ percent tax to the Railroad Retirement Board for the free railroad wage credit of $160 per month. The Federal appropriations for service from

1936 through June 14, 1948, total $331,469,000. However, the Government has not made an appropriation to the social-security system for such free wage credits to nonrailroad workers in service.

H. R. 7089, as it passed the House, does not provide consistent treatment to the two groups of servicemen. The large group of servicemen will receive wage credits on a base pay ranging from $78 to $350 per month under social security, with most men receiving only $78 to $140. However, the railroad servicemen will receive a fixed credit of $160 per month. We believe there should be consistent treatment for the two groups. The inequity of treatment should be eliminated. The remedy we recommend, as indicated earlier in this report, is to assign a wage-credit amount to each pay grade (as also recommended by the Kaplan committee) starting at $200 per month for an enlisted man. Such assigned credit should apply for both social security and railroad retirement purposes. A second alternative is to use the base pay approach of H. R. 7089, but use $160 as the presumed minimum base pay for the purposes of H. R. 7089 as it relates to both social security and railroad retirement. Finally, if the Congress determines to sustain the base-pay approach for social-security purposes, then as a matter of consistency and equal treatment, the railroad worker in service likewise should receive wage credits on a base-pay basis—not on a fixed $160 basis.

The second undesirable aspect of the bill as it relates to railroad retirement is the manner in which the cost to the Government will be determined for the free wage credits for railroad-retirement purposes. The method proposed in H. R. 7089 as passed the House will in our opinion result in excessive payments being made to the Railroad Retirement Board. The bill continues in effect the basic defect in present law which has resulted in overpayments to the Railroad Retirement Board.

The appropriations made to the Board thus far for free wage credits total $331,469,000. In our audit report on the railroad-retirement system, submitted to the Congress under date of February 10, 1955, we pointed out that the railroad-retirement system had received in appropriated funds and accrued interest thereon to June 30, 1953, approximately $324 million more than was estimated to be required to meet the related benefit payments arising from the crediting of military service as railroad employment. We recommend the recovery of a substantial portion of the amounts appropriated to the Railroad Retirement Board out of the general funds of the United States Treasury for this purpose. Based upon a comparison made by the Railroad Retirement Board (as shown on p. 14 of our audit report), the cost of meeting the claims which will arise from these free wage credits in the past will approximate only 16 percent of the payments already made by the Government.

It is recognized, of course, that the bill does have one improvement over present law as it relates to cost to the Government for railroad-retirment wage credits; namely, the 12½ percent tax on the $160 credit will be reduced by the social-security tax (now at rate of 4 percent) on base pay (ranging from $78 to $350 per month).

The bill as introduced in the House by the select committee was essentially based on sound principles. It eliminated the free wage credit under both systems but gave the railroad worker a special privilege by permitting him at time of retirement to elect as to whether his years of military service and related wages would be used in the social-security system or the railroad-retirement system. The bill as originally introduced also provided that the Federal Government would put up such funds as were required by the railroad-retirement system to meet the excess costs accruing to the Board as a result of the election by railroad workers to shift their military years and wages to the railroad system. It appeared that this was a reasonable and satisfactory way of taking care of the railroad worker so that he would not be penalized for any loss of benefits under the railroad-retirement system by reason of military service, and would charge the Government properly by billing only for excess costs incurred as a result of the free credits.

If it should be determined to accept the principle of having the Government pay the Railroad Retirement Board on a 12½ percent tax basis (less the social-security tax on military pay), then it appears important to modify the definition of who is a railroad worker for purposes of H. R. 7089. The definition of a railroad employee for wage-credit purposes, under current law, is an individual who worked for a railroad for as little as 1 hour in the year in which he entered military service or in the preceding year. It thus can be seen that intermittent workers who enter service soon after such intermittent railroad

employment are counted by the Railroad Retirement Board in calculating the amount of liability of the Federal Government to the railroad-retirement account. Such workers will in all probability not return to any extensive railroad employment. However, merely because of such intermittent and minor employment, the Government is obligated to pay a 12½ percent tax on $160 for a period of 2 or more years of military service. It is urged that a railroad worker be so defined only if he has had a minimum of 24 months in railroad employment or by adopting the "current connection" concept now contained in the Railroad Retirement Act in determining eligibility for minimum annuities and annuities based upon disability resulting from regular occupational employment. Such "current connection" is defined in the act as not less than 12 calendar months of railroad employment during the past 30 months of regular employment. Acceptance of this modification in definition of a railroad worker under H. R. 7089 would at least eliminate some of the transient workers who by reason of 1 day or more of work in the year they entered service or in the preceding year are counted by the Railroad Retirement Board as being railroad workers while in military service for the purpose of calculating the tax liability of the Government to the railroad account.

Furthermore, if it is considered necessary to continue on a tax basis, it is believed that the committee should consider adopting some alternative approach. One such approach would be to permit the railroad worker in the uniformed service an election while in service to be covered under the Railroad Retirement Act. If he so elects, then he would pay one-half the tax (now 12½ percent) and the Government would pay the other half to the Board, and no tax would be paid to social security. The man in service would be qualified to so elect if he had 12 months of railroad experience in the 30 months prior to induction, or other appropriate qualifying connection with the railroad industry. Thus, the man himself would decide whether or not he wanted railroad-retirement protection (if he qualifies) while in the uniformed services. Under this plan the Board would receive the total tax (now 12½ percent) on the uniformed service time and wages that are considered railroad employment.

COMMENTS ON SPECIFIC PROVISIONS OF THE BILL

Section 102 (6) (B), page 7, beginning on line 12, provides authority for the Secretary concerned to take certain action under title III, and for the Administrator to take certain action under title II. It appears that the Secretary concerned rather than the Administrator is in the best position to make the determinations required. Much confusion will be avoided and more equity will be achieved if this section of the draft bill is revised to provide that the Secretary concerned shall make the determinations required.

Section 102 (7), page 8, line 15, indicates, "the terms 'child' and 'parent' have the meanings asigned to them by Veterans Regulation No. 10, as amended." For purposes of clarity we suggest that these definitions be related exclusively to title II and possibly title III of the draft bill. These terms may not necessarily have the same meaning under the Social Security Act and the Railroad Retirement Act which are covered in title IV and, accordingly, relating the definitions to veterans regulation should be limited to titles II and III. A similar observation is made regarding section 102 (8) regarding the term "widow."

Section 102 (10) (A), page 9, beginning at line 16, indicates that basic pay means the monthly pay prescribed by section 201 or 508 of the Career Compensation Act of 1949. This citation is correct insofar as it goes, but it appears essential now to appropriately amend this subsection to recognize the provisions of Public Law 305, 84th Congress (H. R. 7000), an act entitled "Reserve Forces Act of 1955." This act provided for certain Armed Forces Reserves who would not be under the Career Compensation Act of 1949, as amended, and therefore would not be included under the provisions of H. R. 7089, unless appropriate corrective language regarding "basic pay" is made part of the bill.

Section 102 (11) (F), page 12, line 20, provides that the Secretary concerned shall certify to the VA Administrator the rank or grade and cumulative years of service of deceased persons with respect to whose death applications for benefits are filed under title II of the bill. It is recommended that this language be expanded so that the Secretary will also provide to the VA Administrator the current rate of pay which would prevail for the rank or grade and cumulative years of service being reported by the Secretary concerned.

Section 204 (b), page 16, indicates that if dependency and indemnity compensation is payable to a widow and there is a child of the deceased serviceman who

has attained the age of 18 and who while under such age, became incapable of self-support, then a dependency and indemnity compensation shall be paid monthly to each such child concurrently with the payment of dependency and indemnity compensation to the widow, in the amount of $70. It is not clear as to whether this $70 shall also be increased by the $25 stated in section 204 (a). The language of this section should be clarified.

Section 204, page 16, is silent regarding the Government's obligation to those surviving children who are in the care of their mother (who has divorced from the deceased serviceman) or someone else and whose father, the deceased serviceman, remarried and left a second wife as a surviving widow. Such surviving widow (the second wife) may have no responsibility for the surviving children who are in the care of their mother (the first wife) or someone else. It is understood that the Veterans' Administration is authorized to prorate the widow's benefit between the widow (the second wife) and the surviving children not in her care but who are in the care of the first wife or someone else. It appears that this places an undue burden on the Administrator in requiring him to administer a proration provision that requires decision on the amount to prorate to the widow and children. It is recommended that in the circumstances outlined above and similar circumstances that the surviving children be paid at the rates indicated in section 203 (a) and that the widow's payment be reduced by 50 percent of what is paid the children, but not to exceed a reduction of $65 per month. Under such plan, the surviving children are adequately protected and the second wife (the surviving widow) is required to assume some reduction because of the children not in her care. By stating this specific adjustment in the law, the Administrator is relieved of the difficult task of prorating in individual cases. However, if there are children by the second marriage, then the widow should not be required to take the 50 percent reduction.

It is assumed that the intent in section 206 (b) on page 21, lines 5 and 13, that the clause "the payment of compensation and pension" is to embrace all payments made by the Veterans' Administration, excluding insurance, but including indemnity payments under Public Law 23. The wording should be appropriately changed to embrace the indemnity payments specifically.

We recommend that section 206 (e) (3), lines 8 to 18, page 23, be deleted. The first sentence provides that a child who is eligible for the dependency and indemnity compensation and the servicemen's indemnity may elect the higher payment. This choice is adequately covered in section 206 (e) (1) on page 22, and therefore no such provision is required here. The second sentence permits the portion of the indemnity payments in which a child has an interest to be paid to another child of the deceased person if the child relinquishes his right by accepting the new compensation program. This latter feature, which will permit another child or children to receive increased indemnity payments, seems highly undesirable.

Section 408, pages 51 and 52, and section 409, pages 52 and 53, authorize appropriations to the trust fund from the general fund of amounts required because of certain benefits provided under H. R. 7089. It is urged that the language used authorizing these appropriations be so worded that the sums as determined by the Secretary of Health, Education, and Welfare shall be calculated on a present-value basis, thereby making it possible to make full settlement between the Government and the trust fund each year for the additional costs that have accrued, calculated on a basis designed to determine the amount that will be paid out on such claims over the remaining life of the beneficiaries entered on the rolls during that particular fiscal year.

Provision is made in section 501 (b), pages 64 and 65, for payment of death compensation under "laws administered by the Veterans' Administration," rather than under H. R. 7089, when an individual dies after May 1, 1956, and at the time of his death has in effect a policy of Government life insurance under waiver of premiums under section 622 of the National Service Life Insurance Act of 1940. It appears that as a matter of clarity, on line 4, page 65, the word "other" should be inserted between the words "under laws."

Mr. ECKERT. In that report we pointed out that the General Accounting Office had long advocated a reevaluation by the Congress of the existing multiple and highly complex programs of survivor benefits. We stated without reservation that this bill contains the basic principles we deemed essential to carry out the Government's obligation to the survivors of its service personnel and veterans and

that the bill in its present form is clearly advantageous over the various benefit programs now provided by law.

However, we expressed the belief that the bill could be improved in certain areas to provide greater unformity of treatment of beneficiaries and to eliminate certain inequities contained therein, while at the same time effecting substantial economies to the Government in some areas.

It is with respect to these recommendations for improvement of the bill that we will address ourselves this morning. We will summarize briefly for the committee the areas which we think should be given further consideration and will, of course, attempt to answer any questions which the members of the committee may have with respect to such suggestions.

The fundamental philosophy of H. R. 7089 is to provide a program which will furnish more adequate and uniform benefits for the survivors of our service personnel and veterans. While we realize that to attain perfect uniformity and equality of treatment under all possible circumstances is a goal which hardly can be attained, we feel that the bill in its present form contains certain obvious inequalities which should be eliminated.

H. R. 7089, in adopting the social-security program on a contributory basis, uses the principle of the base pay of members of the military service with provision for supplementary survivor benefit payments by the Veterans' Administration in certain instances where the average wage is less than $160 a month. As a result of the adoption of the base-pay method, the vast majority of military personnel, estimated at some 75 percent, will earn wage credits at less than $160 per month, thus becoming eligible for benefits substantially less than are currently available to all members of the services under the present free coverage program and certainly less than that which they reasonably may have accrued during outside commercial employment. Currently the average wage under social security for male workers is $258 per month.

Also, it is to be noted that, while the base-pay method has been adopted under which, as heretofore pointed out, some 75 percent of the members of the Armed Forces will accrue wage credits at less than $160 per month, the bill provides a special fixed credit of $160 per month in the case of railroad employees. We believe that this clear instance of discrimination between railroad workers and all others in the armed services should be eliminated.

It is our view that the wage credits for social-security purposes should be more nearly alined with the gross pay of service personnel. This could be accomplished by the adoption of assigned wage credits as recommended by the Kaplan Committee or by using the base pay principle and providing a minimum social-security coverage of $160 per month. The adoption of the gross pay approach would not add any administrative problems—in fact, it would lessen such problems. Each pay grade would be given an assigned wage credit approximating the value of gross pay, but not to exceed $4200 per year or $350 per month.

Examples of possible assigned wage credits are as follows: E–1 and E–2. $200; E–3, 220; E–4, 260; E–5, 300; E–6 and above, 350.

We realize that the adoption of the gross pay method would increase the cost of the program both to the Government as the employer and

to the serviceman as the employee. However, we believe that the substantial advantages which would accrue through the providing of greater and more adequate benefits to surviving widows and children and the more substantial credit toward the servicemen's eventual retirement greatly outweigh the increased cost which would be involved. In addition, it would have the following advantages:

(1) Provide coverage on a contributory basis at least equal to that presently available to the members of the armed services on a noncontributory basis.

(2) Eliminate the obvious discrimination between railroad workers and all others in the military service.

(3) Make unnecessary the special provisions of the bill required to provide additional benefits for surviving children where the average wage is less than $160 per month, which special provisions involve administrative problems.

H. R. 7089, as now written, continues in effect the present tax basis of crediting funds to the railroad retirement account for military credits with the exception that such sum is to be reduced by the amount of social-security taxes paid by the Government on such railroad workers while in military service. The net result will be the payment of a tax by the Federal Government in the order of approximately 9 or 10 percent rather than 12½ percent of the $160 military wage credits for railroad retirement purposes. Thus, the bill will continue in effect the existing situation under which payments to the railroad retirement account are substantially in excess of those required to meet the related benefits. In our audit report of the railroad retirement system, submitted to the Congress on February 10, 1955, we pointed out that the railroad retirement account had received approximately $324 million more than was estimated by the Board to be required to meet the related benefits.

The bill as originally reported to the House provided for reimbursing the Railroad Retirement Board for the cost to the fund of the military credits as determined at the time claims would arise, rather than paying the Board on a tax basis. It is our view that such an approach was a sound one and should be adopted by the Congress. In fact, this very bill adopts that same approach in providing reimbursement to the Social Security Fund for the free $160 wage credits provided to all servicemen since 1940 on the basis of cost to the Fund as distinguished from a tax basis. Certainly if the cost basis is considered equitable to reimburse the Social Security Fund for temporary military credits, it must be considered equally equitable to discharge the Government's obligation to the Railroad Retirement System for such temporary credits. Also, it is to be noted that in authorizing payment for the cost of crediting military service rendered prior to January 1, 1937, the Railroad Retirement Act itself provides for payment to the railroad retirement system of only an amount sufficient to meet the additional costs thereon to the system. We strongly recommend that this section of the bill be deleted and that there be substituted therefor the provisions of the bill as originally introduced.

It has been suggested to the committee that this subject of coverage of railroad workers should not be considered in this bill; that the bill should, as it does in its present form, merely continue generally the present arrangements; and that at some subsequent time the Con-

gress should give special consideration to the matter. If this view is adopted by the committee, we would strongly recommend that the committee, as a minimum, eliminate the $160 fixed credit for railroad workers and substitute the variable rates applicable to all other members of the services, leaving for the future consideration of the Congress the question of a revised and more proper formula for reimbursing the railroad retirement account. If this action were taken, the bill would then provide equal treatment of all military personnel.

The extension of social security to the uniformed services on a contributory basis as provided in the bill would result in substantial retirement benefits to military personnel. Under the bill these benefits would be completely additive to the noncontributory retired pay already provided for our military personnel at rates up to 75 percent of base pay. The total benefits which thus would be received by such retired personnel are, in our opinion, excessive and out of line with existing Federal civilian programs. It may be noted here that the Kaplan Committee, in recommending the adoption of the social-security program to the civilian retirement program, proposes an adjustment of civilian retired pay upon the advent of payments under the social-security program. It is our view that similar adjustment of the military retired pay should be made when retirement benefits are received by the member under the social-security program.

As we have pointed out, one of the basic aims of H. R. 7089 is to provide substantial uniformity of benefits. We believe that this principle is vitiated somewhat under the bill by the failure to provide for the offset from the higher rates provided by the bill of benefits accruing from Government life insurance. Thus, this bill would permit beneficiaries now on the VA compensation rolls to elect to the higher rates provided by the bill without any reduction because of benefits accruing from Government life insurance. Also, survivors entering the program in the future who are eligible for Government life-insurance benefits would receive such insurance in addition to the new higher dependency and indemnity compensation. As a result, those survivors receiving insurance benefits will receive greater benefits than those not entitled to insurance. Since the Government has underwritten the national service life-insurance fund to the extent of some $4.5 billion and for the sake of more uniformity of benefits, we have recommended that the bill provide for a reduction in benefits by an amount designed to represent a portion of the insurance benefits paid or being paid. It should be noted that this principle of offset was adopted by the Congress in the enactment of the Indemnity Act of 1951 wherein it was provided that the indemnity of $92.90 per month would be reduced by $9.29 for each $1,000 of insurance in force. We believe this principle, which will provide greater uniformity of benefits as well as a reduction in cost to the Government, should likewise be applied in this program.

There is one other matter which we should like to call to the particular attention of the committee. That is, the provision in the bill relieving certifying and disbursing officers of liability for erroneous payments of the death gratuity in the absence of fraud, gross negligence, or criminality on their part, as well as provision for the waiver of recovery of any such erroneous payments or overpayments when the Secretary concerned concludes that such recovery would be against equity and good conscience.

Since the drafting of H. R. 7089, the Congress, by the enactment of Public Law 365, 84th Congress, has expressly provided a means for relief of disbursing officers where erroneous payments are shown not to have been the result of a lack of due care on their part. We feel very strongly that the Government is entitled to this much protection in the payment of its obligation and that to go further and to guarantee disbursing officers relief from erroneous payments in the absence of fraud, gross negligence, or criminality as provided in this bill obviously will tend to encourage carelessness in the payment of the death gratuity. We firmly recommend that the special provisions contained in section 304 (b) and (c) be eliminated.

We have given consideration to the estimated costs under the bill in relation to the costs under existing law and, with one exception, are generally in agreement with the table of comparative costs contained at page 25 of the Department of Defense presentation. That exception is the inclusion in such first-year costs under H. R. 7089 of the item of $50 million designated "Refund to OASI fund." This $50 million is not a cost of the new bill, but is merely the liquidation of a cost that has been accruing against the Government for nearly 16 years for the $160 free military wage credits. Thus, assuming that the Government accepts its responsibility for repayment of these funds to Social Security, this item obviously is one which, while it affects our overall cash budget, has no direct relation to H. R. 7089. In fact, whether or not H. R. 7089 receives favorable consideration by the Congress, this amount or any other amount accruing from such obligation properly should be paid by the Government. This was pointed out in testimony by the Commissioner of Social Security who also stated that separate legislation is pending in the Congress at the present time to provide funds for this purpose.

Eliminating this $50 million from the projected first-year costs of H. R. 7089 reduces the grand total from $682.8 million to $632.8 million, thus reducing the estimated increased costs of the program under this bill from $75 million to $25 million.

In conclusion we wish to reemphasize that, while we feel that the recommendations which we have made would substantially improve the overall benefit program for the survivors of members of the armed services and of veterans, we believe that the bill in its present form represents a substantial improvement over the various benefit programs provided by existing law.

The CHAIRMAN. Thank you very much, Mr. Eckert. That is a very good statement. I have a few questions I would like you to answer.

Mr. ECKERT. Thank you, Mr. Chairman. I request that either Mr. Nelson or myself make the replies to the questions if that is all right.

The CHAIRMAN. Yes.

Mr. ECKERT. Question No. 1:

You have recommended certain changes in the bill. Will you supply for the record the language for the amendments you proposed?

We will be very happy to do that, Mr. Chairman.

(The following information was subsequently received for the record:)

AMENDATORY LANGUAGE TO CARRY OUT RECOMMENDATIONS OF THE COMPTROLLER GENERAL IN REPORT TO SENATE FINANCE COMMITTEE, DATED DECEMBER 22, 1955, ON H. R. 7089, 84TH CONGRESS

1. "Assigned" or "minimum" wage credit (par. 4 of report).
2. Insurance offset (par. 5 of report).
3. Military retirement offset (par. 6 of report).
4. Application of proposed criteria for "dependent parents" to parents presently on VA rolls (par. 7 of report).
5. Elimination of finality provisions with respect to the payment of the 6-month death gratuity (par. 8 of report).
6. Elimination of inequality of treatment of railroad workers and all others (par. 9 of report).
7. Revision of method of reimbursing the railroad retirement fund for military credits (par. 11 of report).
8. Suggested alternative approach to discharge Government's obligation to the Railroad Retirement System (par. 12 of report).
9. Proposed criteria for determination of "railroad workers" for service purposes (par. 1, p. 9, of exhibit A).

1 (a). Paragraph (4) of letter recommending the adoption of assigned wage credits as recommended by the Kaplan Committee (social-security purposes)

Page 14, strike out line 12 and all that follows down through line 10 on page 15.

Page 31, strike out line 20 and all that follows down through line 3 on page 32, and insert in lieu thereof the following:

"For the purpose of this title, in the case of an individual performing service, as a member of a uniformed service, to which the provisions of section 210 (m) (1) are applicable, the term 'wages' (as defined in the preceding provisions of thus subsection) shall include as such individual's remuneration for such service an assigned wage credit for each pay grade as shown in the following table:

"Commissioned officers, all grades	$350 per month
Warrant officers, all grades	$350 per month
Enlisted persons:	
Pay grades E–1 and E–2	$200 per month
Pay grade E–3	$220 per month
Pay grade E–4	$260 per month
Pay grade E–5	$300 per month
Pay grades E–6 and E–7	$350 per month"

1 (b). Paragraph (4) of letter recommending (as an alternative) the adoption of basic pay principle with a minimum coverage of PVEJ per month (social-security purposes)

Page 14, strike out line 12 and all that follows down through line 10 on page 15.

Page 31, strike out line 20 and all that follows down through line 3 on page 32, and insert in lieu thereof the following:

"For the purposes of this title, in the case of an individual performing service, as a member of a uniformed service, to which the provisions of section 210 (m) (1) are applicable, the term 'wages' (as defined in the preceding provisions of this subsection) shall include as such individual's remuneration for such service the higher of the two amounts: (A) his basic pay as described in section 102 (10) of the Servicemen's and Veterans' Survivor Benefit Act, or (B) $160 per month."

2. Insurance offset

Add following proviso to section 202 (a):

"*Provided, however*, That any such payment to a widow who has received or is receiving benefits under the United States Government Life Insurance or National Service Life Insturance policies on the life of the deceased person shall be reduced $3 per month for each $1,000 of such insurance as to which the widow is a beneficiary."

Section 203 should have added a new section reading substantially as follows:

"203 (c) Payments to a child eligible for benefits under this Act who has received or is receiving benefits under United States Government or National Service Life Insurance policies on the life of the deceased person shall be reduced $3 per month for each $1,000 of such insurance as to which the child is a beneficiary."

3. Reduction of military retired pay when eligible for social security.

"ADJUSTMENT OF MILITARY RETIRED PAY

"SEC. 504. The retired pay, retirment pay, or retainer pay of any person payable for or on account of service in any of the uniformed services shall, beginning with the first month he would be entitled upon filing a proper application therefore to an old-age insurance benefit authorized by section 202 (a) of the Social Security Act, as amended, 42 U. S. C. 402 (a), be reduced by one-half of the amount of the product obtained by multiplying the amount of such old-age insturance benefit by the ratio that the total wages creditable for military service bears to the total wages creditable under the provisions of title II of the Social Security Act, as amended."

Change present section 504 (a) to 505 (a).

4. Application of proposed criteria for "dependent parents" to parents presently on VA rolls

"SEC. 205 (h). The foregoing criteria shall apply to all payments made by the Veterans' Administration to parents without regard to whether eligibility for such payment arises by reason of a death occurring prior or subsequent to the enactment of this act. *Provided, however,* That this subsection shall become effective on January 1, 1957."

Delete sections 206 (a) (2) and 206 (d).

5. Elimination of finality provisions with respect to payment of the 6 months death gratuity

Delete sections 304 (b) and 304 (c).

6. Paragraph (9) of letter recommending conformity of the Railroad Retirement Act with the Social Security Act with respect to crediting uninformed service

Conformity of the Railroad Rettirement Act with the Social Security Act with respect to crediting uniformed service would be accomplished by the changes recommended in paragraph (1).

If the changes recommended in paragraph (1) are not adopted, the bill should be amended to delete special minimum credit of $160 provided for railroad workers.

7. Revision of method of reimbursing the railroad retirement fund for military credits

Page 32 of H. R. 7089, as passed by the House, strike out line 22 and all that follows down through the wording "the Secretary shall" in line 11 on page 33, and insert in lieu thereof the wording of H. R. 7089, as introduced by the select committee, beginning with line 22 on page 32 and ending with line 8 on page 33.

Page 53 of H. R. 7089, as passed by the House, strike out line 22 and all that follows down through line 21 on page 56, and insert in lieu thereof the wording of H. R. 7089, as introduced by the select committee, beginning with line 22 on page 53 and ending with line 25 on page 57.

The effect of this recommendation essentially is to adopt the following provisions:

AS RECOMMENDED BY THE SELECT COMMITTEE ELECTION	AS RECOMMENDED BY THE SELECT COMMITTEE CREDITABLE SERVICE
A railroad worker may elect at time of applying for an annuity to have uniformed service credited under railroad retirement instead of Social Security Act.	"Member of a uniformed service" concept identical for both Railroad Retirement Act and Social Security Act.
INSTEAD OF AS PASSED BY THE HOUSE	INSTEAD OF AS PASSED BY THE HOUSE
No election. Military service of a railroad worker automatically credited under Railroad Retirement Act if the individual has 10 or more years of creditable railroad and military service.	"Member of a uniformed service" concept for Social Security Act. Military service during a war service period basis for Railroad Retirement Act.

	RATE OF CREDIT
Basic pay not in excess of $4,200 annually for crediting uniformed service under both Railroad Retirement Act and Social Security Act.	Basic pay not in excess of $4,200 annually for crediting uniformed service under Social Security Act. Monthly credit of $160 used for crediting military service under Railroad Retirement Act.
APPROPRIATION TO RAILROAD RETIREMENT ACCOUNT	
Additional cost of crediting uniformed service toward annuities, less amounts credited to Railroad Retirement Account under financial interchange agreement with Federal old-age and survivors' insurance fund with respect to such uniformed service.	Amount of railroad retirement taxes (present rate 12½ percent) which would have been payable had the military service been railroad service at monthly rate of $160, less the amount of social-security taxes payable with respect to such military service.

8. *Paragraph (12) of letter recommending that railroad workers may elect when entering uniformed services to have coverage under the Railroad Retirement Act and pay prevailing railroad retirement tax rate for employees (also gives effect to the last sentence of par. (1) of letter recommending a change to the wording of H. R. 7089 as introduced by the select committee, and to the second paragraph of page (9) of exhibit A to letter recommending use of "current connection" concept in determining eligibility for election)*

Page 32, strike out line 22 and all that follows down through line 6 on page 34, and insert in lieu thereof the following:

"(4) Paragraph (1) of this subsection shall not apply in the case of an individual electing under section 2 (h) of the Railroad Retirement Act of 1937 to treat his service as a member of a uniformed service as service as an 'employee' for purposes of that Act."

Page 53, strike out line 22 and all that follows down through line 21 on page 56, and insert in lieu thereof the following:

"SEC. 411. (a) Section 4 of the Railroad Retirement Act of 1937 is amended by adding at the end thereof the following new subsection:

"'(p) The provisions of this section shall apply only with respect to military service rendered prior to January 1, 1956.'

"(b) Section 2 of the Railroad Retirement Act of 1937 is amended by adding at the end thereof the following new subsection:

"'(h) (1) Except as provided in paragraphs (2) and (3), any individual performing service (as a member of a uniformed service) to which the provisions of section 210 (m) (1) of the Social Security Act are applicable (except for the election) may elect to treat such service as service as an "employee" for purposes of this Act. If such an election is made, then, for the purposes of this Act, the months of such service shall be included in such individual's "years of service," and (except for purposes of section 5 (f) (2)) his wages for such service as defined in the last paragraph of section 209 of the Social Security Act shall constitute "compensation."

"'(2) No election may be made by any individual under paragraph (1) unless (A) at the beginning of such individual's service (as a member of a uniformed service) to which the provisions of section 210 (m) (1) of the Social Security Act are applicable (except for the election), such individual had a current connection with the railroad industry; or (B) such individual's service (as a member of a uniformed service) to which the provisions of section 210 (m) (1) of the Social Security Act are applicable (except for the election under section 210 (m) (4)) was a continuation of a period of military service which began prior to January 1, 1956, and which (prior to that date) was creditable under section 4.

"'(3) An election to be valid shall be made in writing in the form prescribed by the Secretary concerned (as defined in section 102 (9) of the Servicemen's and Veterans' Survivor Benefit Act) and shall be effective only with respect to service as a member of a uniformed service performed during the month in which the election is made or during subsequent months.'

"(c) Section 1 (o) of the Railroad Retirement Act of 1937 is amended by striking out 'at the time an annuity begins to accrue to him and at death' and inserting in lieu thereof: 'at the time of beginning of his service as a member of

a uniformed service, or at the time an annuity begins to accrue to him, or at death.'

"(d) Section 1 (q) of the Railroad Retirement Act of 1937 is amended by striking out 'as amended in 1954' and inserting in lieu thereof 'as amended in 1955.'"

Page 60, insert immediately following line 17, a new paragraph:

"(4) Paragraphs (1), (2), and (3) shall not apply in the case of an individual electing under section 2 (h) of the Railroad Retirement Act of 1937 to treat his service as a member of a uniformed service as service as an 'employee' for the purposes of that Act."

Page 62, insert immediately following line 18 a new section:

"RAILROAD RETIREMENT TAX AMENDMENTS

"SEC. 416. The Internal Revenue Code of 1954 is amended—

"(A) by inserting at the end of section 3221 the following new sections:

"'SEC. 3222. PAYMENT OF TAX FOR MEMBERS OF A UNIFORMED SERVICE.

"'Payments of the tax imposed by section 3221 with respect to service performed by an individual electing under section 2 (h) of the Railroad Retirement Act of 1937, to treat his service as a member of a uniformed service as service as an "employee" for purposes of that Act, shall be made from appropriations available for the pay of members of such uniformed services.

"'SEC. 3223. INSTRUMENTALITIES OF THE UNITED STATES.

"'Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 3221 with respect to service performed by an individual electing under section 2 (h) of the Railroad Retirement Act of 1937 to treat his service as a member of a uniformed service as service as an "employee" for purposes of that Act, unless such other provision of law grants a specific exemption by reference to such tax imposed by section 3221.'

"(B) by inserting the following sentence immediately preceding the last sentence of section 3231 (a):

"'The term "employer" shall include instrumentalities of the United States with respect to the service of those individuals who elect under section 2 (h) of the Railroad Retirement Act of 1937 to treat service as a member of a uniformed service as service as an "employee" for purposes of that Act.'

"(C) by inserting the following sentence immediately preceding the last sentence of section 3231 (b):

"'The term "employee" shall also include those individuals who elect under section 2 (h) of the Railroad Retirement Act of 1937 to treat service as a member of a uniformed service as service as an "employee" for purposes of that Act.'

"(D) by inserting the following sentence at the end of section 3231 (d):

"'An individual is also in the service of an employer if such individual elects under section 2 (h) of the Railroad Retirement Act of 1937 to treat service as a member of a uniformed service as service as an "employee" for purposes of that Act.'

"(E) by inserting the following new paragraph at the end of section 3231 (e):

"'(3) The term "compensation" of those individuals who elect under section 2 (h) of the Railroad Retirement Act of 1937 to treat service as a member of a uniformed service as service as an "employee" for the purposes of that Act, shall include the higher of the two amounts: (A) his basic pay as described in section 102 (10) of the Servicemen's and Veterans' Survivor Benefit Act, or (B) $160 per month.'"

Page 62, strike out "Sec. 416" on line 20, and insert in lieu thereof "Sec. 417."

9. *First paragraph of page 9 of Exhibit A of letter recommending modification of the definition of a railroad worker if H. R. 7089, as passed by the House, including the tax basis or reimbursing the Railroad Retirement Account, is to be continued (adoption of requirement of "current connection" concept)*

Page 56, by inserting immediately after line 21 the following two new subsections:

"(d) Section 4 (f) of the Railroad Retirement Act of 1937 is amended—

"(A) by striking out 'Military service shall not' and inserting in lieu thereof: 'Military service performed prior to January 1956 shall not.'

"(B) by inserting at the end thereof the following new sentence:

"'Military service rendered after December 1955 shall not be included in the years of service of an individual, unless, at the time of beginning his military

service in a war service period, the individual had a current connection with the railroad industry.'

"(e) Section 1 (o) of the Railroad Retirement Act of 1937 is amended by striking out 'at the time an annuity begins to accrue to him and at death' and inserting in lieu thereof: 'at the time of beginning his military service in a war service period, or at the time an annuity begins to accrue to him, or at death.'"

Two, "This bill is generally referred to as the survivors' benefits bill. Will you first list and then discuss benefits provided in the bill for the man himself while he is alive as distinguished from benefits for his survivors after death?"

Mr. NELSON. The principal benefit for the man while he is alive is the social security protection which will be maintained at a more reasonable level and he will receive that additional benefit at age 65 when he retires under social security.

Other than that I think the bill is essentially a survivor benefit bill.

Mr. ECKERT. Yes. No. 3:

Will you compare these emoluments for the man himself before his death with those enjoyed by other Federal employees outside of the uniformed services?

We will try to supply that for the record. There will be many variations because of the difference in programs. Some civilian employees, of course, are covered by social security, some are under the Civil Service retirement system.

The CHAIRMAN. You will furnish us with a memorandum?

Mr. ECKERT. Yes.

(The following was subsequently received for the record:)

Comparison of civilian and military retirement

(Civil service system (retirement with 30 years' service)				Military retirement									
				Present military retired pay with 30 years' service						Result at age 65 with social security added			
Grade	Highest 5-year average monthly salary	Monthly annuity	Percent of salary	Grade	Base pay	Rental and subsistance allowance	Gross pay	Retired pay (75 percent of base pay)	Retired pay as percent of gross pay	Present retired pay	Social security added	New total retirement at age 65	Percent of total retired pay to gross pay
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
GS-6	$407	$185	45	E-6	$289	$109	$398	$216	54	$216	$68	$284	71
GS-7	446	200	45	E-7	335	109	444	252	57	252	73	325	73
GS-8	482	217	45	W-1	368	133	501	276	55	276	78	354	71
GS-9	521	234	45	O-1	374	133	507	281	55	281	78	359	71
GS-10	560	252	45	W-2	420	142	562	315	56	315	81	396	70
				O-2	413	142	555	310	56	310	81	391	70
GS-11	622	280	45	W-3	459	150	609	344	56	344	84	428	70
				O-3	515	150	665	386	58	386	84	470	71
GS-12	720	324	45	W-4	530	168	698	398	57	398	88	486	70
				O-4	593	168	761	445	58	445	88	533	70
GS-13	839	377	45	O-5	671	185	856	503	59	503	92	595	70
GS-15	1,057	476	45	O-6	811	185	996	608	61	608	92	700	70
GS-17	1,218	548	45	O-7	967	219	1,186	725	61	725	92	817	69
GS-18	1,233	555	45	O-8	1,076	219	1,295	807	62	807	92	899	69

NOTES

1. Figures have been rounded to the nearest dollar.
2. S. 2875 as passed the Senate would provide substantial increases in civil service retirement.
3. The social-security retirement benefit is not payable until age 65 and therefore the "additive" feature does not take effect until such age is attained. The amounts shown do not include the benefit for the wife. If the retiree has a wife, the social-security benefit is 50 percent higher.
4. The above social-security retirement benefit at age 65 was estimated on the basis of no covered employment other than military.
5. The amount of social security monthly benefit was based on an assumed average wage for each pay grade. The wage calculation recognized the 5-year and below age 22 dropout provision.

Prepared June 11, 1956.

Mr. ECKERT. Question No. 4:

Reference has been made by the representatives of the Budget Bureau in previous testimony on this bill to an audit report by the General Accounting Office on the railroad retirement fund. Did this report say or indicate that money owed to the OASI trust fund was being used in a manner resulting in a windfall to the railroad retirement fund? If so, will you please describe the situation?

Mr. Chairman, I believe our reference to windfalls in the audit report referred to concerned an interest accumulation.

It arises from the fact that there were substantial amounts on deposit in the railroad retirement account as to which the law provides for the payment of 3 percent interest. Those substantial amounts were obligations of that fund to social security but were held in the railroad fund. As a result railroad retirement accrued interest at 3 percent and in turn paid social security the average interest rate on Treasury obligations which was some 2½ percent, approximately. The difference amounting, as I recall the situation, to approximately $3 million in that current year we referred to as a windfall income.

The CHAIRMAN. The 3 percent is continued under this bill?

Mr. ECKERT. This bill would not change that situation, Mr. Chairman.

Senator CARLSON. Right on that point, would the GAO suggest that we make the average interest rate applicable to these bonds the same as we do in social security and in the civil service retirement fund as we are expecting to do at the present time?

Mr. ECKERT. I think that we would. However, there you are going to have the substantive provisions of the Railroad Retirement Act. I believe we would go along with that; yes, sir.

Question No. 5:

Will you state or supply for the record administrative difficulties now anticipated by the General Accounting Office in the administration of provisions in this bill?

Mr. NELSON. I don't believe there are any major administrative problems in the bill, as we read it. There is one element involving an adjustment between, or an exchange of information between the Veterans' Administration and the social-security people where the veteran had an average wage of less than $160 and there are surviving children. In that instance the Veterans' Administration will have to consult with the social-security people to determine that the wage is less than $160 and then begin paying a supplementary payment through the Veterans' Administration.

Other than that, and we don't consider that a major element, but it is one element, we don't believe there will be major administrative problems with this bill.

Mr. ECKERT. I think we might add, Mr. Chairman, that on an overall basis we feel the administrative problems will be less by the enactment of a consolidated bill for benefits than they are under the present complex system of different programs.

The CHAIRMAN. Thank you very much, gentlemen.

Are there any further questions?

Senator BENNETT. No questions.

The CHAIRMAN. Thank you very much indeed for a good statement.

Does this letter of yours to the committee, dated December 22, 1955, include any matter not covered in your statement today?

Mr. ECKERT. The only other matter that was referred to in that letter was a question we raised with respect to the dependent parent situation as to whether there should be additional eligibility criteria. Subsequent to our report on the bill we referred to this committee a copy of a survey which we made between the time the bill passed the House and this present consideration of the bill. We made a survey of nearly 2,000 dependent parent cases all over the country and as a result of that survey we have in reflection reconsidered and now doubt that there is any need for additional eligibility criteria in those cases, accordingly we didn't highlight that this morning. However, for the sake of uniformity we still feel that all parents presently on the VA rolls should be required to conform to the new standards established by this bill.

The CHAIRMAN. Thank you very much.

The next witness is Mr. Dan Smith of the Department of the Treasury.

STATEMENT OF DAN THROOP SMITH, SPECIAL ASSISTANT TO THE SECRETARY ON TAX POLICY; ACCOMPANIED BY R. W. MAXWELL, COMMISSIONER OF ACCOUNTS; CAPT. R. R. CURRY, UNITED STATES COAST GUARD; AND JULIUS M. GREISMAN, LEGAL ADVISORY STAFF, DEPARTMENT OF THE TREASURY

Mr. SMITH. Mr. Chairman, we are delighted on behalf of the Treasury Department to appear in response to your invitation of June 5 in the letter to Secretary Humphrey. The points that we have to raise are all I think relatively minor ones, in a sense almost technical provisions. Perhaps the simplest way too would be for me to read into the record the Secretary's letter of February 9 to you and the memorandum accompanying it and then I and my associates will undertake to answer any questions.

The CHAIRMAN. Without objection that may be done.

Mr. SMITH. Letter from Secretary Humphrey to you, Mr. Chairman:

MY DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H. R. 7089, to provide benefits for the survivors of servicemen and veterans, and for other purposes.

The Department is in favor of the general objectives of the bill. However, the Department has reservations as to certain specific provisions of the bill. These, together with some technical comments, are set forth in the attached memorandum.

The Department hs been advised by the Bureau of the Budget that there is no objection to the submission of this report of your committee.

I wish to emphasize our general agreement and support of the bill.

With your permission I shall insert in the record the memorandum which accompanies the report, and I shall paraphrase briefly the main points.

(The matter referred to is as follows:)

MEMORANDUM RE H. R. 7089, "TO PROVIDE BENEFITS FOR THE SURVIVORS OF SERVICEMEN AND VETERANS, AND FOR OTHER PURPOSES."

(1) Section 210 of the bill would exempt payments of indemnity and dependency compensation from levy by the Federal Government for nonpayment of taxes. The Department is opposed to this provision since it believes that the

power of the Treasury Department to impose liens and make levies for the collection of unpaid taxes is essential to the effective enforcement of the tax laws. Under section 6334 of the Internal Revenue Code of 1954, only wearing apparel and school books of the taxpayer or members of his family and a limited amount of personal effects and books of a trade or profession are exempt from levy and distraint for nonpayment of taxes, which provision the Department considers to be extremely important in collection of unpaid taxes. While it is realized that the Congress exempted railroad retirement benefits in Public Law 383, 84th Congress, the Department did not favor such a provision.

(2) Section 408 of the bill would provide for determining the amount to be reimbursed to the Federal old-age and survivors insurance trust fund on account of the cost of wage credits for military service and the computation of interest thereon at a rate "equal" to the average rate of interest earned on the invested assets of the trust fund during the preceding fiscal year. For administrative simplicity, it is suggested the interest rate formula be revised to provide for adjusting the average rate if not a multiple of one-eighth to the next lower one-eighth of the average rate.

(3) Section 504 (a) of the bill would make it effective on January 1, 1956. By the time the bill is enacted, this date would have a retroactive effect. Such a result would be undesirable with respect to the provisions of the bill relating to the withholding of taxes.

(4) The bill does not specifically provide for the coverage of chaplains who are members of the Armed Forces. The Internal Revenue Service has treated chaplains who are members of the Armed Forces like other members of the Armed Forces for purposes of income-tax withholding and would so treat chaplains under the present bill. If this treatment would be in accord with the desires of the committee, a statement to that effect in the committee report would be of assistance.

(5) There are a number of language and similar changes which should be made in certain provisions of the bill. Representatives of this Department would be glad to cooperate with the committee staff in making such changes.

And we do not favor a provision in this bill for the further exemption. Committee members will recall that in connection with the 1954 code a good deal of time was spent in working out a general and uniform exemption. We see no reason to create a precedent here for additional special treatment of particular forms of property or payments.

Our second point is that section 408 of the bill would provide for determining the amount to be reimbursed to the Federal old-age and survivors insurance trust fund on account of the cost of wage credits for military service and the computation of interest thereon at a rate "equal" to the average rate of interest earned on the invested assets of the trust fund during the preceding fiscal year. For administrative simplicity, it is suggested the interest rate formula be revised to provide for adjusting the average rate of interest earned on the invested assets of the trust fund during the preceding fiscal year. For administrative simplicity, it is suggested the interest rate formula be revised to provide for adjusting the average rate if not a multiple of one-eighth to the next lower one-eighth of the average rate.

This would conform the calculations of interest on these particular amounts to the general method of calculating interest used on other investments.

I understand from Commissioner Maxwell of the Bureau of Accounts, who is with me and can elaborate on this, that the provision here calls for an extremely complicated calculation involving dollar-days, something like man-hours of work. This is merely a simplifying amendment which has no substantive change.

Senator GEORGE. Have you prepared an amendment?

Mr. SMITH. Yes, we have. The revised language has already been submitted to the staff of the committee, Senator George.

A third point is that section 504 (a) of the bill would make it effective on January 1, 1956. By the time the bill is enacted this date would have a retroactive effect. Such a result would be undesirable with respect to the provisions of the bill relating to the withholding of taxes.

I would merely like to invite the committee's attention in a sense to the fact that this would require the withholding of a lump sum.

The CHAIRMAN. Suppose we made it the effective date of January 1, 1957?

Mr. SMITH. That would eliminate the problem and would be desirable from that standpoint. The fourth point is that the bill does not specifically provide for the coverage of chaplains, who are treated as members of the Armed Forces for purposes of income tax withholding. By analogy, chaplains would be so treated under the present bill. If this treatment would be in accord with the desires of the committee, a statement to that effect in the committee report would be of assistance.

This problem arises from the fact that members of the clergy for social security purposes are on an optional basis rather than a mandatory basis. For income tax purposes we have considered chaplains as members of the armed services for income-tax withholding. It is our expectation that we would continue to apply that same concept but we invite the committee's attention to it in case there is dissent. If that is approved we would like to have the committee report indicate that that is in accordance with its desires and expectations.

There is only one other technical amendment and we have already submitted this language to the staff of the committee. That has to do with the fact that as the bill now stands certain provisions apply only to members of the Armed Forces. The bill after the time it was originally drafted has been extended, I understand, to include other members of uniformed services, such as the Coast and Geodetic Service and the Public Health Service. We propose their inclusion in certain conforming technical amendments, and the language with regard to that has been submitted to the staff.

That completes the statement, Mr. Chairman.

You have handed me here two questions. Is it your pleasure I read those and comment on them?

The Treasury Department in its report on this bill under date of February 9, 1956 commented on four specific subjects and then said there are a number of language and similar changes which should be made in certain provisions of the bill. Will you discuss in detail the subjects to which the Department has referred specifically and then state the other language referred to in the February 9 report and explain them.

I believe my statement has covered all of these points.

It will be appreciated if you will submit for the record language recommended by the Treasury Department.

I will insert in the record the things that have already gone to the staff.

Second question:

At the conclusion of your testimony will you also state or supply for the record any administrative difficulties now anticipated by the Treasury Department in the administration of provisions in this bill?

I know of no administrative difficulties that are of sufficient significance to call to the attention of the committee. If anything comes up, I shall add it to the record but I believe there is nothing.

The CHAIRMAN. Thank you very much. Are there any questions?

Senator MARTIN. Mr. Chairman, did Dr. Smith indicate what the possible cost to the United States would be if this were enacted?

Mr. SMITH. I did not, Senator Martin, nor do I have figures. We have deferred to the Budget Bureau and GAO on that and will accept any figures they will supply.

Senator BENNETT. We might call attention of our colleague to the statement of the earlier witness who quoted the figures $682.8 million for the first year and suggested an accounting change which would reduce it to 632.8 million. That appears on page 8 of testimony of Mr. Eckert.

The CHAIRMAN. Thank you, sir.

The next witness is John R. Holden, AMVETS.

STATEMENT OF JOHN R. HOLDEN, AMVETS, ACCOMPANIED BY FRANCIS J. HENRY, AMVETS NATIONAL SERVICE OFFICER

Mr. HOLDEN. Mr. Chairman and members of the committee, I am John R. Holden, national legislative director of AMVETS and I am accompanied by Mr. Francis J. Henry, AMVETS national service officer.

AMVETS appreciate this opportunity to present our views on the measure pending before you. Having followed carefully the work of the House of Representatives select committee from its inception, we are well aware of the many complexities involved in the drafting of H. R. 7089, the survivor benefits bill.

On three occasions, representatives of AMVETS testified on this subject before the select committee voicing approval of some provisions of the bill, and registering opposition to others. Since we last spoke on this measure, our position has been ratified and repeated by action of the most recent AMVETS national convention.

This committee has, of course, at its disposal the record of hearings before the select committee. In the interests of saving time, our presentation this morning will be limited to a brief discussion of major points of interest in the proposed legislation.

FEDERAL EMPLOYEES COMPENSATION ACT

In our judgment, the greatest criticism of the existing Survivor Benefit structure can properly be leveled at the right of reservists to qualify for benefit payments under the Federal Employees Compensation Act, while the same right is denied to members of the Regular Establishment. H. R. 7089 contemplates the elimination of this benefit for reservists. We are convinced that this proposal is sound and will serve to eliminate much of the cricitism of the existing program. It will certainly make it less difficult for potential beneficiaries to understand the system. At the present time, two similarly situated widows—except for the fact that one is the widow of a regular while the other is the widow of a reservist—will vary greatly in the monthly payments received from the Government. This feature is one of the most difficult in the entire program for a beneficiary to understand. In the interests of uniformity and equity, AMVETS endorse this feature of H. R. 7089.

DEATH GRATUITY

With respect to the proposed changes in the payment of the death gratuity, AMVETS have always contended that the wide range of payments of this benefit under present law do not bear a proper relationship to the immediate needs of survivors—the present minimum of $468 being inadequate and the maximum of $7,656 being more than enough to take care of the immediate readjustment of dependents. The proposal to increase the minimum to $800 while reducing the maximum payable to $3,000 is sound. AMVETS, therefore, support this provision.

DEPENDENCY AND INDEMNITY COMPENSATION

Title II of H. R. 7089 introduces an entirely new philosophy into the survivor benefit structure—a philosophy that recognizes rank, station in life or military pay as a significant factor in discharging the Federal Government's obligation to the widows of veterans who died as the result of service-connected disabilities. We reject such philosophy as an unsound approach to this problem.

We recognize the vital necessity for attracting and retaining qualified career people in the Armed Forces. The proposed graded system of compensation payments could conceivably assist in achieving that objective. The subject under consideration, however, is a compensation program for service connected deaths. It is not a retirement program where earnings are properly a significant factor.

The proposal embodied in section 202 (a) of H. R. 7089, while an excellent plan for career personnel, does not represent an adequate plan for the great mass of civilians called into service during time of war. We invite your attention to the fact that of the three-hundred-and-fifty-thousand-odd deaths for which compensation is being paid, approximately 18,000 are regular establishment, while the rest are wartime cases.

The inequities in this proposal can best be shown by a hypothetical case comparing 2 men—both in the same infantry company; 1 a private with 6 months service, the other a captain with 10 years service. Prior to induction, the private was a telephone lineman or a structural steel worker or any similar occupation where he had no trouble earning $500 or more per month. The captain's pay and allowances amounted to $587 per month. Obviously, the wives of both of these men enjoyed similar standards of living because of the comparable incomes of their husbands. The two men are then killed in combat by the explosion of the same shell. Under the proposed legislation, the wife of the captain will receive $165 monthly in indemnity compensation while the widow of the private receives but $122 per month.

During time of war or emergency, while undergoing large-scale mobilization, situations such as this will be repeated many times.

Arguments have been advanced that it is unfair to require a general's widow to exist on the same monthly payment as the widow of a private. By the same token, it is fair to assume that the general, because of his greater earnings, has provided more security for his survivors than the private, much in the same manner that a civilian executive would undoubtedly carry more insurance than one of his clerks.

Because of this reasoning, we urge this committee to reject the formula outlined in section 202 (a) and substitute in its stead a flat sum for widow's compensation that takes into account the loss of indemnity paments being terminated by this bill.

An area of major concern to AMVETS is encountered in section 205, which would establish a sliding scale of income limits to control the amount of compensation payable to dependent parents. The sliding scale, of course, is intended to overcome the problem posed by the payment of compensation under existing law to parents who come within one dollar of the income limits while denying payment to parents earning one dollar more than the limit.

The Veterans' Administration has indicated that cases in which the dividing line is barely avoided or barely exceeded are not numerous because the flexible regulatory standards allow consideration of other factors such as unusual medical expenses and the presence of minor or helpless dependents in the family.

In attempting to correct this comparatively minor problem, H. R. 7089 imposes unrealistic income limits that will reduce payments to those who could meet present criteria. For example, a single parent under current law and regulation may have an income of $1,200 per year and be in receipt of $75 monthly compensation. A person with the same $1,200 income, but filing under the provisions of H. R. 7089 would receive $45 per month. This disparity is more pronounced in the case of two parents. Under existing statute, an income of $2,051 entitles 2 parents living together to $80 per month.

Under H. R. 7089, the same income entitles them to $40 per month.

AMVETS cannot, in good conscience, support this restrictive criteria for determining a parent's entitlement to compensation. We, therefore, recommend that the present law and regulation be retained but that consideration be given to increasing the rates of compensation for dependent parents.

CONTRIBUTORY SOCIAL SECURITY

The proposal to permit Armed Forces personnel to participate in the OASI program on a full contributory basis is sound and warrants the support of AMVETS. The adoption of this proposal would assure members of the Armed Forces full protection under this program—protection for which they have paid in the same manner as an employee in private industry.

Should this provision be effected into law, the resulting OASI survivors benefit should not in our judgment be considered in arriving at an equitable, uniform system of benefits for survivors of veterans and Armed Forces personnel. The OASI program has been called a social insurance program, entirely self-supporting, and financed by the contributions of workers and their employers. The Federal Government's contribution would be made exclusively as an employer in the same manner that AMVETS contribute to the fund as my employer.

CONCLUSION

We have attempted herein, Mr. Chairman, to outline very briefly the highlights of AMVETS' position with respect to H. R. 7089.

With your permission, Mr. Chairman, I should like to submit the text of the resolution on this subject adopted by AMVETS national convention for incorporation in the record of these hearings.

The CHAIRMAN. Without objection that will be done.

Mr. HOLDEN. The resolution follows in the next paragraph of my statement.

(The document referred to is as follows:)

RESOLUTION

AMVETS have historically followed a policy of equal benefits for all servicemen and a definite distinction between wartime and peacetime service. With this fundamental philosophy, this committee deliberated on the many resolutions submitted, pertaining particularly to H. R. 7089, and referred to as the Survivor Benefits Act.

The Survivor Benefits Act proposes four major changes in the existing benefits structure.

(*a*) It is proposed by the select committee that the 6-month's death gratuity be continued, however, with a minimum payment of $800 and a maximum payment of $3,000.

(*b*) Increase the Veterans' Administration death compensation rates and eliminate the $10,000 gratuitious idemnity. In other words, consolidate the two present Veterans' Administration programs.

(*c*) Place all Armed Forces personnel under contributory social security with the tax calculated on base pay, and discontinue the present $160 gratuitous wage credit.

(*d*) Repeal those sections of law which provide Federal Employees' Compensation Act benefits to certain reserve personnel.

The committee unanimously agree, in keeping with AMVETS philosophy, that we endorse the recommendations of H. R. 7089 with respect to the death gratuity. Current legislation provides for a minimum payment of $468 and a maximum payment of $7,656. This amount is predicated on 6 months' basic pay, plus special and incentive pays. H. R. 7089 uses the same formula, but provides a minimum of $800 and a maximum of $3,000.

This gratuity meets the immediate critical financial need of the survivors of the deceased serviceman. We cannot conceive of any case where the sum of $468 would be sufficient. Conversely, the sum of $7,656 is certainly excessive.

AMVETS were the first to sponsor the Servicemen's Indemnity of $10,000. Our decision at that time was that it would be more economical for the Government to provide the indemnity than be burdened with costly bookkeeping. Under the existing program, payments are being made at the rate of $92.90 a month for 10 years. H. R. 7089 proposes to completely eliminate the indemnity during the time the man is in service. At the present time, 70 percent of all indemnity payments are made to parents, 25 percent to widows, and 5 percent to others.

In conjunction with the elimination of the servicemen's indemnity, the bill provides for an increase in death compensation to be paid to dependents. However, the benefits set forth in the bill are based in part on rank, beginning with enlisted men receiving a minimum of $122 and with a graduated scale ending with generals at $242. The present payments are $87 a month.

The committee proposes that the indemnity be eliminated only if the death compensation be increased as set forth herein. We do not believe that AMVETS or Americans should support a discriminatory system of payments to survivors of deceased members of the Armed Forces. Fundamentally, "all men are created equal," and the same principle applies in death. We are informed that the select committee found that the average amounts paid under the new bill would be $137 for enlisted men and $167 for officers. AMVETS propose that all survivors be paid the sum of $152 a month, which is the mean of the above figures. We favor the increased allowance for children as set forth in H. R. 7089.

In keeping with historical tradition followed by the Government for many years, we favor the continuation of peacetime rates at 80 percent of wartime rates.

Payments to dependent parents under existing law are $75 for 1 parent and $80 for 2 dependent parents. This is grossly inadequate in view of present-day living costs. H. R. 7089 does not correct the inadequacy, but rather imposes unrealistic income limitations. AMVETS propose that the income limitation

be raised to at least $1,500 for 1 parents, and $3,000 for 2 parents: and the survivor payment be raised to $100 for 1 parent and $125 for 2 parents. It should be remembered in connection herewith that the surviving parents will not receive the indemnity payments of $92.90 per month for 10 years upon the effective date of the passage of H. R. 7089.

We support the principle of full contributory social-security participation by Armed Forces personnel.

H. R. 7089 would end postservice insurance rights to discharges under section 621 of NSLI. We are in opposition to this provision. Each person discharged from the Armed Forces should have the opportunity to purchase within the statutory period such insurance as he should elect. Our decision is based upon the years he has served, the increased cost to him of insurance thereby occasioned, and the fact that our Government has granted such a right to war and peacetime veterans for over 40 years. Particularly, it should be remembered that service in the Armed Forces now is mandatory, and the insurance protection provided could be considered as a special incentive.

Mr. HOLDEN. We of AMVETS are confident that this committee will carefully analyze this complex bill and report a measure that will serve the best interests of all servicemen and veterans alike.

Thank you.

The CHAIRMAN. Thank you very much.

Are there any questions?

The next witness is Mr. Charles E. Lofgren, Fleet Reserve Association.

You may proceed, Mr. Lofgren.

STATEMENT OF CHARLES E. LOFGREN, NATIONAL SECRETARY, FLEET RESERVE ASSOCIATION; ACCOMPANIED BY LT. COMDR. RUSSELL A. LANGDON, UNITED STATES NAVY (RETIRED)

Mr. LOFRGEN. Mr. Chairman and members of the Senate Finance Committee; my name is Charles E. Lofgren, national secretary, Fleet Reserve Association, 522 Rhode Island Avenue NE., Washington, D. C.

I am accompanied by my associate, Lt. Comdr. Russell A. Langdon, United States Navy (retired).

I speak for the 46,000 career enlisted men of the Navy and Marine Corps who are members of the association I represent.

During the last session of Congress, I testified several times before the select committee of the House of Representatives during the exploratory hearings which resulted in H. R. 7089 now under consideration by this committee, and presented the views of the Fleet Reserve Association. I do not intend to repeat that testimony during these hearings, as what was said at that time is a matter of record in the printed hearings.

Subsequent to the passage of H. R. 7089 by the House of Representatives, the 28th National Convention of the Fleet Reserve Association, held in Chicago, Ill., last Navy Day, October 27, 1955, unanimously adopted a resolution endorsing wholeheartedly the provisions of this survivor benefit bill on which hearings are now being conducted by your distinguished committee.

Progressive reports were made to the entire membership of the Fleet Reserve Association through our official publication, Naval Affairs, and by and large the career enlisted men of the Navy and Marine Corps who are members of our association are for the bill 100 percent, and consider it to be of equal importance to career at-

tractiveness and the morale of the services as was the dependents' medicare bill, recently enacted by the Congress. All of our members are familiar with the general provisions of this proposed bill. The only complaints received were that it did not provide survivor benefits for other than service-connected deaths.

However, we fully understand that this is not a general pension bill, and that under the precept which the select committee of the House of Representatives conducted its hearings, the committee's jurisdiction did not include consideration of provisions for the survivors of persons who died under conditions other than service-connected.

While it is true that the bill under consideration is primarily concerned with service-connected deaths, that is, social security and the 6 months' death gratuity payments.

General pensions for non-service-connected deaths are payable by the Veterans' Administration to the dependents of Spanish-American War veterans and World War I veterans.

There are no general pension provisions for non-service-connected deaths of peacetime veterans or servicemen. There is a provision for payment of a pension to surviving dependents of those World War II and Korean veterans who incurred a 10 percent disability traceable to those periods, whose disabilities were still present at death, but which did not cause the death. Payment of this pension is subject to certain maximum income limitations of the surviving dependents.

Practically every officer and enlisted man on active duty today entered the armed services after November 11, 1918, which is the termination date of World War I for pension purposes. Thus, there is no entitlement of the widow and minor children to a death pension for a non-service-connected death, other than as stated above, for the overwhelming majority of the present members of the armed services. The widows of career men cannot understand why the service of their husbands, many of whom have given 20 to 30 years of honorable service, does not entitle them to receive death pension.

In my work as national secretary of the Fleet Reserve Association, I am accredited with the Veterans' Administration for the presentation and adjudication of claims. Hardly a day passes that the problem of some service widow is not presented for helpful assistance. It is heartrending at times to realize how misinformed these widows are on what constitutes their entitlement.

Husbands have told them erroneously that they will continue to receive the retired pay after death, that they will get a pension, social security, and a lot of other imaginable benefits. They awaken to the sad realization that the serviceman neglected to change his insurance beneficiary or that he did not designate lump-sum payment of insurance in lieu of monthly payments.

Having obligated themselves for the payment of a funeral bill far beyond their means, they must then go out and try to find a job, or a new husband, to support them in their declining years of life, a very difficult undertaking to say the least, for a widow in her middle years of life.

To them it is indeed a sad awakening when they must face the fact that, upon their husband's death, after retirement from 30 to 35 years of faithful, honorable, and in some cases, distinguished service, the

only benefit which they, as widows, may receive are the $150 burial allowance to offset funeral expenses of several hundreds of dollars, a flag to drape the casket, burial in a national cemetery, and a headstone to mark the last resting place. It is hoped that the Congress at a later date may give consideration to this subject.

During the 2 years the survivor benefit bill has been under consideration not a single member of the Fleet Reserve Association has expressed opposition to that portion of H. R. 7089 which, if enacted, will require their involuntary participation in the social security program. They recognize its value, in that they will then be fully insured for social security benefits for themselves and, in the event of death from a service- or non-service-connected cause, their dependents will be provided for under the social security program.

The provisions of this bill are most important for those, who having minor children, enter civilian employment after discharge or retirement and who may die during the following 18 months.

In many cases they would not have acquired in civilian employment the minimum six quarters of coverage to protect their dependents under the social-security program. This feature is most important considering that the surviving widows and children of practically everyone now in service are not entitled to a death pension benefit for a non-service-connected death.

In connection with the provisions of the bill under consideration, I am thinking particularly of the widow of a career enlisted man of the Navy who died during the fall of Corregidor, or at least was never heard of subsequent thereto.

He lacked only a few weeks of having served on active duty for the required six quarters of social-security coverage. Although carried on the active-duty rolls in a missing status until 1945, at which time he was declared officially dead, the Social Security Bureau denied social-security payments to his widow and infant child. H. R. 7089 will correct this apparent injustice, but without retroactive social security payments.

I am thinking also of many similar instances of missing and deceased shipmates whose bodies still lie entombed in our ships which were sunk during the attack on Pearl Harbor.

I am thinking of another career enlisted man transferred to the Fleet Reserve after more than 20 years of service, who died from a non-service-connected cause within a few months after separation from active duty. Because he used his World War II and postwar service for another Federal retirement benefit—Fleet Reserve retainer pay—his surviving dependent were not protected under social security.

Had the provisions of H. R. 7089 been in force, the family would have been insurred under the social-security program.

I am thinking of another enlisted man who transferred to the Fleet Reserve after 20 years' service, was subsequently recalled to active duty during the Korean emergency, and died while on his second tour of active duty. Because he used part of his post-World War II service in computing time for transfer to the Fleet Reserve, even though he died while on active duty, his subsequent active duty was not premitted to be counted with his civilian social security coverage, and the widow and minor child were denied social-security benefits because he did not have the require six quarters of coverage.

H. R. 7089 will correct this injustice, without retroactive social-security payments, for the minor child only, as the widow has since remarried.

I am thinking of another career enlisted man who died the day following his retirement for physical disability, whose widow received no 6 months' gratuity because he was not on active duty at the time of his death. H. R. 7089 will correct such a situation in the future, since deaths occurring within 120 days from date of separation, after the enactment of this bill, will carry the 6 months' death gratuity payment.

I am thinking of another career enlisted man who took his own life while on active duty, whose widow was denied the 6 months' gratuity because death was held by the Navy to have been incurred as the result of the man's own willful misconduct. Subsequently, the Veterans' Administration, upon review of the facts in the case, ruled the serviceman was not of sound mind at the time he took his own life and granted death compensation to the widow and children. H. R. 7089 will correct such future situations as, under the bill, line-of-duty death is not a requisite for the payment of the 6 months' death gratuity under the theory that dependents should not be forced to pay the penalty for the sins of the father.

I am thinking of two sisters, one the widow of an Air Force Reserve officer, the other the wife of a retired career enlisted man of the Navy with peacetime service-connected heart disability. The widowed sister receives survivor benefits under the Federal Employees Compensation Act, and allied benefits, totaling around $450 a month, while the other sister, wife of the retired career enlisted man still living, is now sweating out the 10-year marriage clause limitation.

Her widow's death compensation for peacetime service-connected disability will be only $70 per month. Should her husband die from a cause other than the heart condition, she would receive a mere $50.40 World War I pension. H. R. 7089 would give a modest increase of death compensation to the Regular's widow, from $70 to $112 per month, plus 12 percent of her husband's basic pay, converted to present-day pay scales for his length of active service, and will prevent such wide disparities as now exist between survivor benefits for Reserve personnel who die in peacetime, as compared to benefits now provided for our career personnel in the Armed Forces.

I am thinking of the widow of another career man, a distinguished flag officer who died while serving as a member of the Joint Chiefs of Staff during the period of the Korean emergency. She is receiving $87 per month death compensation from the Veterans' Administration for her husband's 30 years of distinguished service to the Navy and the Nation.

Think of it gentlemen, actually less than $3 per day. Hardly enough to pay the monthly rental in a mediocre apartment. Yet there are groups who have said there should be no rank in death, and the widow of a 4-star admiral with 30 to 40 years of brilliant service should receive the same death compensation as the widow of a recruit who had only a few months' service.

H. R. 7089 will provide a modest increase for this deserving widow in the nature of recognition of her husband's rank and length of service, and her station in life, pending her attainment of age 65 when,

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under existing law, she will become entitled to social-security payments.

I am thinking of the stepfather of a deceased marine private who is about to be awarded $5,000 free indemnity insurance by the Veterans' Administration, the other half having been awarded to the boy's natural mother.

The award to the stepfather is about to be made because at one time, he was the last stepfather who stood in loco parentis for 1 year, even though prior to enlistment, the boy's mother had divorced the stepfather for nonsupport. This former stepfather, remarried and again divorced by a second wife for nonsupport, has remarried the third time. I appealed this case to the Board of Veterans' Appeals, objecting to such payment to the former stepfather as I did not think the Congress intended such payments to be made in cases where a familial relationship did not exist either at the time of the veteran's death or his entry into service. H. R. 7089 abolishes the free indemnity and, if enacted, I shall be thankful that such an injustice could not happen again.

I am thinking of the present 20 percent differential between peacetime death compensation and wartime death compensation, and firmly believe there should be no such differential. The present $70 per month payment to the widow for a peacetime death is hardly enough to buy food, what with the present high cost of living, let alone pay for shelter and clothing. H. R. 7089 puts all service-connected deaths on an equal basis.

I am a firm believer in life insurance, and feel that every officer and enlisted man should carry adequate insurance for his dependents, within his means, and am pleased to note that in lieu of the servicemen's free indemnity, H. R. 7089 permits all persons on active duty to reinstate their permanent Government insurance on a premium paying basis.

However, those on active duty who gave up their permanent insurance for its cash-surrender value when free indemnity was provided, should be permitted to take out new insurance at their then attained age.

I do not believe such a provision is now written into the bill, and recommend that representatives of the Veterans' Administration be asked to clarify this point by suggesting the proper amendment.

All in all, H. R. 7089 is a good bill. Its enactment will add much to career attractiveness for the armed services. Since the bill does not take away any benefit anyone is now receiving for a service-connected death, and provides for the right of election to continue to receive present benefits, and later shift to the new provisions, the Fleet Reserve Association, in the interest of the greatest good for the greatest number, wholeheartedly endorses the survivor benefit bill, H. R. 7089 and urges a favorable report by this committee.

Thank you, gentlemen.

The CHAIRMAN. Thank you, Mr. Lofgren.

Are there any questions?

Thank you very much, sir.

The next witness is Brig. Gen. Harold R. Duffie, Reserve Officers Association, accompanied by Mr. Charles M. Boyer.

STATEMENT OF BRIG. GEN. HAROLD R. DUFFIE, RESERVE OFFICERS ASSOCIATION, ACCOMPANIED BY COL. CHARLES M. BOYER

General DUFFIE. Mr. Chairman, I am General Duffie, executive director of the Reserve Officers Association, accompanied by Colonel Boyer; and with your permission I would like to read my statement, which is very short.

The CHAIRMAN. Proceed.

General DUFFIE. The Reserve Officers Association appreciates the opportunity to express their approval of H. R. 7089, an act to provide benefits for the survivors of servicemen and veterans and for other purposes.

This legislation meets the broad objectives of the Reserve Officers Association in their mission to strengthen national defense and to create the equality of career incentives and benefits we believe should exist for Reserve and the Regular personnel on active duty or in authorized Reserve training status.

We note with satisfaction that the various administrative steps required of dependents to apply for and secure survivor benefits are made relatively simple by this proposed legislation.

In this respect the survivor dependents' circumstances are materially strengthened for uninterrupted security. This is a positive incentive for the career Regular and the obligated or voluntary reservists.

The establishment of dollar relationship between the amount of basic pay to the members of the uniformed services and the benefit amounts that will be authorized for surviving dependents has the approval of the Reserve Officers Association.

This recognition of the serviceman's Regular or Reserve pay by proportionate benefits, constitute an incentive for career and Reserve participation in the several services of national defense.

The numerical expansion of the Ready Reserve with the increased intensity and importance of Reserve training under the Reserve Forces Act of 1955 has also been recognized in the proposed legislation.

It is noted with satisfaction that travel requirements of this intensified Reserve training program have been given thoughtful consideration. The association approves the specific and distinct recognition afforded by this legislation for the coverage for reservists while going to, or coming from, their duties in connection with Reserve training. This consideration is appropriate and essential due to the fact that more and more reservists are required to accomplish their training at locations far removed from their residence or place of work.

The requirement of the Reserve Forces Act of 1955 for satisfactory performance of Reserve training is an obligation for all members of the Armed Forces Ready Reserve for periods ranging from 1 to 7½ years, to accomplish this requirement there has been an increase in weekend training opportunities which will permit reservists from the more rural areas to proceed to central locations where they can participate in weekend training.

While this development reduced once-a-week travel, it increased the number of reservists traveling longer distances once a month.

This improved Reserve training has more than justified the inclusion of this protection of survivors in the legislation before you. This

item is another basic reason that stimulates the approval of our association for the act.

The association would like to express its sincere appreciation for the time this committee and the representatives of the executive departments have spent in developing such a sound solution to a most important part of our military personnel problems.

With your permission I would like to ask Colonel Boyer within 2 minutes to explain to the committee how we happen to be included under the FEC provision of the law at the present time.

The CHAIRMAN. Proceed, Colonel Boyer.

Colonel BOYER. Mr. Chairman, first I would like to get clear that the Reserve officers are not under the Federal Employees Compensation Act at the request of the Reserve or at the request of the Reserve Officers Association. At the end of World War I there was no disability requirement for reservist and Congress in 1919 enacted the temporary officers disability retirement law which went off the statute books in 1927 and from that time on until later we had no protection.

Where there we noted a great number of officers who got hurt and injured in weekend training and in 15 days of active duty there were a certain number. We immediately attempted to get disability retirement and at that time the regular services objected.

Congress in its wisdom in the middle thirties placed us under the regular Federal Employees Compensation Act because the regular services recommended that. That was not a liberal gesture because the payments were only $10 a week. In 1938 we got the disability retirement law but it was limited to individuals who were on active duty for 30 days so Congress left us under the Federal Employees Compensation.

Please remember this covered us in peacetime. So on December 7, 1941, we came out from under.

In 1947 when Congress rescinded some of the War Power Acts of the President they gave the Reserves all their peacetime rights under the FEC Act. In 1949 the Federal Employees Compensation Act was amended until today it is the most liberal pension law on the statute books. So I though it should be made clear to the committee how we come to be under it.

Then I would like to make this clear, that actually the Reserve will benefit by coming under the provisions of this act to this extent that the present coverage under Federal Employees Compensation Act is very limited. If war is declared tomorrow they come out from under it. And it has to be an accidental death. It is impossible to get a physican or a medical officer to make a statement that anyone who dies in the service of a heart attack or some disease of the circulatory system is a service-connected death.

I suspect you have had many letters from widows whose husbands died of a heart attack and they do not come under the Federal Employees Compensation Act.

Under this coverage it is broken because it covers in peace and war and covers any type of death, including diseases of the circulatory system.

The CHAIRMAN. Thank you very much.

Are there any questions?

Thank you very much.

The committee will now adjourn until 10 a. m. tomorrow.

(Whereupon at 11:25 the hearing was adjourned.)

SURVIVOR BENEFIT ACT

FRIDAY, JUNE 8, 1956

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:10 a. m., in room 312, Senate Office Building, Senator Walter F. George presiding.

Present: Senators George (presiding), Smathers, Douglas, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

Senator GEORGE. The committee will come to order, please.

We will proceed with the hearing.

The first witness is Mr. Omar Ketchum, Veterans of Foreign Wars.

STATEMENT OF OMAR B. KETCHUM, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Senator GEORGE. Mr. Ketchum, you may proceed.

Mr. KETCHUM. Mr. Chairman and members of the committee, my name is Omar B. Ketchum and I am the director of the national legislative service of the Veterans of Foreign Wars of the United States.

I am appearing before your committee today to express the interest and viewpoint of the Veterans of Foreign Wars with respect to H. R. 7089, to provide benefits for the survivors of servicemen and veterans which has been approved by the House of Representatives and is now pending before your committee.

All members of the Veterans of Foreign Wars are serving, or have served, in the Armed Forces of the United States on foreign soil or in hostile waters during some war, campaign, or expedition in which the United States has engaged. Consequently, benefits for the survivors of active service personnel who die in the service, or who later die after leaving the service because of disabilities incurred in the service, have been a subject of prime interest and concern to the Veterans of Foreign Wars.

We have, over the years, recommended, from time to time, new benefits and liberalization of existing benefits for the survivors of deceased personnel and we take pride in the belief that our recommendations have been helpful in developing some of the existing benefits for survivors.

The hearing record of the House Select Committe on Survivor Benefits, both in the 83d and 84th Congresses, reveal the identity, inter-

est, and testimony of the Veterans of Foreign Wars with respect to H. R. 7089 which is now pending before your committee.

A careful reading of our testimony before the House Select Committee in the two separate sessions of Congress indicate our support in general of an expanded and liberalized program of benefits for survivors and, at the same time, revealed our concern over certain procedures and proposals contained in the legislation which was eventually approved by the House of Representatives.

In my appearance before your committee today, may I say that while the Veterans of Foreign Wars is concerned over certain fundamental changes which have been included in H. R. 7089 I do not want to give the impression that the Veterans of Foreign Wars is opposed to the bill and would want it defeated unless all of our apprehensions are alleviated.

I shall outline the apprehensions of our organization with respect to the bill and if your committee and the Senate believe our recommendations are sound it is your privilege to revise the bill accordingly. If you do not agree with our objections and recommendations it is your privilege to make such changes as you believe are vitally important to the bill and report it favorably for consideration by the Senate.

May I digress for a moment, Mr. Chairman, to say that we believe that this bill is a sound step in the right direction to bring together a hodge-podge of existing survivors benefits.

And we strongly favor the idea of a new system of survivor benefits. And we believe this bill, while it does not meet all of our ideas, certainly is a very sound step in the right direction.

Now, if there are no objections, Mr. Chairman, I should like to offer for the record a copy of Resolution No. 390 which was adopted by the 56th National Encampment of the Veterans of Foreign Wars held in August 1955 in Boston, Mass.

This resolution deals with the subject of the survivors benefit bill.

Senator GEORGE. You may do so.

(The resolution is as follows:)

RESOLUTION No. 390, H. R. 7089, SERVICEMEN'S AND VETERANS' SURVIVOR BENEFITS ACT

Whereas a select committee of the House of Representatives has made an extensive study of benefits for survivors of servicemen and veterans who die of service-connected causes which resulted in the reporting of a bill identified as H. R. 7089; and

Whereas H. R. 7089 was passed by the House on July 13, 1955, and is now pending in the Senate Finance Committee where it will be the subject of further study in the 2d session of the 84th Congress: and

Whereas we recognize H. R. 7089 substantially improves, in some respects, the existing survivor benefits but at the same time injects new yardsticks which we view with apprehension, such as—

(*a*) Basing dependency compensation and social security for widows of both career and noncareer personnel on the military rank and pay of the deceased person without regard to the earning capacity of noncareer personnel in civilian life;

(*b*) The termination of gratuitous indemnity;

(*c*) Removal of the differential between wartime and peacetime rates: Now, therefore, be it

Resolved, by the 56 National Encampment of the Veterans of Foreign Wars of the United States, That our national legislative committee and national legis-

lative service are hereby directed to support liberalization of survivor benefits with sufficient authority and leeway to work for such changes in H. R. 7089 as will alleviate the apprehension expressed in this resolution.

Mr. KETCHUM. First, I should like to discuss VFW apprehension over the use, to some extent, of rank and pay as a yardstick to measure compensation payments and social-security benefits to eligible survivors. The difficulty in attempting to arrive at an equitable system of compensation and social-security payments to survivors stems directly from the fact that the Armed Forces are composed of career personnel and of civilians who served for brief periods of time.

The service of the civilian constitutes an interruption of his normal life and interferes with the pursuit of his chosen occupation, profession, or business.

On the other hand, the service of the career personnel is the chosen occupation or profession of that person. Although we are not suggesting that this fact should require greater benefits for one group over the other, we do suggest it creates problems which cannot equitably be solved without regard to the special situation of the temporary, or civilian, military personnel.

Consequently, it is the viewpoint of the Veterans of Foreign Wars that any procedure which bases death compensation and/or social-security payments for all survivors of military service upon the basis of rank and pay is unrealistic.

It seems to us that the first step is to lay down certain fundamental principles as the framework for an equitable program. We suggest first that a sound program should, in no case, provide benefits to survivors that would maintain them in a standard of living above that which they could have attained in the absence of the serviceman's death and, on the other hand, a sound program should, insofar as reasonably possible, maintain survivors in a standard of living they would have enjoyed if the serviceman would have lived and continued his contribution to the support of his survivors.

There are two major factors involved in such sound principles and they are:

(*a*) the pecuniary loss directly caused by the death; and
(*b*) the needs of the survivors.

The needs of the survivors include additional factors among which are: (1) Financial status; (2) number of dependents; (3) physical condition; (4) habits of living; and (5) possibility of employment.

Such factors would not be given due consideration by any plan which is based merely on the number of dependents and the rate of military pay. It is only in the case of career personnel where a rate and pay system could be realistic.

Consequently, to implement the foregoing sound principles of equity, the VFW suggests it can only be accomplished through a system of adjudication in each individual death case.

We recognize that such a system has objectionable features which include the administrative difficulties of determining and properly evaluating all of the factors involved and the probability that adjudication would lack the uniformity of a more rigid system with some survivors receiving lower awards contending that their cases were as meritorious as others where the survivors received higher awards.

The feasibility of adjudication is indicated by the fact that the Veterans' Administration has successfully employed adjudication in hun-

dreds of thousands of cases without any great strain upon that agency or the claimants involved.

For example, the Veterans' Administration is paying death compensation to approximately 265,837 dependent parents by reason of service-incurred deaths during World War II. Dependency is a matter which must be adjudicated and, consequently, it is apparent that under the present system the Veterans' Administration is already adjudicating most cases of service-connected deaths.

The experience and ability to adjudicate in the case of dependent parents indicates that it would not be an insurmountable problem to adjudicate the matter of death compensation insofar as survivors are concerned. The other factor involved would be in attempting to determine pecuniary loss.

The Federal Tort Claims Act imposes liability on the Federal Government for damages resulting from injury or death caused by the negligent act of an employee or agent of the Federal Government. In such cases suits are filed against the Federal Government in the United States District Courts and an adjudication made of the damages sustained by survivors in all death cases. Adjudication in these cases is much more difficult than the adjudication in the amount of death compensation for service-connected death because it is also necessary to determine the question of liability based on the alleged negligent acts of the agents or employees of the Government.

Consequently, we find a wealth of experience already available in the Federal Government through the Tort Claims Act, where pecuniary loss is being determined regularly.

In addition to the experience of adjudicating the claims of dependent parents and the adjudication of pecuniary loss through the Federal Tort Claims Act, I should like to also call attention to the nearly 2 million disability compensation cases from World War II on the rolls of the Veterans' Administration.

These cases have all been adjudicated to determine service-connection of the disability and the percentage of disability from which the amount of disability compensation is determined. While disability is a medical question, we suggest that it is fully as difficult to evaluate the percentage of physical incapacity that results from a certain disability as it is to evaluate the adequacy of death compensation based on the pecuniary loss and needs of survivors.

In other words, the experience of the Government in adjudicating the claims of dependent parents, the adjudication which we have suggested where survivor benefits are involved is practical and not realistic.

H. R. 7089 as now written would determine compensation payments on the basis of military pay and number of dependents. In most cases those with the same pay and the same number of dependents receive identical amounts of compensation regardless of pecuniary loss resulting from the death, financial circumstances, physical condition, accustomed manner of living, or possibility of maintaining themselves through gainful employment.

Consequently, the surviving widow of one who earned $20,000 per year in civilian life, who has no accumulated wealth, and who might be a chronic invalid with no possibility of employment would receive the same amount of compensation as a wealthy widow in good health

with numerous employment possibilities whose husband had earned nothing in civilian life and who might have a substantial unearned income from investments.

We hesitate to approve a system of survivors benefits that would permit such a result.

It has been suggested that military pay is a proper criterion on which to base death benefits because civilians with high earning capacities achieve rank in service commensurate with their abilities. Thousands of civilians, with high income capacities or potentials, served in World War II in enlisted or low commissioned ranks.

Civilians are not generally taken into the military initially in high rank. Again we insist that adjudication would establish the facts and determine an equitable award somewhere between a reasonable floor and ceiling.

Second, the Veterans of Foreign Wars is apprehensive over the elimination in H. R. 7089 of the $10,000 gratuitous indemnity which is provided by existing law. We recommended in the House that this gratuitous indemnity should be continued and we are making the same recommendation to the Senate.

However, we would favor giving authority to the Veterans' Administration to stretch out the payments over a longer period of time. This would not reduce the total amount of the benefit but would grant authority in some cases to reduce the amount of the monthly payment so as to eliminate the possibility that some survivors in the lower economic levels would receive monthly income in excess from that which they might otherwise attain.

Third, the Veterans of Foreign Wars is concerned over the inclusion of social security in the survivors' benefit program for the Armed Forces.

Our objection to social security as a military survivors benefit comes from the fact that those with no dependents receive no benefits until age 65, while those with dependents may receive benefits immediately after the death occurs for a brief period of time and then have said benefits terminated until age 65. A widow with a 3-year-old child would receive benefits for 15 years, at which time she might be 45 years of age. Benefits would then terminate and not be restored for a period of 20 years under existing law.

It should also be pointed out that a portion of the Armed Forces are career personnel subject to a special retirement system while the remainder of the Armed Forces are, in a sense, civilian personnel who prior to entering upon military duty and who after release may be subject to social security.

The Federal Government employs hundreds of thousands of civilians in the classified civil service. These employees have access to a special contributory retirement system under civil service or have the option of coming under social security—but they can't have both at the same time.

Therefore, would it be sound to try and apply a civilian social security program to career military personnel who have a career retirement program?

The social security program may be suitable for the civilian population, but we doubt if it is suitable for the military forces where there is a mixture of career and temporary personnel and where deaths occur at an average age below that in a civilian population.

Digressing a moment from my prepared statement, Mr. Chairman, may I say our organization, and I think other organizations, have long been concerned as to what appears to us to be attempts constantly being made to take the administration of certain benefits away from the Veterans' Administration and transfer them to other Federal agencies.

Senator GEORGE. You are still for the Veterans' Administration?

Mr. KETCHUM. That is right. And we are apprehensive that the inclusion of social security as one of these benefits is a forward step toward the ultimate goal of some of our planners to abolish most all veteran benefits and bring everybody under the blessings of social security.

And consequently we always look with a little suspicion when the issue of social security is injected into questions of the military and the veterans. That was another thing that was in our mind.

Another matter that concerns the Veterans of Foreign Wars in H. R. 7089 is the recurring question as to whether there should be any distinction between benefits available to the survivors of active duty personnel in the case of wartime service versus peacetime service.

This bill would wipe out such a distinction. The Veterans of Foreign Wars has not yet been fully persuaded that there should be no distinction between peacetime service and wartime service and, consequently, believe that benefits applicable to wartime service and the survivors of wartime deceased should be somewhat more liberal and generous than those benefits applying to peacetime service.

And I might say, Mr. Chairman, if time permitted here this morning—that is a rather involved and complex subject which we believe we have some reasonable arguments to support—greater benefits for the wartime service over the peacetime service—but I don't want to burden the committee with that argument this morning unless someone should insist on knowing why we take that particular position.

Also at this time, before I reach the concluding paragraph in my prepared statement, Mr. Chairman and members of the committee, there was one item that I neglected to include.

It is an oversight on my part, and I want to mention it extemporaneously here.

That is the question of the dependent parents. I don't know how I managed to overlook that point. It seems to us that this legislation in its present form is rendering a disservice to dependent parents. It seems to me that they are attempting to make it too difficult for a parent to receive compensation by reason of the death of a son or sons in the service.

Now, as a matter of fact, I think we can all agree that in time of war the great majority of the young men who go into service are not married and they are leaving behind some parents. I just quoted in a previous place in my statement the fact that today the Veterans' Administration is paying benefits to almost 300,000 dependent parents as a result of deaths incurred in World War II.

Now, it seems to me that this bill is making the requirements for compensation to the dependent parents a little bit too rigid. And I certainly hope this committee gives consideration to liberalizing this provision somewhat, so it doesn't almost take an act of God for a dependent parent to be determined as eligible for compensation benefits when their son is killed or dies in the service.

Mr. Chairman, on behalf of the Veterans of Foreign Wars and in accordance with our last national encampment mandate, I have attempted to outline some of the points of apprehension which concern the Veterans of Foreign Wars in H. R. 7089.

If your committee and the Senate agree there is basis for our apprehensions in part or in whole and amend the bill accordingly, we believe it will overcome much of the apprehension and skepticism that presently exists.

If, however, your committee and the Senate believe that the recommendations which we have made are not practical or might result in a stalemate between the Senate and the House to the end that the bill would not be approved during this session of Congress, may I repeat what I said in the beginning, that we would much prefer the bill be enacted in its present form than to have it fail because of the differences of opinion.

I want to repeat, Mr. Chairman, that we think the bill is a good approach in the right direction, even though it is passed in its present form and does not meet our objections entirely—there is a possibility that maybe in the future, if some of these objections work out according to our schedule, it could be amended.

In other words, I am trying desperately to say that while we are apprehensive, we don't want the bill killed because of that.

Senator GEORGE. Any questions?

Senator CARLSON. I would like to say this, Mr. Chairman, that Mr. Ketchum is a very distinguished citizen, formerly of Kansas, who has served in many fine capacities such as mayor of the city of Topeka. And since coming to Washington he has been rendering an outstanding service to the veterans of this Nation.

Mr. KETCHUM. Thank you, Senator Carlson.

Senator CARLSON. It is a privilege to work with him, and he is doing a splendid job.

I appreciate very much your comment this morning with regard to using service pay as a basis of compensation. Yesterday we had testimony that there were 350,000 cases of survivor benefits being paid now, and of that group, I believe 18,000 were from the service personnel. And it does make a real problem to these civilians who enter service during emergencies and during war. I think it is something that our committee should give some thought to.

Mr. KETCHUM. As I said, Senator Carlson, I think that would be a fair basis for what we call the regular career personnel. But as you have so aptly stated, the situation is quite different where you have the great majority of the armed services consisting of what we call citizen soldiers.

Again let me say that as a general rule, the citizen soldier does not come into the Armed Forces at high rank and pay, notwithstanding his peculiar ability outside the Armed Forces.

Now, it is true that if he stays in there long enough, if the war lasts long enough, he may reach a high level because of his ability. But suppose he dies before he has an opportunity to reach such a level? I think it is manifestly unfair to say that his worth to his family should be determined by his military pay and rank.

I use as an illustration the famous baseball player, Ted Williams, of the Boston Red Sox, who was called back into active service as a

flying captain in the Marine Corps. His salary as a player in the Boston Red Sox was $100,000 a year. Now, would anyone say that Ted Wiliams' value to his family and his State should be based upon his Marine Corps pay or upon his ability to earn money as a ball-player?

Now, I am not expecting this Government, of course, to compensate persons who had a civilian income commensurate with that, but I do think that is a factor that should be considered.

Senator BENNETT. Mr. Chairman, before the testimony is concluded, I am sure that Mr. Ketchum realizes that the proposal before us would only apply a factor of 12 percent of basic pay, it does not set the scale up on the basis of the complete difference between the pay scales. And I hope he wouldn't want the committee——

Mr. KETCHUM. That is correct, Senator Bennett, except it was much different from that when we first started making our protest. It has been changed a lot.

Senator BENNETT. We don't know anything officially in this committee about what it was in the beginning. We know that it is now a factor of 12 percent.

Senator SMATHERS. Let me ask the witness this. The fact that it is 12 percent, does that in any way change your opinion as to that particular division?

Mr. KETCHUM. First, we have said for many years, there is no rank in death. Of course, someone has accused me of trying to apply the principles of Karl Marx by saying that there is no rank in death, that we want to conform all in one straitjacket. Of course, that isn't true, because we were not proposing to conform everyone into a straitjacket, we were proposing an adjudication that actually took into consideration what the facts are in the situation of survivors.

But it is still the injection of the rank and pay as far as the temporary or civilian person is concerned thta seems to us to be slightly objectionable, even though, as the Senate has pointed out, they have minimized it until it is not too strong a factor. It does make some difference, of course.

Senator SMATHERS. Then your objection is minimized, but not eliminated?

Mr. KETCHUM. That is right.

Senator GEORGE. Thank you very much, Mr. Ketchum.

Mr. KETCHUM. Thank you.

Senator GEORGE. Those of us in this committee who have been here for a long time know of your services through the years.

Mrs. Bowerfind.

STATEMENT OF MRS. H. G. BOWERFIND, NORFOLK, VA.

Senator GEORGE. Have a seat, please, ma'am, and identify yourself for the record.

Mrs. BOWERFIND. Mrs. H. G. Bowerfind, from Norfolk, Va. And I am supposed to speak here today.

Senator GEORGE. Are you representing any organization?

Mrs. BOWERFIND. I am representing a great many ladies in Norfolk, Va., who are widows, widows of career officers mostly.

Senator GEORGE. We will be very glad to hear you.

Mrs. BOWERFIND. And it is a little different from most of the testimony, Mr. Chairman.

I want to thank you for allowing me to speak before you on your survivor-benefit bill, H. R. 7089.

This bill is, after long and careful study on my part, the most unfair bill ever presented. And as Congressman Porter Hardy wrote me, "a bill to help a few, not all legitimate survivors."

He told me, personally, "How could his bill help everybody?" I asked him, "Why should you want to help only a few?"

Under present laws, many agencies control survivor benefits, giving large payments to some and little or nothing to others. This new bill, H. R. 7089, will not relieve the situation. If, on the other hand, a bill could be passed which would grant a pension or just compensation to all legitimate survivors and not to a select few, everyone would then taken care of.

Section 201, page 13 of this bill arbitrarily cuts off the survivors of members of the Armed Forces who are or may be retired for physical disability, but whose disability does not result eventually in death because of that disability. The retirement for physical disability bears equally upon those who have incurred a disability which can result in eventual death and those whose disability is not of that nature.

In both categories the earning power of the individual is reduced equally for those of the same pay grade. However, there may be cases in which the physical retirement could not be for a disability which would eventually result in the death of the individual.

For example: A person might lose the sight of his eyes. He might lose one or more of his limbs. In such cases the disability would be even worse than the case of heart disease. The latter might result in a death which would assure to the survivors the benefits which the bill provides. In the former event such would never be the case.

All persons who are retired for physical disability in the line of duty, suffer the same degree of hardship such as loss of pay, opportunities for promotion and eventual retirement at a greater rate of base pay. Their survivors should be compensated for the loss of income, due to no fault or violation on their part, regardless of whether he dies of a service-connected disability or not.

If, for example, the disability be of a nature which would not, under any circumstances, result in eventual death, his widow would receive a pittance under the Veterans' Administration. I have a friend who receives such compensation at the rate of $50.50 per month. How can this poor woman live on this amount? She is ill and no longer young.

However, one whose husband died of service-connected disability—such as heart trouble—might receive as high as the maximum of $435 per month.

Such a condition is manifestly injust, and it is recommended that the benefits to accrue to survivors of those retired for physical disability be made applicable to all. It would be more just if the benefits could be pared at one end and increased at the other.

I should like to cite four cases of which I have personal knowledge:

Case 1: A man engaged in the cotton brokerage business at home volunteered for service in World War I. He was given a commis-

sion before the war ended. He then joined the Reserve and continued his brokerage business. He remained with his business and the Reserve until World War II, when he rejoined the Armed Forces.

In the meantime, the firm liquidated its business in 1941 and as a partner he received his share of the firm's assets. He was promoted to commander, served 3 years, and when the war ended, was retired for high blood pressure.

This man was very heavy, quite stout all these years, so naturally he should have high blood pressure.

He received retirement pay of his rank, plus social security for himself and his wife—military service benefits—and should he die of a heart condition, his widow would receive $180 per month plus benefits under OASI, plus an increase should bill H. R. 7089 pass.

Case 2: A towing company was taken over by the Government during World War I. All employees on the tugs were given naval ratings. After a brief period, prior to the end of the war, an employee was taken ill.

His case was diagnosed as cancer and he was retired for physical disability. Five years later he died and his widow has been in receipt of $87.50 per month, which will be materially increased under the terms of the bill under consideration.

Case 3: A commander in the Coast Guard with more than 30 years of active service was retired for stomach ulcers. His condition was such that he was unable to find other employment. The anxiety concerning what might happen to his wife should he die weighed on his mind.

He developed high blood pressure and died of a heart attack. Since he had been retired for ulcers, his death was not due to service-connected disability for which he was retired. His widow received $50.50 per month—including the $4.50 increase allowed not so long ago.

Case 4: A naval captain who entered the service in 1912 was retired for physical disability in 1946. In the spring of 1945 he underwent the regular physical examination by a medical board which traveled from station to station examining all who had attained the age of 54.

He was certified as qualified for sea duty with no defects. A month later he receives a personal letter from the medical board stating that sugar had been discovered in his urine. There was no evidence of this, apparently, at the time he was examined and found physically fit.

He went to the hospital for observation but no sugar was found during the month he was there. He appeared before a board of survey and it was found that he was overweight and had a tendency toward diabetes.

The board recommended he be returned to active duty and be reexamined after 6 months.

When this report reached Washington, the Bureau of Medicine and Surgery informed the Chief of the Bureau of Supplies and Accounts, who said, "Retire him."

Thereupon the Chief of the Bureau of Supplies and Accounts wrote to this officer informing him that he was to be retired. Three months later he was ordered before a retirement board and despite evidence presented and his protests, he was retired. This officer went to a civilian doctor who found no evidence of sugar.

Since he had not served 30 years prior to 1949, but 34 years continuous service up to his retirement, he received no benefit under OASI. When he dies his survivor will not be eligible for survivors compensation, since it is extremely unlikely that he will die of diabetes, the disability for which he was retired.

I would also like to mention the benefits under AOSI. The date of 1940 was arbitrarily set prior to which one must have completed 30 years' service. It would seem that anyone who had less than 30 years' service prior to 1940, but who would be willing to do so, might deposit the necessary quarters of social security deductions and become eligible for such benefits. Many service people who never contributed one cent are receiving these benefits. Why should others with over 30 years of service be denied OASI?

It is the little allowed by the Veterans' Administration to those pushed into this category that is so terrible. Those who believe that H. R. 7089 is a just bill feel that those who were left out should have taken additional insurance for their families after or prior to retirement.

Do they not know that these men, retired, most of them, with 30 years of continuous service, are in their 60's, and that insurance at such an age in prohibitive?

Just remember this fact. In the new bill, H. R. 7089, a man with less than 2 years service, should he die, his widow will receive $122 per month; with 1 child, $170 per month, whereas a man retired for physical disability, should he die not from what he was retired for, his widow and his family will not get one cent, even though he has been in the service many long years.

What of the children and his wife? Remember also that these men are not entitled to social security—OASI—either. How is it that such a state of affairs can exist?

By allowing these widows the same as all others, it will cost little, and many are elderly. So it won't be a burden very long.

In closing, I would like to say—please read this bill, H. R. 7089, very, very carefully. Take cases at random and see what happens to widows of our honored dead, left destitute.

We give our money and our men to peoples of the world. Why not begin now and give each legitimate widow enough to live on, not in luxury, but enough so she can hold up her head and thank God for America?

I thank you, gentlemen.

Senator GEORGE. Are there any questions?

Thank you very much.

Mrs. Erma D. Hubbard.

STATEMENT OF MRS. ERMA D. HUBBARD, MILITARY SURVIVORS, INC., ANNAPOLIS, MD.

Mrs. Hubbard, you may come around.

Have a seat, please, ma'am, and identify yourself for the record.

Mrs. HUBBARD. Mr. Chairman and committee members, I am Mrs. Harry E. Hubbard, widow of a Navy commander killed in action in 1942. I am also secretary of Military Survivors, Inc., an organization composed principally of service widows.

I have a prepared statement for that organization which I request permission to read.

Senator GEORGE. You may proceed.

Mrs. HUBBARD. This organization believes, first, that service widows are in the best position to discuss situations that affect service widows.

Secondly, we believe that the Servicemen's and Veterans' Survivor Benefits Act, H. R. 7089, will correct present inequities due to the application of the FECA and also afford an adequate compensation for survivors of military personnel.

As you no doubt already know, two servicemen may be killed in the same accident and the widow of the Regular or National Guard serviceman receives as little as $69.50 per month, regardless of rank or years of service, while the widow of a reservist, covered by the FECA, receives as much as $525 per month.

In some cases during World War II, the wartime compensation of $87 per month was all the widow received. In the early days of that war, some did not have the NSLI and some who had every reason to believe that the husband carried that type of insurance were unable to supply satisfactory proof.

Our purpose here in being before you is to point out several things relative to conditions existing among survivors of military personnel.

Many widows with dependent children work. As a result, the children often are left alone to roam the streets or care for themselves. So they have lost both father and mother. If proper care is provided for them, the mother is at a financial disadvantage.

Other widows are overage for employment, not trained for employment or physically unable to hold employment. They are, then, compelled to live on the inadequate compensation. Even if this compensation is augmented by outside income, due to inflationary prices the value of those amounts are practically cut in half by the present purchasing power of the dollar.

Many are repeatedly forced to withdraw savings and when this is done that money doesn't last too long. Hospitalization is not always available in Government facilities and this presents an added burden.

When a serviceman dies, his widow is usually forced either to pay an immediate prohibitive rental, buy an old house constantly in need of repairs or a new one that exhausts most of her ready capital with a mortgage added.

While commercial companies are increasing survivor benefits for their personnel, the serviceman is daily becoming more cognizant of the burden his family would inherit in the event of his death. Lack of adequate survivor benefits will contribute to low morale of some of our servicemen and cause others to leave the services.

In the long run, the loss of highly trained military personnel will prove rather expensive.

Since provisions for adequate compensation for survivors of military personnel have been delayed and are now long overdue, we request that the features of this bill be made retroactive to January 1, 1956.

That is the end of the organization's statement, Mr. Chairman. I thank you very much.

Senator GEORGE. Are there any questions?

Thank you very much.

Mrs. Victor D. Herbster.

STATEMENT OF MRS. VICTOR D. HERBSTER, MILITARY SURVIVORS, INC., ANNAPOLIS, MD.

Senator GEORGE. Will you please identify yourself for the record.

Mrs. HERBSTER. I am Mrs. Victor D. Herbster, the widow of a navy captain, Capt. Victor D. Herbster. I have a short statement I would like to make.

Senator GEORGE. Are you appearing here for any organization?

Mrs. HERBSTER. The Survivors.

Senator GEORGE. You may proceed, and we will be very glad to hear you.

Mrs. HERBSTER. I would like to talk briefly on behalf of the older service widows whose husbands served most of their lives in the armed services.

Now at the age of 60 or more we find ourselves with little remaining savings, and with the maximum compensation we receive only $87 a month. At our age it is next to impossible to get employment. And as you must realize, nobody today can live on $87 a month.

The sooner H. R. 7089 is passed, the sooner we begin to live a normal life in our communities. Every day there is delay, our problems are multiplied.

Thank you very much.

Senator GEORGE. Any questions?

Thank you very much.

Mr. Louis J. Grayson, National Association of Life Underwriters.

STATEMENT OF LOUIS J. GRAYSON, CHAIRMAN, COMMITTEE ON AFFAIRS OF VETERANS AND SERVICEMEN, THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS

Senator GEORGE. Will you please identify yourself for the record?

Mr. GRAYSON. Mr. Chairman and members of the committee, my name is Louis J. Grayson, and I represent the National Association of Life Underwriters both as a member of its board of trustees and as chairman of its committee on affairs of veterans and servicemen.

By way of further explanation, let me add that my organization is a trade association representing a nationwide membership of over 60,000 life-insurance agents, general agents, managers and brokers.

We have followed the progress of H. R. 7089 very carefully since its inception, and I was privileged to testify on the three separate occasions before the House Select Committee on Survivors Benefits both before and after the bill was drafted and introduced.

Mr. Chairman, I hope it would not be inappropriate at this time if I made a personal tribute to the Select Committee. They did a monumental job; it was a real Herculean task that they faced, writing this report. Under the able chairmanship of Representative Porter Hardy of Virginia they conducted the hearing in a most exemplary and patient fashion.

My personal feeling is that they set an example of democracy at its best.

Now, as then, we should like to express our general endorsement of the bill, which will to a large extent simplify and streamline the

present confusing, complex and often inequitable system of survivor benefits for military personnel.

However, there is, in our opinion, one very bad feature of the bill. We feel very strongly that the amounts of the proposed dependency and indemnity compensation benefits to be paid by the Veterans' Administration to widows, dependent children and dependent parents will constitute an unduly and unnecessary generous gratuity and should be substantially reduced, especially since these benefits are to be superimposed upon and social-security benefits that such survivors may receive.

A great deal has been said at the hearings held by both this committee and the Select Committee of the House about the pressing needs of the survivors of deceased servicement for more income and the Government's obligation to provide that income.

There probably is no group in America that is better aware of the financial need of survivors than the members of our association. But we are also aware that serious limitation of survivorship income is a condition not peculiar to the Nation's Military Establishment.

We cannot subscribe to the philiosophy that it is the obligation of the Federal Government to provide all the income required for the support of the survivors of any segment of our citizenry, military or civilian.

Such a philosophy is entirely alien to the American tradition.

As recently as 1950, prior to the addition of the $10,000 gratuitous indemnity and the free temporary social-security coverage to the military survivorship system, the widow of a deceased serviceman with two children received total gratuitous survivor benefits of only $130 monthly—and I might add that was during only the minority of the children. Then when they reached 18 it was dropped down—and these were wartime benefits, 25 percent higher than the peacetime level. This was in keeping with the time-honored tradition that it is the responsibility of the Government to provide only a basic floor of economic protection for such survivors.

Senator DOUGLAS. May I ask Mr. Grayson a question, Senator?

Senator GEORGE. You may do so, Senator.

Senator DOUGLAS. I want to get a question of fact straightened out. You speak in the 4th and 5th lines of the 2d paragraph that the 1950 survivor benefits were only $130 monthly; these were wartime benefits, 25 percent higher than the peacetime.

Do you mean the level of the cost of living prior to 1941 and 1942?

You say "peacetime." Do you mean prewar or postwar?

Mr. GRAYSON. The statutes at that time, Senator, provided, as they do now, in the event of death as a result of war, or during wartime, the benefits were to be in this case $130, but if the individual had died during peacetime—and at that time peace had not been yet officially declared—that the level was to be 20 percent less than that.

But in 1950 they were still paying the benefits——

Senator DOUGLAS. Peacetime simply refers to a period of death and not to the level of benefits?

Mr. GRAYSON. That is correct. Once the payments have started they are not reduced.

Senator DOUGLAS. Thank you.

Mr. GRAYSON. This was in keeping with the time-honored tradition that it is the responsibility of the Government to provide only a base of economic protection for such survivors.

Beyond that basic minimum it has always been the sole responsibility of the individual himself to provide additional income for his dependents in accordance with their needs and the dictates of his own conscience. That is the approved American way, and any substantial departure from it for the benefit of the Nation's servicemen, however well intended, will in our opinion only tend to weaken the fabric of self-reliance and self-respect of those very individuals as to whom we have entrusted the Nation's defense.

We believe that the unduly high level of overall benefits provided by H. R. 7089 would in many cases seriously undermine the ancient American concept of individual responsibility and self-reliance.

The VA dependency and indemnity compensation provided by H. R. 7089, in proportion to active-duty pay, would be many times as great as death benefits provided by private employers.

We know of no comparable scale of survivors benefits in industry. Private plans normally provide death benefits in amounts equivalent to 1 year's compensation, and rare is the plan that provides such benefits equal to more than 2 years' compensation.

Moreover, employees covered by such plans frequently contribute to the financing of them. By contrast, H. R. 7089 would provide completely gratuitous dependency and indemnity compensation in amounts that, in the aggregate, would equal 5 to 10 or more times a serviceman's annual gross pay.

To illustrate, we shall accept the same examples as the Department of Defense cited in its presentation to you on June 4.

The first such example involved an E–5—staff sergeant or petty officer second class—with pay and allowances of $341 per month, who died leaving a widow age 28 and 2 children ages 4 and 7. The VA compensation payable to his widow for life or until remarriage would be $138 per month.

It would require $46,000 of life insurance to provide this widow with the same income. This would be more than the deceased's total annual pay and allowances for 11 years.

The second example cited by the Department of Defense concerned an O–3—captain or naval lieutenant—with pay and allowances of $587 per month, who died leaving a widow also age 28 and 3 children ages 2, 4, and 7.

The VA compensation payable to the widow in this case would be $165 per month. It would require $55,000 of life insurance, or almost 8 times the deceased's total annual pay and allowances, to provide this income. This is 4 to 8 times what industry would provide in a similar case.

These figures are conservative and would obviously be materially increased in the event that the men concerned were survived also by dependent parents, for the parents, too, would be entitled to substantial VA compensation.

Throughout these hearings mention has frequently been made of the absurdity of paying the survivors of reservists benefits under the Federal Employees Compensation Act in lieu of the much lower existing VA benefits. Furthermore, it has been pointed out to you that by

contrast with the total benefits now provided for such reservists, the level of benefits under H. R. 7089 would still be relatively low.

However, to a large extent this differential is academic. There are so many conditions surrounding the eligibility of survivors of military reservists for FECA benefits that the percentage who actually receive such benefits is practically nil.

As late as November 1954 there were only 3,600 such beneficiaries on the FECA rolls, and if the Korean war had not been termed a "peacetime" police action rather than a war, the number would have been much lower.

In late 1954, a study made by the staff of the Select Committee on Survivor Benefits indicated that the survivors of only 1 out of 7 servicemen were receiving FECA benefits. Therefore, while such benefits admittedly constitute a wholly unwarranted discrimination in favor of reserve personnel and properly should be eliminated, they actually play a comparatively insignificant role in the total systems of survivor benefits for our servicemen. Accordingly, in evaluating the merits of the proposed increased VA compensation benefits, we trust that you will not be misled into placing undue weight on a comparison between such benefits and those at present provided under the FECA program to a small minority of survivors.

As I have already stated, it is our opinion that there should be a fairly substantial reduction in the proposed VA compensation benefits for widows, dependent children and dependent parents. We specifically recommend that this be accomplished simply by amending H. R. 7089 to provide—

(1) that the compensation benefits therein called for shall be paid only on account of wartime deaths, and

(2) that the peacetime benefits will be paid at a rate equal to 80 percent of such wartime rates.

This would not only be a simple and effective method of bringing about a needed immediate reduction in the proposed VA benefits, but it would preserve the existing principle of providing greater compensation for wartime than for peacetime deaths.

It has been traditional since World War I to have a differential, usually 25 percent, between wartime and peacetime survivor benefits, and we believe that such a differential is both appropriate and justifiable.

The reasons for this differential were so admirably expressed by T. O. Kraabel, director of the American Legion's National Rehabilitation Commission, in his statement to your committee on June 6 that although we might give additional reasons, we could not improve on his persuasiveness or his logic.

We particularly agree with Mr. Kraabel that if such a differential is not now provided, the Congress will be under serious pressure to add it, perhaps without benefit of time or opportunity for due consideration, at the first outbreak of any future hostilities.

While we think that the above method would be preferable in accomplishing the intended result, another simple means of bringing the dependency and indemnity benefits within the reasonable and equitable limits would be to reduce the formula for widows from $112 plus 12 percent of basic pay to $90 plus 10 percent of such pay, with corresponding reductions in the benefits for dependent children and parents.

It is our firm belief that even with the VA benefits reduced along the lines discussed above, H. R. 7089 would still accomplish virtually all of the objectives that the Department of Defense and the Select Committee on Survivor Benefits intended it to accomplish, and the servicemen on the whole would be much better off than under current legislation.

With respect to the full social security coverage that the bill would provide, it has long been our view that mililtary personnel, like other gainfully employed citizens, should be covered on a contributory basis, provided that such coverage does not result in an undue duplication of other Government benefits.

However, H. R. 7089 provides that social security benefits will be completely additive to the VA dependency and indemnity gratuities, and we therefore feel that such benefits are, to the extent of the Government's contribution toward the cost thereof, an unwarranted duplication and an additional gratuity.

Accordingly, we recommend that the dependency and indemnity payments to survivors of military personnel be offset by 50 percent of the amount of the social security benefits payable to such survivors that are attributable to coverage while in the Armed Forces.

With the indulgence of the committee I wish to make a brief comment with respect to a recommendation made to you on June 6 concerning servicemen on active duty who have surrendered their Government life insurance for cash. It was suggested that H. R. 7089 be changed so as to permit reinstatement of surrendered policies or purchases of new Government life-insurance policies within 120 days of the effective date of the bill, rather than within 120 days after separation from the service as proposed in subsection 501 (a) (4) of the bill.

The original draft of the bill by the select committee included such a provision, but the select committee felt that there were cogent reasons for changing to the provision now included in H. R. 7089.

Hence, we heartily endorse the present language of the bill in this instance.

There is on prognostication that I should like to make: If H. R. 7089 is passed, even in its present form, it alone will play only a minor part in encouraging able men to make a permanent career of military service.

There is obviously a fond hope in some quarters that these expanded survivor benefits would go a long way toward stemming the tide of attrition of able men that the armed services are now experiencing.

Would that the problem were that simple. Like all thinking Americans we are alarmed and concerned at the swollen stream of servicemen who are unwilling to make a career of the services. Almost no price would be too great to pay if it would assure for ourselves and our posterity perpetuation of the historic nobility and ability of our servicemen. But to believe that the element of survivor benefits would play any appreciable part is either wishful thinking or specious reasoning.

In at least three separate official inquiries it has been made abundantly clear that the main things necessary in order to make a military career attractive are more pay and better housing.

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There are, of course, other factors, but some of these are inherent in military service, and cannot be changed.

In 1953 the renowned Womble committee made an exhaustive study entitled "The Future of Military Service as a Career That Will Attract and Retain Capable Career Personnel."

In its documented report to the Assistant Secretary of Defense, it seems highly significant that the Womble committee, comprised of five officers of flag or star rank, did not recommend higher gratuitous survivor benefits. Their extensive queries had apparently convinced them that the service personnel did not want additional gratuities of this nature but rather the means whereby they might be better equipped to exercise their own judgment and buy what family protection they wanted like other free citizens in a free country.

In 1954 the Air Force made a thorough investigation along the same lines as the Womble committee, in fact, they made several of them, lasting through the year, and again the results were substantially the same.

And in 1955, at the request of the Department of Defense, the Gallup organization made its own investigation, and once more the demand was found to be primarily for more pay and better housing, with almost no mention of survivor benefits.

May I add a personal note? I have dealt with literally thousands of military personnel during my 24 years in the life-insurance business. And my experience convinces me that, although the services would naturally be very glad to get increased survivor benefits, what they really would prefer would be sufficient means so that they might live comfortably as we should want our military personnel to live, enjoy some of the better things of life, and experience the joy and satisfaction that comes from providing for their own loved ones both here and in the hereafter.

We respect them for this independence, and we hope that the Congress will recognize that more adequate pay is the first essential toward making a service career more attractive.

In conclusion, it is our considered opinion that except for the unnecessarily high level of gratuitous survivor benefits, H. R. 7089 is a most commendable piece of legislation. If the Congress will in its wisdom, in lieu of those excessive survivor benefits, provide those benefits which the servicemen themselves have indicated they want most, as revealed by the investigations that I have previously mentioned, it will be a great boon for the services.

On behalf of both my association and myself, I want to thank you for giving us this opportunity to present our views to you. If either I or our staff can contribute anything further to your study of this important bill, you have only to call upon us.

Senator GEORGE. Any questions?

Thank you very much for your appearance.

Mr. J. H. Hoeppel, Arcadia, Calif.

(No response.)

Senator GEORGE. He does not appear to be here. We have a statement from him, and without objection it will be entered into the record.

(The prepared statement of Mr. J. H. Hoeppel, Arcadia, Calif., is as follows:)

ARCADIA, CALIF., *May 25, 1956.*

The CHAIRMAN and MEMBERS,
Senate Finance Committee,
Washington, D. C.

GENTLEMEN: With an experience in the miiltary dating back to 1898, when I first enlisted, and with 28 years' experience publishing this periodical, I wish to voice our objection, with that of other genuine patriotic Americans, against those provisions of H. R. 7089 which grant higher survivor benefits to one class of military personnel over another.

The base survivor benefits, predicated on rank, age, or other distinction of an officer or enlisted man, is distinctly un-American, and we wish ourselves and our periodical to be registered in your printed hearings as unalterably opposed to the proposal to pay officers' widows as much as $242 a month, while the widows of men who died in combat in our wars receive only $87 per month.

If H. R. 7089 is enacted into law with this favoritisim to our officers over our enlisted men—then, let us also remove the inscription from the portals of the United States Supreme Court, to wit: "Equal Justice Under Law."

I cannot believe that you, Senator Byrd, recognized as an advocate of economy, can be a party to an unfair, un-American steal such as H. R. 7089 was as it left the House.

Hoping you will read this to your committee, and insert this letter in your hearings, as a public record of our views, I am

Your well-wisher,

J. H. HOEPPLE,
Manager, National Defense;
First Lieutenant, Air Force, Retired.

Senator GEORGE. That is all of the witnesses that are scheduled.

In lieu of a personal appearance, I submit for the record a letter from H. G. Doyle, Jr., vice president for legislation of the Naval Reserve Association.

(The letter referred to follows:)

NAVAL RESERVE ASSOCIATION,
Washington, D. C., June 6, 1956.

Senator HARRY FLOOD BYRD,
Chairman Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR: The Naval Reserve Association, composed only of naval reservists, strongly supports the position of the Department of Defense on H. R. 7089, now before your committee, and urges that the Committee on Finance recommend the bill favorably to the Senate.

The survivor benefits bill has come this far in the legislative process because it is a soundly conceived proposal, ably written by the Porter Hardy select committee with bipartisan support from the minority requested by the Congressman from Massachusetts, Mr. Bates.

The Naval Reserve Association supports the legislation because:

(*a*) It puts military retirement on a contributory basis.

(*b*) It lifts the widows of our servicemen from the "valley of despair" by raising their emoluments to a realistic yet fiscally sound level.

(*c*) It eliminates a pernicious inequity between regulars and reserves FECA benefits, which has hampered Regular officer procurement and cause some friction between the two groups.

(*d*) It begins the melding of the social-security system with retirement and survivor benefits of our military.

And it sets aside the old fiction that all service widows should be treated the same—a fiction which has had a deleterious effect on our Nation's ability to hold in the services the most able of our young technicians and officers.

The Naval Reserve Association, therefore, supports the proposed legislation and respectfully urges favorable action by the Committee on Finance and the Senate.

Sincerely,

H. G. DOYLE, Jr.

Senator GEORGE. The committee will recess until Monday morning at 10 o'clock, when we will go into executive session, the Chair is advised, for the purpose of writing up the bill, I presume.

We will end the hearings on this bill.

(By direction of the chairman the following is made a part of the record:)

NAVY RELIEF SOCIETY,
Washington, D. C., June 6, 1956.

Subject: Brief of typical cases of widows known to Navy Relief Society and needing financial help due to inability to maintain themselves on their Government compensation.

1. As you know, the Navy Relief Society has for one of its primary purposes the provision of financial assistance in times of need for the widows and children of deceased personnel. As you know, also, we have numerous cases of the widows and children of both officers and enlisted men who have had to call upon the society for financial aid. It seems that many of these, while able to provide for food and shelter at a subsistence level from their meager compensation or pension, are forced to seek outside financial aid for miscellaneous necessities as the need for them arises more or less periodically. Some of them, particularly the old or the sick, require aid on a rather permanent basis. Others require it for periods of specific illnesses or equivalent viscissitudes, particularly where there are no families with whom to live or on whom to call for emergency or regular help.

2. Due to the short time allowed and the fact that we have only a minimum staff, I am unable to give you exhaustive statistics or details of the various cases in our records. However, I hope that the following typical situations, picked at random from cases we can put our hands on, will serve your purposes. They are necessarily very brief but are illustrative of the general picture.

(1) Mrs. A., widow of a captain; no income except Government benefits, no relatives to live with or able to assist. Living in a trailer in Florida. No qualifications for employment which she is physically able to carry on. Assisted periodically for trailer upkeep, doctor and dental bills, clothing, and similar needs.

(2) Mrs. B., widow of lieutenant; three children. No outside income. Barely able to live. Assisted with cost of training course and care of children while widow equipped herself to go to work.

(3) Mrs. C., widow of captain; total income $123 per month. Worked for a number of years until incapacitated by age and health. No living relatives. Needed special medicines and care. Assisted regularly by Navy Relief.

(4) Mrs. D., widow of commander. Had chronically ill child requiring special medicine and care. Income totally insufficient for anything but essentials of living. Extraneous bills paid by Navy Relief.

(5) Mrs. E., widow of chief petty officer; six children, all of school age, no income except Government benefits. Society assists regularly with expense of clothes for children, school lunches, and expenses in order to keep children in school.

3. I regret that I cannot give you more detailed or more extensive information. Our files, however, are by name and not by type of case. This makes it difficult to select cases of particular interest without going through the entire file, which would be, of course, a time-consuming operation. I believe, however, the cases cited are representative ones.

V. R. MURPHY,
Vice Admiral, USN (Retired),
Executive Vice President.

MANHASSET, N. Y.,
June 7, 1956.

Re: H. R. 7089

CHIEF CLERK,
The Senate Finance Committee, Washington, D. C.

This may help you and your committee. Expressed in terms of value of extra income the proposed benefits give these amounts of tax-free income to those in the services. Second lieutenant just out of an Academy, age 25, wife 25, the equivalent of $342 per year tax free plus $1,500 of group insurance; major age

35, wife 35, 12 years of service $570 per year tax-free income plus $3,000 of group insurance; brigadier general, age 45, wife 45, 22 years' service, $980 per year of tax-free income plus $3,000 group insurance; and the lowly private, age 22, wife 22, with one-half year service $265 per year tax-free income plus $1,500 group insurance. These are based on the conservative prices each would have to pay in civilian life for the survivorship annuity given them by the proposed act; of course the cumulative value over the normal 30 years of service amounts to a considerable sum. Suggest you relate these amounts to a percentage of their present base pay. Incidentally, I approve of the bill and hope its value to the individual will be appreciated.

GEORGE F. BRYON.

STATEMENT ON H. R. 7089 FOR THE SENATE FINANCE COMMITTEE BY JOSEPH F. BARR, NATIONAL ADMINISTRATOR, JEWISH WAR VETERANS OF THE UNITED STATES, JUNE 8, 1956

The Jewish War Veterans appreciates the opportunity of submitting a statement concerning its views of some of the provisions of H. R. 7089, an act to provide benefits for survivors of servicemen and veterans, and for other purposes.

In a statement submitted to the chairman, Select Committee on Survivors Benefits (copy of which is hereto attached) prior to consideration of H. R. 7089 in the House of Representatives, we said we had examined the bill as it was at that time with two objectives in mind: First, to determine as adequately as was then possible the effect of the proposed legislation on the system of benefits administered by the VA; second, the effect of the proposed bill on national security as a whole, and more particularly with the problem in mind of whether this bill would help attract and hold the type of enlistees and career men who had the capacity, moral and intellectual, to help maintain an adequate armed force as a career service.

Our view, at that time, was that while specific items were questionable and revision was suggested on some technical details, the bill, as a whole, was generally acceptable. There were objections on the proposed repeal of the indemnity benefit, particularly in the light of the failure to provide an insurance program based on up-to-date actuarial experience. JWV also objected to the failure to provide adequately for dependent parents. On the whole, however, the bill appealed to us as being essentially sound in its proposal to include the men in the service, and their surviving dependents, under the broad concept of social security while retaining the rights and benefits provided under veterans laws as administered by the Veterans' Administration.

We still maintain the views we then expressed with regard to these overall objectives and, as well, the commendation we expressed for the overall concept of social security as a basic coverage for all walks of life, military as well as civil. However, social-security benefits except for those who have been covered by the statutory $160 a month credit for OASI purposes, will be paid for by the uniformed service personnel in the future. Hence, the repeal of the indemnity benefit (and the failure to provide the insurance benefit we suggested) actually takes away a benefit granted under prior laws and leaves the veteran in a worse position than he has been since 1917.

As we recommended in our statement to the House select committee, the concept of the war-risk insurance system of 1917 which had in mind the four broad basic benefits to be provided for veterans and their dependents in the future is as sound today as it was in 1917, notwithstanding the OASI program. We belive that objection to Government participation in an insurance program for the uniformed service stems in the main from those who see such a program as competitive with private insurance. (As an aside, not germane to this issue, those who know the insurance field know the Government insurance program in World War I was the spark that actually made the man in the street insurance conscious.) Our views in this respect we believe to be supported beyond possible question by the fact that the Federal Government has undertaken to provide an insurance benefit system for its civil employees, and if this is good for civil employees it cannot be otherwise than good for the military services.

We therefore reiterate our recommendation that the Congress of the United States provide by legislation for an insurance system to cover the man in the military service on his election, predicated on premium payments set up under proper actuarial calculations intended to provide an adequate death benefit in

the light of the modern-day requrements and a total disability benefit for those incurring such disability.

One of the recommendations with respect to insurance made in the attached statement dealt with the matter of a different treatment to those who had Government life insurance in force on a premium-paying basis than that given to those who had accepted the offer of the Government permitting a waiver of premiums during military service, but who, nevertheless, were and are required by law and by regulaion to pay the pure insurance risk. In our judgment, the man who pays the pure insurance risk is on no different basis and, therefore, should not be placed at a disadvantage with the individual who paid his full premium and had the difference between the full rate and the pure insurance risk set up for the purpose of inclusion on a dividend basis. We believe that if the VA schedule of dividends were examined, it would be found that the individual who paid the full premium received the difference between the pure insurance risk and the amount paid, by dividends or as a reserve set up to be calculated for dividend purposes at the appropriate time.

Our fundamental objection to the proposed bill is based on our belief that its treatment of dependent parents of veterans is, to say the least, niggardly. Examinations of criteria of dependency stated in the bill seem to us to indicate that pauperization, not need, is the requirement. How it can be held, for instance, that two parents, living together, who have an annual income of $2,400 are not in need, that is not dependent, whereas a single parent with an income of $1,749 annually or less is a dependent, is beyond our comprehension. This is not to be understood as indicating our belief that the $1,750 limitation in the case of a single parent is an unrealistic appraisal of dependency. The present cost of living, of housing, and of maintenance, particularly in the case of a person who is ill or in need of such attention, certainly goes beyond such a limitation. We wish to point out, as well, that a parent, single, who has an annual income of $1,749 is, under the criteria stated in the bill, held to be dependent to the extent of $180 a year, or a total income of $1,929. This notwithstanding the fact that a parent with an income of $1,750 is held not dependent.

The report (H. Rept. 993, pt. 1) points out that under present VA practice an income of more than $1,260 a year on the part of 1 parent or of more than $2,100 a year on the part of 2 parents precludes a finding of dependency. It seems, at first blush, therefore, that the bill is more liberal than the present VA interpretation of dependency in that it provides, as a basis for determination in such cases a criteria of income beginning with less than $750 a year for 1 parent or $1,000 a year for 2 parents living together, a payment of the full $75 monthly for the 1 parent or $100 monthly for the 2 parents. We say that this would seem to be a broadening of the concept, a liberalization, but in our judgment this liberalization or broadening does not meet what present-day circumstances and the present scale of living would seem to indicate is the real need.

It is our belief that it is completely unrealistic to approach this problem of dependency of parents in this fashion. When the factors of age, or illness, and of special needs based on these factors are considered, a limitation of $2,400 a year for 2 parents, living together, or a graduation of this limitation, fails to recognize what the facts of life actually are. We, therefore, suggest that these rates be reexamined with the idea of a realistic appraisal in the light of present living costs and needs of aged persons. One should not have to be a pauper to be recognized as a dependent parent. This bill makes no distinction in this respect.

STATEMENT FOR SELECT COMMITTEE ON SURVIVOR BENEFITS BY JOSEPH F. BARR, NATIONAL COMMANDER, JEWISH WAR VETERANS OF THE UNITED STATES OF AMERICA, JUNE 9, 1955

The Jewish War Veterans of the United States has examined the bill proposing a Uniformed Services Survivor Benefits Act (Committee Print No. 3). Our examination was based upon two separate and distinct points of view, the first of which was to determine as adequately as was possible from the present appraisal the effect of the proposed legislation on the system of benefits presently administered by the VA, which provides monetary benefits to the dependents of veterans, both war and peacetime. So far as we have been able to determine, the proposed legislation, from this point of view, will generally have no adverse effect on dependents of war veterans and, in the main, will

have a beneficial effect so far as monetary allowances to survivors of peacetime veterans are concerned. The foregoing is not meant to indicate there are no criticisms to specific features of the proposed legislation, and such criticisms will, in part, be detailed hereafter.

The second point of view was with regard to the effect of the proposed bill on national security as a whole and more particularly on the problem of attracting and holding the type of enlistees, and career men in general, having the high caliber, moral and intellectual, necessary to maintain adequate Armed Forces as a career service.

With reference to this second point, it is our opinion that while the proposed legislation does not contain all the measures we have urged as desirable to encourage career personnel of the armed services, it is a partial recognition of what is needed in this direction and a major step to the end we believe essential.

We realize that it may be necessary from time to time for the Congress to examine this legislation, if enacted, to remedy deficiencies which will appear through the operation of the law. However, we repeat that we endorse the principles basic in this proposed legislation as being a big step in the right direction in recognition of the long-apparent need and one which the Jewish War Veterans of the U. S. A. has long urged as a necessary corollary and addition to the Career Compensation Act as amended by the recent Career Incentives Act.

Now to turn to some of the things which we believe require further consideration.

From 1917 (the act of October 6, 1917) until 1951 (Public Law 23, 81st Cong.) men in the active service were permitted to buy Government insurance, with moderate premiums, to the extent of $10,000. Public Law 23, 81st Congress, the act of April 23, 1951, repealed the laws under which such insurance could be purchased and substituted therefor a system of indemnity insurance, for which no premiums were charged, under which the sum of $10,000 was payable, in installments, to certain dependents of a deceased veteran in the event of his death under the conditions stated in the statute.

The proposed legislation now sets up a distinction between the recipients of the indemnity and those receiving the proceeds of Government insurance. Such a distinction has not, heretofore, appeared in any law. Under the proposed legislation, the dependents of those who carried Government insurance on a premium basis will continue to receive the benefits thereof and, at the same time, receive the benefits of the proposed legislation. On the other hand, under section 205 of the proposed legislation, entitlement to the benefits of this Survivor Act is denied to one receiving indemnity insurance and the bill conditions entitlement on surrender of the indemnity insurance.

This discrimination points up what our organization has urged since the enactment of Public Law 23; i. e., that persons in the armed services should be permitted to purchase insurance under plans similar to United States Government life insurance or national service life insurance. In a recent memorandum to General Bradley, Chairman of the President's Commission on Veterans' Pensions, under date of June 1, 1955, it was stated by this organization that:

"It is exceedingly important to note that the fourfold concept of the War Risk Insurance Act, as amended, which has been in effect for a matter of some 38 years up to the present date, is with two important exceptions still the governing law. These exceptions are (1) that in 1951 the Congress substituted a so-called indemnity provision for the system of war risk insurance, and (2) broadening the concept of allowing education and training after discharge to other than those who had incurred a disability which interfered with pursuing their prewar occupation.

"Under this Indemnity Act, the survivors of a veteran, specifically named in the statute by describing kinship, unless otherwise named by the veteran, receive the sum of $10,000 in the event of his death in service, or within 120 days thereafter, in installments for a stipulated period of time thereafter. No premiums are charged for this protection. If relatives, as described, do not survive, no benefits are payable. This program, while designed to replace insurance is not a suitable substitute therefor and has created a great deal of discontent among veterans, and the dependents of veterans. The result is an almost universal recommendation on the part of veterans and their representatives that the Congress of the United States should be urged to enact a law whereby veterans in the active military service of the United States today and those who had or should have had the opportunity to apply for insurance under laws which were

in existence until 1951 should be given the opportunity to apply for insurance in multiples of $500 between the $1,000 minimum and the $10,000 maximum, the premium therefor to be based on the American experience of mortality tables."

We urge your committee to reconsider the proposed legislation with the idea of (*a*) eliminating the proposed discrimination and (*b*) reenacting an insurance law for those now in the service and those who will enter service in the future.

Section 203 (c) of the bill deals with dependency and indemnity compensation to children "reduced by the amount of any increase in the aggregate benefits payable to the other children of the deceased person under such section 202 (d) as a result of the attainment by him of such age." The cited language will require a reduction in the amount of aggregate benefits payable to other children under the conditions therein stated. This provision penalizes a child over 18. Attention is also invited to the fact that there appears to be no provision as to what happens after other children become 18.

Section 204 (a) dealing with dependency and indemnity compensation to parents seems to be predicated upon an inadequate conception of what is "need" in the light of the living standards of today. Moreover, the definition of income in subsection (g) appears to be too restrictive.

The amount of income, alone, should not be considered to be an adequate measure of need. There can be cases in which "income" may be far in excess of that amount, which, under the proposed legislation would preclude any award and yet not only "need" but actual destitution may exist. Cases have arisen in which income in an amount in excess of that stated in the law (gross income) becomes far less than what is needed to maintain substandard living conditions in the light of special needs. It is recommended, therefore, that some provision appear in the law authorizing the Administrator of Veterans Affairs, notwithstanding the income restrictions, make a determination as to whether need actually exists, and if such need, in his judgment, exists the Administrator be authorized to pay the parent in such cases.

The limit stated in subsections (b), (c), and (d) should be raised to be more in line with the current living standard. For this purpose, it is recommended that the limit of $600 in subsection (b) be raised to $1,000; in subsection (c) a similar increase should be made; and in subsection (d) the total combined income should be raised to $1,200 for two parents.

As to subsection (c) the question arises as to what happens if one parent is wealthy and the other penniless. This situation does not appear to be taken care of. As to subsection (d) the bill is silent as to whether the compensation is to be divided between the two parents equally or otherwise.

With regard to subsection (g) concerning the definition of income, attention is invited to the fact that under (g) (2) a contribution from public or private relief or welfare organizations is not income but such a payment from a child to the parent is income. It is recommended that the definition of income be revised to be more nearly in accord with Veterans' Administration regulation No. 1028, the concept of which has been developed through years of experience.

Section 205 deals with dependency and indemnity compensation in cases of prior death. Subparagraph (c) of this section requires that the application in behalf of children, if there be more than one child eligible, must be made by or in behalf of all the children. The question arises as to what happens if there are children by different parents living in separate households. It is recommended, as to this, that notwithstanding the fact a child or children may not be listed on applications, an application filed on behalf of one child shall by statute be made an application on behalf of all children no matter when mention of the other children may be made in a specific claim on their account. The same comment relates to parents, viz, that applications must be made by, or on behalf of, both parents. Supposing the parents are divorced and are not living together, does the failure of one preclude a filing by the other? It is recommended that the bill be revised to provide that application by one parent be deemed an application for and in behalf of both parents.

In section 208 (b) "Administrative Provisions," it is recommended that the words "and children" be inserted after the word "widow" in line 4 on page 19, and the word "thereafter" appear after the word "payments" in line 5; that the period at the end of the sentence in line 8 be changed to a comma and the following added to this subsection: "providng such children have heretofore been included in the claim of the veteran or of the widow or an application has theretofore been filed for or in behalf of such children." The purpose of this change is obvious.

In section 208 (f) the words "from the date thereof" should be added after the word "eligible" in line 22 on page 19, and the words "properly discontinued" in lines 23 and 24 should be defined by the statute.

The reason for the first change is obvious since otherwise a question might appear as to whether a widow is barred from receiving payments during the period of her widowhood if she remarries before an award and payment are made. As to the second recommendation, on this subsection, the Veterans' Administration has had before it in many cases the question of the definition of "properly discontinued" since this language first appeared under Public Law No. 2, 73d Congress. This question involves recognition of decrees of what are declared by such decrees to be null and void marriages or voidable marriages. Statutory definition of the language in question will eliminate many such controversies.

Subsection 208 (j), as presently phrased, raises the question as to whether in the event of death of a veteran between January 1, 1956, and July 1, 1956, payment would be required as of January 1 notwithstanding the veteran may have been alive on that date. It is suggested that the words "or date of death" be added after the date "1956" in line 24 on page 20.

Section 301 (5) (d) on page 22, line 16, uses the word "receives" without defining what is meant thereby. What happens if the beneficiary dies after delivery of the check but before the cashing thereof? This should be resolved in the statute.

Section 407 concerning "Special Provisions in Cases of Prior Death" with specific reference to benefits under OASI limits such special provisions to those whose death occurred within 3 years after release from active duty. The question is why this limitation of 3 years. It is recommended, particularly in the light of the number of lingering illnesses which developed after World War II and Korea that the 3-year period be changed to not less than 10 years. It is the firm belief of our organization that inclusion of such a 10-year period at this time will do much to deter attempts in the future to amend this legislation, which in this respect is too restrictive.

Section 501 (b) which would deny the widow and children and parents payments under the proposed legislation where an insured veteran has elected a waiver of premium under section 622 of the National Life Insurance Act of 1940, is in the opinion of our organization, almost a breach of trust. Nothwithstanding a waiver of premiums under section 622, payment of the pure insurance risk premium was still required. Where then is there any basis for a penalty against the dependents of those who applied for a waiver? It is recommended that this provision be deleted.

AMERICAN LIFE CONVENTION,
LIFE INSURANCE ASSOCIATION OF AMERICA,
Washington, D. C., June 7, 1956.

Senator HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: This letter is filed on behalf of the American Life Convention and Life Insurance Association of America, two life insurance company associations having a combined membership of 255 companies representing approximately 98 percent of the legal reserve life insurance in force in the United States.

Your committee is presently considering H. R. 7089, a bill to provide benefits for the survivors of servicemen and veterans. We favor the following principles which are embodied in this legislation:

1. Full contributory OASI coverage for military personnel, with immediate insured status.
2. Recognition of differences in service pay in computing dependency and indemnity compensation.
3. Standards of parental dependency for determining eligibility for dependency and indemnity compensation.
4. Termination of FECA benefits for reservists and placing their survivors on an equal basis with survivors of Regular members of the Armed Forces.
5. Termination of the right to purchase Government insurance upon termination of service except on impaired lives.
6. Efforts toward simplification and integration of the overall system of survivor benefits.

As indicated above, we concur in general in the underlying benefit plan contained in H. R. 7089. With regard to the benefit levels, we should like to state a general principle which we feel to be applicable, namely, that the overall level of benefits for survivors of deceased servicemen should not exceed reasonable limits and there should remain an area of incentive for a serviceman to provide supplemental protection for his dependents through a personal insurance and savings program. We are not undertaking to comment on the specific benefit levels in the bill, but we urge your committee to consider the foregoing principles in finally setting benefit levels.

The House Select Committee on Survivor Benefits held lengthy and detailed hearings leading up to the introduction and passage of this legislation in the House of Representatives. During the course of those hearings, our 2 associations filed 2 statements setting forth in more detail the background of the principles set forth in this letter. Copies of these two statements are attached. It will be appreciated if they can be made a part of the hearing record before your committee.

Sincerely yours,

AMERICAN LIFE CONVENTION,
CLARIS ADAMS,
Executive Vice President and General Counsel.
LIFE INSURANCE ASSOCIATION OF AMERICA,
EUGENE M. THORÉ, *General Counsel.*

STATEMENT ON MILITARY SURVIVOR BENEFITS FILED WITH THE HOUSE SELECT COMMITTEE ON SURVIVOR BENEFITS BY THE AMERICAN LIFE CONVENTION AND THE LIFE INSURANCE ASSOCIATION OF AMERICA ON MAY 3, 1955.

This statement relates to the study of survivor benefits for Armed Forces and former Armed Forces personnel which is being made by the House Select Committee on Survivor Benefits and supplements the earlier statement filed with the committee on November 19, 1954, during prior hearings. It is filed on behalf of the American Life Convention and the Life Insurance Association of America, 2 life-insurance-company associations having a combined membership of 252 companies representing approximately 98 percent of the legal reserve life insurance in force in the United States. We appreciate this further opportunity to present our views.

Since the earlier hearings, specific proposals have been prepared and circulated by your committee. We should like to discuss the principles involved in these proposals. First, however, we should like to repeat briefly a general principle outlined in our earlier statement (a copy of which is attached): The overall level of benefits for survivors of deceased servicemen should not exceed reasonable limits; and there should remain an area of incentive for a serviceman to provide supplemental protection for his dependents through a personal insurance and savings program.

We should now like to set forth and discuss eight specific principles which we believe to be applicable in the field of military survivor benefits.

A. FEDERAL OLD-AGE AND SURVIVORS INSURANCE

1. Full OASI coverage should be provided for all service personnel. Provisions for immediate OASI insured status—or its equivalent—would also be desirable

The Federal OASI system is intended as a nationwide program furnishing a basic floor of retirement and survivorship protection for all gainfully occupied persons. The system functions best—and anomalies are fewest—if coverage is as nearly universal as possible. Most military personnel, at one time or another in their lives, will engage in civilian employment or self-employment, and consequently need continuity of OASI protection. For these reasons, military personnel should have full coverage while in service. Service personnel would accordingly pay the regular OASI employee taxes, based on their service pay, and the Government would pay the regular OASI employer taxes. Such full OASI coverage would be in replacement of the gratuitous OASI wage credits of $160 a month now provided for service personnel on a temporary and restricted basis.

A further step would be to provide immediate protection for all persons upon entrance into military service. The immediate nature of the potential hazard

to which servicemen may be subjected would justify such a step. This objective could be accomplished by actually giving such persons immediate insured status under OASI with a specified average monthly wage, in which event the Government should reimburse the Federal OASI trust fund for the extra benefit payments resulting. As an alternative to immediate insured status under OASI, the equivalent of the benefits which would result thereby could be provided as a temporary addition to the regular VA death compensation; until protection is achieved under OASI.

B. SOLDIERS' INDEMNITY

2. A portion of the aggregate death benefits for service personnel should continue to be based on the indemnity principle. However, as a part of a comprehensive revision of existing legislation, some curtailment of the present soldier's indemnity would be reasonable

Since the enactment of Public Law 23, 82d Congress, national policy has recognized that—apart from compensation to the dependents of a deceased serviceman—the Government owes an indemnity to an appropriate beneficiary by reason of the loss of the serviceman's life, whether or not the beneficiary was in fact dependent on the serviceman. To eliminate completely the indemnity principle from military survivors benefits would be a break with this policy. However, reasonable curtailment of the present provisions for a $10,000 indemnity (payable in monthly installments, and subject to offset against Government insurance) might be desirable as a part of a plan providing more appropriately and more adequately for the actual dependents who survive deceased servicemen.

C. VA DEATH COMPENSATION

3. The provisions for VA death compensation should give appropriate recognition to differences in service pay. However, a reasonable maximum on the pay to be taken into account would be desirable

Under the death-benefit programs applying to employees of most civilian employers, benefit amounts vary in reasonable relationship to the previous income level of the employee. Benefits geared to the previous income level tend to equalize proportionately the downward adjustments to be made by surviving dependents in their living standards, in case of the employee's untimely death.

The same principle of gearing survivor benefits to the previous level of pay should be introduced into VA death compensation. Under this principle, survivor benefits would be expressed, not as flat amounts, but as appropriate percentages of service pay. However, to avoid excessive benefits in some cases, a reasonable ceiling on the service pay to be taken into account should be established.

4. VA death compensation for parents should be provided only in case of actual dependency. Legislative provisions spelling out appropriate tests for parents' dependency would be desirable

Point 2 above recognizes that a portion of the aggregate death benefits for service personnel should be based on the indemnity principle. However, the portion of the aggregate benefits represented by VA death compensation is and should be based on a dependency principle. This principle calls for benefits to be based on presumptive dependency in the case of widows and minor children, whose dependency may be presumed, and to be conditioned on a showing of actual dependency in the case of parents, whose dependency cannot normally be presumed.

Under existing law governing VA death compensation, the dependency principle is somewhat blurred as it applies to parents. Revisions are needed to the end that parents' benefits would be provided only if dependency did in fact exist at the time of the serviceman's death. In determining the existence of parents' dependency, it would be helpful if the legislation clearly spelled out practical criteria to be applied.

D. FEDERAL EMPLOYEES COMPENSATION ACT

5. Survivor benefits for reservists in military service should not differ from Survivor benefits for regular members of the Armed Forces. To achieve equality of treatment for survivors, VA death compensation should replace Federal Employees Compensation Act benefits for reservists

It is anomalous for the survivor benefit provisions applying to reservists in military service to differ from the provisions applying to members of the regular

forces. The Government's obligation to the survivors is the same when a man loses his life in service, regardless of whether he was a regular or a reservist, and the surviving dependents are likely to be equally in need of benefits. Hence, equality of treatment for survivors is called for.

Equality of treatment for survivors can best be achieved by developing a fair and reasonable pattern of survivor benefits for regulars, and then by applying the same pattern to reservists. This approach would call for the termination of the present coverage of reservists under the Federal Employees Compensation Act.

E. GOVERNMENT INSURANCE

6. Upon termination of military service, the right of purchasing Government insurance should be granted only to persons with health impairments

Here we quote from our earlier statement: "In general, survivorship benefits in the case of servicemen should terminate upon the termination of service, the practice followed in most civilian employer plans. The Government should not provide coverage for a discharged serviceman whose insurability has not been impaired while in the service; to do so is to place the Government in direct competition with private insurance companies which are in a position to meet all of the insurance requirements of these men. It is recognized that the serviceman who has suffered physical impairment with a consequent loss of insurability should be offered insurance by the Government without penalty for the impairment incurred."

F. NON-SERVICE-CONNECTED DEATHS

7. Veterans now eligible for non-service-connected death benefits should retain such eligibility. However, non-service-connected death benefits should not be provided for veterans not now eligible for them

For the future, full OASI coverage for all members of the Armed Forces should eliminate such individual cases of need as may have given rise to the existing legislation providing non-service-connected death benefits. Consequently, the existing legislation should not be made applicable to veterans now outside its purview.

G. IN GENERAL

8. New legislation for military survivors benefits should seek to achieve a maximum possible simplification and integration

At present, five separate programs providing military survivors benefits are in operation, each with an underpinning of separate administrative machinery. In some instances duplicating records are maintained, while seemingly inconsistent benefit decisions may be made in some cases.

A major aim in recasting the existing, rather chaotic provisions should be to achieve maximum possible simplification and integration. The number of programs should be reduced in accordance with the foregoing points, and even further reduction may be possible in the separate sets of administrative machinery. Duplicating records should be avoided so far as feasible, and administrative coordination and liaison fully provided for.

CONCLUSION

With a number of separate benefit programs for the survivors of military personnel remaining in operation, it seems likely that the aggregate of benefits will be excessive in some cases, despite every effort to integrate the separate programs. Consequently, it seems clearly desirable that a reasonable ceiling be established on the aggregate of benefits that may be payable.

Basically, there should remain an area of incentive for a serviceman to provide supplemental protection for his dependents through a personal insurance and savings program. This is true of similar benefits available to employees of civilian employers under existing welfare programs, and the principle would appear to be equally valid when applied to Federal benefit programs. In this connection, life insurance for servicemen is available during peacetime and even in time of war is available with respect to normal hazards as distinguished from abnormal wartime hazards.

Again, we appreciate this opportunity to present our views and to assure your committee of our wish to cooperate in this matter in every way possible.

STATEMENT ON MILITARY SURVIVOR BENEFITS FILED WITH THE HOUSE SELECT COMMITTEE ON SURVIVOR BENEFITS BY THE AMERICAN LIFE CONVENTION AND THE LIFE INSURANCE ASSOCIATION OF AMERICA ON NOVEMBER 19, 1954

This statement relates to the study of survivor benefits being provided for Armed Forces and former Armed Forces personnel which is being made by the House Select Committee on Survivor Benefits. It is filed on behalf of the American Life Convention and the Life Insurance Association of America, two life insurance company associations having a combined membership of 244 companies representing approximately 98 percent of the legal reserve life insurance in force in the United States.

We deeply appreciate the opportunity afforded to us to present our views on this subject and we wish to commend the committee on the effort it is making toward solving the problem of how to most effectively meet the survivor benefit needs of our Armed Forces, a matter closely related to the morale of these forces.

This general subject is one that is not new to our two associations. In the past, we have worked with congressional committees and with the Defense Department on the actuarial aspects of the armed services survivor benefit legislation which was proposed during the 81st and 82d Congress as well as the Uniformed Services Contingency Option Act (Public Law 239, 83d Cong.). Appearances were made during that same period before a subcommittee of the House Committee on Veterans' Affairs and the Senate Finance Committee in connection with Servicemen's Indemnity Act of 1951 (Public Law 23, 82d Cong.).

We are in agreement with the idea of a full and complete investigation and study of these benefits as authorized by House Resolution 549. A distinguished member of your committee, Congressman Hardy, in his speech on the House floor on June 24, 1953, very aptly summarized the confused situation resulting from the operation of 5 separate survivor benefit programs administered by 4 executive agencies pursuant to legislation coming under the several jurisdictions of at least 5 different congressional committees.

Congressman Hardy recognized the unfortunate effect of the piecemeal legislative development of these programs with their overlapping and duplications resulting in inefficient and uneconomic administration as well as, in many instances, inequitable benefits as between classes of servicemen. It was pointed out that the administrative complexity of these benefit programs has doubtless made it difficult for some beneficiaries to obtain the full benefits to which they are entitled; also, that some survivors of military personnel are entitled to receive more income as survivors than was provided through base pay and allowances when the deceased was on active duty.

The members of the Committee on Retirement Policy for Federal Personnel (Kaplan Committee) recognized these same problems in the foreword to its report on the uniformed services retirement system. The Committee pointed out that historically studies in this field have been concerned with particular benefits rather than with the total problem. It is obvious that the time has come for Congress to review the several benefit systems as a whole picture and to develop a single integrated system of benefits.

We are not at this time making specific suggestions. We do not feel that we are in a position to have the necessary facts or to accurately know the problems facing the Defense Establishment in sufficient detail to enable us to make a definite proposal. However, as such proposals materialize and are considered by your committee, we would be interested in having an opportunity to examine then and to make appropriate comment. In that connection, we would be happy to work with the Committee or its staff in providing any assistance possible.

We would like to take this opportunity to repeat one or two general principles which we have stated in the past and to which we hope your committee will give its attention in developing an overall survivor benefit program. The life-insurance companies recognize the need for a Government program which will provide a measure of protection to the dependents of servicemen while on active duty in the Armed Forces. We respectfully submit, however, that regardless of what form such a program may take, the overall benefit level should not exceed reasonable limits. There should remain an area of incentive for a serviceman to provide supplemental protection for his dependents through a personal insurance and savings program. This is true of similar benefits available to civilian employees under existing welfare programs and the principle would appear to be equally valid when applied to the armed services program.

In this connection, life-insurance companies commonly issue complete coverage on servicemen during peacetime and even in time of war are in a position to offer coverage against normal hazards as distinguished from abnormal wartime hazards. In view of the availability of life-insurance coverage for servicemen we urge that the level of benefits provided by Government not be so high that the serviceman is discouraged from creating his own insurance estate.

In general, survivorship benefits in the case of servicemen should terminate upon the termination of service, the practice followed in most civilian employer plans. The Government should not provide coverage for a discharged serviceman whose insurability has not been impaired while in the service; to do so is to place the Government in direct competition with private insurance companies which are in a position to meet all of the insurance requirements of these men. It is recognized that the serviceman who has suffered physical impairment with a consequent loss of insurability should be offered insurance by the Government without penalty for the impairment incurred.

Again, we appreciate this opportunity to present our views and to assure your committee of our wish to cooperate in this matter in every way possible.

(Whereupon, at 11:15 a. m., the committee adjourned, to reconvene at 10 a. m., Monday, June 11, 1956, in executive session.)

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