

A retirement plan getting under way this year will eventually provide a pension equal to 25 per cent of regular pay. That comes to top of a flat \$75 a month which Canada pays all residents over 68—or \$150 to an aged couple—retired or not. By 1970, people will be eligible to collect at 65.

Benefits will also be paid, for the first time, to widows and disabled workers. Then, 1968, will come a comprehensive medicare program for all.

Around the world. In one country after another, the trend is toward higher benefits and more social services. Holland is raising old-age and sick-pay benefits. In New Zealand, half the people now get some kind of social-welfare payment from the Government.

Payroll taxes, already heavy in many nations, are going up still further. Governments are making bigger and bigger contributions out of general revenues. Many think the same thing will happen in the U.S. in years ahead.

Secretary Cohen later submitted for the record the following letter by Robert J. Myers, Chief Actuary of the Social Security Administration, commenting on the U.S. News & World Report article reprinted above:

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
SOCIAL SECURITY ADMINISTRATION,
Washington, D.C., January 27, 1967.

Mr. DAVID LAWRENCE,
Editor, *U.S. News & World Report*,
Washington, D.C. 20037

DEAR MR. LAWRENCE: Your January 30 issue contains an article, "Is Social Security to Get Out of Hand?", which contains a number of factual points of an actuarial nature that I should like to discuss to point out certain errors that are present.

In the first box at the bottom of page 42, it is stated that the original program was to be financed on the basis that "a huge reserve was to be built up so that the system would be fully 'funded'". This statement—although frequently appearing in one form or another—is completely incorrect. The system as it was under the 1935 Act did not provide for full actuarial reserves that would, at all times, be equal to the accrued liabilities of the system. As a matter of fact, the financing basis now is exactly the same as it was then insofar as general principles are concerned—namely, that full actuarial reserves are not developed; rather, over a long-range future period, the income is estimated to meet the outgo. In fact, you correctly state the matter in the last paragraph of the second column on page 44.

Further in regard to the first box at the bottom of page 42, it is stated that the early cost estimates as to how the program's experience would be in 1967 are far different from the actual experience. This is really like comparing apples and elephants, because both the benefits and the coverage of the system have been greatly changed in the three decades and because earnings levels have risen so significantly during this period. Quite necessarily, the OASDI actuarial cost estimates made at any time are for the program as it is then in existence and for the earnings level then prevailing. One would hardly reasonably expect the actuary to predict future legislative changes some 30 years off in the future. Similarly, we assume level earnings because of the difficulty in projecting earnings rates and, more importantly, because the benefits structure adopted at any one time is necessarily based on the earnings levels at that time.

In the third box at the bottom of page 42, you accurately compare the combined employer-employee contribution rate and the earnings base for 1967 under the original law with what it actually is now. However, it is interesting and significant to make this comparison on the basis of total wages. Under the earnings levels prevailing in 1935, a combined employer-employee tax rate of 6% on a \$3,000 maximum base was equivalent, on the average to 5.5% of total wages (which might be said to be the ultimate tax burden anticipated)—since the \$3,000 base covered 92% of total wages. The present 8.8% on a \$6,600 earnings base is equivalent, on the average, to a rate of 7.0% of total wages (since the \$6,600 earnings base covers about 80% of total earnings). Thus, the differential in the tax rate as between the present law and the original law is not nearly as large as it would at first seem. Moreover, it must also be kept in mind that, insofar as the employer is concerned, the net tax rate for unemployment insurance is well below what might have been anticipated in the mid-1930's, so that this