OFFICE CORRESPONDENCE

EXHIBIT "A"

DATE September 11, 1950

TO Mrs. Frank, Retirement System

FROM R. von Roeschlaub

SUBJECT: Summary of the principal provisions of the Social Security Law, as amended by the Social Security Act Amendments of 1950 (P.L. 734, 81st Congress).

The bill, H.R. 6000, entitled "Social Security Act Amendments of 1950" provides for the inclusion of employment in Federal Reserve banks within the coverage of the Social Security Law as of January 1, 1951. It was signed by the President on August 28, 1950. The new Act substantially amends the law by liberalizing eligibility requirements, granting additional benefits, increasing the amounts of benefits, and accelerating the tax rate on covered employers and employees. The law is long and extremely technical and this summary in general terms of provisions applicable to Federal Reserve bank employees does not purport to cover any exceptions or variations which may arise in individual cases (e.g. veterans).

The law does not provide unemployment insurance benefits for Federal Reserve bank employees.

I. ELIGIBILITY

In order to be eligible for any of the Social Security benefits, an individual must be either "fully insured" or "currently insured".

A. An individual who dies after September 1, 1950 is "fully insured" and therefore eligible for all old age and death benefits (except a dependent husband's or widower's benefit) if he has:

(1) 1 quarter of coverage (whenever acquired) for each 2 of the quarters elapsing after 1950 (or after the quarter in which he attains age 21, whichever is later) and up to but excluding the quarter in which he reaches retirement age or dies, whichever first occurs, except that in no case shall an individual be "fully insured" unless he has acquired at least 6 quarters of coverage; or

(2) 40 quarters of coverage.

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Since requirement "(1)" in effect bases an employee's eligibility upon coverage for a half of any period which elapses from December 31, 1950 to his death or age 65, any Federal Reserve bank employee 45 years of age or older on that date, with no previous coverage credit, will reach retirement age of 65 before the maximum requirement of 40 quarters becomes effective. Requirement "(1)" similarly applies to any employee of any age without previous coverage credit who dies within 20 years after 1950, namely, before January 1, 1971.

An individual who dies before September 1, 1950 must have 1 "quarter of coverage" (whenever acquired) for each 2 quarters after 1936 or after the quarter in which he reached age 21 and up to the quarter in which he reaches 65 or dies, and not less than 6 "quarters of coverage"; or must have 40 quarters of coverage.

A "quarter of coverage" means a quarter of a calendar year ending on March 31, June 30, September 30 or December 31, in which the individual has been paid $50 or more in "wages". "Wages" is defined to include all remuneration for employment after 1950 not in excess of $3,600 during any one calendar year.

B. An individual is "currently insured" and therefore eligible for certain death benefits if he has not less than 6 quarters of coverage during the 13-quarter period ending with the quarter in which he dies or becomes entitled to old-age insurance benefits.

This eligibility requirement, which permits individuals (otherwise ineligible for benefits because of insufficient coverage) to qualify for

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certain death benefits only, is inapplicable, except for dependent husband's and widower's benefits, to present Federal Reserve bank employees. It may be applicable to future employees who die on or after July 1, 1954 having only 1 1/2 years of covered employment.

II. BENEFITS

A. Each "fully insured" individual (who otherwise qualifies) is eligible for the following monthly benefits:

(1) Retirement

(a) Old-age insurance benefit at age 65, equal to his "primary insurance amount" (described in item III below).

(b) Wife's insurance benefit at her age 65, equal to one-half of her husband's old-age insurance benefit (described in item III below).

(c) Child's insurance benefit for minor dependent children, equal to one-half of the insured parent's old-age insurance benefit.

(2) Death benefits

(a) Widow's insurance benefit at her age 65, equal to three-fourths of the primary insurance amount of her deceased husband.

(b) Mother's insurance benefit for the widow, and for every former divorced wife (under 65) having in her care a child of the insured individual entitled

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to a child's insurance benefit, equal to three-fourths of the primary insurance amount of the deceased individual.

(c) Child survivor's benefit for a dependent minor child, equal to three-fourths of the primary insurance amount of the deceased individual; if more than one dependent minor child equal to one-half of such primary insurance amount plus an additional one-fourth divided by the number of dependent minor children.

(d) Parent's insurance benefit for a dependent parent age 65 or more, equal to three-fourths of the primary insurance amount of the deceased individual provided that such individual does not leave a widow, widower or child entitled to benefits.

B. In addition to the above monthly death benefits, each individual who is "fully insured" is eligible for a lump-sum death payment benefit in an amount equal to three times his primary insurance amount.

C. Any "currently insured" individual (who is not also "fully insured") is not eligible for the retirement benefits. He is eligible for the lump-sum death payment benefit and the monthly mother's and child survivor's insurance benefits.

D. In addition to the other benefits listed under A and B, above, any "fully insured" woman who is also "currently insured" (i.e. who has worked for at least 6 quarters in covered employment during the 13-quarter period immediately preceding her death or retirement at age 65) is eligible for:

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(1) A dependent husband's old-age benefit, if such husband is 65, equal to one-half of his wife's old-age insurance benefit.

(2) A dependent widower's death benefit, if such widower is 65, equal to three-fourths of his deceased wife's primary insurance amount.

III. <u>COMPUTATION OF BENEFITS</u>

The "primary insurance amount" to which a qualified individual is entitled is computed as follows:

A. For any individual who has acquired not less than 6 quarters of coverage after 1950, the sum of

50% of the first $100 of his "average monthly wage" plus

15% of the next $200 of such wage, but in no case less than $20.

B. For any individual who does not acquire at least 6 quarters of coverage after 1950,

the amount computed by the provisions of existing law and raised to the amount specified in the statutory conversion table.

The "primary insurance amount" computed under either "A" or "B" is used in determining all retirement and death benefits, but when used in connection with retirement benefits, it is referred to as the "old-age insurance benefit".

The "average monthly wage" is determined by dividing the total "wages" after the "starting date" (i.e., December 31, 1950 or if later, the day preceding the quarter in which the individual reached age 22), and prior to the "wage closing date" (i.e., the first day of the second quarter preceding the

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quarter in which he dies or becomes entitled to old-age insurance benefits, whichever first occurs), by the number of months elapsing between such dates.

IV. DEDUCTIONS FROM BENEFITS

A. On account of work after retirement by old-age insurance beneficiary.

Deductions, in such amounts and at such times as the Administrator shall determine, shall be made from any payments to which an insured individual or his wife or dependent children are entitled, until the aggregate of such deductions equals the sum of such individual's and his dependents' benefits for each month in which such insured individual is under 75 years of age and renders services for wages, or has net earnings from self-employment, of more than $50.

B. On account of work by dependent or survivor beneficiary.

Similar deductions shall be made, from any payments to which a dependent or survivor is entitled, for each month in which such individual under the age of 75 years earns $50 or more in covered employment.

C. On account of failure of beneficiary to have child in care.

Similar deductions shall be made from any payments to which a wife, widow, or former divorced wife is entitled, for each month in which such individual does not have in her care a child entitled to a child's insurance benefit.

V. LIMITS ON BENEFITS

A. Family group (i.e., husband, wife and children; or husband or wife and children; or parents)

The maximum total monthly benefits to which a family group is entitled on account of one insured individual is $150 or 80% of such individual's

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average monthly wage, whichever is the lesser, but in no case less than $40. Deductions shall be borne proportionately by all benefits except the individual's old-age insurance benefit.

B. Any individual, otherwise entitled for any month to more than one monthly benefit, is entitled to receive only the largest amount.

VI. TAXES

The Federal Insurance Contributions Act, as amended, provides for two taxes (1) a withholding tax upon the income of every individual in covered employment and (2) an excise tax upon every covered employer. Such taxes will be applicable to Federal Reserve banks and the employees thereof on January 1, 1951. In both cases, the rate of the tax is the same, to wit:

(1) 1% of "wages" received during the calendar years 1939 - 1949, inclusive;

(2) 1 1/2% of "wages" received during the calendar years 1950 - 1953, inclusive;

(3) 2% of "wages" received during the calendar years 1954 - 1959, inclusive;

(4) 2 1/2% of "wages" received during the calendar years 1960 - 1964, inclusive;

(5) 3% of "wages" received during the calendar years 1965 - 1969, inclusive;

(6) 3 1/4% of "wages" received after December 31, 1969.

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VII. SUMMARY OF BENEFITS PAYABLE IN CASE OF DEATH OR RETIREMENT OF FEDERAL RESERVE BANK EMPLOYEES

A. Minimum required service with Federal Reserve banks after January 1, 1951 or after the quarter in which an employee attains the age of 21.

1. To be "fully insured" (i.e., eligible for all retirement and death benefits, except a dependent husband's and widower's benefit):

   A number of quarters (from 0 to 40) which, when added to any quarters of coverage acquired with other employers at any time, gives a total number of quarters of coverage not less than 6 and equal to half of the even number of quarters which shall have elapsed after 1950, or after any subsequent quarter in which the employee shall have attained the age of 21, and before 65 or death, whichever shall first occur (i.e., if an odd number of full quarters shall have so elapsed, the total quarters of coverage must at least equal that number minus one and divided by two); except that there is no further requirement after 40 quarters of coverage have been acquired.

2. To be "currently insured" (i.e., eligible for certain limited death benefits):

   6 quarters during the 13-quarter period which ends with the end of the quarter in which an employee who has insufficient coverage credit to be "fully insured" dies or becomes entitled to old-age insurance benefits on or after July 1, 1954.

3. To be "fully insured" and "currently insured" (i.e., eligible for dependent husband's and widower's insurance benefit):

   6 quarters during the 13-quarter period which ends with the end of the quarter in which a "fully insured" woman employee dies or becomes entitled to old-age insurance benefits.

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It will be July 1, 1952, therefore, before any Federal Reserve bank employee with no previous coverage will be eligible (i.e., "fully insured") for any social security benefits. On the other hand, as soon as an employee has acquired 6 quarters of coverage credit with all employers, he will be eligible (i.e., "fully insured") for all retirement and death benefits (except a dependent husband's and widower's benefit) if he reaches 65 or dies after September 1, 1950, and prior to July 1, 1954.

B. Status of an employee who dies or reaches 65 without completing minimum service requirements.

1. If he dies, or if he retires at 65, he and his relatives have no rights to social security benefits. There is no provision for the return of social security "contributions" in any such case.

2. If he reaches 65 and continues to work in covered employment, he is eligible for benefits as soon as he has qualified under the standard stated in A. 1 above.

C. Status of person who retires prior to age 65.

Eligible for no social security benefits until he reaches 65 and then only when he shall have qualified under the standard stated in A. 1 above.

D. Benefits payable after minimum service.

1. Upon retirement at or after age 65 with minimum service for "fully insured" status under A. 1 above.

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(a) Retired person - old-age insurance benefit.

(b) Wife upon her attaining age 65 - 1/2 old-age insurance benefit.

(c) Wife under 65 having child in care - 1/2 old-age insurance benefit.

(d) Dependent husband at least 65 (if wife working at time of retirement at age 65) - 1/2 old-age insurance benefit.

(e) Each dependent child under 18 - 1/2 old-age insurance benefit.

(f) These benefits may be reduced or cancelled for any month in which retired individual or other beneficiary (under age 75) has over $50 income from covered employment, or wife under 65 fails to have child in care.

2. Upon death before or after retirement at or after age 65 with minimum service at time of death or retirement for "fully insured" status under A. 1 above.

(a) Unremarried widow at her age 65, with or without child in care - 3/4 primary amount.

(b) Unremarried widow under 65 having child in care (mother's insurance benefit) - 3/4 primary amount.

(c) Dependent divorced wife having child in care (mother's insurance benefit) - 3/4 primary amount.

(d) Dependent widower at least 65 (if wife working at time of death) - 3/4 primary amount.

(e) One dependent child under 18 - 3/4 primary amount.

(f) More than one dependent child - each gets 1/2 primary amount plus 1/4 primary amount divided by number of children.

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(g) Dependent parent at least 65 (if no widow, dependent widower or dependent child entitled to benefits) - 3/4 primary amount.

(h) Lump-sum death payment benefit of three times primary amount to widow, widower or other persons who paid burial expenses.

3. Upon death before retirement with minimum service at time of death for "currently insured" status under A. 2 above.

Death benefits 2 b, c, e, f and h above.

4. Limits on maximum benefits.

(a) Family group - $150 or 80% of insured individual's annual average wage, whichever is the lesser.

(b) Individual - If otherwise entitled to more than one monthly benefit, may receive only the largest single benefit.

E. COMPUTATION OF BENEFITS

1. Computation of "primary insurance amount".

The primary insurance amount, which is also the amount of the old-age insurance benefit, for an employee who attains age 22 after 1950 and has acquired at least 6 quarters of coverage after 1950, is 50% of the first $100, plus 15% of the next $200, of his average monthly wage computed from the day immediately preceding the quarter in which he attained the age of 22 to the first day of the second quarter preceding the quarter in which he died or became entitled to old-age insurance benefits, by dividing the total of covered wages received in the period by the number of months

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therein, except that if such average monthly wage is less than $50, his primary insurance amount is the amount from $20 to $25 specified in the statutory table. For an older employee, having such 6 quarters of coverage after 1950, his primary insurance amount is the amount similarly computed upon an average monthly wage after December 31, 1950, except in a few rare cases where the amount specified in the statutory table is larger, in which cases such larger amount is his primary insurance amount. For an employee without such quarters of coverage after 1950, his primary insurance amount is the amount specified in the statutory table.

2. Penalty due to periods not in covered employment.

Since the average monthly wage is determined by dividing total covered wages by the number of months elapsed, including all months in which no covered wages are earned, an individual's benefits are reduced by each month not spent in covered employment after 1950, except in the case of an individual who has not yet reached the day immediately preceding the quarter in which he attains the age of 22.

3. Maximum retirement benefits after minimum service for a "fully insured" status.

(a) The benefits for a person who retires at age 65 or older after 6 quarters of covered employment after 1950, with a wife 65 or older but no dependent

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children under age 18, assuming continuous covered employment after 1950 at $3,600 or more a year, would be:

(1)	Retired person	$ 80.00	per month
(2)	Wife	40.00	" "
	Total	$120.00	

(b) On the same assumptions a qualified individual retiring after 20 years, or more, would receive the same dollar amount of benefits. Variations in the amount of benefits result only where the "average monthly wage" is less than the maximum of $300 either because of "wages" under $300 a month or because of periods of time not spent in covered employment.

(c) Such an individual can receive the "maximum" retirement benefits for a family ($150) only if, when he retires at age 65, he has not only a wife age 65 but also a dependent child under 18 years of age.

(d) An individual with less than 6 quarters coverage after 1950, would receive the same benefits, but in a somewhat (but not substantially) lesser amount.

4. <u>Maximum death benefits after minimum service for a "fully insured" status</u>.

(a) The benefits for a person who dies after 6 quarters of covered employment leaving a widow, and 2 dependent

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children under 18 in the care of his widow, assuming continuous covered employment after 1950 at $3,600 or more a year, would be:

(1) Until 1 child marries or becomes 18:

Unremarried widow	$ 60.00	per month
1st child	50.00	" "
2nd child	50.00	" "
Total	$160.00	

Since the maximum family benefit is $150, all benefits would be reduced proportionately until the total does not exceed $150.

(2) Until other child marries or becomes 18:

Unremarried widow	$ 60.00	per month
Child	60.00	" "
Total	$120.00	

(3) After other child marries or becomes 18 before widow reaches age 65:

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(4) Unremarried widow at her age 65 - $60.00

(b) On the same assumptions, an individual with less than 6 quarters coverage after 1950, would receive the same benefits but in a somewhat (but not substantially) lesser amount.

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5. Benefits of employees with less than maximum average monthly wage.

(a) Since the computation of "average monthly wage" includes wages from covered employment for each year since 1950, but not exceeding $3,600 in any one year, no person not receiving that amount in any year after 1950 (or after reaching age 22) can attain the maximum average of $300. In other words, most persons will have less than the maximum average monthly wage of $300.

(b) Assuming continuous covered employment since 1950 (or age 22), the retired person's primary insurance amount would vary with his average monthly wage as follows:

(1)	$300 average:	$80.00 per month
(2)	$250 average:	$72.50 " "
(3)	$200 average:	$65.00 " "
(4)	$150 average:	$57.50 " "
(5)	$100 average:	$50.00 " "
(6)	$ 30 or less:	$20.00 " "