

10. This program would undermine the fabric of our economic and social life by destroying initiative, discouraging thrift, and stifling individual responsibility.

11. There is no dependable actuarial or statistical background available at the present time for this type of social legislation.

We also respectfully submit that the inclusion in one measure of all of the proposals embraced in the Economic Security Act is unwarranted, impractical, and tends to confusion. We recommend that the various proposals which are included in the Economic Security Act, particularly old-age assistance, old-age pensions, and unemployment compensation be made the subject of separate measures dealing specifically and exclusively with these various proposals.

Respectfully submitted.

JAMES L. DONNELLY,  
*Executive Vice President, Illinois Manufacturers' Association.*

### **STATEMENT OF GEORGE A. HUGGINS, REPRESENTING THE CHURCH PENSIONS CONFERENCE**

Mr. HUGGINS. I am George A. Huggins, member of the executive committee of the Church Pensions Conference, actuary for various ministerial denominational systems, such as Presbyterian in the U. S. A., Presbyterian U. S., United Presbyterians, Disciples of Christ, Congregational, Methodist Episcopal, Southern Baptist, and others.

I represent a group of workers who have not been a special social care on the community because they have been cared for by their own denominational groups. I refer to the Protestant ministers and preachers. We represent 22 denominational pension systems, including 110,000 ministers, serving 135,000 churches, and representing 25,000,000 church members. That group includes the 3 Presbyterian bodies, the 2 methodists, the 2 Baptists, the Episcopalian, the Congregationalists, the Disciples of Christ, Evangelical, Nazarenes, United Brethren, Unitarians, and Universalists.

We have been operating these pension systems for many years. One of them goes back to 1717. We have \$155,000,000 of assets, of which some \$72,000,000 represents endowment funds and the rest are reserve funds. We pay annually to 32,000 beneficiaries more than \$9,000,000 in benefits.

We have built up these funds and are operating them on contributory reserve plans supported by contributions from the churches in the form of regular payments that are percentages of the salaries, ranging from 6 to 10½ percent. The reason why we have such large contributions is that our coverage is quite broad. We aim to provide larger pensions than would be provided under the Government plan, and I am referring to the contributory plan. We feel that we must care for these men in their disability. Therefore, we provide disability pensions. We also provide pensions for the widows and minor orphans. That is the reason, sir, why we have to ask for contributions from the churches that range as high as 10½ percent.

We are concerned as to the effect of the Government plan requiring the churches and ministers to contribute to the Government plan, when we have to take care of some of the load, and a measurable part. For example, about 15 percent of our groups on the average receive wages as defined in the bill in excess of \$250 a month. Therefore, we would have to make some provision for that group through the denominational pension systems.

As we trace an individual through his ministerial service, the young men do not make \$250 a month, therefore they would be in the governmental system. Then when they came to the prime of life they

would pass out of the system, and in later years many of them would come back under the system as their earnings fell down. There would be others who would be border-line cases, who would be in the Government system one year and out of it the next, as the salary happened to fluctuate above or below.

I can sum up our appeal by saying that we have an amendment which we wish you to consider, to section 307, subsection 5, page 20, line 19: Strike out the period and insert a comma, and add after this clause the following:

excluding every individual for whom a provision is made and maintained through an organization for the purpose, which provision is at least equal to the provision made under this act for such individual, as found from time to time by the Social Insurance Board.

I may say that the church pension fund of the Episcopal Church today is paying pensions as high as \$1,500 a year and averaging just a few dollars under one thousand. It will be very difficult for us to support both of those systems by the compulsory contribution to the Government system and the contributions that we would have to require from the churches, because we would have to maintain systems for the purposes which I have mentioned.

We would like to have the act so amended that individuals who are covered adequately under our denominational pension systems would be excluded from the Government plan, and that all subject to review by the Social Insurance Board, satisfying themselves as to the adequacy of the protection.

Mr. McCORMACK. Is there not a provision of the bill where there would be exclusion if there is a 15 percent reserve after 5 years established?

Mr. HUGGINS. No. There is no provision that would exclude them. My 15 percent was that 15 percent of the group would naturally be excluded all the time because of their salaries being over \$250.

Mr. McCORMACK. Your remarks were addressed to the unemployment features?

Mr. HUGGINS. No, sir; the contributory age annuities.

Mr. McCORMACK. Oh, yes; and confining yourself to those in the service of religion, or religious efforts?

Mr. HUGGINS. Yes.

Mr. McCORMACK. What is your view as to a law covering this activity?

Mr. HUGGINS. We are not asking for an exemption on the ground that they are religious workers.

Mr. McCORMACK. Do you think they should be exempted?

Mr. HUGGINS. On that ground? No, sir.

Mr. McCORMACK. Or any ground.

Mr. HUGGINS. As a group we are in sympathy with provision for economic security for workers. We are asking only that where we, through our denominational pension systems, are making as good or as large a provision, we be allowed to continue what we have been doing.

Mr. McCORMACK. I understand the very admirable position you have taken, but I wanted to get your reaction as to whether or not you think they should come under the purview of the law at all.

Mr. HUGGINS. Yes, sir; if they are not properly covered by the particular denominational system, which should properly cover them.

Mr. DISNEY. How large a number, if you have not already stated it, of persons are pensioned?

Mr. HUGGINS. We have about 32,000 beneficiaries under these different pension systems, who are receiving over \$9,000,000 a year in benefits.

Mr. DISNEY. An average of a thousand dollars, you say?

Mr. HUGGINS. One of our funds, the church pension fund of the Episcopal Church, is paying an average pension that is between \$990 a year and \$1,000, and they go as high as \$1,500 according to the length of service.

Mr. DISNEY. The total number pensioned is about 32,000?

Mr. HUGGINS. That includes widows and minor children and disabled ministers, as well as the aged.

Mr. DISNEY. Can you give us a break-down of that, the details, in your statement? Not now, but later.

Mr. HUGGINS. I can give you the approximate break-down; yes, sir.

Mr. KNUTSON. You would be in favor of exempting, you say, a religious society whose members are taken care of by the society when they become superannuated?

Mr. HUGGINS. Yes; not just on the ground of their being a religious society.

Mr. KNUTSON. No; not because they are a religious organization, but because the society is making ample provision, better provision for their care in old age than the Government is doing under this legislation.

Mr. HUGGINS. Yes, sir.

Mr. KNUTSON. That is the whole thing in a nutshell.

Mr. HUGGINS. That is the whole thing. We are also caring for the disabled men, and we are caring for the widows and the minor orphans of the deceased men.

Mr. KNUTSON. You are speaking now of the clergy?

Mr. HUGGINS. Yes.

Mr. KNUTSON. I think you are right.

Mr. HILL (presiding). Thank you very much for your appearance, Mr. Huggins, and the information you have given the committee.

(The following statement was subsequently submitted by Mr. Huggins:)

STATEMENT SUBMITTED BY GEORGE A. HUGGINS, CONSULTING ACTUARY, 900 WITHERSPOON BUILDING, PHILADELPHIA, PA., MEMBER OF EXECUTIVE COMMITTEE, CHURCH PENSIONS CONFERENCE; ACTUARY FOR MINISTERIAL PENSION FUNDS OF VARIOUS DENOMINATIONAL BODIES SUCH AS PRESBYTERIAN IN THE U. S. A.; PRESBYTERIAN U. S.; UNITED PRESBYTERIANS; DISCIPLES OF CHRIST; CONGREGATIONAL; METHODIST EPISCOPAL; SOUTHERN BAPTIST; AND OTHERS

I represent a group of workers who have not been a social care on the communities in which they live in their age or disability for the reason that the have been cared for by groups whom they serve. I refer to the Protestant clergymen and preachers.

The Church Pensions Conference which has held a special meeting in Washington, February 4, 1935, to consider the Economic Security Act, is an organization which includes the pension systems of 22 denominational bodies in the United States of America and one in Canada, together with the retirement systems of the Young Men's Christian Association and the Young Women's Christian Association.

These 22 denominations include 109,581 ministers serving 135,250 Protestant churches with 25,385,549 members, distributed among the three Presbyterian bodies; Methodist, North and South; Baptist, North and South; five Lutheran

bodies; both Reform Churches; Episcopal; Congregational; Christian; Disciples of Christ; Evangelical; Nazarene; United Brethren; Unitarian; and Universalist.

The 22 denominational pension systems have combined assets of \$155,000,000, using round figures, of which \$71,650,000 constitute endowment funds, and \$83,350,000 reserve funds. Their yearly income approximates \$13,000,000, of which \$6,000,000 represents earnings on their invested funds.

They are paying yearly to 32,000 beneficiaries more than \$9,000,000 in benefits. The reason why these denominational bodies have set up their own pension systems is that the churches have always regarded as their own social responsibility the care of their ministers who come to age or disability. Furthermore, they have regarded as an integral part of their responsibilities provisions for pensions to widows and minor orphans of deceased ministers, thus making a broader and more inclusive pension coverage than is usual in industry.

One of these pension agencies started to function in the year 1717, and one in 1837. While operating for many years as agencies for providing relief grants based upon need, many of these in recent years have developed into contributory reserve systems, operated on sound actuarial bases.

The problem of providing pensions for ministerial groups is a different one from that of industrial workers, as by far the greater number dedicate their lives through long years of preparation to this form of service, and it is the exception when they give it up for secular work, even though changing from church to church, or agency to agency within a denomination, or even changing their ministerial standing from one denomination to another. And further the widows and minor children must be cared for as parts of the life of the parsonage as already stated.

These contributory reserve systems are maintained through regular dues payments equivalent to 6 or 7½ or 10 or even 10½ percent as the case may be, and the pension benefits are likewise related to the salaries received during service. The minister's share of the pension cost is 2½ percent in some cases, while in others the local churches or other salary paying organizations pay the entire cost.

As a group of religious leaders the members of the Church Pensions Conference are naturally very sympathetic with the social ideals of the Economic Security Act, and with plans for the economic security of employed persons. However, with some temerity we wish to state that we are disturbed as to the probable effect of the Federal contributory age annuity plan on these denominational pension systems over which we have labored so many years and which we have built up at such great cost.

We have to consider that, as a group of workers, ministers are not paid on a profit basis, but in fact on the basis of a living wage. And yet because of the social and economic demands on them in every communion, there are some who are paid amounts in excess of \$250 per month, and being classed as nonmanual workers would therefore not be included in the Federal Plan.

This excluded group constitutes percentages of the total group of active workers that varies somewhat in the several bodies, from about 5 percent to about 25 percent, with a general average approximating 15 percent. Furthermore, when the life service of these individuals who are thus excluded is studied, we find that on the basis of the remuneration received in the early years of their service, and in many cases in the later years they would be included during such years. That is, the higher range of salaries among ministers applies usually to their services in the prime of life.

Therefore, some of the group would be included in the Federal Plan in the earlier parts of their careers, then excluded, then later reincluded. While in some cases the worker might be included one year, excluded the next, and vice versa.

So far as a ministerial group of workers is concerned, it would have better fitted their needs to have been all included up to a wage basis of \$250 per month, and let the denomination, through its pension plan, make such additional provision for age annuities as was required; also as to pensions payable upon total and permanent disability occurring prior to retirement age; also benefits to widows and orphans. The pension fund of the Episcopal Church is now paying age pensions up to \$1,500, with a general average of about \$1,000, and other pension funds will in a few more years approach those figures.

It is hardly possible actuarially to operate successfully a group pension plan where only a small percentage of the group are included and those just the higher

salaries of the group, who generally are in the later middle years of life, especially where the individuals in this group change from year to year, as their salary changes would pass them in or out of the group.

On the other hand, it would be difficult to get ministers and local church boards to pay the earnings and employment excise taxes one year, and then skip one or more years, then resume, and at the same time pay in correspondingly fluctuating sums to their denominational pension boards in order to provide the pensions to the higher salaried men, the disability pensions for all the group, the widows pensions, the orphans pensions, and besides, the supplemental pensions which would have been provided in the earlier years of the operation of the Federal System, where the age annuities are limited to 15 percent or only slightly higher percentages of average salaries, limited to \$150 per month.

Furthermore most of these pension boards also make provision for the missionaries of their churches, home and foreign, and the larger part of the foreign missionaries would be excluded from the Federal Plan because of performing the greater part of their duties outside the continental United States.

Without depriving anyone of the right to be cared for under the Federal Plan the amendment we propose will enable the Church Pension Fund, which can demonstrate to the Social Insurance Board, their ability to do so, to make provision for larger age annuities for their beneficiaries than the Federal Plan. For these reasons the members of the Church Pensions Conference respectfully request the attached amendment to the bill.

AMENDMENT SUGGESTED BY CHURCH PENSIONS CONFERENCE TUESDAY, FEBRUARY 5, 1935

Amend S. 1130, section 307, subsection (5), page 20 of printed bill (Jan. 17, 1935) by striking out the period in line 24 and inserting a comma, and adding the following:

"Excluding every individual from whom a provision is made and maintained through an organization for the purpose, which provision is at least equal to the provision made under this act for such individual, as found from time to time by the Social Insurance Board."

This concludes the program for this morning. The committee will remain for an executive session.

(Whereupon, at 11:30 a. m., the committee went into executive session.)

#### AFTERNOON SESSION

The recess having expired, the committee reconvened at 2 p. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order. The next witness on our calendar is Miss Mary Van Kleeck, Director of Industrial Studies, Russell Sage Foundation.

Miss Van Kleeck, will you please come forward, state your name and the capacity in which you appear.

#### STATEMENT OF MISS MARY VAN KLEECK, DIRECTOR OF INDUSTRIAL STUDIES, RUSSELL SAGE FOUNDATION

MISS VAN KLEECK. Mr. Chairman and gentlemen:

I am not speaking for the Russell Sage Foundation, which as a scientific organization, does not take a stand on legislation. But I am speaking on behalf of the Inter-Professional Association for Social Insurance, which is an organization composed of members from all of the principal professions. The professional workers are naturally very much affected by unemployment, and therefore concerned over being included in social insurance. The greater number of them would not be included in H. R. 4142.