

Many young families in the shadow of poverty receive no help at all. As an example, few families with an employable father in the home are eligible for aid even when income is low. Among needy families with the father absent, fewer than half receive any assistance. All told, the 4 percent of our child population currently receiving aid to families with dependent children represents, it is estimated, fewer than a sixth of all children who might be considered poor.⁷ Many of these impoverished children are nonwhite. Their present deprivation, unchecked, foreshadows their own place among the aged poor of the future.

For some time to come, many Negroes reaching age 65 will continue to have limited resources and to be more dependent than white persons on public aid. Despite the general upgrading of the labor

⁷ Ellen J. Perkins, "How Much is Enough?," paper presented at the biennial round-table conference of the American Public Welfare Association, Washington, December 6, 1963.

force, the Negro is still far too well-represented among those who are employed in jobs at which even white workers average low earnings throughout a lifetime—as service workers and nonfarm laborers, for example.

As current efforts result in better employment opportunities for the Negro, the poverty that constantly stalks him and his children solely because of his color should eventually disappear. When the Negro reaches old age, he may still share in the poverty of those, whatever their race, whose energies have been spent at earnings too low to provide for the needs of today, let alone the needs of tomorrow. In our society, however, adequate income cannot be abruptly established at age 65 or age 62. To reduce poverty in old age, we must attack deprivation in early years while at the same time making sure that the protections available to the aged reflect the rising levels of living that our expanding economy makes possible for all.

Notes and Brief Reports

Cost-of-Living Increases in Military Retired Pay*

For the past hundred years, retired military personnel have generally benefited from increases in active-duty pay, since their retired pay has been recomputed on the basis of the increased rates.¹ Their retirement benefits thus reflected, although with a time lag, rising earnings levels. This pattern was changed when the pay of the Armed Forces was raised in 1958. Personnel retired before June 1 (the effective date of the increase) received a 6-percent increase in their retired pay instead of having the amount recomputed. The intent expressed by Congress was to eliminate recomputations in the future and to provide instead percentage increases in retired pay.

* Prepared by Marice C. Hart, Division of the Actuary.

¹ Retired pay for military personnel is generally equal to 2½ percent of the base pay for the highest rank held during active duty, multiplied by the number of years of service. The maximum is 75 percent of the highest base pay received.

When legislation for higher military pay was under consideration in 1963 (H.R. 5555), the argument was advanced that the decision to eliminate recomputation had been made without notice and that recomputation based on the 1958 rates should be permitted, with percentage increases applicable for the future. The Armed Services Committee of the House of Representatives recommended instead a 5-percent increase, based on the 1958-62 increase in the Bureau of Labor Statistics consumer price index, to be followed by automatic cost-of-living increases based on the index.

The provision for automatic increases recommended by the Committee was the same as that enacted in 1962 for the civil-service retirement system.² At the beginning of each calendar year, if the consumer price index for the preceding calendar year should show at least a 3-percent increase from the index for the year preceding that in which the most recent retired pay adjustment was made, then retired pay would be increased as of the following April 1 by the amount

² John P. Jones, "Amendments to the Civil Service Retirement Act, 1962," *Social Security Bulletin*, February 1963.

of the percentage rise, rounded to the nearest $\frac{1}{10}$ of 1 percent. The first years compared would be 1963 and 1962, and any increase would be effective April 1, 1964. If the difference from 1962 to 1963 was less than 3 percent, no action would be taken. A comparison would continue to be made each year with the consumer price index for 1962 until there was a cumulative increase of at least 3 percent. The year before that in which the retired pay was adjusted would then be used as the starting point for the next comparison. There would be no reduction in retired pay should the consumer price index fall.

On the floor of the House, the bill was amended to permit both recomputation based on the 1958 rates and a 5-percent increase for those currently on the rolls. Members of the Armed Forces who had retired before June 1958 would have their retired pay recomputed; the rates adopted in 1958 would be used (with a savings clause permitting retention of the 6-percent increase granted in 1958 if it resulted in a larger amount). All members retired before 1963 would receive a 5-percent cost-of-living increase, and members retired in 1963 would have their retired pay based on the increased active-duty pay provided in the bill. The automatic cost-of-living increase feature was retained.

The bill was amended in the Senate to provide that members of the Armed Forces who had retired before June 1958 would either have their retired pay recomputed or receive the 5-percent cost-of-living increase. In other words, they could choose between their pre-1958 rates increased by 6 percent and further increased by 5 percent, or a 1958 recomputation. Members retired after May 1958 would receive a 5-percent increase. The provision that all those retired in 1963 (whether before or after the effective date of the bill) would have their retired pay based on the new rates was eliminated on the grounds that this was an undesirable retention of the recomputation feature, now to be replaced by automatic cost-of-living increases.

In conference, Congress agreed to permit military personnel retired before June 1958 to choose either recomputation or a 5-percent increase—the action recommended by the Senate Committee and passed by the Senate. The 5-percent cost-of-living increase was made applicable for retirements occurring between June 1958 and March 1963; for

retirements after March 1963, pay would be based on the active-duty rates in the bill.

In debate on the floor of the Senate, it was made clear that for the future no recomputation of retired pay is contemplated but that instead the cost-of-living adjustment will be used.

The bill was enacted as agreed to in conference and became Public Law 88-132 when it was signed on October 2, 1963. Thus the precedent set by the civil-service retirement system—automatic increases for the future based on increases in the consumer price index—has been adopted for military retired pay.

Benefits for Survivors of Men Lost on the *U.S.S. Thresher**

One hundred and twenty-nine men lost their lives when the nuclear-powered submarine on which they served—the *U.S.S. Thresher*—failed to surface from a deep test dive made about 200 miles off the coast of New England on April 10, 1963. The benefits payable under old-age, survivors, and disability insurance to dependent survivors of the men who died in this disaster demonstrate graphically the extent and importance of the protection provided by the program.

Eighty-six of the men who died on the *Thresher* left survivors who qualified for monthly survivor benefits or lump-sum death payments. The others—most of them young, nonmarried servicemen—left no qualified survivors.¹ Only one of the men, a civil-service employee, did not have sufficient work in covered employment to have insured status under old-age, survivors, and disability insurance. His survivors, therefore, did not qualify for old-age, survivors, and disability insurance benefits, but they may be eligible for benefits under the civil-service retirement program.

AGE OF SURVIVORS

Of the 86 men who left qualified survivors, all but two were survived by widows. Sixty-two of

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¹ When a deceased insured person is not survived by an eligible spouse, the law provides that the lump-sum death payment shall be available only to the extent that burial expenses are actually paid. There were, of course, no burial expenses in these cases.