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Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

I am today submitting to the Congress a legislative proposal that will correct a serious flaw in the Social Security system. This proposal is one of three components of my 1977 budget and legislative program intended to insure a secure and viable Social Security system. My strong personal commitment to Social Security embraces both a genuine concern for the 32 million persons who currently depend on Social Security benefits for income, and an unyielding dedication to protect the financial integrity of the system for the millions of workers who will depend on it in the future.

My program to insure the integrity of the Social Security system, as outlined in January of this year, includes:

First, a full cost-of-living increase for all beneficiaries, scheduled to take effect in checks sent out in July of this year.

Second, an increase in Social Security payroll contributions by three-tenths of one percent for both employees and employers. This increase would remedy the immediate, short-term financing problem facing Social Security. It would stop the drain on the trust funds -- which are now expected to pay out about \$4 billion more in benefits each year than they take in. This correction would cost no employee more than \$1 per week in additional contributions.

Third, legislation to correct a serious flaw in the Social Security benefit structure which, if left unchanged, would undermine the principles of Social Security and create severe long-range financial pressures on the system. My proposal would eliminate this flaw and be a major step towards resolving the long-range financial problem. It would help stabilize the system and permit sufficient time for careful and thorough analysis of the remaining future financial pressures.

What is the status of these items?

I am happy to report that the full cost-of-living increase will be included in July Social Security checks. Unfortunately, the Congress has so far avoided its responsibility to provide a means of paying for the full cost of the system.

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The proposal I am submitting today corrects an inadequate method of adjusting benefit payments which, over time, could mean that many new retirees would receive Social Security benefits in excess of the highest earnings they ever received. Such a result was never intended and is clearly undesirable, both from the standpoint of the individual and the excessive costs to the system.

My proposal would correct this defect by ensuring that future retirement benefits are a constant share of preretirement earnings. This produces three important improvements:

--- It eliminates the long-term financial deficiency associated with the flaw (about half the projected long-range deficit), and moves more closely to the system which Congress intended to create in 1972.

--- It helps to stabilize the system despite variations in the economy; and

--- It makes individual benefits more predictable than under the current system.

To insure fairness to those approaching retirement as these proposals are implemented, I am suggesting a ten-year phase-in period during which those persons retiring will be assured that their benefits are no lower under the new formula than they would have been under the old formula at the time the law goes into effect.

The correction of the flaw will be a major step toward bringing the system back into financial balance over the long-term. But it is not the complete solution and we should not pretend that it is. The Social Security Trustees estimate that even with this legislation, sizeable long-term financial pressures remain.

There is sufficient time, however, to analyze this situation and to correct it. If action is taken promptly on my proposals the system will not be in jeopardy. But this should not delay our efforts to identify the further steps needed to protect the system's permanent financial integrity.

Over the next few years I intend to work with the Congress in resolving these problems. But the time to begin is now. We must begin immediately to solve both the short and long-range problems. The corrected benefit formula that I am submitting today would eliminate more than half of the estimated long-range financial problem. The .3% increase in employee and employer contributions which I proposed earlier this year would bring the system into current balance.

In order to protect both those who currently receive benefits and those who are contributing to the system towards their future retirement, I urge the Congress to move immediately to enact these two vital proposals into law.

GERALD R. FORD

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