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THE VETERANS PENSION PROGRAM  
PAST, PRESENT, AND FUTURE

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## I. Introduction

A veteran's pension is defined by Title 38, United States Code, Section 101 (15) as "a monthly payment made by the Administrator to a veteran because of service, age, or non-service-connected disability, or to a surviving spouse or child of a veteran because of the non-service-connected death of the veteran."

Currently, a pension is differentiated from compensation, i.e., compensation is generally paid to those who suffered disability solely as a result of their military service, or to the widow or dependent relatives of one who died solely as a result of his military service. Although pensions historically have been granted solely on the basis of service of a specified length and/or period of time (a "service pension"), they have also been granted on the basis of some specified service plus other qualifications ("limited service pensions") such as indigence, inability to perform manual labor, inability to earn a support, disability in some degree incurred after the termination of a war, the attainment of a certain age, or combinations of these various elements.

Historically, a pension is neither provided nor promised at the time the war has been fought, but legislation has been enacted years later when the veteran population has advanced in age (and declined in numbers). (Interestingly, the period between the termination of the war and enactment of pension legislation generally has become progressively shorter.) This further differentiates between compensation and pension, since compensation laws have all been enacted during the period of the war and thus, interpreted by some, as part of the enlistment contract, or, in the case of the draft, part of the draft agreement. Legally, of course, Congress may withdraw or reduce compensation, or any other benefit and has (this is discussed in more detail in the historical section of this paper).

The purpose of the pension, i.e., relieving distress from disability or destitution among the aging veteran population has been used to show the Nation's gratitude for services performed many years before. In the period prior to World War I during which pensions became firmly established as part of the pattern for treatment of veterans of our wars, there was no source from which aging veterans could draw aid in absence of pension provisions other than private charity. In more recent times, pensions continue to be provided under various circumstances for war veterans despite the changes in our social and economic conditions and new programs for the economically disadvantaged.

This paper attempts to examine major military pension enactments, to determine conditions under which they were enacted, what the provisions were, and what the results or outcomes of some of the legislation were. Further, it examines the present pension system in terms of a brief description of the program, program trends, and adequacy. Finally, this paper explores some possible changes in the existing pension program.

## II. Historical Development of Veterans' Pensions

A great deal of the material for the following section was drawn from a study of the veterans' pension system conducted by a Presidential Commission headed by General Omar Bradley in 1956, and referred to as the "Bradley Commission Report."

### A. Revolutionary War Period

Pension history in the United States starts with the Revolutionary War; prior to that time, colonial provisions for veterans had taken the form of compensation only. Pension history of the Revolutionary War consists of two parts: half pay for life for Revolutionary War officers (which caused much difficulty for the Continental Congress and much furor among the population); and the limited service pension legislation of 1818, which, together with the amending and liberalizing acts which followed, established the precedent for the present pension system.

Half Pay for Revolutionary Officers

The demand on the part of Revolutionary officers for a pension of half pay for life grew out of British precedent and out of the conditions under which the war was being fought. General Washington and many of the officers who served under him were aware that officers of the British Army were retired on half pay for life after their service was over. This they considered sufficient precedent for their demand.

From Washington's standpoint, however, he needed inducements which would help hold his army together or which would at least hold his officers faithful to their duty. The officers' pay was low, the fiat money issued by the Congress with which the men were paid was practically worthless, inflation was taking its toll of what money was available, clothing and other supplies were practically nonexistent. From a political standpoint, enthusiasm for the war was considerably less than universal. Many officers resigned their commissions, and many others applied for permission to resign. This dissatisfaction among officers was destroying what little army Washington had under his command, and he sought for something to hold it together. The device which presented itself was half pay for life.<sup>1/</sup>

There was much opposition, both in and out of Congress, to the passage of such legislation. Opposition was based upon several ideas: (1) it would place too heavy a financial burden on the Colonies; (2) it was an undemocratic precedent for the country; (3) it was unjust because it was not a matter of contract; and (4) it was interpreted as a form of "blackmail" by many and would not be supported when it came into

<sup>1/</sup> The record of this episode in pension history can be found in the following: W.C. Ford, Journals of the Continental Congress: American State Papers; L.C. Hatch, The Administration of the American Revolutionary Army; W.C. Ford, The Writings of Washington; and extensive discussions can be found in William H. Glasson, History of Military Pension Legislation in the United States and Federal Military Pensions in the United States.

effect. Pressure upon Congress of the fear that the Army would collapse became so great, however, that a measure was passed on May 15, 1778, providing officers who served through the war with half pay for a period of 7 years. On October 21, 1780, the period was extended to life rather than 7 years. On March 22, 1783, the Congress adopted a measure known as the Commutation Act, which provided instead of the half pay for life, a payment of 5 years' full pay in money or securities bearing interest at 6 percent annually.

The payment of the commuted pension caused difficulty as the Continental Congress had no money with which to pay, so "commutation certificates" payable to the bearer and bearing interest at 6 percent were issued. Intense opposition to the payment of commutation certificates arose, due to several factors: (1) it was out of line with colonial precedent; (2) it discriminated against enlisted men in favor of officers and thus offended the democratic feelings of many New Englanders; (3) it was proposed during and immediately after the war when many people were concerned with the cost of the war; and (4) there was an unstable relationship between the States and the Congress. The mass of the population took a tremendous interest and a firm stand either in favor of or against the proposition which did become law. There has not been any similar proposal advanced during a war since that time.

#### Revolutionary War Pensions

With the exception of the half pay for officers discussed above, all other payments to veterans of the Revolution, prior to 1818, with the exception of certain small bounties paid at the end of the war, were for compensation for the war-disabled.<sup>2/</sup>

<sup>2/</sup> This summary of Revolutionary War pensions, and also pensions for veterans of the War of 1812, the Mexican War, and the Indian wars is based upon: William H. Glasson, History of Military Pension Legislation in the United States, and Federal Military Pensions in the United States; Gustavus A. Weber and Laurence F. Schmeckler, The Veterans' Administration; William P. Dillingham, Federal Aid to Veterans, 1917-41; and Reports of the Veterans' Administration.

By 1818, however, the War of 1812 was behind, 34 years had passed since the mustering out of the Revolutionary Army, and the feeling seemed to have arisen that something had to be done for those Revolutionary War veterans who were indigent. President Monroe sponsored such a move in his message to Congress in December 1817. The belief was expressed that there were only a few of these aged veterans still living and that the financial expense would be nominal.

The feeling in Congress, as shown by the extended debates which took place, was far from unanimous. There seemed to be a general feeling that some relief should be afforded these veterans, but there was a lack of agreement as to what course this should take. Some wished for a service pension based purely upon a minimum service while others favored a provision based upon service and poverty. No one knew, and seemingly no one was able to estimate with any degree of accuracy, the number of veterans who would be eligible under such a law. All estimates proved small in view of later developments, (e.g., one such estimate was less than 1,900, when in reality over 18,000 applied). Similar underestimates have been typical of later enactments.

Supporters of the measure pointed to the surplus in the Treasury as evidence that the country could well afford to help the veterans. The burden of their argument was praise of the Revolutionary War soldiers' services, descriptions of the privations they had undergone, and an appeal to the gratitude of the country. Those who opposed the act pointed out that sentiment was a "miserable guide for a legislator."<sup>3/</sup> Furthermore, a precedent was being established which would eventually cost the country vast sums of money. (In this the Speaker, who in that instance was Senator Smith of South Carolina, was correct. Pension laws, more or less similar in nature, have been passed for the benefit of veterans of all subsequent wars, including veterans of World War II, Korean Conflict, and the Vietnam era.)

<sup>3/</sup> 84th Congress, 2nd Session, House Committee Print No. 244, pg. 95.

The law of 1818 (3 Stat. 410) provided pensions for any commissioned officer, non-commissioned officer, private, musician, mariner, or marine who had served in the Continental Army or Navy of the United States in the War of the Revolution to the end thereof, or for the term of 9 months or longer at any period of the war and "who is yet a resident citizen of the United States, and who is, or hereafter, by reason of his reduced circumstances in life, shall be in need of assistance from his country for support" and certain other conditions. The rates were \$20 per month for commissioned officers and \$8 per month for others. There was a great deal of opposition to the law, strengthened by the fact that in 1819 there was a severe business crisis followed by 3 years of depression.

With the Government forced to borrow large sums of money in order to meet its operating expenses in 1820 and 1821, pressure developed in favor of accomplishing savings through reduction of pensions. Although there was a great deal of opposition in Congress about reducing pensions, there was some movement in that direction. A congressional investigation in 1820 resulted in the removal of more than 6,000 names from the pension rolls. This was brought about by the use of stricter standards by which the claimant had to prove that he was in need of the aid.

By 1822 the financial conditions of the Treasury had been improved, so liberality in the pension field was restored. In 1820, there were over 21,000 names on the rolls. In September 1822, there were approximately 14,500 and by November 1823 the number had increased to 17,500, with expenditures that year amounting to approximately \$1,650,000.

Continued petitions by Revolutionary War veterans for pensions brought about the passage, in 1828, of legislation to place on the rolls at full military pay for life, all officers who had been eligible to receive commutation certificates in 1783. Continued agitation by this group over the years had done much to stimulate interest



in pensions. Full pay for life was also given to noncommissioned officers and soldiers who enlisted for the war and served until its end, and thereby became entitled to receive the reward of \$80 promised by the Act of May 15, 1778. Because so many enlistments were for short durations and few men served until the war's end, those who received this pension probably never exceeded 1,200 in number, although no exact record was kept.

One other major liberalization took place in pensions for Revolutionary War veterans. Starting in 1830, a movement gathered momentum to expand pension rolls. The Treasury was overflowing with money and the national debt was rapidly being extinguished.<sup>4/</sup> The Treasury surplus was beginning to create difficulty and the idea seemed to have occurred to many simultaneously that a good means of disposal of this would be to give it to veterans in additional pensions. President Jackson advocated this in his annual message in December 1829, and Congress was not long in introducing legislation to carry out the suggestion.

The same arguments in support of the Act of 1818 were repeated with only minor variations. The estimate in this instance was that there could be no more than 10,000 Revolutionary War soldiers living who could come under the terms of the measure; that the cost would not be more than \$450,000 a year, and that even that would disappear within 5 years. These estimates were strongly supported by those who advanced them. The number of applicants under the law which was passed subsequently exceeded 32,000.<sup>5/</sup>

Opposition to extension of pension laws was based, in part, on the same philosophical arguments which had been used previously. In addition, opponents said that there was a "direct and unholy alliance" between the advocates of increased pensions and the advocates of the protective tariff.

<sup>4/</sup> The only period when the Federal Government was not in debt was for a few months at the end of 1835, and the start of 1836.

<sup>5/</sup> Glasson, op. cit. pp. 80-83.

Opponents were able to postpone the passage of the Act for 2 years, but in 1832 a service pension became law (4 Stat. 529). The Act extended the full pay for life provisions of the Act of 1828 to all veterans of this war who had completed a total of 2 years of service, whether in the Continental Army or in State troops, volunteers, militia, or in the Navy. The long period of service required for full pensions indicated, to some, a desire to reward long service rather than the mere fact of service in the Armed Forces. Pension was not to exceed the full pay of a captain. Those who had completed less than 2 years of service were entitled to a pension proportioned according to their length of service, but pension could not be paid for less than 6 months of time in the Armed Forces. Under this Act, rates ranged from \$20 a year to \$600 per year, according to rank and length of service.

There were no further enactments of significance with regard to pensions for Revolutionary War veterans except for minor liberalizations.

Pensions for dependents of deceased veterans first came into being in 1836 (5 Stat. L. 127). It provided that if any Revolutionary soldier who would have been entitled to a pension under the Act of June 7, 1832, had died, leaving a widow whose marriage took place before the expiration of his last period of service, such widow, so long as she remained unmarried, would be entitled to receive the pension which might have been allowed to her husband, if living at the time the Act of 1832 was passed. This law pensioned about 5,000 widows who were wives of soldiers while the Revolutionary War was in progress. Under this Act rates were determined by the rank and length of service of the veteran and ranged from \$20 to \$600 annually.

For approximately 40 years after the Act of 1836, there was a constant liberalization of the Revolutionary widows' pension laws. The general direction of liberalization was to recognize widows of later and later marriages until finally, widows who married Revolutionary War veterans at any time were entitled to pensions. Another direction of liberalization was to grant pensions to widows of veterans with

shorter service, until finally the widow of a veteran who served as little as 14 days or in any engagement was entitled to a pension.

#### Summary

Because Revolutionary War pensions established precedents, showed patterns, and revealed possibilities for future development, some survey of the results should be explored. The figures involved, both in terms of money and in terms of individuals, are infinitesimal in comparison with present totals. According to the Bradley Commission, the amount expended came to approximately \$66 million, divided between veterans at approximately \$46 million and widows at approximately \$20 million. The manner of keeping records during the early years of the Federal Government makes it impossible to state the exact number of Revolutionary soldiers who were granted compensation, and duplications make it difficult to determine the exact number of individuals who received pensions. The Commissioner of Pensions reported that between 55,000 and 60,000 individual veterans received pensions, although duplications mentioned may mean that these are slightly overstated. The number of original soldiers' and sailors' claims allowed due to the Revolutionary War is given as 52,504.

What is particularly significant in the Revolutionary War pension activity and legislation is that it fell into a pattern which was later repeated. First, compensation was provided for the service-connected disabled. This was followed by some type of pension. In 1818, a precedent was established for service pensions to veterans by grant of such pensions to the indigent veterans of the Revolution. A more liberal law was passed in 1832 granting a service pension to Revolutionary soldiers regardless of income or property. The widows of Revolutionary War veterans received pensions first under the law of 1836. As the number of veterans was decreased by death and the number of widows increased, the laws for the benefit of widows were from time to time made more liberal and more inclusive.

Glasson thought he found a pattern which pervaded much of later pension history.

He concluded:

"...However, Revolutionary pension legislation was important for the precedents it established. In miniature, its history shows most of the conditions which surrounded the passage and administration of later pension laws. Conditions of Treasury surplus encouraged the enactment of expensive service-pension provisions, thereby making precedents immensely costly when applied to later wars...As in later days, it was felt that the pensioners and their friends were a political force to be reckoned with. Loose and extravagant legislation brought frauds, public indignation, and attempts at reform. There was a widespread feeling that the pension system had an important influence in lowering the moral tone and lessening the independence of large numbers of citizens. In many cases pension frauds were discovered which involved criminal acts of a grave character on the part of persons who had been respected and trusted. There were indications that many more frauds were committed than came to light. ...As a whole the experience of the country with the Revolutionary pension laws should have furnished much valuable guidance and warning in the framing and administration of Civil War pension laws, but, as a matter of fact, this early experience was practically ignored..."<sup>6/</sup>

B. War of 1812, Mexican War, and Indian Wars Pensions

Pension legislation for the veterans and dependents of veterans of those three periods followed the same pattern as pensions for Revolutionary War veterans, and therefore we have not included a detailed or extended discussion of them.<sup>7/</sup> Only the highlights are discussed below to show how closely they conformed with the earlier pattern.

<sup>6/</sup> Ibid., p. 96.

<sup>7/</sup> Ibid., pp. 108-119. Gustavus A. Weber and Laurence F. Schmeckler, *The Veterans Administration*, pp. 30-39, for detailed discussions of this period in the veterans' pension history.

- War of 1812

Approximately 287,000 troops took part in the War of 1812, which terminated in 1815. Revolutionary War veterans had to wait 34 years for their limited pensions and 49 years for their full service pension. Although the veterans of the War of 1812 never received a limited pension, it was 56 years before a service pension was enacted. The usual controversy between those who favored and those who opposed such a pension went on for some time in Congress.

The pension law for the veterans of the War of 1812 as passed in 1871 (16 Stat. L. 411) required 60 days of service, honorable discharge, loyalty to the Union during the Civil War, and granted pensions at \$8 a month. There was no income limitation. About 25,000 persons made claims as veterans.

The same law provided that the widow who had been married to the veteran prior to the treaty of peace and who had not remarried was eligible for the same pension as her former husband would have been had he been alive, thus \$8 per month.

Almost immediately liberalization was urged for both veterans and widows. This was achieved in 1878 (20 Stat. 27) when the time of service was reduced to 14 days or action in any one engagement; the requirement of loyalty to the Union during the Civil War was abandoned, and any limitation on the date of marriage as a requirement for eligibility for widow's pension was eliminated. The reduction to 14 days service in the requirements for eligibility for pension has been interpreted by some as an abandonment of the "long and arduous service" idea. The liberalization of 1878 was almost entirely for the benefit of widows since the ranks of the veterans of that war were being reduced very rapidly by death. The only further action taken on pensions for either veterans or dependents consisted of a steady upward revision of rates. Starting with \$8 per month originally provided, the rate finally reached \$50 per month in 1926.

According to the VA, total expenditures for War of 1812 pensions amounted to slightly over \$46 million, divided between veterans and dependents as follows: veterans, \$14 million; dependents, \$32 million. These relatively small expenditures are accounted for by the long period which was allowed to elapse before service pension legislation was enacted.

- Mexican War Pensions

The Mexican War ended on May 30, 1848, with approximately 79,000 veterans having served in that conflict. Pension legislation for veterans of the War of 1812 gave impetus to the pension movement for the veterans of the Mexican War, who waited 39 years before receiving their service pension in 1887 (24 Stat. 371). The law required 60 days of service, an honorable discharge, and either an attained age of 62 or a disability equivalent sufficient to entitle the individual to a pension (a limited service pension). The pension rate was \$8 per month and applied equally to widows. A veteran who incurred his disability while voluntarily engaged in opposing the United States Government during the Civil War was not eligible, but there was no requirement of loyalty during that war.

As with previous pension patterns, a constant liberalization of both rates and conditions of entitlement followed. Pensions for veterans were raised to \$65 a month in 1926. Widows' pensions were increased in like manner, and the last rate for survivors of Mexican War veterans was \$70 per month (increased in 1967).

Expenditures for Mexican War veterans' pensions were approximately \$56 million. This was significantly larger than the expenditures for pensions for the veterans of the War of 1812, although there were less than one-third as many veterans involved. At least part of the explanation of this is due to the fact that because of earlier enactment of pension legislation, the veterans of the Mexican War were eligible for 18 more years of pension benefits.

- Indian Wars Pensions

The United States engaged in a series of wars, engagements, and various other types of activities against "hostile Indians" over the period 1817 to 1898. In total, 106,000 men took part in the Indian Wars although many of the campaigns were very brief occupying no more than a few days or weeks. Pensions for the veterans of these wars were initially provided in 1892 (27 Stat. 281), but the Act specified that the benefits should not apply to any Indian war later than 1842. Thus, once again, the waiting period was a long one.

The Act, which included widows, required 30 days of service in specified Indian Wars between 1832 and 1842, and an honorable discharge. Service could be proved by any satisfactory evidence, and loyalty during the Civil War was not required. The rate of pension was \$8 per month for life.

Successive enactments included later Indian Wars up to 1898. The rate of the veteran pension was raised periodically, the most recent rate having been \$101.59 monthly, or \$135.45 if the veteran was in need of regular aid and attendance. It is anticipated that 75 survivors of Indian Wars veterans will be on the pension rolls for FY 1977. The rate for widows of Indian Wars veterans is \$40.64 monthly if the widow is below 70 years of age and \$70 monthly if she is 70 years of age or older unless she was the wife of the veteran during his service, in which case the monthly rate is \$75, with additional allowances of \$8.13 per child of the veteran. Total expenditures for pensions are not available; however, over \$118.6 million has been spent on compensation and pensions for veterans and widows of the Indian Wars.

C. Civil War Pensions

The Civil War which ended in 1865 was a war of massed armies, with approximately 2,213,000 men enrolled in the Union Army and figures quoted in congressional debate on pension measures for veterans of that war indicate that approximately 800,000 men

were disabled by wounds or disease.<sup>8/</sup> Accordingly, numbers for pension purposes were much more important than in previous wars with respect to the amount of money involved, the number of individuals who would be covered, and also, on the political side, by the size of the soldier vote. Pension laws for Civil War veterans, thus, were much more significant than those for the benefit of veterans of the War of 1812, the Indian Wars, or the Mexican War, all of which were passed within the same general period.

Part of the background for the first Civil War Pension Act grew out of the difficulty veterans were experiencing in substantiating their claims for compensation. Fifteen, twenty, or twenty-five years after the war many veterans were completely disabled from service-connected disabilities and unable to earn their own support. It was not possible, however, for them to prove any service connection. (The same set of circumstances was instrumental in producing pension legislation for World War I veterans in the form of disability allowance in 1930, discussed later.) Another part of the background for the Dependent Pension Act lay in the existence and activities of two groups: the pension claims agents and the Grand Army of the Republic. This aspect of pension history is discussed in great detail in Glasson's Federal Military Pensions in the United States, pp. 148-268.

The first pension law for Civil War veterans was the Dependent Pension Act of 1890 (26 Stat. L. 182). As the name indicates, it was not a pure service pension since it contained the provision that, to be eligible, the veteran must demonstrate himself unable to perform manual labor to an extent that would preclude his earning a living. There were three other conditions of eligibility: 90 days of service,

<sup>8/</sup> CONGRESSIONAL RECORD, Vol. 19, part 2, March 8, 1888, p. 1865.



an honorable discharge, and a disability not the result of "his own vicious habits which rendered the veteran incapacitated for manual labor." The pension rate varied from \$6 to \$12 a month depending upon the degree of inability on the part of the veteran to support himself.

Arguments on both sides were long and heated, many sharp interchanges being recorded in the congressional debates. Those supporting the Act contended that (1) the Government owed all it could pay within reason to these veterans; (2) the surplus in the Treasury justified anything which could be done; (3) the country had been remiss in its treatment of its veterans; and (4) it would encourage volunteers in case of another war when dependency would have to be had on the volunteer soldier. Those opposing the legislation contended that: (1) frauds and abuses always accompanied such legislation; (2) the cost (as had been the case in previous pension enactments) would be far in excess of anything its supporters estimated; (3) no distinction was made as to length of service, financial status, or other income; and (4) eligibility depended solely on disability to perform manual labor to an extent sufficient to earn a living. Ability to earn a living in some other manner than by manual labor was not considered in determining eligibility.<sup>9/</sup>

The Dependent Pension Act fits in quite well with the pattern of pension development which had emerged in this country over the preceding 175 years. The time which elapsed between the war and pension without regard to service-connected disability was shortened from what it had been in any previous war. In this instance, there was a 25-year interim period (the shortest prior case was 35 years for the veterans of the Revolution). The law was loosely drawn which made it subject to abuse; for example, while it was aimed to alleviate the distress of those who were

<sup>9/</sup> 84th Congress, 1st Session, House Committee Print No. 171, pp. 69-73.

indigent and incapable of supporting themselves, the only measure established in the law was that of ability to earn a living by manual labor. There was no provision to prevent those with substantial incomes from applying for and receiving dependent pensions under the Act.

In characterizing the law, Glasson says:

"...For the favored class, the act of 1890 provided what was practically a species of paid-up insurance against bodily disability of a permanent character caused by accident or chronic disease. The premium was a service of 90 days or more during the Civil War..."<sup>10/</sup>

At a time when there were no workmen's compensation laws, no social insurance, no Federal protection for the individual against the hazards of life, the veterans of the Civil War had virtually complete protection against loss of income because of physical disability regardless of its cause.

Although the law made no provision for age, the Commissioner of Pensions, in effect, made it so in 1904 when he ruled that a veteran who had passed the age of 62, if he met all other qualifications, would be adjudged to be one-half disabled and entitled to be pensioned at \$6 a month.

The law applied to widows of deceased veterans as well, and allowed those who could qualify under the law a pension of \$8 a month. The widow of a veteran who served 90 days or more, and who was honorably discharged, was entitled to pension without regard to the cause of the veteran's death provided she was married to him before the date of the Act and that she was dependent upon her own daily labor for support. An additional allowance of \$2 per month was made for each child under the age of 16.

<sup>10/</sup> Glasson, op. cit. p. 236.

Following the usual pattern, after the Act of 1890 was on the books, there began a series of liberalizations. On May 11, 1912, Civil War pensions were placed on a combination basis including both length of service and age (37 Stat. L. 112). The top pension was \$20 per month, which was raised to \$30 by an act of 1912 (37 Stat. 112). Successive increases in the rates followed until the final rates were the same as for Indian Wars veterans, i.e., \$101.59 monthly, or \$135.45 if the veteran was in need of aid and attendance.

Pensions for widows of Civil War veterans have been increased from time to time until the maximum rate currently being paid amounts to \$40.64 monthly if she is below 70 years of age or \$70 if she is 70 years of age or older unless she was the wife of the veteran during his service in the Civil War, in which case the monthly rate is \$75. If there is a child of the veteran, the rate of pension paid to the widow is increased by \$8.13 for each such child. Approximately 285 dependents of Civil War veterans are expected to receive pensions in Fiscal Year 1977, at an average cost of \$1,117 annually. The total expenditures for the Civil War pension program are not available; however, over \$8.2 billion has been spent on compensation and pensions for veterans and survivors of the Civil War.

#### D. Spanish-American War Pensions

The first statute providing pensions for veterans of the Spanish-American War, the Boxer Rebellion and the Philippine Insurrection (which, for this period will all be included under the title of "Spanish-American War") was enacted in 1920 (41 Stat. 982-93), 18 years after the close of the war. One item peculiar to this situation was that the Pension Bureau required the veteran to show by hospital records that he was sick or wounded while in the service in order to qualify for a pension, or be over age 62.

Various arguments in support of the bill were advanced, some of which were new in pension history. Legislation was justified on the basis of material gain to the

United States and the excellence of the record of the Armed Forces in the war. The arguments in support of such legislation were that it was the nation's duty and privilege to help in some measure these men who had given their all for their country. Food and living conditions in the camps and on the battlefields were bad, and the death rate in training camps was over three times as high as it would be in similar camps during World War I. Finally a dramatic appeal was made that "this was the war which helped bind up the wounds and help heal the scars left by the Civil War since this was the first time the sons of the North and the sons of the South had marched in conflict together."<sup>11/</sup>

Opponents of the bill were few but vocal. Opposition was voiced because the bill discriminated in favor of Spanish-American War veterans and against those of World War I. Sam Rayburn of Texas opposed the setting up of a special class of people. If a man was to receive a disability pension because he was a veteran, then all disabled men ought to be treated the same. Alarm was voiced over the increasing trend toward dependence upon the Federal Government.

The act which was passed (41 Stat. 982) was a combination of age and disability pension. It required 90 days of service, an honorable discharge, and either a disability which incapacitated the veteran from earning a support by manual labor or the attainment of age 62. The disabilities could not be the result of his own "vicious habits." Pension rates varied from \$12 a month to \$30 a month depending on the degree of disability as determined by the Commissioner of Pensions. At ages 62, 68, or 75 years, the pensioner became eligible for a pension of \$12, \$18, or \$30 respectively.

<sup>11/</sup> 84th Congress, 1st Session, House Committee Print No. 171, pp. 81-88.

The first liberalizing amendment was that of May 1, 1926 (P.L. 69-166) which raised pension rates to a range of \$20 to \$50 depending on age; another was that of June 2, 1930 (46 Stat. 492-3), which increased pension rates to a maximum of \$60 for 75 years of age, and established a new rate of pension for 70 days of service. The requirement that the disabilities not be the result of the veteran's own vicious habits was eliminated. President Hoover vetoed the bill which both the House and Senate had passed unanimously. After some interesting debate in the Congress, the bill was passed over the veto with no difficulty.<sup>12/</sup>

The Economy Act (Public Law 73-2) enacted March 20, 1933, repealed all existing pension provisions, but the laws pertaining to Spanish-American War veterans which were in force on March 19, 1933, were re-enacted by section 30 of P.L. 73-141, approved March 28, 1934 (48 Stat. 525), and P.L. 74-269.

Other legislation for Spanish-American War veterans has been largely of a liberalizing nature and has not made any significant changes in conditions of entitlement. Rates have been raised until at present, the veteran of this war who served 90 days or more receives \$101.59 if he was discharged under conditions other than dishonorable. If he is shown to be in need of the aid and attendance of another person, the pension is \$135.45 monthly. Lesser monthly rates of \$67.73 and \$88.04 are authorized under the same conditions for veterans who served 70 days or more but less than 90 days. It is anticipated that for Fiscal Year 1977 there will be 555 of these veterans on the pension rolls at an average cost of \$1,850 annually.

No special provisions were made for pensions for widows of Spanish-American War veterans until 1918 when they were made eligible for pensions of \$12 monthly, plus allowances for dependent children, subject to an income limitation of \$250 a year (40 Stat. 903). These pension rates were increased and the terms made somewhat

<sup>12/</sup> Ibid., pp. 88-95.

more liberal in 1922 (42 Stat. 834) and the following years. The process continued until presently, the widows of these veterans are receiving \$70 a month, or \$75 for a widow who was the wife of the veteran during service, with an additional \$8.13 for each eligible child. It is anticipated for fiscal year 1978 that there will be 21,800 of these cases, at an average yearly cost of \$1,048. There is no longer an income limitation imposed on the widows pensions.

Pension and compensation expenditures due to the Spanish-American War have amounted to over \$5.1 billion.

The Spanish-American War terminated the period when pensions formed the basic part of the benefits for the aid of veterans. Looking back over this period, a definite pattern can be seen. There was little or no effort to help the veterans readjust to civilian life and little attention was given to the medical care or rehabilitation of the disabled.

The arguments which were made in favor of pensions during this period were basically similar. They stressed the debt of gratitude which the nation owed to the elderly veterans who, in the "bloom of their youth and strength had offered their all in defense of freedom or in an effort to prevent destruction of the Nation."<sup>13/</sup>

Arguments in opposition to these pension enactments were predominantly based on the expense and predicted dire consequences to the economy.

E. Pensions for Veterans of the Mexican Border Period, World War I, World War II, the Korean Conflict, and the Vietnam Era

Current law provides monthly pensions based on income and age or disability for veterans of the Mexican Border Period, World War I, World War II, the Korean Conflict, and the Vietnam Era. The present program is described in detail in Section III, beginning on page 27.

<sup>13/</sup> 84th Congress, 2nd Session, House Committee Print No. 244, pp. 103-105.

Disability pensions for World War I veterans came only 12 years after the end of the war, thus following the pattern of continued liberalization of this type of benefit by providing it within shorter periods. The program grew out of a situation quite similar to that which gave rise to the Dependent Pension Act of 1890. Many veterans had become disabled from diseases which they felt were service-connected, but they were unable to prove service-connection. Out of this situation grew a compromise bill providing what was called disability allowance, which amounted to a pension for non-service-connected disability.

The Act of July 3, 1930 (Public Law 71-522) provided that any veteran who had served 90 days or more during World War I, who had a 25 percent or more permanent disability not the result of service nor willful misconduct, and who was exempt from the payment of Federal income tax during the preceding year, would be eligible to receive a pension. Four degrees of disability were recognized: 25, 50, 75 and 100 percent; and for these respective degrees of disability the rates of pension were \$12, \$18, \$24, and \$40 monthly. This was the first time such a pension law had been passed during a period of depression or financial stringency.

The law became effective immediately upon passage. The underestimates of the number of eligibles were not surprising in this instance since the depression of the time had made many eligible who otherwise would have been eliminated by the income limitation. Within about 2 1/2 years of the passage of this Act, pensions were being paid to almost 441,000 veterans.

Public Law 73-2, the Economy Act enacted March 20, 1933 (48 Stat. 3), repealed the enactment of July 3, 1930, effective June 30, 1933, and substituted more stringent conditions. It was necessary under this Act for veterans to meet the requirements of Veterans Regulation 1 (a), part III, promulgated by the President pursuant to the authority contained in the Economy Act, in order to continue receipt of

disability pensions. The conditions necessary for eligibility were 90 days of service, part of which must have been during a war period, or if less than 90 days, a discharge for disability incurred in service in the line of duty; an honorable discharge; permanent and total disability not the result of his own misconduct; and annual income not in excess of \$1,000 if the veteran was unmarried or not in excess of \$2,500 if the veteran was married or had minor children.

In 1944 (58 Stat. 230) the rate was increased to \$50 monthly with the provision that the rate should be increased to \$60 monthly when the veteran was 65 years of age, or when the disability had been rated permanent and total, and had been in receipt of pension for a continuous period of 10 years. Discharge or release under conditions other than dishonorable was allowed. By 1946 (Public Law 79-662), the rates were raised to \$60 and \$72. Shortly thereafter, the income limitations were raised to \$1,400 for a single individual and to \$2,700 for a veteran who was married or had dependents.

Death pensions for World War I widows were not enacted when the "disability allowance" was authorized, but was delayed 4 more years until 1934. The Act (Public Law 73-484) required a 30 percent service-connected disability on the part of the veteran and death from neither misconduct nor service-connected causes to entitle the widow to pension. An income limitation barred from eligibility anyone who had paid Federal income tax the preceding year, and the limiting date of marriage was July 3, 1931. Pension for the widow was \$22 per month with additional allowances for children. Total pension was limited to \$56 a month.

A series of liberalizations in the requirements for eligibility for widows' pensions took place in the following years. In 1936 (P.L. 74-844) dependents of service-connected disabled veterans and misconduct cases were made eligible. In three steps from 1937 to 1939, the requirement of a specific degree of service-connected disability on the part of the veteran was removed. The date of marriage



was fixed as "prior to December 14, 1944, or 10 or more years to the person who served; continuous cohabitation from date of marriage to date of veterans death was required except where separation was ...due to misconduct of... the veteran without fault of the widow." As of June 1974, over \$17.6 billion has been paid to World War I veterans in pensions and over \$17.7 billion to their widows.

Pensions for World War II veterans were provided on the same basis as those for World War I veterans in 1944 (Public Law 78-313). Under this Act, the provisions of Veterans Regulation No. 1(a), as amended, were made applicable to World War II veterans. As of June 1974, over \$5.9 billion has been spent on World War II veterans' pensions and \$4.6 billion on their widows' pensions.

Pensions to veterans of the Korean Conflict were provided on May 11, 1951 (Public Law 82-28), when the laws providing pensions (and some other benefits) for World War II veterans were made applicable to veterans of the Korean Conflict. Over \$440 million has been paid in Korean Conflict veterans' pensions and \$611 million for widows of Korean Conflict veterans.

Pensions for veterans of the Vietnam Era were provided on August 31, 1967 (Public Law 90-77), when the laws providing pensions (and some other benefits) for Korean Conflict and World War II veterans were made applicable to veterans of the Korean Conflict. Over \$29 million has been spent on Vietnam Era veterans' pensions and \$38 million for their widows' pensions.

The most recent group of veterans to be added to the present pension system was on December 24, 1970 when the veterans of the Mexican Border Period were added to the pension rolls; 53 years between the end of the period and enactment of the law, \$1.9 million has been spent on these veterans' pensions and \$1 million for widows' pensions.

Pensions to widows of World War II veterans were provided also on May 27, 1944 (P.L. 78-312), with limitations as to date of marriage, and the period of service of the veteran. To be eligible for a pension, the widow of a World War II veteran must have been married to the veteran prior to January 1, 1957. Continuous cohabitation was required as for World War I widows. Also, in order for the widow of the World War II veteran dying of non-service causes to be eligible for a pension, the veteran must have been receiving or eligible to receive pension, compensation, or retirement pay for his disability, or he must have had at the time of his death a service-connected disability of 10 percent or more for which compensation would have been paid.

Pensions to widows of Korean Conflict veterans dying of non-service-connected causes are the same as for World War II widows. Public Law 82-28 made the laws providing pensions (and certain other benefits) for World War II veterans applicable also to veterans of service on and after June 27, 1950, and prior to February 1, 1955. To be eligible for the pension, the widow must have been married to the veteran prior to February 1, 1965.

Eligibility for pensions for widows of Vietnam Era veterans dying of non-service-connected causes is the same as for all the rest of the post World War I widows. Public Law 90-77 made the laws providing pensions (and certain other benefits) for other wartime veterans also applicable to veterans of the Vietnam Era. To be eligible for the pension, the widow must have been married to the veteran before the expiration of ten years following termination of the Vietnam Era, or May 7, 1985.

Public Law 94-432 made some relatively minor modifications to the existing program. It changed the definition of permanent total disability to permit payment from the date of unemployment after age 65 if the claim is filed within 1 year. The law also provided for a gradual reduction in the aid and attendance allowance to reduce the allowance by 1/6 for each \$100 or fraction thereof that annual income

exceeds the maximum limit but not beyond \$500 excess. The most noteworthy change was that P.L. 94-432 provided a 25% added differential for all pension rates for eligible veterans who are 78 years of age or older. (This provision is elaborated upon further in part III A.)

F. Summary

Some type of pension has been provided for the veterans of every war in which the United States has engaged starting with the Revolution and continuing through the Vietnam Era. These pensions were not on the basis of disability arising from either disease or injury suffered as a result of military service. They were based on service for Revolutionary War veterans, veterans of the Indian Wars, the Civil War, and the Spanish-American War.

A definite pattern of liberalization in conditions of eligibility for pensions has appeared following the various wars, and a second pattern of a decreasing time period following the war before the passage of pension legislation.

The following table summarizes the historical development of pensions for veterans and widows (includes widowers) and children of veterans.

<u>War</u>	<u>Years</u>	<u>Date of Enactment</u>	
		<u>Veterans</u>	<u>Survivors</u>
Revolutionary War	1775-1784	March 18, 1818 (34 years)	July 4, 1836 (52 years)
War of 1812	1812-1815	February 14, 1871 (56 years)	February 14, 1871 (56 years)
Mexican War	1846-1848	January 29, 1887 (39 years)	January 29, 1887 (39 years)
Civil War	1861-1865	June 27, 1890 (25 years)	June 27, 1890 (25 years)
Indian Wars	1817-1898	July 27, 1892 (50 years)	July 27, 1892 (50 years)
Spanish American War	1898-1902	June 5, 1920 (18 years)	July 16, 1918 (16 years)
Mexican Border Period	May 9, 1916-April 5, 1917	December 24, 1970 (53 years)	December 24, 1970 (53 years)
World War I	1917-1918	July 3, 1930 (12 years)	June 28, 1934 (16 years)
World War II	September 16, 1940-July 25, 1947	May 27, 1944 (war not ended)	May 27, 1944 (war not ended)
Korean Conflict	June 27, 1950-January 31, 1955	May 11, 1951 (less than 1 year after war started)	May 11, 1951 (war not ended)
Vietnam Era	August 5, 1964-May 7, 1975	August 31, 1967 (period not ended)	August 31, 1967 (war not ended)

### III. The Present Pension System

#### A. Brief Description of the Pension System

In 1959 there was a major change in the VA pension program which continues to be in effect. In an effort to reduce the costs of the veterans' pension program and to gear the pension system more closely to need, as proposed in the 1956 Bradley Commission Report (see p. 2), the Eisenhower Administration sent to Congress proposals for a new veterans' pension system. Many of the proposals were eventually enacted, albeit in changed form, notably the introduction of a sliding scale of benefits depending on income, instead of a flat-rate pension, and the inclusion of net assets and wives' income in determinations of need.

Under the final version, anyone on the pension rolls already as of June 30, 1960, had the option of remaining under the old law or choosing to be covered by the new law. However, anyone coming on the rolls after June 30, 1960 was automatically subject to the new law as described below.

#### Pensions for Non-Service-Connected Disabilities and Deaths

Current law provides monthly pensions based on income and age or disability for certain veterans and their survivors. Eligibility includes veterans discharged from the military under conditions other than dishonorable after 90 or more days of service including at least 1 day of wartime service. In addition to this service requirement, the veteran must have attained the age of 65 or older or be totally and permanently disabled from non-service-connected causes, or suffer some equivalent combination of age and disability.

Pensions for veterans and dependents of the Mexican border period and later wars are subject to income limitations for pension eligibility -- with the amount of the pension varying inversely with countable income. The present annual income limits for these eligibles under age 78 are \$3,771 for a veteran or widow living alone and \$5,071 for a veteran or widow with one or more dependents. The maximum payment for a single veteran under 78 with no more income is \$197 per month. Veterans age 78 and over are provided a 25% added differential for all pensions.

In determining countable annual income all payments of any kind or from any source are included unless they fall within a category of income specifically excluded by law. The more significant income exclusions are: donations from public or private relief or welfare organizations; veterans pensions or compensation; all of a wife's earned income; and 10 percent of all payments under public or private retirement programs (including social security).

The size of a veteran's estate is also a determining factor for entitlement to pension.

Veterans within the income limits and in need of regular aid and attendance receive in addition \$165 a month and widows \$79; veterans and widows who are housebound may receive \$81 a month. The pension of a hospitalized veteran without a wife or child is reduced to an amount not in excess of \$50 a month after 2 full calendar months of care.

Aid and attendance allowances are payable to those with income too high to qualify for pensions although there is a gradual reduction in the allowance of 1/6 for each \$100 or fraction thereof that annual income exceeds the maximum limit for pensions but not beyond \$500 excess.

The pension rates for veterans, dependents, and survivors of the Mexican Border period and later wars are:

## MONTHLY PENSION RATES FOR VETERANS AND DEPENDENTS

Yearly income not more than	Veteran alone	Veteran and 1 dependent	Widow alone	Widow with 1 dependent
\$0	\$197	\$212	\$133	\$159
\$100	197	212	133	159
\$200	197	212	133	159
\$300	197	212	133	159
\$400	194	212	132	159
\$500	191	212	131	159
\$600	187	210	130	159
\$700	183	208	127	159
\$800	178	205	124	158
\$900	173	202	121	157
\$1,000	167	199	117	156
\$1,100	161	195	113	155
\$1,200	154	191	109	153
\$1,300	147	187	103	151
\$1,400	140	183	98	149
\$1,500	133	179	93	147
\$1,600	126	175	88	145
\$1,700	119	171	83	142
\$1,800	111	167	78	139
\$1,900	103	163	72	136
\$2,000	95	159	66	133
\$2,100	87	154	60	130
\$2,200	79	149	54	127
\$2,300	71	144	48	124
\$2,400	63	139	42	121
\$2,500	55	134	36	117
\$2,600	47	129	30	113
\$2,700	39	124	24	109
\$2,800	31	119	13	105
\$2,900	23	114	11	101
\$3,000	15	109	6	96
\$3,100	7	103	5	91
\$3,200	5	97	5	86
\$3,300	5	90	5	81
\$3,400	5	83	5	76
\$3,500	5	76	5	71
\$3,600	5	69	5	66
\$3,700	5	61	5	61
\$3,770	5	--	5	--
\$3,800	--	53	--	61
\$3,900	--	45	--	61
\$4,000	--	37	--	61
\$4,100	--	29	--	61
\$4,200	--	21	--	61
\$4,300	--	13	--	61
\$4,400	--	5	--	61
\$4,500	--	5	--	61
\$4,600	--	5	--	61
\$4,700	--	5	--	61
\$4,800	--	5	--	61
\$4,900	--	5	--	61
\$5,000	--	5	--	61

Veterans of the Spanish American War who:

- (1) had 70 days of service, with a discharge under other than dishonorable conditions; or
- (2) had 90 or more days of service, with a discharge under other than dishonorable conditions; or
- (3) were discharged sooner due to a service-connected disability are eligible for a pension.

For 90-day service and disability discharge cases, the monthly pension rate is \$101.59; and for regular aid and attendance, \$135.45.

For 70-day service cases, the monthly pension rate is \$67.73; and for regular aid and attendance, \$88.04.

These veterans have the option of receiving a pension under the same program as other veterans or receiving a pension based solely on service in the amounts specified above.

Widows and children of war veterans prior to World War I receive a pension based on service rather than need. Their pension rates are as follows:

The widows of Civil War veterans receive \$70 monthly (\$40.64 a month if under 70 years of age); \$75 if she was the wife of the veteran during his service in the Civil War. If there is a child of the veteran, the rate of pension paid is increased by \$8.13 per month for each child. Whenever there is no widow entitled to pension the children are entitled to \$73.13 for one child, plus \$8.13 for each additional child, the total amount equally divided.

The widows of Indian War veterans are eligible for pension if married to the veteran before March 4, 1917, or for one year or more, or for any period of time if a child was born of the marriage or was born to them before the marriage. These widows receive the same rates as Civil War veteran widows, with the same provisions for children.



The widows of Spanish American War veterans receive a pension at the monthly rate of \$70, unless she was the wife of the veteran during his service in the Spanish American War, in which case the monthly rate is \$75. The same provisions apply for children as with the prior periods of war.

If any widow is entitled to pension and is in need of regular aid and attendance, the monthly rate of pension payable to her is increased by \$55.

All widows and children who were on the pension rolls prior to July 1, 1960, had the option of remaining under the "old law" pension which was supplanted by Public Law 86-211.

#### B. Program Trends

The future direction of the pension caseload is cloudy--the population of veterans reaching 65 in the next ten years will increase dramatically; offsetting this potential growth in the pension rolls will be the higher retirement incomes of the veterans and the greater likelihood that their wives will have earnings and pensions of their own. These offsetting factors can, however, be further offset by possible legislative liberalizations or retrenchments.

Currently, one-half of the total veteran population is made up of World War II veterans. This group of approximately 14 million veterans is now predominantly middle-aged. (The average age as of June 30, 1976 was 56.3 years.) By 1985, however, the number of aged veterans will rise close to 4.8 million and by the year 2000 to 7.6 million. (As of fiscal year 1975, there were almost 2.2 million veterans over the age of 65.)

In spite of the large number of veterans who will reach age 65 in the next decade, future budget outlays for the pension program could very possibly turn out to be low. It is probable that eventually nearly all males in the country will be insured for social security or other retirement benefits. Their social security benefits may be so high as to eliminate them from pension eligibility or to entitle them to only a nominal pension payment.

A review of the composition of pension cases from FY 1971 to FY 1975 reflects an interesting trend. As discussed on page 27 pensioners already on the rolls as of June 30, 1960 had the option of remaining under the "old law" or choosing to be covered by the "new law."

"Old law" in the following table refers to the pension program in existence prior to July 1, 1960 in which the benefit rate is fixed for all eligibles, regardless of countable income. Current income limits are \$3,771 for veterans under 78 and widows with dependents, and \$5,071 for veterans and widows with dependents. "New law" refers to the current pension system in existence since July 1, 1960. Benefit rates are established by formula, for each dollar of countable income.

Composition of Veterans Pension Cases

FY	Total Cases	"Old Law"				"New Law"			
		Beneficiaries	%	Vets. alone	Vets. w/dep.	Beneficiaries	%	Vets. alone	Vets. w/dep.
1971	1,075,643	195,861	18.2	67,466	128,395	879,782	81.8	307,076	572,263
1972	1,086,030	173,412	16.0	59,078	114,334	912,618	84.0	319,355	593,263
1973	1,053,179	146,804	13.9	47,500	99,304	906,375	86.1	321,468	584,907
1974	1,030,046	127,964	12.4	41,192	86,772	902,082	87.6	323,079	579,003
1975	1,006,127	105,617	10.5	35,278	70,339	900,510	89.5	333,242	567,268
1976	1,003,211	90,004	9.0	30,459	59,545	913,207	91.0	343,319	569,888

Composition of Survivors Pension Cases

FY	Total Cases	"Old Law"					"New Law"				
		Beneficiaries	%	Widows alone	Widows w/children	Children alone	Beneficiaries	%	Widows alone	Widows w/children	Children alone
1971	1,215,042	142,077	11.7	138,275	2,098	1,704	1,072,965	88.3	614,523	150,629	307,813
1972	1,265,963	132,730	10.5	129,037	2,174	1,519	1,133,233	89.5	664,173	153,027	316,033
1973	1,280,605	116,530	9.1	113,450	1,650	1,430	1,164,075	90.0	698,232	151,011	314,832
1974	1,256,245	106,543	8.5	103,874	1,320	1,349	1,149,702	91.5	700,876	144,757	304,069
1975	1,259,160	96,124	7.6	93,737	1,086	1,301	1,163,036	92.4	724,698	141,933	296,405
1976	1,263,206	87,835	7.0	85,675	895	1,265	1,175,371	93.0	743,670	140,002	291,699

As the above tables indicate, the numbers of "old law" veterans pension cases are declining rapidly while the percentage of "new law" pensions are increasing rapidly. With regard to the composition of survivors' pension cases, the total number of both "old law" and "new law" cases has increased from 1971, however, the percentage of new law cases had dramatically increased while the percentage of "old law" cases was decreased. Thus, the higher benefits under the new law seem to have drawn many "old law" pensioners to the "new law" program resulting in higher aggregate income for the pensioners despite the income limitation as well as an increasing mortality rate among "old law" pensioners.

In addition to the increase in the number of persons covered under social security, an increasing number of workers are covered under private retirement and pension plans. There are no projections available regarding coverage under private pension plans for the next ten years. However, it is recognized that this number is increasing and recent legislation to "reform" private pensions may further increase the proportion of people receiving private pensions and the amount of benefits which they receive.

Another factor which must be considered is the greater likelihood that wives of veterans will either be working or will have retirement benefits of their own. It should be noted, however, that these cost and case-load reducing factors could be offset by legislation to substantially increase benefit levels and income eligibility levels.

With regard to income eligibility, the following chart indicates the trend in average countable income of veterans.

## Average Countable Income of Veterans

FY	"Old Law"		"New Law"	
	Vets alone	Vets w/deps.	Vets alone	Vets w/deps.
1971	\$1,121	\$2,032	\$ 886	\$1,521
1972	1,229	1,994	849	1,657
1973	1,193	1,978	1,160	1,932
1974	1,377	2,219	1,167	1,946
1975	1,553	2,602	1,260	2,164
1976 <sup>1/</sup>	1,671	2,491	1,395	2,298

<sup>1/</sup> As of April.

## Average Countable Income of Survivors

FY	Widows alone	Widows w/children	Children alone <sup>1/</sup>	Widows alone	Widows w/children	Children alone <sup>1/</sup>
1971	\$1,204	\$1,758	---	\$ 946	\$1,340	---
1972	1,312	1,882	---	1,052	1,554	---
1973	1,348	1,905	---	1,245	1,637	---
1974	1,594	1,990	---	1,339	1,657	---
1975	1,837	2,061	---	1,516	1,793	---
1976 <sup>2/</sup>	1,968	2,362	---	1,607	1,906	---

<sup>1/</sup> After entitlement is established for children alone cases, there is no requirement for an annual submission of income data.

<sup>2/</sup> As of April.

In January of 1975 the Veterans Administration Department of Veterans Benefits published Long-Range Trends for each of the programs within their purview, including pension claims, both number receiving benefits and amount of benefit payments. These baseline projections require at least one very unrealistic assumption, that is, that there will be no change in the pension law. As discussed earlier, the past history of the program makes this assumption tenuous, and the consequent results on the low

side. To the degree that actual experience departs from this assumption, the costs projected are understated.

According to these statistics, the number of disability (which includes persons age 65 and over) pension cases increased at an accelerated rate from 564,000 in FY 1955 to 1 million in FY 1961, with the rate of increase slowing down with a peak of 1,219 million cases reached in 1966 when the accretion of World War I veterans reached its peak. Following 1966 the number of cases decreased to 1,043,000 in 1974 and the VA expects the number to continue to decline to 881,000 in FY 1980. The VA attributes the decreased rate to an increased mortality rate among older World War I veterans on the rolls. Additionally, a general emergence of retirement plans and increased social security benefits provide substantial income support for all Americans, including veterans, and will limit to some extent the number of new pensioners coming on the rolls. After 1980, pension rolls are again expected to increase as the World War II veterans advance in both age and disability, and are added in greater number until the peak is reached in 1990. After 1990 the number is expected to decrease sharply, assuming no new wars or pension programs.

Death pension cases (for survivors of veterans who died of non-service-connected disabilities) have shown a steady rate of growth from 543,000 in FY 1966 to 1,272,000 in FY 1973. These cases increased significantly to 635,000 in 1961 because of the effects of Public Law 86-211 which equalized the eligibility requirements for dependents of World War II and Korean Conflict veterans. Because of increased incomes from retirement plans and increases in social security, the VA estimates that fewer survivors are coming on the rolls, with FY 1974 showing a decrease to 1,266,000. The VA expects this decrease to continue until 1985 when

the rolls are expected to again increase because of the influx of World War II widows who will become eligible for pension benefits. After 1990 a decreasing trend is anticipated by the VA.

## PENSION CLAIMS 1960-2000

FY		Disability Pension	Death Pension
		(in thousands)	(in thousands)
		Average	Average
		No. Cases	No. Cases
1960	Actual	930	543
1961	"	1,056	635
1962	"	1,139	716
1963	"	1,182	779
1964	"	1,198	841
1965	"	1,212	900
1966	"	1,219	951
1967	"	1,195	998
1968	"	1,169	1,049
1969	"	1,137	1,099
1970	"	1,105	1,145
1971	"	1,080	1,184
1972	"	1,079	1,234
1973	"	1,072	1,272
1974	"	1,043	1,266
1975	Estimate*	1,028	1,261
1976	"	989	1,226
Interim Period**	"	987	1,211
1977	"	951	1,180
1978	"	915	1,151
1979	"	896	1,139
1980	"	881	1,135
1985	"	1,040	1,331
1990	"	1,118	1,370
1995	"	995	1,253
2000	"	792	979

\* Estimate, under current law.

\*\* Interim Period reflects July 1, 1976 - September 30, 1976.

With regard to the total amount of pension payments, disability payments have increased from \$911 million in FY 1960 to an estimated \$1.9 billion in FY 1977. Prior to 1974 these payments went primarily to World War I veterans on the rolls

whose average age is now 81.2 years. Mortality among these veterans will cause slight decreases in payments through 1980 at which time payments will increase as World War II veterans advance in age and disability and enter the rolls. After a peak year of 1990 when payments will reach nearly \$2 billion, the VA expects a sharp decrease.

Death pension payments have gradually decreased from \$353 million in FY 1960 to \$1.1 billion in FY 1973. A substantial increase in costs was experienced in FY 1961 due to the new pension law (PL 86-211, discussed in the historical section) which equalized eligibility requirements for widows and children of all wars with those applicable to survivors of World War I veterans. FY 1974 showed a slight decrease in costs because of a slight decrease in the number on the rolls. The VA anticipates an increase in FY 1975 and FY 1976 due to the legislative increases in pension payments. A decline is expected by the VA from FY 1977 through 1985, at which time increases are expected because of increasing numbers of World War II widows being added to the rolls. Following 1990 a sharp decline in payments is anticipated by the VA.



## PENSION - DIRECT BENEFIT PAYMENTS, 1960-2000

FY		Disability Pension	Death Pension
		(in millions)	(in millions)
		<u>Payments</u>	<u>Payments</u>
1960	Actual	\$ 911	\$ 353
1961	"	1,072	460
1962	"	1,124	509
1963	"	1,151	547
1964	"	1,155	585
1965	"	1,224	640
1966	"	1,301	689
1967	"	1,263	712
1968	"	1,272	779
1969	"	1,318	849
1970	"	1,357	907
1971	"	1,386	964
1972	"	1,477	1,066
1973	"	1,477	1,098
1974	"	1,476	1,093
1975	Estimate*	1,544	1,132
1976	"	1,564	1,155
Interim Period**	"	395	289
1977	"	1,515	1,118
1978	"	1,471	1,095
1979	"	1,450	1,088
1980	"	1,436	1,088
1985	"	1,867	1,381
1990	"	1,963	1,423
1995	"	1,580	1,297
2000	"	862	795

\* Estimate, current law.

\*\* Interim Period: July 1, 1976 - September 30, 1976.

### C. Adequacy of Present Program

The pension programs for veterans and their survivors reflect changing social conditions. Although veterans' pension programs pioneered income maintenance provisions for a segment of the population, it has been argued that maturation of the social welfare system has diluted the basis for this separate system. The passage of the Social Security Act of 1935 and its subsequent expansion, and the development

of Federal and State public assistance programs potentially provide income protection to the same general target population. Retirement provisions for career military personnel and for growing numbers of wage and salary workers have resulted in increased income over retirement years. Women's new place in the labor market has meant that surviving wives and mothers of veterans are not automatically dependent on the State (or the veteran). Moreover, veterans are no longer a small group. Nearly half of the men in the United States over the age of 18 are veterans, compared with one out of every eight prior to the end of World War II. Never before has such a large proportion of the population been potentially eligible for benefits.

It was anticipated that the development of the welfare system envisioned by the Social Security Act of 1935 would obviate the need for a means-tested non-service-connected disability pension program. A study of the veterans' pension system conducted by a Presidential Commission headed by General Omar N. Bradley concluded in 1956:

"...The non-service-connected benefits are the lowest priority among veterans programs. Their justification is weak and their basic philosophy is backward looking rather than constructive. Our society has developed more equitable means of meeting most of the same needs and big strides are being made in closing the remaining gaps. The non-service-connected benefits should be limited to a minimum level and retained only as a reserve line of honorable protection for veterans whose means are shown to be inadequate and who fail to qualify for basic protection under the general Old-Age and Survivors Insurance System..."<sup>14/</sup>

Whatever the merits of this recommendation, the Bradley Commission did not deal with the difficulties inherent in terminating a social program. The Commission did not take into account the ability of the pension clientele and its supporting organizations to raise pension levels and to insist that the VA assistance remain more attractive than the income support programs available to the rest of the population.

<sup>14/</sup> President's Commission on Veterans' Pensions, A Report on Veterans' Benefits in the United States: Finding and Recommendations (Washington: Govt. Print. Off., 1956) p. 138.

Theodore R. Marmor, among others, has suggested several criteria for evaluating income support programs similar in purpose to veterans' pensions. <sup>15/</sup>

Marmor states that the criteria for evaluating income support programs can be summarized conveniently under five headings: (1) adequacy of benefit levels; (2) cost-effectiveness; (3) horizontal equity; (4) preservation of incentives; and (5) absence of stigma.

Unfortunately, the criteria in this list are not always easy to apply to specific cases. Also, some of the desirable properties of income support programs may conflict to some extent. For example, the cost-effectiveness criterion may call for extensive audits of beneficiaries to prevent fraud and the leakage of benefits to the nonpoor, but this practice is likely to conflict with the goals of providing benefits to the poor with a minimum of associated stigma and preserving incentives. In such cases, social policy must make some trade-offs of one goal against another.

It can be argued that the adequacy criterion is the most basic. The primary purpose of the veterans pension program and similar income support programs is to prevent or alleviate poverty. The maximum pension benefit relative to some more or less arbitrary standard for poverty-level income can serve as a convenient measure of adequacy. The income thresholds at the poverty levels in 1974 were \$2,387 (\$199 monthly) for a nonfarm male age 65 and over; for two persons with the head 65 and over, the level was \$2,985 (\$249 monthly).<sup>16/</sup>

Many critics feel that the veterans' pension benefits today are inadequate. For a single veteran in 1974 with no other source of income, a pension of \$143 a

<sup>15/</sup> The following discussion is a brief analysis and adaptation of his criteria to veterans' pensions from those suggested in "Income Maintenance Alternatives: Concepts, Criteria and Program Comparisons," in Theodore R. Marmor, editor, Poverty Policy (Chicago: Aldine-Atherton, 1971).

<sup>16/</sup> U.S. Bureau of Census. Current Population Reports, Series P-60, No. 102. Characteristics of the Population Below the Poverty Level: 1974. U.S. Govt. Print. Off., Washington, D.C. 1976, p. 145.

month fell considerably below the official poverty line. A couple's monthly pension benefit of \$154 was even less adequate. In fact, these amounts are currently below the basic cash amounts paid to the aged and disabled under SSI after July 1974, even without any State supplements. (Such persons may be eligible for SSI which would bring their income--including a \$20 per month disregard of any income--up to \$177.70 for an individual and \$256.60 for a veteran with a spouse who is also eligible for SSI.) (Currently, however, the VA pension program is more generous to single veterans than SSI is for single individuals, however, that is not the case with couples.) It should also be noted that this same situation does not necessarily follow for those veterans who are not at the very bottom of income levels.

However, the bulk of pension benefits does not go to completely destitute veterans; the situation is quite different for veterans who have income from other sources. About 80 percent of all pensioned veterans receive social security benefits. The coverage of veterans under social security continues to expand every year, and in the future, virtually all veterans will be eligible for retirement benefits sufficient to keep them above the official poverty levels. An eligible veteran with \$2,000 of annual social security retirement benefits in 1974 and no other source of income would have received a pension of \$81 a month or \$972 a year. An eligible married veteran in the same circumstances would receive a pension of \$118 a month, or \$1,416 a year. Thus, the average veteran's pension actually serves as a supplement to any noncountable sources he may have. (These are discussed in more detail on pages 50 and 51.)

Marmor's other criteria for income support programs can be summarized briefly. Since the government tax dollars available for income security purposes are limited, it is important that benefits under such programs should be cost-effective in reducing poverty. A dollar of benefits that goes only to poor recipients is 100 percent cost-effective, while a dollar of benefits that goes only to nonpoor recipients has zero

cost-effectiveness. Thus, the cost-effectiveness of veterans' pensions is not 100% cost effective since not all income is countable income for pension purposes, and, in fact, the current law has a list of 18 sources of income that are not countable, ranging from gifts received from individuals or charitable organizations to capital gains. Also, although the veteran's net assets are taken into account in determining eligibility for pension, the assets of his wife and children are disregarded.

Pensions do not presently direct the most financial help to the very poorest aged and disabled veterans and thus, it is argued, they do not direct Federal cash resources to the poor with maximum efficiency. (However, the conflict between efficiency and incentives is a serious one. A completely "efficient" system would virtually eliminate work incentives.) The exact economic status of pensioned veterans is difficult to determine on the basis of the information currently published by the VA, but it is known that pensions are paid in considerable amounts to individuals and families with total incomes well above poverty levels.<sup>17/</sup>

The concept of horizontal equity with respect to income support programs means, according to Marmor, that individuals or families in identical circumstances -- same incomes, same number of individuals in the family unit, and so forth -- have equal needs and should receive equal benefits. Difficulties arise in determining which circumstances, other than family income, are relevant in determining equality of need for benefits. Presently, under the VA pension program, a single veteran receives more monthly than a widow; it has been argued that single individuals presumably have similar needs, whether they are male or female veterans or male or female survivors. Thus, the present VA pension program presents certain problems

<sup>17/</sup> U.S. Congress. House. Committee on Veterans Affairs, Hearings on Pending Non-Service-Connected Disability and Death Pensions, 93rd Congress, 1st Session (Washington, D.C.: Govt. Print. Off., 1973), pp. 1184-1203. Statement of Odell W. Vaughn, Chief Benefits Director of the Veterans Administration, on June 13, 1973.

in coinciding with Marmor's criterion of horizontal equity. Further, it has been argued that the present income exclusions, together with underreporting of actual incomes, create severe horizontal inequities both among pensioned veterans and between pensioners and poor nonveterans.

Marmor's preservation of incentives to work and save is another important goal of income support programs. The structure of the income test in the veterans' pension program has often been cited by economists in the last decade as a model for cash welfare reform. The pension income test allows beneficiaries to keep a substantial fraction of any additional income they achieve by their own efforts and thus encourages them to minimize their dependence on government assistance.<sup>18/</sup>

Absence of stigma is less straightforward than the other criteria. At the very least, however, it means that the government should avoid singling out the recipients of income security benefits for degrading or demeaning attention. Veterans pensions are generally acknowledged to have little or no associated stigma attached to their receipt. The features of the program that distinguish it from "welfare" are the simple annual income report for determining a beneficiary's resources, the lack of any systematic probe by the VA into the truthfulness and accuracy of the figures on the reports, and the liberal treatment of asset holdings at the discretion of the VA. But more important, probably, than these formal distinctions is the fact that the recipients of pensions are veterans and are said to have "rights" to their benefits.

Gilbert Y. Steiner, in his book The State of Welfare devotes an entire chapter to veterans programs, entitled "Veterans' Relief: Separate and Unequal." Steiner says:

<sup>18/</sup> Taussig, Michael K. Those Who Served, Report of the Twentieth Century Fund Task Force on Policies Toward Veterans, New York, 1974, p. 91.

"...But in the aggregate, common sense suggests a preference [by the veteran] for the pension program and, in particular, for its 'honorable' (read 'nonwelfare') character. Maintaining the emphasis on pensions as an earned right rather than as charity is the special province of the veterans' associations, particularly the American Legion."<sup>19/</sup>

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<sup>19/</sup> Steiner, Gilbert Y. The State of Welfare, Brookings Institution, 1971, Washington, D.C., p. 240.

#### IV. Possible Changes in the Pension Program

The possibilities for change and reform in the pension program are legion. Below is a short discussion of several changes that have been suggested. The rationales given for the changes generally include one or more of the following: to increase the adequacy of the program; to serve more adequately the neediest; to increase equity in treating persons in equal need; to make the program more comparable with the Supplemental Security Program (SSI); and to reduce costs.

##### A. Major Pension Reform

The keystone of most major pension reform proposals is the adoption of a system similar to the Supplemental Security Income (SSI) program--with a standard of minimum financial need, and a benefit amount to fill the gap between the standard of need and other available income. Most pension reform proposals of this type also include various other changes which will be discussed below.

Such a one-variable system would fill the needs gap efficiently. Although the current system is largely based on need, the formula for benefit payment does not focus itself on a presumed needs standard--nor does it preclude benefits from "filtering up" to some recipients with relatively high incomes. Such a system would be more comparable with SSI and would largely eliminate the "notch problem."<sup>20/</sup>

On the other hand, there are some proponents of the position that pensions should not be based on need at all. These proponents (such as the Veterans of World War I of the U.S.A., Inc.) have stated that a service-based pension would

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<sup>20/</sup> The "notch problem" occurs when a small increase in one benefit results in a decrease in another benefit (e.g. an increase in Social Security can result in a loss of aggregate income if a veteran became ineligible for veterans benefits). Recent modifications in the pension formula have almost completely eradicated the "notch effect". However, there can still be a small notch when an individual loses all eligibility for pension benefits. There can be a sizeable notch if the veteran was also receiving aid and attendance benefits. This is discussed in greater detail later.



at least partially recompense World War I veterans who are not eligible for the range of benefits available to veterans of later wars (e.g. education benefits, home loans, etc.)

If such reform were adopted, the initial net cost of a pension reform system would perhaps have to be higher than under the present system in order to make the change advantageous to current or prospective recipients, while providing incentives for those who would retain an advantage by remaining under the former system.

Several proposals deal with the problem of cost by setting more modest needs standards than what would be necessary to blanket in all present beneficiaries without a loss of aggregate income. They overcome the problem of making some present recipients worse off by "grandfathering" those beneficiaries at their present level of benefits until cost-of-living adjustments increase benefits to a level high enough to overtake their current levels.

In terms of overall income strategy, so long as the program was consistent with other programs of income supplementation, most of the costs of the program would reflect the payments that individuals would have been eligible to receive in any event because they were in poverty. It is argued that as long as the programs were administered by the Veterans Administration, there would be little likelihood of the program becoming demeaning. However, unless the benefits were somewhat higher than other programs, critics could charge that veterans were not receiving a special benefit for having served their nation in time of war.

In the 93rd Congress the Administration proposals for reform were submitted to Congress.<sup>21/</sup> The Administration characterized the thrust of the reform

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<sup>21/</sup> For the broad outlines of these proposals see U.S. Congress. Senate. op. cit.

effort as tightening up the existing income and wealth tests for pension in order to direct pension benefits to the most needy recipients and to end the horizontal inequities inherent in the present program structure. Specifically, the Administration proposal was to narrow the list of items excludable from the countable income from the present eighteen to six relatively minor categories. All social security and other retirement income and all of a spouse's income or earnings would be included in countable income. In addition, the proposals called for the VA to take account of the net assets of the veteran's wife and children in determining his eligibility for pension. These proposed changes by themselves would have greatly restricted eligibility for pensions. But the Administration proposal also called for substantial increases in benefit levels. (Congress has since taken some action on benefit levels; a single veteran under age 78 with no additional income now receives \$197 monthly and a veteran with one dependent receives \$212. A single veteran over age 78 with no additional income receives \$246 and with one dependent \$265.) It also provided for an automatic cost-of-living increase in benefits in the future to help protect pensioners against inflation. To avoid undue hardship on present pensioners, the Administration proposal would have allowed them to continue to receive pension benefits under the terms of the present law and would have also extended the same cost-of-living adjustment to their "grandfathered" benefits to protect them against inflation.

In the 94th Congress, the Senate passed a bill, S. 2635, the Veterans and Survivors Pension Reform Act, and a similar bill is expected to be introduced and considered in the 95th Congress. Under S. 2635, a minimum level of income above the poverty level would have been established. A single veteran and a surviving spouse without dependents would have been entitled to a maximum of \$2,700, if the pensioner had no other income. A veteran with a dependent and a surviving spouse with a dependent would have been entitled to a maximum of \$3,900.

The Senate bill also provided for few income exclusions. Generally, each dollar of income available to an individual or couple would have been deducted from the maximum entitlement. The VA would pay the difference. Certain exclusions which represent extraordinary expenses (for example, burial or unusual medical expenses) or which represent one-time payments which replace loss (e.g., fire insurance) were retained. For those in need of "aid and attendance" or who are permanently housebound, a higher level of need would have been established which reflected the additional support required (an additional \$1,596 a year for those in need of aid and attendance or an additional \$636 for those pensioners who are housebound). Aid and attendance was to be reduced on a dollar-for-dollar basis in relation to income in the same manner as entitlement is offset dollar-for-dollar. (Presently, there is a general reduction in the aid and attendance allowance of 1/6 for each \$100 or portion thereof that annual income exceeds the maximum limit for pensions, but no more than \$500 of excess income would be counted in calculating any reduction.)

A limited amount of income earned by the spouse of a veteran in need of aid and attendance or permanently housebound was excluded from countable income in the Senate bill.

Consistent with the objectives and principles of Marmor's "horizontal equity" discussed on page 43, the entitlement rates for widows would have been equalized with those for veterans. (With the passage of Public Law 94-432 this was accomplished for dependents under age 78.)

The Senate bill would have provided automatic annual cost-of-living adjustments to the minimum level of income support established by this Act. (For example, a 10% increase in the cost-of-living would automatically result in a similar percentage increase in pension for single and married pensioners to \$2,970 and \$4,290 respectively.) According to information supplied by the VA, under this pension plan, no veteran or widow receiving cost of living increases in social security payments

would as a result suffer any reduction in VA pension payments. However, social security increases beyond those required for the cost-of-living would reduce benefits although never reducing total income available to the veteran or widow.

It is interesting to note that when Rufus Wilson, Chief Benefits Director of the Veterans Administration, was testifying for the Administration on this bill, he supported the basic approach adopted by the Committee; however, he testified that because of the Administration's then current policy of limiting increases to 5 percent the Administration was "unable to endorse the Committee's pension reform proposals at this time." <sup>22/</sup>

#### B. Less Comprehensive Measures

Many bills have been introduced which would modify the existing pension program, rather than completely "reform" the system. Some of the less comprehensive measures follow.

##### - Income Exclusions

Under 38 USC 503, the pension program is a needs-based program designed to provide income assistance to those persons whose incomes fall below a specified level. To fulfill this function most equitably, payment of the pension should be based on whatever income is available to the veteran to meet the needs of daily living without losing a work incentive.

The current law contains eighteen exclusions. Certain of these exclusions are logical in that they represent a discounting of income that is not available for the necessary expenses of day to day living. Insurance payments which replace a loss sustained or extraordinary medical expenses are such exclusions. However,

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<sup>22/</sup> For a more detailed discussion of the Senate bill and the Administration's position, see: U.S. Congress. Senate Report No. 94-532, Veterans and Survivors Pension Reform Act, Report of the Committee on Veterans Affairs to accompany S. 2635.

there are other exclusions which have been considered inequitable and which are costly. Elimination of these could reduce costs and increase equity.<sup>23/</sup>

The 10% disregard of social security benefits is a costly feature of the present program that will increase over time. It has been argued that the exclusion is a substitute for recoupment of the veterans own payments into the Social Security system. The earlier notion of recoupment was based on the tax law principle that an individual should not be charged twice for the same income. The 10% exclusion was designed to replace a recoupment feature that was contained in an earlier pension law. However, it results in a seemingly inequitable situation in which individuals with identical incomes receive differing amounts of pension depending upon whether their income includes social security benefits. Elimination of this disregard, or many of the 17 others specifically listed in 38 USC 503, could result in substantial savings. On the other hand, it has been argued that those people who have contributed to the Social Security system should get a higher benefit since they have had a portion of their earlier salaries withheld, ostensibly for their later years.

- Assets Limitations

Under current law, pension payments are denied when the corpus of the veteran's estate is such that it is reasonable to expect that part of the estate is consumed for the veteran's maintenance. There is no set limitation. To increase equity and reduce cost, it has been proposed to consider the estate of the spouse as well as that of the veteran. It is also argued that it would be more equitable to set a definite resource limitation in the statute, rather

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<sup>23/</sup> The entire list of income exclusions are to be found in Title 38, United States Code, Section 503.

than to allow the VA complete discretion. A set asset limitation would prevent over-compensating those with high resources and would result in similarly situated persons being treated equally. Again, however, the concept of veterans pensions being a "needs" program has been challenged by many and some critics have argued that pensions are instead "rights".

- Wives' Income

Current law provides that in determining annual income, where a veteran is living with his spouse, all income of the spouse which is reasonably available to or for the veteran is considered as income of the veteran with two exceptions: \$1,200 or the total earned income of the spouse, whichever is greater.<sup>24/</sup>

In June 1973, the VA reported that a sample indicated that the average income of a veteran pensioner's wife was \$3,702. Elimination of the disregard of wives' earned income would reduce costs substantially. This disregard has been criticized by some as a costly and extremely inequitable feature, the cost of which will increase over time. If wives' earned income were counted, substantially all veterans with working wives would lose all pension payments and almost all married veterans with wives having any income would have reduced pensions. Legislation would arguably be such, however, that those on a fixed income wouldn't suffer. Those pensioners currently on the rolls could be "grandfathered" so that this provision would only affect future recipients.

- Aid and Attendance

Currently, 126,294 veterans and 55,737 widows receive an aid and attendance allowance. A veteran is considered in need of regular aid and attendance if he is a patient in a nursing home or is bedridden or is nearly helpless or blind

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<sup>24/</sup> 38 United States Code 521 (f)(1).

so as to need or require the regular aid and attendance of another person. Under current law, a particular problem often develops when a veteran accrues enough income in a particular year to lose the last dollar of regular pension. In this situation, he also loses the entire aid and attendance allowance in a lump sum as a result (currently the rates are \$133 per month - \$1,596 annually). It has been argued that this "notch" should be eliminated.

- Accounting Procedures

A veteran's countable income is determined by a declaration method which requires him to fill out an annual income questionnaire. The VA generally accepts these statements without further verification or investigation. This is so in spite of the fact that, at one point in time, there was some evidence that some veterans understated their income and resources.<sup>25/</sup> More stringent verification procedures could reduce costs as well as enhance the credibility of the program, but at the risks and costs usually associated with benefit program policing.

After two consecutive years on the pension rolls, a veteran over the age of 72 is no longer required to complete an annual income questionnaire. As of June 30, 1974, 448,289 veteran pensioners (44% of the veteran pensioners) were over the age of 75. It has been argued that to require income reporting for this group might also reduce costs, though presumably to no great degree. Traditionally, earnings for those over 72 do not increase substantially, since few people enter the labor market or make significant career advancements at that age.

It has also been argued that quarterly accounting, rather than the annual accounting, would be more responsive to the individual recipient. Under current law the effective date of a reduction or discontinuance of pension by reason of a change in income or assets is the last day of the calendar year in which the

<sup>25/</sup> United States General Accounting Office, Need for Improved Procedures to Minimize Overpayments of Non-Service-Connected Disability and Death Pensions, Report to the Congress (December 28, 1967).

changes occurs. Costs could be reduced by requiring that such reductions and termination be effective the last day of the calendar quarter (or month) in which the change occurred.

- Definition of Disability

A veteran is considered disabled for pension purposes if he is found to be "permanently and totally disabled." However, in fact, the disability need not be total. If, under the VA's disability rating schedule, a veteran's disabilities do not add up to 100%, employability and age become a consideration. If a veteran under age 55 is found to be unemployable by reason of disability, the required disability rating is 60%, or one disability rated at 40% plus one or more disabilities combining to a rating of 70% in order to be defined as total disability and to qualify the veteran for pension. A combined rating of 60% at age 55 or 60 or a combined rating of 50% at 60 to 65 is also considered total disability. At age 65 a veteran is presumed to be totally disabled based on age alone.

The disability definition could be tightened by changing the above formulae as well as making substantive changes in the rating schedule, and requiring more frequent re-evaluation of disability.

- Annual Cost-of-Living Increases

Under the current law, there is no provision for annual cost-of-living increases. Presently, each time there is a social security increase, the Congress also increases veterans benefits by some amount. However, the legislated increase is usually not the same percentage as that of the social security increase. Enacting a provision for annual cost-of-living increases equal to those authorized under the Social Security Act would remove the need for Congress to act in response to claims that VA pensions will go down. Such a provision in conjunction with a one-variable system would aid in solving the problem of VA benefits being reduced when social



security benefits are increased. In addition, it would end the confusion of many of the recipients who receive an increase in their Social Security check, but then have a decrease in their VA pension check and do not realize that their aggregate income has probably increased, or at least not decreased.

- A Service-Based Pension for World War I Veterans

Under current law, World War I veteran's pensions are needs-tested (based on income and other measures of need), as are pensions for veterans of all later wars. However, under the existing program, there is a 25% added differential for all veteran pensioners aged 78 or older (this encompasses virtually all World War I pensioners.) Several proposals have been made which would provide World War I veterans with a service-based pension, i.e., a monthly pension regardless of need (similar to that provided to veterans of the Spanish American War). The House and Senate have considered but rejected similar legislation on several earlier occasions. However, when the Budget Resolution for Fiscal Year 1978 was considered, the House offered and passed an amendment to provide permissive authority for funding such a pension, pending legislative action by the Veterans Affairs Committee and the whole House. The Senate passed an amendment which would provide for permissive authority for funding "pension reform," and in the Conference Report there is no restrictive language regarding the use of this additional funding, i.e., service-based World War I pensions or pension reform.

## V. Conclusion

Almost half of the country's population consists of the more than 29 million living veterans plus their dependents. Many of these veterans suffered losses of income while in service, and more importantly, lost civilian educational and job opportunities. An important question for public policy is whether they have overcome these costs of serving their country.

It is interesting to note that veterans, as a group, are at least as well off today as nonveterans. The Bradley Commission's research staff produced considerable documentation of this point in the 1950's, and the latest data confirm and strengthen their basic findings. By current indices, the average veteran in this country is not disadvantaged. Within any age group, veterans have higher average incomes, more education, and lower unemployment rates than their nonveteran counterparts.<sup>26/</sup> It is also of interest to note that blacks and other racial minorities, and, of course, women, are underrepresented in the veteran population, although this situation could change somewhat in the future to reflect current changes in the composition of the armed forces. However, it should be mentioned that some have argued that veterans, by virtue of their service to the nation, should not be compared to the "general population."

At the same time, it is true that a minority of veterans are disadvantaged by any objective measure, and the origins of the problems of some of these individuals are traceable directly or indirectly to handicaps resulting from their military service. Public policy toward veterans today does not discriminate systematically on the basis of objective need but rather tends to treat veterans as more or less a homogeneous group with common problems.

<sup>26/</sup> The relevant data are available in various publications. See, for example, the various appendices in Senate Committee on Veterans Affairs, Veterans Pensions and Dependency and Indemnity Compensation Programs, Hearings before the Subcommittee on Compensation and Pension of the Committee on Veterans Affairs, November 9, 1971, (Washington, D.C.: Government Printing Office, 1972). According to the Fiscal Year 1975 VA Annual Report, the median income of veterans during the calendar year 1974 was \$11,360 compared to \$7,430 for nonveterans; the median educational levels were 12.6 years and 12.3 years respectively. The annual unemployment rate during fiscal year 1975 for veterans and nonveterans was 4.7% and 8.3%, respectively (pp. 3-4).

Veterans pensions and related survivors' benefits were, for the Bradley Commission, the most questionable of all special veterans' benefits. They remain a problem for legislators, despite significant improvements since the 1950's in the structure of the program. Even granting the premise that wartime veterans deserve special government assistance, it is difficult for many to justify the existence of a veterans' pension in its present form. Pensions are paid to veterans because of disabilities unrelated to wartime service or simply because of old age. Service requirements today are relatively liberal, so that veteran status for pension purposes means very little, if anything. Individuals who were never in combat or never went overseas or never "sacrificed" in any way receive special benefits from the government on the basis of as little as one day of service at some specific date. The distinction between "wartime" and "peacetime" veterans is considered by many for pension purposes totally unjustifiable on an objective basis. Survivors receive special benefits merely because of a link through marriage to a veteran with the required service.

Critics of the veterans pension program have also pointed out that there is presently a plethora of benefits available to veterans, including education benefits, etc. They question whether, in light of SSI, veterans' readjustment benefits, and the All-Volunteer Army, veterans' pensions should be increased or even continued.

On a statistical basis veterans' pensions do not today function to benefit mainly the most needy veterans but serve instead as income supplements to veterans with relatively more adequate financial resources. To some extent, this benefit structure and the related horizontal inequity problems in the pension program today are treated by some or all of the pension reforms or amendments discussed in the preceding section. But to a large degree, these problems are inherent in the

structure of the pension program, because this country's general income support system now provides a basic floor of protection for all the needy, aged, and totally disabled persons in the population. A basic and recurring issue for public policy is how to balance equitably the demands of low-income veterans for greater income supplements against the demands of more needy nonveterans for a more generous floor of protection against outright poverty.

A distinct, eminently pragmatic reason for questioning veterans pensions is their potential budgetary impact over the balance of this century. Unlike veterans' compensation, the costs of which are considerable but stable, veterans' pensions involve potentially open-ended budgetary commitments for the future in a society in which half or more of all the aged will soon be veterans or their dependents and thus potential pension beneficiaries.

All parties with major interest in veterans pensions have recently recommended changes in the existing pension program. These parties include representatives from the Veterans Administration, the American Legion, the Disabled American Veterans, the Veterans of Foreign Wars, the AMVETS, and numerous Members of Congress. To keep this report impartial, substantial effort was made to find either parties or arguments in favor of continuing the current veterans pensions programs without change. Neither was found.