FOR IMMEDIATE RELEASE

FEBRUARY 19, 1991

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RAHALL URGES PASSAGE OF BILL TO FIX THE "NOTCH"

WASHINGTON, D.C. -- U.S. Rep. Nick Rahall (D-WV) today announced that he has lent his support to the most comprehensive "notch" reform legislation ever introduced in the House of Representatives. The measure, introduced by U.S. Rep. Edward Roybal (D-CA), the Chairman of the Select Committee on Aging, enjoys wide bipartisan support. There were 206 Members last Congress who supported some kind of notch reform.

The "notch" is a result of the 1977 changes in law that sought to reduce costs by altering the benefits calculation method. It provided a transition period for those born between 1917 and 1921.

With those changes, people born before 1917 , and still working beyond the age of 62, receive as much as $100 a month or more in retirement benefits than a person with a similar employment and earnings history born a year or two later. In effect, a "notch", or bubble group, of senior citizens are being needlessly discriminated against.

"The new "notch" legislation will correct the current reduced benefits problem, without creating another notch and without repeating the original mistakes that created the problem," said Rahall.

Essentially, the "notch" bill:

o Adds a declining percentage of the difference between the old flawed 1972 formula and the 1977 law's permanent formula to create a new transitional formula (favored by the 1988 General Accounting Office report on "notch" reform).

o Creates a 10 year transition benefit formula for persons born in the years 1917 through 1926.

o Eliminates retroactive payment of benefits prior to initial entitlement.

"We need to end once and for all the prejudice of the 'notch'", urged Rahall. "I have seen many forms of discrimination in my life, but few are more ridiculous than discrimination against people who fall between the ages of 70 and 74."

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U.S. House of Representatives
Select Committee on Aging
Washington, DC 20515

Telephone: (202) 226-3375

January 18, 1991

Dear Colleague:

I am requesting your original co-sponsorship of Notch reform legislation in the 102nd Congress. At the end of the last Congress, 206 Members of the House supported one of the sixteen bills designed to address the inequity in Social Security law known as the Notch.

I have joined along with various original sponsors of previous Notch legislation to offer a consensus bill in this Congress, in order to resolve the Notch situation.

This consensus bill combines many of the best characteristics of the major bills introduced in the last Congress. **It is the best balance of benefits equity, technical competence and fiscal responsibility yet devised.** I am convinced that the enactment of this bill will end, once and for all, the long and frustrating debate which will otherwise continue for years to come.

The bill is designed to meet the following objectives:

o Reduce the current benefit inequities of people born before and after 1917 without creating another notch and without repeating the mistakes which created the original notch.

o Hold the cost of the legislation to less than $5 billion a year during the 1990's and even less thereafter.

o Target the benefits to retirees with modest earnings histories and those who receive the lowest relative benefits under current law.

I will continue my efforts to resolve the Notch and look forward to your support. If you are interested in becoming an original co-sponsor of this legislation, please contact José Vázquez at 6-3375 of the Aging Committee staff.

Because of the vast interest in H.R. 917, I have extended the deadline and will continue to accept original co-sponsors until January 31. Please disregard the January 15 deadline in my previous Dear Colleague letter.
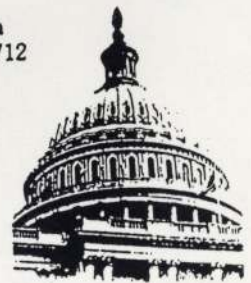
Sincerely,

Edward R. Roybal
Edward R. Roybal
Chairman

FACT SHEET

CONTACT: José Vázquez
202/226-3375

ROYBAL SOCIAL SECURITY NOTCH REFORM

H.R. 917

A CONSENSUS BILL WILL BE INTRODUCED TO END BENEFIT INEQUITIES

During the 101st Congress, 206 Members of the House co-sponsored one of the more than sixteen individual bills designed to address the notch issue. Several bills emerged with significant co-sponsorship. In order to consolidate support, **Congressmen Roybal, Ford and Hefner,** along with bipartisan support from **Congressmen Rinaldo, Quillen, Saxton, Annunzio and Machtley,** have developed consensus legislation to comprehensively address the notch inequity.

This consensus bill combines many of the best characteristics of the major bills introduced in the last Congress. **It is the best balance of benefits equity, technical competence and fiscal responsibility** yet devised. We are convinced that the enactment of this bill would end, once and for all, the long and frustrating debate which will otherwise continue for years to come.

Essentially, the new **H.R. 917:**

- Adds a declining percentage of the difference between the old flawed 1972 formula and the 1977 law's permanent formula to create a new transitional formula. (favored by the 1988 GAO report on Notch Reform).

- Caps the maximum creditable earnings used to calculate the new benefits at $29,700. Earnings in years after a person reaches 65 years of age will not be used to compute new benefits.

- Creates a 10 year transition benefit formula for persons born in the years 1917 through 1926.

- Eliminates retroactive payment of benefits prior to initial entitlement.

- Estimates the cost to be less than $5 billion a year during the first four years of enactment and even less thereafter.

The following charts estimate how the benefits would be calculated:

AGE 65 RETIREMENT *

BIRTH YEAR	1972 LAW BENEFIT	minus	CURRENT LAW BENEFIT	equals	difference times	REDUCTION FACTOR	equals	NEW TRANSITION SUPPLEMENT	plus	CURRENT LAW BENEFIT	equals	NEW TRANSITION BENEFIT
1917	$798	-	$696	=	$102	X (.40)	=	$41	+	$696	=	$737
1918	824	-	670	=	154	X (.37)	=	57	+	670	=	727
1919	855	-	635	=	220	X (.34)	=	75	+	635	=	710
1920	874	-	620	=	254	X (.31)	=	79	+	632	=	699
1921	892	-	632	=	260	X (.25)	=	65	+	632	=	697
1922	923	-	643	=	270	X (.20)	=	54	+	643	=	697
1923	931	-	651	=	280	X (.15)	=	42	+	651	=	693
1924	938	-	668	=	270	X (.10)	=	27	+	668	=	695
1925	949	-	689	=	260	X (.05)	=	13	+	689	=	702
1926	963	-	683	=	280	X (.05)	=	14	+	683	=	697

AGE 62 RETIREMENT *

BIRTH YEAR	1972 LAW BENEFIT	minus	CURRENT LAW BENEFIT	difference times	REDUCTION FACTOR	equals	NEW TRANSITION SUPPLEMENT	plus	CURRENT LAW BENEFIT	equals	NEW TRANSITION BENEFIT
1917	(No	change	unless	earnings	in 1979)						
1918	$577	-	$523	= $54	X (.22)	=	$12	+	$523	=	$535
1919	586	-	497	= 89	X (.19)	=	17	+	497	=	514
1920	605	-	487	= 118	X (.16)	=	19	+	487	=	506
1921	619	-	499	= 120	X (.10)	=	12	+	499	=	511
1922	628	-	508	= 120	X (.05)	=	6	+	508	=	514
1923 & after	(No	change	from	current	law.)						

During the 101st Congress, 206 Members of the House co-sponsored one of the more than sixteen individual bills. In order to consolidate support from Congressmen Rinaldo, Quillen, Saxton, Annunzio and Machtley, have developed consensus legislation to comprehensively address the notch inequity.

This consensus bill combines many of the best characteristics of the major bills introduced in the last Congress. It is the best balance of benefit equity, technical correctness and fiscal responsibility yet devised. We are convinced the enactment of this bill would end, once and for all, the long and frustrating debate which will otherwise continue for years to come.

Essentially, the new H.R. 917:

- Adds a declining percentage of the difference between the old (favored) 1972 formula and the 1977 law's permanent formula to create a new transitional formula. (favored by the 1988 GAO report on Notch reform.)

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- Creates a 10 year transition benefit formula for persons born in the years 1917 through 1926.

- Eliminates retroactive payment of benefits to notch babies.

- Estimates the cost to be less than $5 billion a year during the first four years of enactment and even less thereafter.

The following charts estimate how the benefits would be calculated:

PRELIMINARY BENEFIT ESTIMATES FOR AN "AVERAGE EARNER" UNDER CURRENT LAW AND A PROPOSED CONSENSUS NOTCH BILL FOR 102nd CONGRESS *

	AGE 62 RETIREMENT			AGE 65 RETIREMENT		
BIRTH YEAR	CURRENT LAW	PROPOSAL	DIFFERENCE	CURRENT LAW	PROPOSAL	DIFFERENCE
1910	$497	$497	0	$638	$638	0
1911	500	500	0	661	661	0
1912	513	513	0	683	683	0
1913	521	521	0	710	710	0
1914	526	526	0	728	728	0
1915	531	531	0	746	746	0
1916	546	546	0	771	771	0
1917	557	557	0	696	737	+41
1918	523	535	+12	670	727	+57
1919	497	514	+17	635	710	+75
1920	487	506	+19	620	699	+79
1921	499	511	+12	632	697	+65
1922	508	514	+6	643	697	+54
1923	515	515	0	651	693	+42
1924	529	529	0	668	695	+27
1925	545	545	0	689	702	+13
1926	538	538	0	683	697	+14
1927	550	550	0	698	698	0

* NOTE: The current law figures are 1989 estimates by SSA. The proposal figures are preliminary estimates in 1989 constant dollars extrapolated from 1989 SSA actuarial estimates. Estimates In 1991 constant dollars would be approximately 10% higher.

The new **H.R. 917 consensus bill** will reduce the current benefit inequities of people born in the notch years without creating another notch and without repeating the mistakes which created the original notch. This legislation will lessen the inequities that exist between those individuals born before 1917 and those born after 1917, alleviating the anguish of those retirees with modest earning histories, and those who receive the lowest relative benefits under the current law.