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THE PRESIDENT HAS SEEN *def.*

THE WHITE HOUSE

WASHINGTON

January 30, 1975

INFORMATION
[Handwritten signature]

MEMORANDUM FOR: THE PRESIDENT
 FROM: KEN COLE *C*
 SUBJECT: Social Security Advisory Council
 Recommendations

Attached is Secretary Weinberger's memorandum to you reporting on the final meeting of the Social Security Advisory Council and previewing key points of the prospective Council report due by mid-February.

The Council's major and most controversial recommendation will concern social security financing. In a last minute decision they agreed to recommend that we no longer finance Medicare from payroll taxes but that we use the Medicare portion of the existing payroll tax for social security benefits. The \$14 billion Medicare bill would then have to come from general fund revenues.

This financing recommendation particularly concerns the Secretary, as he sees it as a potential first step toward financing social security from general funds and thereby removing the essential discipline to match tax increases to benefit increases.

The Secretary also notes other recommendations of the Council, including suggested liberalizations in the retirement test, equal entitlement for men and women, a freezing of the minimum benefit, a redefinition of disability, and universal compulsory coverage.

Finally, he reports that the Council will be recommending the stabilization of replacement rates, a necessary step concurred in by HEW. On that issue, he has attached his pre-State of the Union memorandum on social security and asks your guidance to proceed with the development of a legislative proposal to stabilize replacement rates.

We have been working with HEW, OMB, and Treasury on this and will have replacement rate options for your consideration soon.