

Amendments to the Civil Service Retirement Act

Eleven laws dealing with various phases of the civil-service retirement program were enacted by the Eighty-first Congress in its first session. Some of these were relatively minor technical changes, whereas others will have considerable effect on the employees covered by this program. The following brief summary gives a general description of the new provisions.

Public Law 98 permits individuals separated from the service between January 24, 1942, and March 31, 1948, who had at least 10 years but less than 20 years of civilian service, to withdraw their contributions from the fund; they thus forfeit rights to deferred annuities. Previously they could withdraw their contributions only if they had less than 10 years of civilian service. The amendment places employees with 10-19 years of service and separated between the dates indicated in a position comparable to that of persons with similar service separated after March 31, 1948.

Public Law 123 permits individuals to purchase service credit for any periods for which deductions were supposed to have been made, but were not made due to error of the agency. Just as in the case of any service for which deductions are not made, the employee will nevertheless receive in effect credit for the Government's portion of the annuity for such service, even though he does not make such service-credit purchase.

Public Law 180 provides that the separate retirement systems for the Canal Zone and for the Alaska Railroad shall be merged with the civil-service retirement system. As a result of numerous liberalizations of the Civil Service Retirement Act, the benefits thereunder become far more liberal than those under these two separate systems, so that the covered employees of these two smaller systems gain from the mergers. The amendment contains a number of necessary coordinating provisions and maintains a few special benefit features for employees covered by the two previous systems. For instance,

an additional annuity is given to employees who had service in the early years of operation of the Panama Canal and the Alaska Railroad; also the mandatory retirement age is 62, instead of 70, for Canal Zone and Alaska Railroad employees who have 15 years of service there.

Public Law 199 exempts from compulsory coverage certain temporary employees of the Library of Congress and of the Judicial Branch of the Government.

Public Law 212 extends from 6 months to 1 year the period following termination of employment during which an individual can file a claim for disability annuity if the disabling condition is essentially chronic, deteriorative, or progressive in nature and exists at the date of separation.

Public Law 235 provides that the special annuity formula applicable to individuals engaged in the enforcement of criminal laws (which permits such individuals to retire at age 50 with 20 years of such service) shall relate to the highest 5-year average salary rather than to the average salary over the last 5 years of service. This change results in the same average wage concept being used for this special formula as is used in the general formula applicable to all employees under the civil-service retirement program.

Public Law 254 extends to January 30, 1950, the period within which existing legislative employees may elect to come under the civil-service retirement program. The general provision of the law is that such employees must elect coverage within 6 months after date of appointment. This provision has been repeatedly extended for existing employees who did not make such election in time. For instance, in the 1948 amendments (*Public Law 426*, 80th Congress, approved February 28, 1948), extension was made to July 1, 1948, for those who had not previously elected to participate.

Public Law 267 permits employees who were involuntarily separated during the 2-year period beginning July 1, 1945, and who had 25 years of service but had not attained age 55, to obtain immediate reduced annuities just as may employees with similar qualifications separated after June 30,

1947. Under the previous law, special annuities were payable to those involuntarily separated after June 30, 1945, with the joint requirement of 25 years of service and age 55. The 1948 amendments abolished the age requirement for those separated after June 30, 1947, but did not apply retroactively for the 2 previous years when this special provision was available but with the age restriction. *Public Law 267* eliminates this inconsistency.

Public Law 310 liberalizes the factors applicable to married male annuitants who elect a joint and survivor annuity and, in addition, makes these options available to retired married women who may elect survivor benefits for their husbands. The amendment is effective only for employees retiring after September 29, 1949. Under the amendment, the reduction in the employee's annuity is 5 percent of the first \$125 of monthly annuity and 10 percent of the excess annuity over \$125 if the spouse is aged 60 or over. A further reduction of $\frac{3}{4}$ of 1 percent is made for each full year the spouse is under age 60, with the maximum reduction being 25 percent. The surviving spouse, however, receives 50 percent of the full annuity before reduction, but this is payable only after such surviving spouse attains age 50, and it ceases on remarriage. Reduction factors to be applied according to the age of the spouse are shown below:

Age of spouse	Factor (percent) for—	
	First \$125 of monthly annuity	Excess over \$125 of monthly annuity
33 and under.....	75	75
40.....	80	75
45.....	83 $\frac{3}{4}$	78 $\frac{3}{4}$
50.....	87 $\frac{1}{2}$	82 $\frac{1}{2}$
55.....	91 $\frac{1}{4}$	86 $\frac{1}{4}$
60 and over.....	95	90

For example, consider a man who has a monthly annuity of \$200 and whose wife is age 50. If he elects the joint and survivor annuity option, his annuity will be reduced to \$171.25 (87 $\frac{1}{2}$ percent of \$125 plus 82 $\frac{1}{2}$ percent of \$75). His wife, if she survives him, will receive \$100 per month.

The factors prescribed in the law for the reduced employee annuity are not on an actuarial basis. In almost

all instances they represent a "bargain" to the annuitant. These arbitrary factors were undoubtedly introduced for ease in administration, but they do create significant inequities as between different individuals. The following tabulation shows, for certain combinations of ages of male employee and wife, the factors that will be applicable according to the law and those developed on a reasonable actuarial basis.

In some instances the factors in the law are more generous by as much as 80 or 90 percent, while for what might be considered the typical case of a male employee aged 65 and his wife, aged 60, the differential is more than 25 percent. An earlier issue of the *Bulletin* carried detailed analysis of these joint and survivor annuity factors for married individuals, particularly as they apply to the annuity in excess of \$125 per month, and also of the different joint and survivor annuity factor for nonmarried annuitants.¹

Age of wife	Factor in law as percent of factor on actuarial basis, ¹ by specified retirement age of employee annuitant			
	55 years	60 years	65 years	70 years
20.....	97	102	109	120
30.....	101	111	125	150
40.....	106	119	143	192
50.....	107	119	139	183
55.....	107	116	132	163
60.....	107	114	126	149
65.....	104	109	118	133
70.....	101	105	111	121

¹ Based on 1937 Standard Annuity Table at 3-percent interest.

Public Law 320 provides that, for individuals paid on a fee basis, the maximum salary to be considered for benefit purposes shall be \$10,000 per year. This amendment was designed to prevent extremely large annuities for a relatively small number of individuals who had very high remuneration resulting from fees in noncovered Federal service and who subsequently entered a covered position and claimed such prior service. **Public Law 362** extends coverage to officers and employees of the Columbia Institution for the Deaf, with such service in the past being creditable.

¹ "Recent Amendments to the Civil Service Retirement Act," April 1948.

Employers, Workers, and Wages, April-June 1949

Workers with taxable wages in April-June 1949 numbered an estimated 38.5 million, representing a drop of 4.5 percent and 1.3 percent

from April-June 1948 and January-March 1949, respectively. The total number of workers employed in covered industries, estimated at 38.8 million, was 4.4 percent smaller than in the second quarter of 1948 and 0.5 percent less than in the first quarter of 1949. These contraseasonal declines result from continuing adjust-

Table 1.—Old-age and survivors insurance: Estimated number of employers¹ and workers and estimated amount of wages in covered industries, by specified period, 1940-49

[Corrected to Nov. 1, 1949]

Year and quarter	Employers reporting wages ² (in thousands)	Workers with taxable wages during period ² (in thousands)	Taxable wages ²		All workers employed in covered industries during period ³ (in thousands)	Total pay rolls in covered industries ³	
			Total (in millions)	Average per worker		Total (in millions)	Average per worker
1940.....	2,500	35,393	\$32,974	\$882	35,393	\$35,668	\$1,008
1941.....	2,646	40,976	41,848	1,021	40,976	45,463	1,110
1942.....	2,655	46,363	52,939	1,142	46,363	58,219	1,256
1943.....	2,394	47,656	62,423	1,310	47,656	69,653	1,462
1944.....	2,469	46,269	64,426	1,392	46,266	73,349	1,584
1945.....	2,614	46,392	62,945	1,357	46,392	71,560	1,543
1946.....	3,017	49,096	69,088	1,407	49,096	79,260	1,614
1947.....	3,250	49,200	78,372	1,593	49,200	92,512	1,850
1948 ⁴	3,300	49,600	84,500	1,704	49,600	102,700	2,071
1943							
January-March.....	1,971	36,537	15,462	423	36,537	15,760	431
April-June.....	2,008	37,483	16,561	442	37,557	17,400	463
July-September.....	1,998	37,682	15,838	420	38,057	17,498	460
October-December.....	2,001	36,016	14,562	404	37,593	18,995	505
1944							
January-March.....	2,010	36,326	17,362	478	36,326	17,696	487
April-June.....	2,048	36,893	17,234	468	36,992	18,185	492
July-September.....	2,038	37,301	16,243	435	37,752	18,359	486
October-December.....	2,039	35,629	13,537	380	37,759	19,109	506
1945							
January-March.....	2,076	35,855	17,874	499	35,855	18,262	509
April-June.....	2,149	35,854	17,541	489	35,949	18,558	516
July-September.....	2,176	35,684	14,982	420	36,285	17,261	476
October-December.....	2,199	33,598	12,548	373	35,973	17,478	486
1946							
January-March.....	2,287	36,038	16,840	467	36,038	17,397	483
April-June.....	2,416	38,055	17,845	469	38,153	19,079	500
July-September.....	2,478	39,670	17,709	446	40,228	20,222	503
October-December.....	2,513	37,945	16,694	440	39,630	22,562	565
1947							
January-March.....	2,509	38,765	20,805	537	38,765	21,501	555
April-June.....	2,587	39,900	20,655	518	40,200	22,254	554
July-September.....	2,620	40,255	19,555	486	41,155	23,049	560
October-December.....	2,699	37,448	17,357	463	40,748	25,708	631
1948							
January-March ⁴	2,590	39,600	23,100	583	39,600	24,000	606
April-June ⁴	2,690	40,300	22,800	566	40,600	24,800	611
July-September ⁴	2,700	41,000	21,300	520	42,200	25,900	614
October-December ⁴	2,710	36,800	17,300	470	42,000	28,100	669
1949							
January-March ⁴	2,690	39,000	23,500	603	39,000	24,400	626
April-June ⁴	2,750	38,500	22,500	584	38,800	24,600	634

¹ Number corresponds to number of employer returns. A return may relate to more than one establishment if employer operates several separate establishments but reports for concern as a whole.

² Quarterly and annual data for 1937-39 were presented in the *Bulletin* for February 1947, p. 31; quarterly data for 1940 were presented in the *Bulletin*

for August 1947, p. 30; for 1941 and 1942 in the *Bulletin* for February 1948, p. 31.

³ A description of these series and quarterly data for 1940 were presented in the *Bulletin* for August 1947, p. 30; quarterly data for 1941 and 1942 were presented in the *Bulletin* for February 1948, p. 31.

⁴ Preliminary.