Notes and Brief Reports

Joint and Survivor Annuities for Uniformed Services

The Uniformed Services Continuity Option Act of 1953 (Public Law No. 239, Eighty-third Congress, 1st Session) was approved by President Eisenhower on August 8. Under this act, personnel of the uniformed services—Army, Navy, Air Force, Marine Corps, the Coast Guard, the Coast and Geodetic Survey, and the Public Health Service—may, by electing a reduced amount of retirement pay during their lifetime, provide benefits for their surviving widow and children.

The law applies to all officers and enlisted personnel in the Federal uniformed services—Army, Navy, Air Force, Marine Corps, the Coast Guard, the Coast and Geodetic Survey, and the Public Health Service. A variety of options—both as to amount and beneficiaries selected—is available. The law permits the member to elect to have his retirement pay reduced so that the survivor annuity may equal ½, ⅔, or ⅔ of such reduced amount and also permits him to decide how his retirement pay is to be divided. He may, under option 1, elect to provide benefits for his wife and children. He may elect to protect his wife, who will, on his death, receive an annuity until she remarries or dies. He may elect to protect his children (option 2), who will be paid the annuity until all of them reach age 18, or marry, or die. Under option 3, the member will provide for his family—wife and children—and the annuity will be payable as long as there is an eligible person in the family. Under these three options the reduction in retirement pay continues for the life of the retired member.

Three other options are also open to the members. Annuities under options 4, 5, and 6 are payable under the same terms and conditions as in options 1, 2, and 3, with the additional provision that no further deductions are to be made from the member's retirement pay after he retires. The board of actuaries will administer the provisions of options 4, 5, and 6.

The amount of the reduction in the member's retirement pay varies with the proportion that the survivor annuity is of the retirement pay and with the age of the wife and children. In addition, the amount of the reduction depends on whether the annuity is to be paid as long as either wife and children are eligible and whether the full amount of the retirement pay is to be restored when there is no longer an eligible beneficiary.

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Specific reduction factors have been developed by the Board of Actuaries. Different factors have been prescribed for disabled and nondisabled retirants, with a further differentiation between the nondisabled retirants on the rolls before May 1954 and those coming on the rolls in the future who must make an advance election.

Consider the operation of these provisions for a “typical” case of an individual, aged 55, who is a future nondisabled retirant and who has a wife aged 50 and a child aged 10 for whom he has elected a survivor annuity of ¾ of the reduced retirement. Under option 1 the reduction would be about 14.0 percent; in other words, the man would receive 86 percent of his full retirement pay, and the surviving widow would get 43 percent. Under option 4—the “restoration” option—the reduction would be 15.2 percent, or only slightly larger. Option 3, providing for both the widow and child, would effect a reduction amounting to only about 0.03 percent more than that under option 1. Under option 2, providing only for the child, the reduction would be only 1.1 percent. If the member chooses survivor annuities of ¾ or ⅔, the reduction would be correspondingly less. If, for example, he selects option 1, with a survivor annuity of ¾, his retirement pay would be reduced about 4 percent, so that he would receive about 96 percent of his full retirement pay, and his widow would get about 12 percent. For disabled retirants the reductions are somewhat greater than for nondisabled retirants. For those nondisabled retirants now on the rolls or coming on the rolls before May 1954, the reductions fall between those for the other two categories. Thus, if the typical case described above were a disabled retirant, under option 1 the reduction would be 21.1 percent; if he...
were a nondisabled retirant currently on the rolls the reduction would be 18.6 percent.

The election must be made before the individual completes 18 years of service and is effective only if there is one or more of the designated types of beneficiaries living on the date of his subsequent retirement. Thus, an unmarried individual upon attainment of 18 years of service could elect option 1, but this election would have no effect if he was not married when he retired. Similarly, the retirement pay for a man with a wife and children who elected option 3, but whose children at the time of his retirement were all over age 18, would then in effect be under option 1. Members retired for physical disability before they have had 18 years of service may make the election at the time of retirement. Those in active service for more than 18 years and those already retired must make their election within 180 days of the effective date of the bill (November 1, 1953). An election once made may be modified or revoked before retirement, but the action is effective only if the member does not retire within the next 5 years after the modification or revocation has been requested. A revocation, once made, is final after the expiration of the 5-year period.

The advance-election provisions are designed to avoid the adverse selection that would occur if all individuals were permitted to make the election at the time of retirement. The usual practice with this type of benefit is to require election before the individual reaches a certain age, such as 60. A procedure of this kind is not practical here because retirement from the uniformed services is influenced more by length of service than by attainment of a fixed minimum age, such as 65.

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Donahue, Wilma; Rae, James, Jr.; and Berry, Roger B., editors. Rehabilitation of the Older Worker. Ann Arbor: University of Michigan Press, 1953. 200 pp. $3.25.

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Recommends elimination of a compulsory retirement age and establishment of more precise standards of measuring the mental and physical competence of aging workers.


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