

Notes and Brief Reports

1955 Amendments to the Railroad Retirement Act*

On August 12, 1955, President Eisenhower signed Public Law No. 383, which contained, among several items, two amendments materially affecting the benefit provisions of the Railroad Retirement Act.¹ The first of these increased the spouse's annuity, while the second repealed the dual-benefit restriction on survivor annuities. Both amendments were effective with benefits payable for September.

Before the enactment of Public Law No. 383, the annuity payable to the wife or dependent husband was 50 percent of the worker's full retirement annuity (before reduction for retirement under age 65), with a maximum of \$40. Under the amended law a spouse's annuity is 50 percent of the full retirement annuity up to the maximum allowable under the old-age and survivors insurance system. Thus beginning in 1955 the maximum spouse's annuity is \$54.30, or 50 percent of the maximum primary insurance amount of \$108.50 under old-age and survivors insurance. Any increase in the maximum spouse's annuity under old-age and survivors insurance will automatically be reflected in those payable under the Railroad Retirement Act.

As of August 31, 1955, there were approximately 107,500 wives' annuities being paid. About 77,000 of these benefits, or 72 percent of the total being paid to spouses, were at the maximum rate of \$40 a month. Under Public Law No. 383, these 77,000 wives became eligible for an immediate increase in benefits, averaging approximately \$12.50 a month.

About 3,300 wives were receiving a spouse's annuity of less than \$40 a month because they were also receiv-

ing old-age insurance benefits under the Social Security Act. These insurance benefits must be deducted from the spouse's annuity under the provisions of section 2(e) of the Railroad Retirement Act, and the amount of such annuity is thereby reduced. When, however, the maximum wife's annuity was raised under the provisions of Public Law No. 383 to equal the maximum amount of \$54.30 that could be paid as a wife's benefit under old-age and survivors insurance, all these wives became eligible for an increase in their benefit payable under the Railroad Retirement Act.

In addition, there were some 2,000 cases in which, while the retirement annuity was \$80.00 or more, the wife was receiving an old-age benefit under the Social Security Act in an amount greater than the spouse's benefit under the Railroad Retirement Act would have been. Consequently, the spouse's annuity either could not be awarded or was less than \$2.50 a month and was therefore paid in a commuted lump sum. These cases will be reviewed, and the spouses will be added to the rolls if benefits are found to be payable to them under the law as amended.

The other wives (23 percent of the total) on the rolls on August 31 received no increase in spouse's benefits since they were already receiving 50 percent of their husband's annuity, which was less than \$80 a month.

Since there is a guarantee in the Railroad Retirement Act that the widow's benefit shall be no less than the wife's benefit that the same individual had been receiving, a number of future widows will also receive increases in their annuity based on this amendment. The Railroad Retirement Board estimates that about 1,500 new widow's annuities may be affected each year.

Before the enactment of Public Law No. 383, a widow, dependent widower, child, or parent receiving an annuity under the Railroad Retirement Act based on the wage record of a deceased railroad employee would have such annuity reduced by the amount of any old-age and sur-

vivors insurance benefit to which that survivor annuitant was, or on application would be, entitled on the basis of a different earnings record. This provision is now eliminated so that the survivor annuitant can, if eligible, receive an annuity under both the railroad retirement program and old-age and survivors insurance. The Railroad Retirement Board estimates that approximately 7,000 widows and about 100 children and parents will have received an increase in benefits in September because of the removal of this restrictive provision. For these individuals, the average increase in the survivor annuity is approximately \$20 a month. It is estimated that the elimination of this restriction on dual benefits will have a much greater effect in the future because relatively more women are expected to qualify for old-age and survivors insurance benefits in their own right.

Before the enactment of the 1955 amendments the estimated cost of benefits payable under the Railroad Retirement Act was 13.43 percent of payroll on a level-cost basis. It is estimated that, on a level-cost basis, the increase in the maximum spouse's annuity will cost 0.22 percent of payroll, or approximately \$12 million a year, and that the repeal of the dual-benefit restriction on survivor annuities will cost 0.25 percent of payroll, or \$14 million a year. The cumulative cost of these additional benefits is therefore 0.47 percent of payroll, or \$26 million a year, on a level-cost basis. Thus the total cost of benefits payable under the amended law is estimated to be 13.90 percent of payroll. Since the total contributions payable under the Railroad Retirement Act are 12.50 percent of payroll, the indicated deficit under the new provisions is estimated at 1.40 percent of payroll. Thus the deficit is increased from 0.93 percent of payroll to 1.40 percent. No provision was made to meet this increase in the estimated deficit, since the congressional committees considering the bill felt that the current valuation of the railroad retirement system might possibly show a reduction in the estimated deficit, as in previous valuations.

* Prepared by John A. MacDougall, Division of the Actuary, Office of the Commissioner.

¹ For a description of the Railroad Retirement Act before the enactment of Public Law No. 383, see Robert J. Myers and John A. MacDougall, "The Railroad Retirement Act in 1954," *Social Security Bulletin*, February 1955.