Notes and Brief Reports

Railroad Retirement Act, As Amended in 1961*

On September 22, 1961, President Kennedy signed Public Law 87-285 amending the Railroad Retirement Act. The changes are summarized below, and the principal provisions of the Railroad Retirement Act as amended are outlined in the accompanying chart.

The purpose of the amendments is to conform certain provisions of the Railroad Retirement Act to changes made in the Social Security Act by the 1961 and other recent amendments. Actually, many of the changes made in the old-age, survivors, and disability insurance program either are not pertinent to the railroad retirement program (extension of coverage, for example) or, under the “minimum guarantee” provisions of the Railroad Retirement Act, automatically affect that program (for example, increases in benefit amounts).

CHANGES IN ELIGIBILITY REQUIREMENTS

The principal change made by Public Law 87-285, first effective for October 1961, is to permit men to retire at age 62 with actuarially reduced annuities—a liberalization similar to that in the 1961 amendments to the Social Security Act. Retirement at age 60 (with reduced annuities for men) continues to be available only to railroad employees with at least 30 years of service.

Three of the changes made in the Railroad Retirement Act by Public Law 87-285 correspond to the revisions in certain eligibility requirements under the Social Security Act. They are as follows:

1. A spouse is eligible for a spouse’s annuity after being married only 1 year (instead of 3 years).

2. A recipient aged 62 or over of a survivor annuity who marries a retired railroad worker aged 65 or over is eligible for a spouse’s annuity immediately upon such marriage.

3. A woman who was qualified for a widow’s annuity and who married another employee who died within 1 year of the marriage is not disqualified for an annuity as the widow of the second employee because she had been married to him for less than 1 year.

AUTOMATIC EFFECT OF SOCIAL SECURITY ACT AMENDMENTS

The “minimum guarantee” assures that the total amount payable in a month to the retired railroad employee and his dependents or to his survivors, on the basis of his earnings record since 1937, will be at least 110 percent of the amount that would be payable under old-age, survivors, and disability insurance if service as a railroad employee were included in the term “employment” as defined in the Social Security Act. In cases of entitlement to monthly benefits

### Table 1.—Illustrative monthly retirement annuities under the Railroad Retirement Act, as amended in 1961

<table>
<thead>
<tr>
<th>Average monthly compensation</th>
<th>10 years’ service</th>
<th>20 years’ service</th>
<th>30 years’ service</th>
<th>40 years’ service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum guarantee applicable</td>
<td>Minimum guarantee not applicable</td>
<td>Retired worker only</td>
<td>Retired worker and spouse</td>
</tr>
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<td></td>
<td>Retired worker only</td>
<td>Retired worker only</td>
<td>Retired worker only</td>
<td>Retired worker and spouse</td>
</tr>
<tr>
<td>$100</td>
<td>$84.90</td>
<td>$89.70</td>
<td>$83.50</td>
<td>$97.00</td>
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<tr>
<td>$150</td>
<td>89.30</td>
<td>94.10</td>
<td>88.10</td>
<td>97.60</td>
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<td>93.70</td>
<td>98.50</td>
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<td>97.00</td>
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<td>98.10</td>
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<td>86.90</td>
<td>96.40</td>
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<tr>
<td>$300</td>
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<td>$400</td>
<td>111.30</td>
<td>117.70</td>
<td>85.10</td>
<td>94.60</td>
</tr>
</tbody>
</table>

1 OASDI average monthly wage assumed to be the same as the average monthly compensation shown.
2 Spouse assumed to be age at least 65.
3 Not payable until 1977.
4 Railroad retirement minimum.
5 All service must be after May 31, 1957.
under both programs, the sum payable under both programs is considered in determining whether the minimum guarantee provision is applicable.

The 1961 increase in the widow's benefit under the old-age, survivors, and disability insurance program automatically raised the amount payable to widows under the railroad retirement program, since for survivors of completely insured railroad employees the minimum guarantee is generally applicable.

The increase from $33 to $40 in the minimum survivor family benefit affects railroad retirement survivor annuities for the same reason. The increase in the minimum benefit payable upon retirement at age 65 or over has little effect, however, because the railroad minimum rather than the minimum guarantee is usually applicable.

The liberalization of the insured-status requirements, contained in the 1960 and 1961 amendments to the Social Security Act, is in effect incorporated in the Railroad Retirement Act, which provides that an individual is "completely insured" when he would be "fully insured" if railroad employment were treated as employment covered under the Social Security Act.

The increase in the tax rate provided by the Social Security Amendments of 1961 raised by 1/4 of 1 percent the railroad tax rate beginning in 1965. The Railroad Retirement Tax Act, as amended in 1959, provides for increasing the basic tax rate for railroad retirement in 1965 and thereafter by the number of percentage points that combined employer-employee tax rates under the old-age, survivors, and disability insurance program exceed 5½ percent.

**FINANCIAL INTERCHANGE**

Amendments to the Social Security Act may also affect the railroad retirement system through the financial interchange between the old-age, survivors, and disability insurance trust funds and the railroad retirement account. Benefit increases provided by such amendments favor the railroad retirement system, and increases in the tax rate represent a gain to the old-age, survivors, and disability insurance trust funds. In June 1961, $336.9 million was transferred from the two trust funds to the railroad retirement account as a result of financial interchange calculations for the fiscal year 1959–60. It is estimated that substantial amounts—more than $300 million—will be transferred annually from the trust funds to the account for a number of years in the future.

**ILLUSTRATIVE ANNUITIES**

Illustrative amounts of monthly retirement and survivor annuities are given in tables 1 and 2 for various combinations of average monthly compensation, years of service, and family composition. Some of the annuities shown cannot be awarded in 1961, however, because (1) it is now impossible to have had 30 or 40 years of service since 1936 and (2) average monthly compensation of $300 or $400 could not have been achieved by 1961. It will be several years before a railroad employee retiring with more than 10 years of service can have had average monthly compensation of $400.

In table 1, persons with 10 years of service are considered in two categories: those who would have been fully insured under the Social Security Act assumed to be after 1936, with earnings of at least $200 for each year of service. Minimum guarantee applies, unless otherwise indicated. Where minimum guarantee is applicable, OASDI average monthly wage assumed to be same as average monthly remuneration shown.

**Table 2.—Illustrative monthly survivor annuities under the Railroad Retirement Act, as amended in 1961**

<table>
<thead>
<tr>
<th>Average monthly remuneration</th>
<th>10 years' service</th>
<th>20 years' service</th>
<th>30 years' service</th>
<th>40 years' service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Widow aged 60 or over</td>
<td>Widow aged 60 or over</td>
<td>Widow aged 60 or over</td>
<td>Widow aged 60 or over</td>
<td>Widow aged 60 or over</td>
</tr>
<tr>
<td>Widow and mother</td>
<td>Widow and mother</td>
<td>Widow and mother</td>
<td>Widow and mother</td>
<td>Widow and mother</td>
</tr>
<tr>
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<td>$195.70</td>
</tr>
<tr>
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<td>65.90</td>
<td>132.00</td>
<td>222.90</td>
<td>360.10</td>
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<td>$200</td>
<td>76.30</td>
<td>177.90</td>
<td>200.10</td>
<td>260.10</td>
</tr>
<tr>
<td>$250</td>
<td>86.30</td>
<td>222.90</td>
<td>177.90</td>
<td>222.90</td>
</tr>
<tr>
<td>$300</td>
<td>95.30</td>
<td>260.10</td>
<td>200.10</td>
<td>260.10</td>
</tr>
<tr>
<td>$350</td>
<td>105.30</td>
<td>279.60</td>
<td>222.90</td>
<td>260.10</td>
</tr>
<tr>
<td>$400</td>
<td>115.30</td>
<td>279.60</td>
<td>222.90</td>
<td>260.10</td>
</tr>
</tbody>
</table>

1 All service assumed to be after 1936, with earnings of at least $200 for each year of service. Minimum guarantee applies, unless otherwise indicated. Where minimum guarantee is applicable, OASDI average monthly wage assumed to be same as average monthly remuneration shown.

* Minimum guarantee not applicable.
Initial qualifications for benefits:
At least 10 years of railroad service is required to qualify for all but one type of benefit under the Railroad Retirement Act (see item A (8)). Persons with less than 10 years of service are transferred, in essence, to OASDI system.

A. Benefits payable to—

(1) Age annuitant:
   Aged 62 or over, but with annuity reduced 1/180 for each month under age 65 at time of retirement; or aged 60 or over if 30 or more years of service, but for men, annuity reduced 1/180 for each month under age 65 at time of retirement.

(2) Disability annuitant:
   Unable to engage in any regular employment, regardless of age or current connection with railroad industry, or unable to engage in usual occupation if having “current connection” with railroad industry when disabled and either 20 or more years of service or aged 60 or over.

(3) Spouse of annuitant aged 65 or over:
   Aged 65 or over and no surviving spouse or child who could ever receive monthly benefits.

(4) Widow:
   Aged 60 or over, or with dependent child under age 18 (or aged 18 or over if child is disabled and disability began before that age). Dependent widower aged 60 or over.

(5) Children of deceased individual:
   Under age 18 (or aged 18 or over if disabled and disability began before that age).

(6) Dependent parent:
   Aged 60 or over, and no surviving spouse or child who could ever receive monthly benefits.

(7) Lump-sum death payment:
   Generally for deaths when no monthly benefits are payable immediately.

(8) Residual death payment:
   Payable after all benefit rights, including those of survivors, have terminated—to assure total payments of at least employee contributions paid plus some allowance for interest, suitable modifications for those with less than 10 years’ service. (See item on initial qualification.)

B. Insured status for survivor benefits

(1) “Quarter of coverage”:
   In general, calendar quarters with $50 or more of railroad compensation after 1936 or similar credits under OASDI.

(2) “Current connection”:
   In general, exists at time of retirement or death if worker had 1 year of railroad service in preceding 2½ years.

(3) Completely insured status:
   (a) Current connection, and (i) 1 quarter of coverage for each 2 quarters after 1936 (or after age 21 if later) and before age 65 (or death or retirement if earlier), with minimum of 6 quarters of coverage; or (ii) 40 quarters of coverage or (iii) would be fully insured, on the basis of combined earnings, under OASDI; or
   (b) Retirement annuity based on at least 10 years of service accrued before 1948, or pension payable from former railroad private plans.

(4) Partially insured status:
   Current connection, and 6 quarters of coverage in year of death or retirement and 3 preceding years.

(5) Transfer of credits to OASDI system:
   If not insured as in items (3) and (4), railroad credits used in determining survivor benefits under OASDI.

1 Includes “compensation quarters of coverage” not creditable under the Social Security Act.
Act had railroad service always been covered, and all others. An individual in the first category receives from both systems benefits that, combined, are at least equal to 110 percent of the benefit that would be payable under the Social Security Act on the basis of his combined employment records. The annuities shown for 10 years' service in the first category are the amounts that would be payable for the same average monthly wage under the old-age, survivors, and disability insurance program increased by 10 percent. For individuals with 20 or more years of service the railroad retirement formula yields a higher retirement annuity than does the old-age, survivors, and disability insurance benefit formula for the same average monthly wage.

As shown in table 2, practically all monthly survivor annuities are paid in accordance with the provisions of the Social Security Act, with the benefits increased by 10 percent, even when benefits are based on as many as 40 years of service. In general, only survivors of employees with relatively low pay will receive survivor annuities based on the formula in the Railroad Retirement Act. It is assumed in this table that the average monthly wage to which the old-age, survivors, and disability insurance formula applies is the same as the average monthly remuneration shown.

**EFFECT ON PROGRAM COSTS**

At the time the 1961 amendments to the Rail-
road Retirement Act were passed, the railroad retirement system showed an actuarial deficiency of 1.69 percent of payroll on a level-cost basis, according to the eighth actuarial valuation of the railroad retirement system. This deficiency has developed primarily because of the rapid decline in railroad payrolls. The level cost of the amendments is estimated at 0.01 percent of payroll—partly because men may now retire at earlier ages and receive sufficient additional earnings to qualify for separate old-age, survivors, and disability insurance benefits. The result is a loss to the railroad retirement system under the financial interchange provisions. It will be recalled that the railroad retirement employee annuity is payable even if the annuitant has substantial employment, so long as it is not for a railroad or for the current employer at the time the annuity is claimed.

1961 Amendments Affecting the Civil Service Retirement Act*

Public Law 87-350, approved October 4, 1961, contains several provisions of interest to civil-service employees and annuitants:

(1) A discontinued disability annuity may now be restored, if the disability recurs or if earning capacity is lost.

(2) Employees mandatorily retired for age and then immediately reemployed before July 12, 1960, are allowed special credit toward additional benefits or refunds for retirement contributions made after earning the maximum 80-percent annuity entitlement.

(3) Employees involuntarily separated with immediate annuities who are reemployed for 5 years or more may have their annuity benefits recomputed under the law in effect at the time of their final retirement.

(4) A new formula provides for interest on special public debt obligations issued to the retirement fund at a rate equal to the current average market yield on all outstanding U.S. marketable obligations not due or callable until after 4 years from such issuance; the fund's entire special issue portfolio is to be converted to the new rates in 10 years, beginning in 1962.

(5) Prior service credit is provided for agricultural stabilization and conservation county committee employees (first covered under the civil-service retirement program on July 1, 1960) on the same basis as that used for all other employees.

(6) The special congressional employee retirement formula is to apply to any congressional service of an employee retired from a general civil-service position.

Two other laws enacted in 1961 affect the civil-service retirement program. Public Law 87-114 makes permanent the temporary cost-of living increases provided earlier for employees retiring before October 1, 1956. Public Law 87-299 restores certain Federal retirement benefits that had been denied under earlier law to employees who had been convicted of comparatively minor offenses having no relation to national security.

Recent Publications*

SOCIAL SECURITY ADMINISTRATION


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