

State actions in terms of their effective dates and in relation to the effect of the amendments may be illustrated by the situation in Massachusetts. Cost standards were raised, effective July 1, 1956, under usual procedures. Adjustments in assistance payments were made during July and August, and all increases were retroactive to July 1. The June-September increase in the average money payment to recipients of old-age assistance was \$2.90. From September to December, however, there was a decrease of \$0.42. In November 1956 a new State law made eligible for old-age assistance aliens who had lived in the State for 20 years. This change broadened coverage of the program instead of altering the basis on which payments were made. The effective date of the more liberal residence requirement was later than that of the amendments to the Federal law; the change in cost standards was earlier. Neither change was related to the amendments, yet if the change in cost standards had not been made before the amendments to the Social Security Act were enacted, a change of some sort probably would have been made after the amendments.

In the program of aid to dependent children the average money payment per family rose \$4.21 from September to December. The average change per recipient was \$1.06 (table 2). The following tabulation shows the number of States with specified changes from September to December in the average money payment per recipient.

Amount of change	Number of States
Total ¹	51
Payments increased:	
\$3.00 or more.....	3
2.00-2.99.....	9
1.00-1.99.....	17
Less than \$1.00.....	14
Payments decreased.....	8

¹ Excludes Puerto Rico and the Virgin Islands.

Measures taken, either singly or in combination, by States to effect the increases in payments for aid to dependent children were similar to those for the program of old-age assistance. Twenty-two States raised maximums on payments, 10 added items to standards of assistance, 28 raised cost

standards, and 16 made other types of liberalizations. In half the States adding items to the standards of assistance, the change was not related to the amendments. With respect to the other changes, most of the States reported that the liberalizations were a direct or indirect result of the amendments.

Changes in policies or procedures similar to those for old-age assistance occurred in the programs of aid to the blind and aid to the permanently and totally disabled. Seventeen of the 35 States with maximums on payments to the blind raised their maximums; changes in two States were not related to the amendments. The average money payment per blind recipient rose \$1.75 from September to December. Payments were higher in 43 States; there were small decreases in seven States and no change in one. Increases in four States were more than \$5.00 (table 2). In the program of aid to the permanently and totally disabled, the average money payment per recipient increased \$1.58 from September to December. Forty of the States reported higher payments, with two States showing increases of more than \$5.00. Changes made in State policies and procedures to effect higher payments were similar to those for the other programs. Of the 30 States with maximums on payments to the disabled, 17 raised their maximums.

1956 Amendments to the Railroad Retirement Act*

On August 7, 1956, President Eisenhower signed Public Law No. 1013. The effect of this law was to increase all present and future benefits under the Railroad Retirement Act¹ by 10 percent, retroactively to July 1, 1956, with two exceptions—benefits affected by the “old-age and survivors insurance minimum guarantee” provision and those retirement benefits computed under the “average monthly compensation” minimum.

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¹ See Robert J. Myers and John A. MacDougall, “The Railroad Retirement Act in 1954,” *Social Security Bulletin*, February 1955.

A small number of those beneficiaries with benefits paid under the old-age, survivors, and disability insurance minimum guarantee provision did receive an increase of less than 10 percent. This small group is made up of so-called borderline cases. These are cases for whom the change in the railroad retirement formula increased their benefits slightly above the amounts provided by the minimum guarantee provision. Few of the spouse's benefits paid under the Railroad Retirement Act were increased by these amendments, since they cannot be greater than the maximum payable under old-age, survivors, and

Table 1.—Illustrative monthly retirement annuities under the Railroad Retirement Act, as amended in 1956¹

Average monthly compensation	Amount of annuity	
	Nonmarried worker	Married worker
	10 years' service	
\$100.....	² \$26.60	² \$39.90
150.....	² 38.00	² 57.00
200.....	45.60	68.40
250.....	53.20	79.80
300.....	60.80	91.20
350 ³	68.40	102.60
	20 years' service	
\$100.....	² \$53.20	² \$79.80
150.....	76.00	114.00
200.....	91.20	136.80
250.....	106.40	159.60
300.....	121.60	175.90
350 ³	136.80	191.10
	30 years' service	
\$100.....	\$79.80	\$119.70
150.....	114.00	168.30
200.....	136.80	191.10
250.....	159.60	213.90
300.....	182.40	236.70
350 ³	205.20	259.50
	40 years' service	
\$100.....	\$106.40	\$159.60
150.....	152.00	206.30
200.....	182.40	236.70
250.....	212.80	267.10
300.....	243.20	297.50
350 ³	273.60	327.90

¹ Annuities would also be computed on the basis of the old-age, survivors, and disability insurance minimum guarantee, but in relatively few cases would this procedure result in an increase.

² The minimum annuity provision would be applicable for persons with “current connection” and would yield larger amounts than those shown. In such cases this provision would raise the benefits for a 10-year man to approximately those shown for a man with average monthly compensation of \$200 and benefits for a 20-year man to those for a man with \$150.

³ All services must be after June 30, 1954.

disability insurance, in which there was no change.

The accompanying summary outlines the principal provisions of the Railroad Retirement Act as amended in 1956. It shows the revised formulas, as well as the minimum and maximum benefit provisions after the effective date of the 10-percent increase in benefits.

Public Law No. 880, which amended the Social Security Act in 1956, may be considered as also amending the Railroad Retirement Act as far as it affects the operation of the provision for financial interchange between the old-age, survivors, and disability insurance and the railroad retirement programs. The addition of disability benefits to old-age and sur-

vivors insurance, the lowering of the eligibility age for widow's benefits, and the actuarial reduction in the benefit amount for wives and female workers who retire before they reach age 65 produce increased benefit reimbursements to the railroad retirement system. On the other hand, the increase of 1/2 of 1 percent of payroll (on maximum earnings of \$4,200 a year) in combined employer-employee contributions, effective January 1, 1957, makes larger the amount of contributions that must be credited to the old-age, survivors, and disability insurance system in the operation of the financial interchange provision. It has been estimated that the increased benefit reimbursements to the railroad retirement account will be approximately balanced by the increased tax reimbursements to the old-age, survivors, and disability insurance system and thus on a net basis the financial interchange is in approximately the same position as before the 1956 amendments to the Social Security Act.

Table 1 gives the illustrative monthly retirement annuities under the Railroad Retirement Act computed under the formula adopted in 1956. As noted in the table, all service must be after June 30, 1954, for the worker to qualify for the maximum benefits based on average monthly compensation of \$350. An individual who was covered under the railroad retirement system on January 1, 1937, and who has worked for the maximum creditable compensation for all years following this date would upon retiring on January 1, 1967, with 30 years of continuous service receive a benefit under the 1956 amendments of \$191.90; under the Railroad Retirement Act before the 1956 amendments, his benefit would have been \$174.22. Similarly, if the individual has had 40 years of continuous service since January 1, 1937, at the maximum monthly rate of compensation, he would receive a benefit of \$260.30 upon retirement on January 1, 1977, compared with a benefit of \$236.32 under the superseded formula. If the worker were married to a woman of the same age who is not receiving benefits in her own right, there would in addition be a spouse's benefit of \$54.30 (the old-age, survivors, and disability in-

Table 3.—Summary of calculations of amount in the railroad retirement account to be credited to the old-age and survivors insurance trust fund as of June 30, 1955, according to the financial interchange provisions of the Railroad Retirement Act¹

[In millions]					
Calendar year	Contributions	Benefit payments	Administrative expenses	Interest	Balance at end of year
1937	\$37.2	\$0.1	-----	\$0.2	\$37.3
1938	24.7	.9	-----	1.1	62.2
1939	40.3	1.3	-----	1.9	103.1
1940	40.9	6.7	\$2.4	3.0	137.9
1941	49.7	13.9	2.1	3.7	175.3
1942	62.3	20.0	2.2	4.5	219.9
1943	74.7	25.7	2.4	5.2	271.7
1944	83.5	32.1	2.6	6.0	326.5
1945	84.7	40.7	2.6	7.2	375.1
1946	87.8	52.4	3.0	7.9	415.4
1947	91.4	61.2	3.1	8.2	450.7
1948	95.4	72.1	3.4	13.3	483.9
1949	87.8	84.3	3.3	6.4	490.5
1950	129.4	112.9	3.6	10.4	513.8
1951	152.9	183.5	3.5	15.0	494.7
1952	155.0	201.2	3.4	11.1	456.2
1953	153.8	239.3	3.4	10.2	377.5
1954	178.9	270.1	3.1	8.3	270.0
1955 ²	90.5	153.0	1.5	3.0	208.8

¹ Amounts shown represent estimates for what would have been additional receipts and expenditures of the old-age and survivors insurance trust fund if railroad retirement after 1936 had been under old-age and survivors insurance and the resulting amount that is owed to the old-age and survivors insurance trust fund.

² Preliminary estimate for first 6 months.

* Beginning 1954, the balances at the end of each period are adjusted for the cash interest transfers to the old-age and survivors insurance trust fund.

Table 2.—Illustrative monthly survivor annuities under the Railroad Retirement Act, as amended in 1956¹

Average monthly compensation	Amount of annuity	
	Widow aged 60 or over	Widow and 2 children
	10 years' service	
\$100	² \$45.00	² \$91.75
150	² 51.40	² 120.00
200	² 58.90	² 157.10
250	² 66.40	² 177.10
300	² 73.90	² 197.10
350	² 81.40	² 200.00
	20 years' service	
\$100	² \$45.00	² \$100.10
150	² 51.40	² 120.00
200	² 58.90	² 157.10
250	² 66.40	² 177.20
300	² 73.90	² 197.10
350	² 81.40	² 200.00
	30 years' service	
\$100	\$46.48	\$108.45
150	53.62	125.11
200	60.78	157.10
250	67.92	177.20
300	75.08	197.10
350	82.22	200.00
	40 years' service	
\$100	\$50.05	\$116.78
150	57.75	134.75
200	65.45	157.10
250	73.15	177.20
300	80.85	197.10
350	88.55	200.00

¹ Individual assumed to enter railroad service at age 21 in 1955 or later and to remain steadily employed therein at a level wage. Figures indicate survivor benefits should death occur at ages 31, 41, 51, and 61, respectively.

² Old-age, survivors, and disability insurance minimum guarantee applies.

Principal provisions of the Railroad Retirement Act, as amended, 1956

Initial qualification 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 to OASDI¹ system.

A. Benefits payable to—

- (1) Age annuitant:
Aged 65 or over, or aged 60 or over if 30 or more years of service (but for men under age 65, annuity reduced 1/180 for each month under age 65 at time of retirement).
- (2) Disability annuitant:
Unable to engage in any regular employment; or unable to engage in usual occupation, if "current connection" with railroad industry when disabled and if 20 or more years of service or aged 60 or over.
- (3) Spouse of annuitant aged 65 or over:
Aged 65 or over (husband to be eligible must be dependent), or regardless of age for wife with dependent child under age 18 present (or aged 18 or over if child is disabled and disability began before that age).
- (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 child is 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:
For deaths when no monthly benefits 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 of 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 1 year of railroad service in preceding 2½ years.

(3) Completely insured status:

- (a) Current connection, and either (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
- (b) Retirement annuity based on at least 10 years of service accrued before 1948, or pension payable.

(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.

C. Amount of retirement benefits

(1) "Years of service":

All service after 1936 plus—for those in "employment status" on August 29, 1935—service before 1937 that will make total of not more than 30 years.

(2) "Average monthly compensation":

Average of creditable compensation paid in period of service counted; maximum of \$300 creditable for any month before July 1954 and \$350 for any month after June 1954. For retirement after end of year in which age 65 is attained, amount computed as of end of such year is used if larger. Special method used for determining average earnings for service before 1937.

(3) Monthly benefit amount:

3.04% of first \$50 of monthly compensation, plus 2.28% of next \$100, plus 1.52% of next \$200, all multiplied by years of service on which average monthly compensation is based.

(4) Minimum benefit amount:

(a) If having current connection at retirement, amount determined under item (3) shall not be less than least of \$75.90, \$4.55 times years of service, or average monthly compensation.

(b) "OASDI minimum guarantee" (see item F (9)).

D. Basic amount of survivor benefits

(1) "Average monthly remuneration":

Based on railroad compensation and OASDI credits from 1937 to retirement (or death, if earlier) divided by total time elapsed in such period, with maximum combined credits of \$3,600 a year before July 1954 and \$4,200 a year after June 1954. Average may be computed at age 65 if higher amount results.

(2) "Basic amount":

¹OASDI means old-age, survivors, and disability insurance under the Social Security Act.

ted by the provisions of the minimum guarantee. Thus it may be said that in general only aged widows of long-service employees will receive survivor annuities based on the formula under the Railroad Retirement Act.

Before the passage of the 1956 amendments to the Railroad Retirement Act, there was an actuarial deficit of 1.63 percent of payroll, according to the estimates in the sixth statutory valuation of the assets and liabilities under the Railroad Retirement Act. The Railroad Retirement Board estimates that the 1956 amendments to the Railroad Retirement Act increase the actuarial deficit by

1.57 percent of payroll and thus produce a total deficit of approximately 3.20 percent of payroll on a level-cost basis. In passing these amendments, Congress stated that, upon convening the Eighty-fifth Congress, the problem of meeting any actuarial deficiency would be immediately considered. In summary, the level-premium cost of benefits under the Railroad Retirement Act as amended in 1956 is estimated to be 15.70 percent of payroll, in comparison with a contribution rate of 12.50 percent of payroll; the result is an estimated net deficit of 3.20 percent of payroll.

Table 3 summarizes the calcula-

tions undertaken under the financial interchange provisions from 1937 through June 30, 1955. As of June 30, 1955, there was a balance of \$208.8 million in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. As the table shows, this balance has been decreasing since 1950, when it was at a maximum of \$513.8 million. It is estimated that the balance will continue to decline until it reaches zero in 1957 or 1958, at which time and for an indefinite period the result of the transactions will favor the railroad retirement account. That is, beginning in 1957 or 1958 sums of

44% of first \$75 of average monthly remuneration, plus 11% of remainder of average monthly remuneration, all increased by 1% for each year after 1936 with \$200 or more of remuneration. Minimum basic amount is \$15.40. For individuals completely insured as under item B (3) (b), basic amount alternatively computed from average monthly compensation (item C (2)) or from average monthly earnings of pensioner, and higher amount used.

- (3) Maximum family benefits:
\$176, or 2% times the basic amount, whichever is the lesser—but not less than \$33 or the OASDI minimum guarantee (see item F (9)).
- (4) Minimum family benefits:
\$15.40; also OASDI minimum guarantee (see item F (9)).

E. Normal amounts of dependent and survivor benefits

- (1) Spouse:
50% of full retirement or disability annuity (disregarding any reduction made for retirement before age 65), up to maximum allowable under OASDI.
- (2) Widow:
100% of survivor basic amount. Widow's annuity shall not be less than any spouse's annuity received immediately before widow's annuity.
- (3) Child of deceased worker:
66 2/3% of survivor basic amount.
- (4) Dependent parent:
66 2/3% of survivor basic amount.
- (5) Lump-sum death payment:
10 times the basic amount.

F. Miscellaneous benefit provisions

- (1) Employment permitted retired workers and spouses:
None for any railroad or for last employer before retirement. No restriction on other employment except where OASDI minimum guarantee applies.
- (2) Employment permitted disability annuitants:
Earnings of \$100 or less per month in wages and self-employment in any month in which individual is under 65 and still disabled is allowed without forfeiture of that month's benefits.
- (3) Employment permitted survivor beneficiaries:
None for any railroad and to the same extent as for OASDI beneficiaries (full benefits if earnings from wages and self-employment are \$1,200 or less per year, but in any event for months with \$80 or less of wages and no substantial service in self-employment).
- (4) Effect of railroad employment on benefits of OASDI beneficiaries:
Railroad earnings counted in determining whether benefits are payable.

- (5) Duplication of benefits under railroad system:
Survivor beneficiary may also receive retirement annuity concurrently.
- (6) Duplication of retirement annuity with OASDI benefits:
Duplication allowed.
- (7) Duplication of spouse's annuity with OASDI benefits:
When individual is eligible only for OASDI wife's benefit, no reduction is made in annuity. When individual is eligible for other type or types of OASDI benefit, annuity is reduced by any excess of all OASDI benefits over full amount of wife's benefit (if any).
- (8) Duplication of survivor benefits with OASDI benefits:
Duplication allowed (except benefits not payable under both systems on basis of same wage record).
- (9) "OASDI minimum guarantee" provision:
The guarantee that retirement or survivor benefits under railroad system, plus any OASDI benefits payable, will not be less than OASDI benefits would be on basis of combined credits under both systems.
- (10) Credit for military service:
Given at rate of \$160 per month for service during a war-service period if in railroad service in year of entry into military service or in preceding year. Special provisions for crediting military service rendered before 1937. Provisions against using same service under more than one Federal system.
- (11) Time within which benefits must be claimed:
Lump-sum death payment within 2 years. No limit for residual death payment. Monthly benefits retroactive for 12 months.
- (12) Right of waiver of annuity or pension:
Any person may decline to accept all or any part of an annuity or pension.

G. Financing provisions

- (1) Tax rates:
6 1/4% on employer and 6 1/4% on employee, paid on maximum compensation of \$350 per month.
- (2) Government contribution:
Actuarially determined cost of additional benefits for military service rendered before 1937. Regular employer and employee taxes on other creditable military service based on imputed earnings of \$160 per month.
- (3) Interest rate on investments:
Minimum of 3% per year prescribed by Railroad Retirement Act.
- (4) OASDI "interchange":
OASDI trust fund to be put in same position in which it would have been if railroad employment after 1936 had been covered thereunder, by transfers in appropriate direction. Takes into account, among other matters, payment of benefits on basis of combined wage credits.

money will be transferred annually from the old-age, survivors, and disability insurance trust funds to the credit of the railroad retirement account. Commencing July 1, 1954, interest on the balance outstanding to the credit of the old-age and survivors insurance trust fund on a fiscal-year basis has been transferred to the old-age and survivors insurance trust fund. Through July 1956, a total of \$28.6 million had been transferred to that fund as interest payments.

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An annotated bibliography of significant books, pamphlets, and articles on the Social Security Act, the programs administered under the Act, and related subjects.

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