

# Notes and Brief Reports

## Joint and Survivor Annuities for Uniformed Services

The Uniformed Services Contingency 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 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—the Army, the Navy, the Air Force, the 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  $\frac{1}{2}$ ,  $\frac{3}{4}$ , or  $\frac{1}{3}$  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 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.<sup>1</sup> Under option 3, the member would protect his family—wife and children—and the annuity would 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 there is no longer a beneficiary eligible to receive, on the death of the member, a survivor annuity.

The member may elect any one option or a combination of options 1 and

2 or of 4 and 5. Options 1 and 2, when combined, produce a different result from that under option 3. Similarly, the result produced by a combination of options 4 and 5 differs from that produced by 6. Under the combination of options 1 and 2, the total survivor annuity payments are less when the widow is no longer eligible, since payments then are made only on the portion paid under option 2; the total payments are also reduced when no child is eligible, since payments then are being made only under option 1. On the other hand, under option 3, the same amount is payable as long as there is any survivor eligible to receive an annuity.

The amount of the reduction in retirement pay to provide for these benefits is to be determined by the actuarial equivalent method—that is, the deductions made from the retired pay of the individual will be enough, on the average, to meet the cost of the benefits accruing to his survivor. The congressional intent, therefore, is that no additional cost to the Government should be involved in the aggregate, although there may be a different incidence of cost. No separate funds or accounts will be established for these survivor benefits, but rather the appropriations requested to meet the cost of pensions will reflect the effects of this law. Such appropriations will be lower by the amount of the reductions made in the retirement pay of those electing an option and will be higher by the amount of the survivor annuities payable.

The new law establishes a Board of Actuaries, which will select the appropriate mortality and remarriage tables to be used. This Board consists of the Government Actuary in the Treasury Department, the Chief Actuary of the Social Security Administration, and an actuary to be appointed by the President from the membership of the Society of Actuaries. In addition to selecting the appropriate actuarial tables, the Board of Actuaries will advise in the administration of the program. Each uniformed service will administer the provisions, using the reduction rates developed by the Board of Actuaries.

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.

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 now on the rolls 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  $\frac{1}{2}$  the reduced retired pay. Under option 1 the reduction would be about 14.0 percent; in other words, the man would receive 86 percent of his full retired 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  $\frac{3}{4}$  or  $\frac{1}{3}$ , the reduction would be correspondingly less. If, for example, he selects option 1, with a survivor annuity of  $\frac{3}{4}$ , 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

<sup>1</sup> An annuity is payable beyond age 18 to a mentally defective or physically handicapped child who has been continuously in that condition since age 18.

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.

## RECENT PUBLICATIONS

(Continued from page 2)

CURTIS, CARL T. "Some Problems in Social Security." *American Economic Security* (Chamber of Commerce of the U.S.A.), Washington, Vol. 10, May-July 1953, pp. 28-36. 25 cents.

An address by the chairman of the House Ways and Means Subcommittee on Social Security, before the National Conference of Social Work.

DILLICK, SIDNEY. *Community Organization for Neighborhood Development—Past and Present*. New York: Woman's Press, 1953. 198 pp. \$4.

KYRK, HAZEL. *The Family in the American Economy*. Chicago: University of Chicago Press, 1953. 407 pp. \$6.

The economic position of the American family in terms of income, prices, and standards of living.

U. S. CONGRESS. HOUSE. COMMITTEE ON GOVERNMENT OPERATIONS. INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE. *Commission on Intergovernmental Relations and Commission on Organization of the Executive Branch of the Government. Hearings, 83d Congress, 1st Session* . . . Washington: U. S. Govt. Print. Off., 1953. 195 pp.

## Retirement and Old Age

BACHO, PAUL. *An Analysis of the Characteristics of the Residents at the Home for the Aged and Infirm of the District of Columbia*. Washington: Board of Public Welfare, June 1953. 41 pp. Processed.

BRITTON, JOSEPH H. "The Personal

Adjustment of Retired School Teachers." *Journal of Gerontology*, Baltimore, Vol. 8, July 1953, pp. 333-338. \$2.50.

BUCKLEY, JOSEPH C. *The Retirement Handbook: A Complete Planning Guide to Your Future*. New York: Harper & Brothers, 1953. 329 pp. \$3.95.

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.

Papers presented and discussions at the University of Michigan's fourth annual conference on aging.

DUTCHESS, CHARLES E. "A Retirement Policy: Recommendations and Criteria." *Industrial Medicine and Surgery*, Chicago, Vol. 22, Aug. 1953, pp. 349-351. 75 cents.

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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NEW YORK STATE ASSOCIATION OF COUNCILS AND CHESTS. COMMITTEE ON SHELTER CARE FOR THE AGED AND INFIRM. *A Home in the Later Years*. New York: The Association, 1953. 29 pp.

Designed as a guide for community

groups in providing better living conditions for the aged.

OAHU HEALTH COUNCIL and HONOLULU COUNCIL OF SOCIAL AGENCIES. STUDY COMMITTEE ON THE AGED. *A Study of Oahu's Aged*. Honolulu, Hawaii: The Committee, July 1953. 35 pp., and 39 tables.

PRUSSIN, DOROTHY V. "Helping Older Persons Remain in the Community." *Public Welfare*, Chicago, Vol. 11, July 1953, pp. 103-105. \$1. Describes New York City's boarding home program.

TAIETZ, PHILIP. *Administrative Practices and Personal Adjustment in Homes for the Aged*. (Cornell University Agricultural Experiment Station, Bulletin 899.) Ithaca: New York State College of Agriculture, July 1953. 39 pp.

Analyzes the adjustments made by the residents of three homes for the aged in New York State.

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## Public Welfare and Relief

ASHDOWN, MARGARET, and BROWN, S. CLEMENT. *Social Service and Mental Health: An Essay on Psychiatric Social Workers*. London: Routledge & Kegan Paul, Ltd., 1953. 260 pp. 16s.

Traces the careers of a group of psychiatric social workers from their selection through 10 years of employment, to evaluate the methods used in their selection and training.

COUNCIL OF SOCIAL WORK EDUCATION. *Workshop Reports: 1953 Proceedings, Annual Program Meeting*,