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## RAILROAD RETIREMENT LEGISLATION

by Francisco Bayo

On October 16, 1974, the Congress overrode the Presidential veto of H.R. 15301 (The Railroad Retirement Act of 1974), a bill to restructure the railroad retirement system which was based on proposals made jointly by railroad management and labor. H.R. 15301 (now P.L. 93-445) embodies some far reaching changes which are mainly directed toward relieving the difficult financial situation of the railroad retirement system.

The principal issue in the legislation involved so-called "dual benefit" cases—i.e., cases where railroad retirement annuitants also qualify for social security benefits (which are generally in the lower, heavily-weighted range of the formula due to their relatively short coverage under social security). Under the financial interchange between the railroad retirement and social security system, established when the systems were partially coordinated in 1951, the weighting in the social security benefits paid in dual benefit cases had the effect of reducing the amounts transferred from social security to the railroad retirement system.

The new law will eliminate the cost of dual benefits to the railroad retirement system by restructuring it into a two-tier benefit system, effective January 1, 1975, and by providing for complete coordination of benefits under the railroad retirement and social security systems. Already vested rights of individuals to dual benefits will be protected and the additional costs attributable to the continuance of their dual benefits will be met by annual appropriations from general revenues, amounting to about \$7 billion over the next 25 years. While the Social Security Administra-

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## EXHIBIT ON ACTUARIAL HISTORY AVAILABLE



The exhibit tracing actuarial history in Canada and the United States, from Benjamin Franklin to the computer age, was one of the highlights of the Society of Actuaries' Annual Meeting, in New Orleans, October 28 through 30.

The display commemorated the 25th Anniversary of the Society of Actuaries and included records, photographs, news clippings, charts and original documents found through extensive research of historical files and organizational archives.

The exhibit contains such interesting items as a copy of Benjamin Franklin's letter of 1772 supporting an Old Age Pension Bill before Parliament; the fire insurance policy on a Mount Vernon Barn issued to Bushrod Washington, nephew of the nation's first President; special insurance policies for individuals joining the gold rush to California; photographs and biographical data on the founders of actuarial science in the United States; exhibits from mortality studies dating back to the 1800's and Canada's first mortality investigation; and the development of group insurance, pension plans and Social Security.

The various items are described in a 21-page catalogue "Highlights of Actuarial History."

The exhibit and a supply of catalogues are available for use by the other actuarial organizations, actuarial clubs and other interested groups at their meetings. A detailed set of instructions has been prepared for assembling and disassembling the components step by step.

Any organization that is interested in showing the exhibit should contact Executive Director, Gary See at the Society's Office in Chicago (208 South LaSalle Street, Chicago, Illinois 60604). The only costs involved are those for shipping the four wooden crates which hold the exhibit and accompanying catalogues. Shipping costs back and forth by way of Railway Express will be \$50 to \$100 depending on the distance. Several weeks are necessary for delivery. □

**Railroad Retirement Legislation***(Continued from page 1)*

tion objected to provisions of the legislation affecting the administration of social security benefits payable to dual beneficiaries, the fundamental issue giving rise to the President's veto was the question of subsidizing the railroad retirement system from general revenues.

*Tier-one benefits*

Tier-one benefits will roughly approximate benefits which would be payable under social security based on combined railroad and social security employment reduced by the amount of any social security benefits payable based on non-railroad work. (There is an exception in provisions for phasing out vested rights to dual benefits.) Future social security benefit increases will be passed through to tier-one beneficiaries and the social security retirement test will generally apply to tier-one benefits. An annuitant at age 60 with 30 years of railroad service will be deemed to have attained age 65 for purposes of computing the tier-one benefit, and an individual entitled to a railroad retirement disability annuity will be deemed to meet the eligibility requirements for social security disability insurance benefits.

*Tier-two benefits*

The tier-two benefit will be a supplementary amount (similar in character to benefits provided by private pension plans in other industries) based on career railroad service and earnings and computed under a new railroad retirement benefit formula. An additional supplemental annuity will be paid to railroad workers at age 65 who have 25 or more years of railroad service (or at age 60 with 30 years of service). The Act guarantees that no railroad employee who retires within 8 years after its enactment will receive less in benefits than would have been payable under the prior railroad retirement formula.

*Phaseout of vested rights to dual benefits*

Under the Act an individual who becomes entitled to dual benefits would receive benefits under both systems but his railroad retirement benefits will be reduced by the amount of any social

*(Continued on page 3)***REVISED SYLLABUS — FELLOWSHIP EXAMINATIONS***by Peter W. Plumley**General Chairman — E & E Committee*

*In The Actuary for October 1973, John Fibiger reported on the proposal for restructuring the Fellowship examinations and in a letter to the Editor outlined some of the E & E Committee's thinking behind the new proposal. The updating of the syllabus of Fellowship examinations has now been accomplished. The details of the revised Fellowship syllabus are given in the following letter which is being sent to all Associates of the Society. Since many students do not receive their own copy of The Actuary, it will be appreciated if those receiving The Actuary would circulate among the students this information regarding the revised syllabus.*

For some time, the Education and Examination Committee of the Society of Actuaries has been developing a revised syllabus of Fellowship examinations. The objective has been to improve the general quality of actuarial education at the Fellowship level by placing increased emphasis on actuarial principles and less emphasis on memorization of extensive detail.

At its meeting on October 27, 1974, the Board of Governors of the Society gave its final approval to such a new syllabus of Fellowship examinations. This revised syllabus will be effective beginning in May, 1976. The following advance information is being provided at this time so that students and Associates may plan their studying during the coming year to their best advantage. Although the Education and Examination Committee does not anticipate any material changes, it nevertheless must reserve the right to make changes at the time of publication of the 1976 Requirements for Admission booklet.

Under the new syllabus, there will be four six-hour Fellowship examinations, structured along functional lines rather than the current product orientation. The subjects covered on the revised Fellowship examinations will be as follows:

<i>Part</i>	<i>Subjects</i>
6 (Given in November)	<ul style="list-style-type: none"> <li>a) Life, health, and pension coverages (basic)</li> <li>b) Life, health, and pension coverages (advanced)</li> <li>c) Marketing of insurance products</li> <li>d) Selection of risks</li> </ul>
7 (Given in May)	<ul style="list-style-type: none"> <li>a) Investments of life insurance and pension funds and valuation of assets (basic)</li> <li>b) Valuation of liabilities (basic)</li> <li>c) Investments of life insurance and pension funds and valuation of assets (advanced)</li> <li>d) Valuation of liabilities (advanced)</li> </ul>
8 (Given in November)	<ul style="list-style-type: none"> <li>a) Gross premiums and pension contributions (basic)</li> <li>b) Analysis and distribution of surplus (basic)</li> <li>c) Experience analysis</li> <li>d) Contract values and changes</li> <li>e) Gross premiums and pension contributions (advanced)</li> <li>f) Analysis and distribution of surplus (advanced)</li> </ul>
9 (Given in May)	<ul style="list-style-type: none"> <li>a) Social insurance (basic)</li> <li>b) Life and Health insurance accounting</li> <li>c) Life insurance law</li> <li>d) Life insurance taxation</li> <li>e) Social insurance (advanced)</li> </ul>

Each of the revised Fellowship examinations will include questions relating to material to be studied by all candidates. In addition, each of the Fellowship examinations will include two sets of questions of a more specialized nature. Candidates will be expected to answer one of these two sets of specialized questions, at their election. Candidates will be expected to confine their answers to one set of specialized questions, and may not select questions from both sets during one examination. However, a candidate's selection of a set of specialized questions for one examination

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may be made without regard to his selection of a set of specialized questions for any examination, or fractional part of an examination, taken previously.

For each of Parts 6, 7, and 8, one set of specialized questions will cover individual insurance and annuities and the other set of specialized questions will cover group insurance and pension plans. For Part 9, one set of specialized questions will cover U. S. practices, and the other set will cover Canadian practices.

The Education and Examination Committee is adopting a transition period so that, to the extent possible, students and Associates who have passed some but not all of the present Fellowship examinations by the end of 1975 will retain credit for the material on which they have already been examined and for which they have been given credit. This transition period begins with the May, 1976 examinations and ends with the November, 1978 examinations. During the transition period, Parts 6-9 will be divided into fractional parts as follows:

- Part 6A (3 hours) will consist of section (a) of Part 6;
- Part 6B (1½ hours) will consist of sections (b) and (c);
- Part 6C (1½ hours) will consist of section (d).
- Part 7A (4½ hours) will consist of sections (a) and (b) of Part 7;
- Part 7B (1½ hours) will consist of sections (c) and (d).
- Part 8A (3 hours) will consist of sections (a), (b), and (c) of Part 8;
- Part 8B (3 hours) will consist of sections (d), (e), and (f).
- Part 9A (1½ hours) will consist of section (a) of Part 9;
- Part 9B (1½ hours) will consist of section (b);
- Part 9C (3 hours) will consist of sections (c), (d) and (e).

Fractional credits toward the Fellowship examinations under the revised syllabus will be granted for Fellowship examinations passed under the syllabus in effect through November, 1975, according to the following table:

<i>Pre-1976 Syllabus Part</i>	<i>Credit Toward Revised Fellowship Examinations</i>
6	7A, 9B
7	6C, 8A
8	6A, 9A
9E	6B, 8B
10E	7B, 9C
9I	7B, 8B
10I	6B, 9C

Credit for passing fractional parts of an examination during the transition period will be given only for candidates who already have credit for a fractional part of such examination as described in the above table, for examinations credited under the syllabus in effect through November, 1975. Candidates with fractional credits will be required to make up the missing fractional credits during the transition period. Beginning May, 1979, *only full examinations* will be given under the revised syllabus, and any fractions of examinations previously credited will be lost.

Since the new Part 6 and the new Part 9 are split into three fractional parts, a candidate credited with only one of the three fractional parts will be given credit for any fraction of that examination which is subsequently passed. For example, a candidate credited with part 6A may write either or both of Parts 6B and 6C; then if, for example, the candidate passed 6C but not 6B, the candidate would need to pass only the remaining fractional part (6B) during the transition period in order to receive permanent credit for the new Part 6.

The present limit of 14 hours of examination during any examination period will continue in effect during the transition period.

Beginning in 1976, Parts 6 and 8 will be given in November and Parts 7 and 9 will be given in May. Also beginning in 1976, Part 5 will be given in May instead of November. Parts 1-4 will continue to be given in both May and November. Exact dates and times for the 1976 examinations will be determined at a later date.

The course of reading for the revised Fellowship examinations will be shown in the 1976 Requirements for Admission booklet.

## Railroad Retirement Legislation

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security benefits payable to him. However, the rights of individuals to two separate benefits under social security and the railroad retirement system without offset of railroad tier-one benefits by social security benefits will be phased out gradually.

In general, there will be no reduction in the benefits of individuals entitled to benefits under both systems as of January 1, 1975, and of railroad workers insured for both railroad retirement and social security benefits as of that date. The benefit rights of former railroad workers who do not meet the above requirements but who were insured for railroad retirement benefits prior to January 1, 1975, and were insured for social security benefits as of the close of the year in which they left railroad service will also be protected. However, benefit increases occurring after entitlement to benefits will, during the phase-out period, be somewhat restricted.

### *Administration of social security benefits*

The Social Security Administration will continue to administer the social security benefits of railroad workers with 10 or more years of railroad service who also qualify for social security benefits before 1975. However, in the case of workers with 10 or more years of railroad service (and their qualified dependents or survivors) who first become entitled to social security benefits after 1974, the Social Security Administration will certify the amount of their social security benefits to the Railroad Retirement Board (RRB), which will pay them along with any railroad retirement benefits that are payable.

### *Financing provisions*

As noted earlier, the phaseout costs of dual benefits will be financed from the general revenues of the Treasury. The Act confers on the Railroad Retirement Board the authority (now exercised by the Secretary of the Treasury) to invest the railroad retirement funds and directs that any additional income produced by this arrangement will be used to reduce the general revenues cost of phasing out dual benefits.