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Director of Retirement Claims

Associate General Counsel

Over-all Minimum Computations

In reply to your inquiry of March 21, 1961, my opinion is that in applying the social-security-minimum of section 3(e) in a single beneficiary case you may calculate the minimum, as you suggest, by taking 110 per centum of that part of what would be the employee's Primary Insurance Amount under social security which the beneficiary would have been entitled to had the employee's railroad employment been covered by the social security system. My opinion is also that where there is more than one member of the employee's family to be included in calculating the amount of the minimum without the family maximum under social security applying, that you may calculate the minimum, as you suggest, by adding the percentages of the employee's Primary Insurance Amount which such family members would be respectively entitled to under the social security system, increasing the total of such percentages by ten percent, and taking as the amount payable to the family the total percentage (as so increased) of the employee's Primary Insurance Amount. Similarly, it is my opinion that when the social-security-minimum to be applied to members of the employee's family is to be measured by the maximum family benefit provided by the Social Security Act the calculation of the minimum may be affected, as you suggest, by taking 110 percent of such family maximum. (All your proposals contemplate the rounding up of the ultimate benefit payable in each individual case, when not a multiple of ten cents, to the next higher multiple of ten cents as required by section 3(i) of the Railroad Retirement Act.)

Obviously, the calculation methods suggested would, since social security benefits are based on percentages of the Primary Insurance Amount of the employee from whose employment these benefits derive or, in family maximum cases, on arbitrary amounts, be completely accurate and exact in determining the amounts due under this minimum. The non-application, however, of the intermediate rounding step, otherwise applicable under social security to an individual beneficiary's benefits, of paying the benefit, if not a multiple of ten cents, in an amount equal to the next higher ten cents, might have the result, in some instances, that the individual benefits ultimately payable would be ten cents less than otherwise, although such benefits would themselves have the advantage of an ultimate rounding up, under section 3(i) of the Railroad Retirement Act, if not a multiple of ten cents, to the next higher multiple of ten cents.

Director of Retirement Claims

The rounding provision was, of course, adopted for social security purposes only for administrative convenience, and not as part of a formula to increase benefits. The rounding rule under social security does not apply at all where the benefit is already a multiple of ten cents, and in other cases it produces only a nominal increase of from one to nine cents. Such a result is significant of a purpose not to provide, by rounding, any substantive increase in benefits since otherwise it would have to be considered that the purpose was to discriminate between beneficiaries. Moreover, rounding is ultimately effected in determining the absolute amount due under the minimum in every such individual case through the application of section 3(i) (added by section 1(e) of Public Law 85-927, 85th Congress).

The proposals for such rounding, and for rounding average monthly compensation to the next lower multiple of \$1.00, were described in the Board's reports on the legislative proposals enacted as Public Law 85-927 as amendments which "would have no material effect on the amount of monthly annuities, but are designed to simplify the computing processes". Mr. Habermayer testified at the Senate Hearing on this proposed legislation (Hearings before Subcommittee on Railroad Retirement of the Senate Committee on Labor and Public Welfare, 85th Congress, 2nd Session, on S. 2020, page 18) that: "The method of computing benefits would be simplified" by reason of these rounding provisions and that these provisions "would also make possible the preparation of relatively simple annuity tables based on the averages and other figures, thus eliminating the actual computation of annuities in hundreds of thousands of future benefit claims, and thereby speeding up their handling".

The legislative history accords wholly, of course, with your proposals for computing the minimum benefits under section 3(e), and in principle to the intermediate ten-cent rounding of social security benefits. In fact, as your memorandum shows, to apply this intermediate rounding would nullify altogether the provision's purpose to simplify computation and administration. In these circumstances and since each beneficiary would receive the benefit of the rounding provision in the ultimate calculation of his annuity and otherwise the computation methods you propose would produce exact and accurate results, it is my opinion that your adoption of these methods, for determining what is due under the "social-security-minimum" of section 3(e) to individual beneficiaries, would be desirable and completely acceptable.

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