SIGNIFICANT changes in the railroad retirement system resulted from legislation enacted in 1965. The moving force was the Social Security Amendments of 1965 (Public Law 89-97, enacted July 30). The amendments not only expanded the old-age, survivors, and disability insurance (OASDI) program by adding health insurance for the aged, making it a program of old-age, survivors, disability, and health insurance (OASDHI), but they also increased benefits and liberalized the program in other ways. The amendments, called the “most far-reaching social security legislation” since the program was initiated, contain a number of provisions directly affecting the railroad retirement program, as well as changes that will be reflected indirectly through the “minimum guarantee” and the “financial interchange” provisions. Further changes, for the most part inspired by the changes in the Social Security Act, were contained in Public Law 89-212 (enacted September 29), which amended the Railroad Retirement Act.

HEALTH INSURANCE

The Social Security Amendments of 1965 provide hospital insurance for practically everyone in the country aged 65 and over, including railroad annuitants, pensioners, and employees. The protection provided is the same for all. The benefits are:

1. In-patient hospital care for a maximum of 90 days in a spell of illness, with the patient paying a $40 deductible and $10 a day coinsurance after 60 days. A spell of illness begins when an individual enters a hospital and ends when he has not been an in-patient in a hospital or extended-care facility for 60 days. There is a lifetime limitation of 190 days for care in a mental hospital.

2. Posthospital extended care in a qualified nursing facility for a maximum of 100 days, with $5 a day coinsurance after 20 days.

3. Out-patient hospital diagnostic services, with a $20 deductible and 20-percent coinsurance for each diagnostic study.

4. Posthospital home health services for not more than 100 visits in the 12-month period beginning with the onset of the spell of illness.

The dollar amounts of deductibles and coinsurance are subject to change after 1968 to reflect increases in hospital costs. The benefits are available beginning July 1, 1966, except for the extended care, which becomes available January 1, 1967.

The costs of this protection are financed by a payroll tax on covered earnings up to $6,600 in a year, beginning in 1966. The tax, paid half by employers and half by employees, is 0.7 percent in 1966 and 1.0 percent in 1967-72. Further increases are scheduled to bring the tax to a maximum of 1.6 percent in 1987.

In addition to the hospital insurance benefits, a supplementary medical insurance program is available to most individuals aged 65 and over, regardless of their employment. This program provides for:

1. Physicians’ and surgeons’ services, except routine physical examinations.

2. Home health service visits for a maximum of 100 visits in a calendar year.

3. Certain medical services, such as diagnostic tests, surgical dressings and splints, prosthetic devices, and rental of medical equipment.

4. A $50 deductible in each calendar year and 20-percent coinsurance, with a special limitation on psychiatric services.

This program is voluntary, and participation must be elected. It is financed by a monthly premium, initially $3, which is matched from general revenues. The monthly premium will be deducted from OASDHI, railroad retirement, or civil-service cash benefits where possible.

Both programs are administered by the Social Security Administration. The Railroad Retirement Board will determine the eligibility of rail-
road annuitants and employees for hospital benefits and certify to that effect to the Social Security Administration, which will be responsible for paying for the services. In addition, the Railroad Retirement Board will arrange for reimbursement for hospital expenses incurred in Canada to the extent that they are not covered by Provincial insurance programs.

The hospital tax will be collected as part of the total payroll tax on railroad compensation and will be transferred to the hospital insurance trust fund, set up by the 1965 amendments, from the railroad retirement account under the provisions of the financial interchange. Allowance is to be made for administrative expenses in collecting the taxes and in certifying eligible persons. The premiums for supplementary medical insurance that are deducted from railroad retirement annuities will be transferred periodically to the new supplementary medical insurance trust fund.

OTHER MAJOR CHANGES

Some of the other revisions in the railroad retirement program were made to conform with changes in the Social Security Act. Others resulted automatically from those changes, but one substantial liberalization was developed independently.

Compensation Base

In the amendments to the Social Security Act, Congress provided that the earnings tax covering the cost of hospital benefits be separately identified from the tax to finance cash benefits. Some questions arose about the effect of the hospital tax on the financing of the railroad retirement system because in the past the maximum monthly taxable compensation under the Railroad Retirement Act has differed significantly from the maximum earnings base under the Social Security Act. Some difference between the two bases exists even when the railroad base is exactly one-twelfth of the annual base under the other program because, when a railroad employee's earnings in some months are greater than that base and in others are less, his taxable compensation for a year is less than 12 times the monthly base.

As enacted, the Social Security Amendments of 1965 contained a proviso that, in calendar years in which the railroad monthly base was exactly one-twelfth the OASDHI annual base, the hospital tax on railroad compensation would be assessed in the same manner as the payroll tax levied for railroad retirement cash benefits.

<table>
<thead>
<tr>
<th>Period</th>
<th>Compensation base, Railroad Retirement Act</th>
<th>Earnings base, Social Security Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962-50</td>
<td>$300</td>
<td>$3,000</td>
</tr>
<tr>
<td>1963-53</td>
<td>$300</td>
<td>$3,000</td>
</tr>
<tr>
<td>1964</td>
<td>$300</td>
<td>$3,000</td>
</tr>
<tr>
<td>Jan.-June</td>
<td>$350</td>
<td>$4,200</td>
</tr>
<tr>
<td>July-Dec.</td>
<td>$350</td>
<td>$4,200</td>
</tr>
<tr>
<td>1965-62</td>
<td>$400</td>
<td>$4,800</td>
</tr>
<tr>
<td>1963: Jan.-May</td>
<td>$400</td>
<td>$4,800</td>
</tr>
<tr>
<td>June-Dec.</td>
<td>$450</td>
<td>$4,800</td>
</tr>
<tr>
<td>1964-65</td>
<td>$450</td>
<td>$4,800</td>
</tr>
<tr>
<td>1965 and after</td>
<td>$500</td>
<td>$6,000</td>
</tr>
</tbody>
</table>

Otherwise, the railroad compensation would be directly subject to the hospital tax under the Social Security Act.

The amendments to the Railroad Retirement Act accordingly set the railroad base at one-twelfth the OASDHI base for future years. Beginning in January 1966, the maximum monthly taxable compensation is increased from $450 to $550, or one-twelfth the earnings base under the Social Security Act. In the past, as shown in table 1, the railroad monthly base has equaled or exceeded one-twelfth of the OASDHI base at all times except for the 5 months January-May 1959. In 18 of the 29 years from 1937 through 1965, it has exceeded one-twelfth of that base.

This automatic coordination in future years is significant not only in connection with hospital benefits but also in the financing of the railroad retirement cash benefits. Under the financial interchange, the OASDHI system receives credit for taxes on railroad compensation equal to the amount that would be collected if railroad employment were directly covered. Under previous law, the railroad combined employer-employee tax rate, beginning in 1965, had been set at 9 per-
cent plus the tax rate under the Social Security Act. One source of extra financing for the railroad retirement system, therefore, had been a higher base than that under the Social Security Act and retention of the amounts collected from application of the OASDI portion of the tax rate to compensation in excess of the earnings base for that program.

**Tax Rates**

Under the law before the 1965 amendments, the combined employer-employee tax rate was scheduled to rise from 16 1/4 percent in 1965 to 17 1/4 percent in 1966—that is, 9 percent plus the previously scheduled 8 1/4-percent rate under the Social Security Act. After passage of the 1965 amendments to that Act, the 1966 railroad retirement rate (including the hospital rate) would have been 17.4 percent.

To reduce the impact of both an increased tax rate and an increased compensation base, the railroad tax rate was temporarily reduced 2 percent (1 percent each for employers and employees). The reduction was made effective immediately upon enactment, for the month of October 1965, with one-fourth of the scheduled reduction to be restored in January of each of the years 1966 through 1969, when the cut would be completely restored. The tax rates since 1967, and future rates scheduled under present law, are shown in table 2 for both the OASDI and railroad retirement programs, separately for cash benefits and hospital insurance.

**Spouse’s Benefits**

Independently of the amendments to the Social Security Act a bill was passed by the House of Representatives to eliminate the reduction in the railroad retirement spouse’s annuity when the individual also receives a railroad annuity based on his own earnings or any OASDI benefit other than a wife’s benefit. (The most usual case was that of a woman who received a railroad retirement wife’s annuity under the Railroad Retirement Act and an old-age benefit based on her own earnings record under the Social Security Act; her railroad wife’s annuity was reduced by the amount of the old-age benefit.) This bill, amended in the Senate to revise the compensation base and make other, minor changes, was the basis of the 1965 amendments to the Railroad Retirement Act. The reduction was eliminated, beginning with annuities accruing for October 1965.

**Table 2.—Combined employer-employee tax rates**

<table>
<thead>
<tr>
<th>Period</th>
<th>Social Security Act</th>
<th>Railroad Retirement Act</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OASDI</td>
<td>HI</td>
</tr>
<tr>
<td></td>
<td>Rate (percent)</td>
<td>Rate (percent)</td>
</tr>
<tr>
<td></td>
<td>under past financing</td>
<td>under scheduled future financing</td>
</tr>
<tr>
<td>1937-39</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>1940-42</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>1943-45</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>1946</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>1947-48</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>1948</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>1950-51</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>1952-53</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>1954-56</td>
<td>4.00</td>
<td>4.00</td>
</tr>
<tr>
<td>1957-58</td>
<td>4.50</td>
<td>4.50</td>
</tr>
<tr>
<td>1959</td>
<td>5.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Jan.-May</td>
<td>5.00</td>
<td>5.00</td>
</tr>
<tr>
<td>June-Dec.</td>
<td>5.00</td>
<td>5.00</td>
</tr>
<tr>
<td>1960-61</td>
<td>6.00</td>
<td>6.00</td>
</tr>
<tr>
<td>1962</td>
<td>6.25</td>
<td>6.25</td>
</tr>
<tr>
<td>1963-64</td>
<td>7.25</td>
<td>7.25</td>
</tr>
<tr>
<td>Jan.-Sept.</td>
<td>7.25</td>
<td>7.25</td>
</tr>
</tbody>
</table>

A proviso was also added to protect spouses who had received a lump sum instead of a monthly annuity. For some years it had been the practice of the Railroad Retirement Board, when monthly annuities were less than $5, to pay the commuted value in a lump sum. With respect to spouse’s annuities, this procedure was most often followed when the annuity had been reduced because of receipt of another benefit. For these cases, under the new law, beginning with benefits for October the spouse’s monthly benefit is payable but is reduced by the monthly amount for which the commuted value had been paid in a lump sum.

A further change in spouse’s annuities was an automatic result of the Social Security Act amendments. Such an annuity, under the Rail-
road Retirement Act, is one-half that of the retired employee, but it is subject to a dollar maximum equal to 110 percent of the maximum OASDHI wife's benefit. The 7-percent increase in OASDHI benefits raised this maximum, retroactively to January 1965. Further and more substantial increases will result from the higher earnings base, which increases the maximum wife's benefit under the Social Security Act in future years. The previous maximum wife's benefit of $69.90 becomes:

<table>
<thead>
<tr>
<th>Beginning in January</th>
<th>Monthly amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>$74.80</td>
</tr>
<tr>
<td>1967</td>
<td>$83.60</td>
</tr>
<tr>
<td>1988</td>
<td>$92.40</td>
</tr>
</tbody>
</table>

Coverage of Tips

Conforming to the extension of OASDHI coverage to tips, the railroad retirement amendments provide that tips of $20 or more received by railroad employees in a month are subject to the employee tax, but not to the employer tax, and are creditable in the computation of benefits. The employee is required to report his tips to his employer, and the latter is required to withhold the employee share of both the payroll tax and income tax, to the extent that he has funds of the employee in his possession.

Increases in Annuities

As a result of the 7-percent increase in OASDHI benefits, railroad retirement annuities computed under the minimum guarantee will generally also be increased by 7 percent. Certain other liberalizations in the Social Security Act will also increase railroad annuities. Probably the most significant is the availability of benefits to children aged 18–21 who are in full-time attendance at school. Although there is no provision in the railroad retirement program for the payment of benefits to such children, the amounts payable to their families may be increased on their account. In addition, the increased earnings base under the Social Security Amendments of 1965 and elimination of the previous fixed dollar maximum for family benefits result in a railroad retirement maximum family benefit under the minimum guarantee (generally applicable for survivor families) that rises from $279.40 under the previous law to $340.20 in 1965, $373.20 in 1966, and $404.80 in 1967 and after.

Higher amounts will also be payable to survivor annuitants engaged in non-railroad employment and subject to the social security earnings test, which provides that no benefits will be withheld if earnings do not exceed $1,500 in a calendar year. For each $2 of earnings between $1,500 and $2,700, $1 of benefits is withheld, and for each $1 of earnings over $2,700, $1 of benefits is withheld. Benefits are not withheld, however, for any month in which remuneration is $125 or less and there is no substantial self-employment. This test also applies to retirement and disability annuitants to the extent that their annuities are increased by the minimum guarantee. The test was liberalized in the Social Security Amendments of 1965. The exempt amount had been $1,200; the $1-for-$2 band was $500, so that $1-for-$1 withholding began with earnings over $1,700; and the monthly test was $100.

LEGISLATIVE DEVELOPMENT

As indicated above, these changes in the railroad retirement program were for the most part inspired by, and in large part contained in, the Social Security Amendments of 1965. A brief legislative history may be of interest.

In the Administration's proposal to include hospital benefits as a part of the OASDHI program, railroad retirement annuitants and railroad employees aged 65 and over were included; their program was to be administered by the Railroad Retirement Board. During consideration of the legislation, however, the Ways and Means Committee of the House of Representatives expressed concern because of the different wage bases of the two programs and, more important, because of the added burden that might be placed on providers of service who would have to deal with two agencies of the Federal Government in securing reimbursements for hospital costs. As the bill passed the House, therefore, railroad retirement

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Initial qualifications for benefits:
Minimum of 10 years of railroad service required to qualify for all benefits under the Railroad Retirement Act except residual death payment (see item A (8)). Persons with less than 10 years of service are transferred to OASDHI system.

A. Benefits payable to—
(1) Age annuitant:
   Aged 62 or over, with annuity reduced 1/180 for each month under age 65 at time of retirement; or aged 60 or over if at least 30 years of service, with annuity for men 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 having current connection with railroad industry when disabled and either having 20 years or more of service or aged 60 or over.
(3) Spouse of annuitant aged 65 or over:
   Aged 62 or over, with annuity reduced 1/180 for each month under age 65, or at any age with child in care if child would qualify for survivor benefit on death of annuitant.
(4) Widow:
   Aged 60 or over, or at any age with child in care if child qualifies for survivor benefit. Dependent widower aged 60 or over.
(5) Child of deceased individual:
   Under age 18, or aged 18 or over with a disability that began before age 18.
(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 immediately payable.
(8) Residual death payment:
   Payable after all benefit rights, including those of survivors, have terminated—to assure total payment approximating employee contributions paid. Suitable modification for those with less than 10 years of service.

B. Insured status for survivor benefits
(1) Quarter of coverage:
   (a) Compensation quarter of coverage is in effect a calendar quarter to which at least $50 of railroad compensation is credited.
   (b) Wage quarter of coverage is a quarter of coverage creditable under OASDHI; in general, a calendar quarter in which at least $50 of wages was paid.
(2) Current connection:
   In general, exists at time of retirement or death if worker had 12 months of railroad service in preceding 30 months.
(3) Completely insured status:
   (a) Current connection, and (1) 1 quarter of coverage for each 2 quarters after 1930 (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) fully insured, on basis of combined earnings, under Social Security Act; or
   (b) Receipt of retirement annuity based on at least 10 years of service before 1948.
(4) Partially insured status:
   Current connection, and 6 quarters of coverage in year of death or retirement and 3 preceding years, or currently insured under OASDHI.
(5) Transfer of credits to OASDHI system:
   If not insured as in items (3) and (4), railroad compensation used in determining survivor benefits under OASDHI.

C. Amount of retirement benefits
(1) Years of service:
   All service after 1936 plus (for those in 'employment relation' on Aug. 29, 1953) service before 1937 that brings the total to not more than 30 years.
(2) Average monthly compensation:
(3) Monthly benefit amount:
   3.35% of first $50 of monthly compensation, plus 2.51% of next $100, plus 1.67% of next $400, all multiplied by years of service.
(4) Minimum benefit amount:
   (a) If current connection at retirement, amount determined under item (3) shall not be less than the least of $83.50, or $5.00 times years of service, or 110% of average monthly compensation.
   (b) OASDHI minimum guarantee (see item G (8)).

D. Basic amount for survivor benefit
(1) Average monthly remuneration:
   Based on railroad compensation and earnings under Social Security Act from 1937 to year employee attained age 65 and was completely insured, or year of death (or succeeding year), divided by elapsed period (omitting periods during which a retirement annuity was payable). Maximum combined earnings are $3,800 a year through 1954, $4,200 for 1955-58, $4,800 for 1959-65, and $6,600 thereafter. (Compensation alone is creditable to a maximum of $5,900 in 1954, $4,500 in 1959, $4,900 in 1963, and $5,400 in 1964-65.)
(2) Basic amount:
   49% of first $75 or average monthly remuneration plus 12% of remainder, increased by 1% for each year after 1956 with $200 or more of remuneration. Minimum basic amount is $16.95.
(3) Maximum family benefits:
   $193.90 or 2 times basic amount, whichever is less, but not less than $50.30 or OASDHI minimum guarantee (up to $404.80 beginning in 1967).
(4) Minimum family benefits:
   $10.95 or OASDHI minimum guarantee ($48.40).

E. Amounts of dependent and survivor benefits
(1) Spouse:
   50% of retirement or disability annuity (before any reduction for retirement before age 65 or joint-and-survivor option election). Maximum is 110% of the maximum wife's benefit under OASDHI ($92.40 beginning in 1969).
(2) Widow or widower:
   60% of basic amount. Not less than spouse's annuity received immediately before widow's annuity is payable.
(3) Child of deceased worker:
   66% of basic amount.
(4) Dependent parent:
   66% of basic amount.
(5) Lump-sum death payment:
   10 times basic amount.
(6) Residual death payment:
   Specified percentages of compensation less benefits paid.
annuitants were covered under the social security system for hospital benefits, and the separate tax to cover the cost of the hospital program was to be applied to railroad compensation just as if they were employment covered by the Social Security Act. The compensation would be reported to the Social Security Administration, and the taxes would be collected by the Internal Revenue Service and equivalent amounts appropriated directly to the hospital insurance trust fund.

The Senate amended the bill to provide for administration of this program by the Railroad Retirement Board if the railroad retirement base was equal to at least one-twelfth the base under the Social Security Act. In conference it was agreed that, if the railroad retirement base was exactly one-twelfth the OASDHI base in any year after 1965, the hospital insurance tax would be applied to the compensation reported to the Railroad Retirement Board and the additional tax for that program appropriated, with the tax for railroad cash benefits, to the railroad retirement account. Under financial interchange procedures, the amount of the tax would be transferred annually to the hospital insurance trust fund, after allowance for the cost of administration and of certification to the Social Security Administration of eligible railroad retirement employees and annuitants. Costs of hospital and related benefits, however, would be paid by the Social Security Administration, except that the Railroad Retirement Board could arrange for provision of such services to eligible employees and annuitants in Canada.
In the meantime, a bill (H.R.3157) eliminating the reduction in spouse's benefits because of receipt of other railroad retirement or OASDHI benefits had passed the House of Representatives. In the Senate, it was amended to provide that the railroad retirement compensation base in future years would be equal to one-twelfth the earnings base under the Social Security Act. Since under the Constitution, however, revenue bills must originate in the House, a new House bill (H.R. 10874) was introduced containing the provisions that had already been passed by the Senate, including a 2-percent temporary reduction in the tax rate and extension of coverage to tips. This bill, passed by both Houses without discussion and signed by the President on September 29, became Public Law 89–212.

AMENDED PROGRAM

The provisions of the Railroad Retirement Act, as amended, are outlined in the accompanying chart. The principal changes are the elimination of the reduction in spouse's benefits, the changes in compensation base and tax rates, and the addition of health insurance for the aged.

The act as amended makes the future maximum monthly taxable compensation base, tax rates, and maximum spouse's benefits automatically dependent on future changes in the Social Security Act. The amounts of annuities payable under the minimum guarantee will continue to be affected by changes in that law.

Before the amendments were enacted the actuarial deficiency of the railroad retirement system was about $20 million on an annual basis, or about 0.45 percent of taxable payroll. The amendments to the Social Security Act increase the deficiency by $28 million annually, to about 1.11 percent of taxable payroll. The amendments to the Railroad Retirement Act increase the taxable payroll and provide about $84 million annually in additional income. Of this amount, $14 million will be required to cover the cost of eliminating the reduction in spouse's benefits and $46 million to cover increases in annuities resulting from the higher compensation base. The balance—about $24 million on an annual basis—is just short of the amount needed to cover the added costs of the Social Security Amendments of 1965. After allowance is made, however, for the temporary reduction in tax rates for the period October 1965–December 1968, the net effect is an increase in the actuarial deficiency to about $30 million on an annual basis, or 0.62 percent of taxable payroll.

It may be noted that the hospital insurance program has practically no cost impact as far as the railroad retirement system is concerned. The payroll taxes for that program will be transferred to the hospital insurance trust fund through the financial interchange, after allowance for administrative expenses, and benefits will be paid directly from that fund. There will be some effect, however, because the taxes collected will be based on monthly maximum earnings of $550, but transfers to the hospital insurance trust fund will be based on maximum annual earnings of $6,600. The difference between the amounts is probably about 1½ percent of payroll, or about $75 million a year. For 1966, the result will be a liability of about $500,000 more than the taxes actually collected; the amount will increase to about $750,000 for the years 1967–72. In addition, there will be an annual cost of perhaps $200,000 for hospital benefits provided to eligible railroad annuitants and employees in Canada, which will be reimbursed directly from the railroad retirement account.

Relationship Between Railroad Retirement and OASDHI

There is direct coordination between the systems in two respects. When an employee has less than 10 years of railroad service, his railroad compensation record is transferred to the Social Security Administration and becomes a part of his OASDHI earnings record. Any benefits payable on the basis of his combined railroad compensation and covered earnings under OASDHI are paid by the latter system to the employee and his family, and to his survivors after his death. The only payment made from the railroad retirement system is the residual death benefit, an amount based on the employee's share of the railroad payroll tax less the total amount of any retirement benefits paid that are attributable to railroad service and less any survivor benefits paid on the basis of combined
earnings. The gross residual amount is computed as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Percent of compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937-46</td>
<td>4.0</td>
</tr>
<tr>
<td>1947-58</td>
<td>7.0</td>
</tr>
<tr>
<td>1959-61</td>
<td>7.5</td>
</tr>
<tr>
<td>1962 and after</td>
<td>8.0</td>
</tr>
</tbody>
</table>

If these rates are compared with the tax rates shown in table 2, it will be noted that the percentage for the residual death benefit exceeds the employee tax (half the combined rates shown in the table) by at least 0.5 percent and by as much as 1.25 percent in some years. Beginning with 1968, the residual rate will drop below the employee tax rate for cash benefits. Nevertheless, the residual payment may be substantial—as much as $7,354 for death at the end of 1965. Such a payment is often claimed by the widow, who does so by relinquishing her right to any future monthly benefit based on railroad compensation.

When an employee has received railroad compensation in at least 120 months, he retains his right to a retirement annuity beginning at age 62. When, however, an employee with 10 or more years of service dies without a current connection with the railroad industry (12 months of railroad service in the 30 months preceding death or earlier retirement), benefits to his survivors are generally paid by the OASDHI system on the basis of his combined earnings. If the requirement of a current connection is met, survivor annuities are paid by the railroad retirement system, again on the basis of combined earnings. No survivor beneficiary may receive benefits from both systems based on the earnings of the deceased worker. There is no bar, however, against receiving benefits from each system based on two different wage records. A widow, for example, may receive her own old-age benefit under the Social Security Act and a widow’s annuity under the Railroad Retirement Act, or she may receive a widow’s annuity from both systems if she had two husbands, one covered under each system, and her second husband had been a career railroad man.

Financial Interchange

More comprehensive coordination between the two systems occurs through operation of the financial interchange. This provision requires that the Railroad Retirement Board and the Secretary of Health, Education, and Welfare determine annually, by June 15, the amount that should be added to, or subtracted from, three of the social security trust funds (the old-age and survivors, the disability, and the hospital insurance trust funds) to "place such Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act." The amount so determined is certified to the Secretary of the Treasury for transfer on June 25. This provision contemplates that the OASDHI system will neither gain nor lose because of the operation of a separate railroad retirement system.

In theory, the financial interchange is simple. It requires determining the annual amount of OASDHI taxes that would be collected on railroad payrolls, the annual amount of additional OASDHI benefits that would be based on railroad compensation, and the extra administrative expenses that would be incurred in collecting the taxes and paying the benefits.

In actual practice, the financial interchange becomes somewhat complicated. The calculations are actually made by the Railroad Retirement Board, based on procedures agreed to by the chief actuaries of the two systems, who meet at least annually to resolve any problems that arise.

The first step is converting railroad taxable compensation into earnings taxable under the Social Security Act. Allowance must be made for the fact that a monthly limit on taxable compensation results in a lower taxable payroll than an annual limit equal to 12 times the monthly limit. Furthermore, the employer (but not the employee) share of the social security taxes applies up to the $6,600 annual limit for earnings from each employer, but for railroad employees who work for two or more railroads the employer share of the tax is prorated among the employers. In addition, the amount of an employee’s railroad compensation subject to taxes under the Social Security Act may be reduced by the amount of any of his earnings covered under

3 Railroad Retirement Act, section 5(k).
that Act, if the combined amount exceeds the $6,600 annual limit.

The base used in determining the OASDHI benefit that would be paid is the combined earnings record of the worker under both programs. The amount is then reduced by the amount of any OASDHI benefit actually paid directly, to arrive at the net additional benefits to be charged against that system. Potential OASDHI benefits are computed regardless of whether any annuity is paid by the railroad retirement system. A railroad employee past age 65, for example, might continue his employment and thus be barred from receiving any railroad retirement annuity, even though his earnings might not be high enough to be affected by the OASDHI earnings test for beneficiaries. Or a railroad annuitant may receive his full monthly payment from the railroad retirement program even though his non-railroad earnings would result in the withholding of the entire OASDHI benefit.

The benefit amounts in the calculations for the financial interchange are based on a 1-percent continuous sample of railroad beneficiaries and of railroad employees aged 65 and over. Detailed calculations are made for these cases (about 7,000 annually), and the results are inflated to reach the total amount. The sample methods and application of agreed-upon procedures are verified from time to time by staff of the Social Security Administration. Administrative expenses are determined from the same sample, by using Social Security Administration unit costs for the various categories of beneficiaries, to which are added the costs of processing earnings reports and collecting taxes.

The total amounts computed are transferred annually between the two systems, with an allowance for interest. Thus far, a net amount of $2,695 million has been transferred to the railroad retirement account; the last annual transfer was $459 million. It is estimated by the Office of the Actuary of the Social Security Administration that these transfers will increase, with respect to cash benefits, to more than $500 million by 1967 and thereafter decrease until the transfer is made from the railroad retirement account by about 1985. Because hospital benefits for railroad beneficiaries will be paid directly by the Social Security Administration, the financial interchange for that program will largely consist of the transfer of taxes from the railroad retirement account to the hospital insurance trust fund. No financial interchange is involved in the supplementary medical insurance program. The premiums withheld from railroad annuitants will be transferred to the supplementary medical insurance trust fund periodically, less an allowance for collection costs.

## Table 3.—Total family benefits computed under railroad retirement formula compared with OASDHI minimum guarantee

<table>
<thead>
<tr>
<th>Family composition</th>
<th>Railroad retirement formula</th>
<th>OASDHI minimum guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annuity at age 65</td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>$133.80</td>
<td>$123.70</td>
</tr>
<tr>
<td>Married:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wife aged 65</td>
<td>$200.70</td>
<td>185.50</td>
</tr>
<tr>
<td>Wife aged 62</td>
<td>$187.40</td>
<td>170.10</td>
</tr>
<tr>
<td>Wife and one child</td>
<td>$297.70</td>
<td>247.30</td>
</tr>
<tr>
<td></td>
<td>Annuity at age 62</td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>$107.10</td>
<td>$99.00</td>
</tr>
<tr>
<td>Married:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wife aged 65</td>
<td>$107.10</td>
<td>160.90</td>
</tr>
<tr>
<td>Wife aged 62</td>
<td>$107.10</td>
<td>145.50</td>
</tr>
<tr>
<td>Wife and one child</td>
<td>$107.10</td>
<td>225.10</td>
</tr>
<tr>
<td>Disability annuitant at age 65</td>
<td>$133.80</td>
<td>$123.70</td>
</tr>
</tbody>
</table>

1 Based on 20 years of railroad service at level compensation of $300 a month.

### OASDHI Minimum Guarantee

To analyze the effect on the railroad retirement system of changes in the Social Security Act, it is necessary to examine the operation of the OASDHI minimum guarantee provision. The theory is simple: The total amount of the railroad retirement annuity payable for a month to an employee and his family, or to his survivors, shall not be less than 110 percent of the amount (or additional amount when an OASDHI benefit is also paid directly to the family) that would be payable for that month under the Social Security Act if railroad service were covered by that Act.

The minimum guarantee is less simple in application, for a number of reasons. Average monthly compensation, on which railroad retirement em-
ployee annuities are based, is computed for the entire period of railroad service (including service before 1937 to the extent that it does not bring total service to more than 30 years); months without railroad compensation are excluded. Survivor benefits are based on average monthly remuneration, which is computed for the entire period after 1938 (or after age 21 unless railroad compensation was earned before that age) and up to the year the employee attained age 65 or died. The year of death is included if it increases the average, and years in which a retirement annuity was payable are excluded.

On the other hand, the average monthly wage on which both retirement and survivor benefits under OASDHI are based is generally computed for the number of years elapsed since 1955 (or age 26, if later) and up to the year of attainment of age 65 (age 62 for women), or death if earlier. In computing the average, years of highest earnings after 1950 are used, including years after attainment of age 65. The railroad averages may thus be depressed by low earnings in the early years of the program, as well as by the effect of the $300 maximum monthly compensation in the earlier years. The average wage for OASDHI benefits for persons regularly employed would generally be computed by using the higher earnings in years after 1955, when the maximum creditable earnings were $4,200 or more.

Another significant factor is family composition. Railroad annuitants may receive age-retirement annuities as early as age 60 or disability annuities at any age, but wife's benefits are not payable until the employee has attained age 65. Annuities are not payable to children while the employee annuitant lives, but only after his death. The OASDHI benefits are payable to an eligible wife, regardless of her husband's age, and to dependent as well as survivor children. Table 3 shows the effect of these provisions in a case where railroad compensation has been level and not more than the maximum creditable, thus eliminating the effects of the differences in formula. For an annuitant aged 65, the railroad formula produces a higher annuity unless there is a child, but for annuitants under age 65 the minimum guarantee results in a higher annuity if there is a wife or child who would be eligible under the Social Security Act.

The minimum guarantee will generally produce a higher annuity, even for a single employee, unless he has at least 17 years of service. When average compensation is low, more than 20 years of service may be required before the railroad formula results in an annuity as high as that computed under the minimum guarantee. Thus, any increase in the amount of OASDHI benefits may serve to increase railroad retirement annuities. However, since most employees with less than 20 years of railroad service also qualify for an OASDHI benefit based on wages alone, the minimum guarantee rarely applies. At present only about 10 percent of the annuities paid to retired railroad employees actually comes under the guarantee. Survivor benefits are usually based on the minimum guarantee and thus are generally increased by an increase in OASDHI benefits.

Table 4.—Illustrative monthly retirement annuities under the Railroad Retirement Act, as amended in 1965

<table>
<thead>
<tr>
<th>Average monthly compensation</th>
<th>10 years of service</th>
<th>20 years of service</th>
<th>30 years of service</th>
<th>40 years of service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retired worker only</td>
<td>Retired worker and spouse</td>
<td>Retired worker only</td>
<td>Retired worker and spouse</td>
</tr>
<tr>
<td>$100</td>
<td>$60.00</td>
<td>$104.40</td>
<td>$60.00</td>
<td>$75.00</td>
</tr>
<tr>
<td>150</td>
<td>86.10</td>
<td>129.20</td>
<td>86.10</td>
<td>129.20</td>
</tr>
<tr>
<td>200</td>
<td>98.00</td>
<td>148.40</td>
<td>98.00</td>
<td>148.40</td>
</tr>
<tr>
<td>250</td>
<td>116.70</td>
<td>167.90</td>
<td>116.70</td>
<td>167.90</td>
</tr>
<tr>
<td>300</td>
<td>132.70</td>
<td>186.00</td>
<td>132.70</td>
<td>186.00</td>
</tr>
<tr>
<td>350</td>
<td>156.70</td>
<td>200.10</td>
<td>156.70</td>
<td>200.10</td>
</tr>
<tr>
<td>400</td>
<td>169.50</td>
<td>223.30</td>
<td>169.50</td>
<td>223.30</td>
</tr>
<tr>
<td>450</td>
<td>190.00</td>
<td>240.90</td>
<td>190.00</td>
<td>240.90</td>
</tr>
<tr>
<td>500</td>
<td>197.70</td>
<td>255.30</td>
<td>197.70</td>
<td>255.30</td>
</tr>
<tr>
<td>550</td>
<td>194.80</td>
<td>277.70</td>
<td>194.80</td>
<td>277.70</td>
</tr>
</tbody>
</table>

1 Average monthly wage under OASDHI assumed to be the same as the average monthly compensation shown.
2 Spouse assumed to be aged at least 65.
3 Not payable before 1977.
4 Railroad retirement minimum.
5 OASDHI minimum guarantee.
6 All service must be after 1965.
TABLE 5.—Average monthly compensation of railroad employee with maximum creditable compensation

<table>
<thead>
<tr>
<th>Year of retirement</th>
<th>10</th>
<th>20</th>
<th>30</th>
<th>40</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>$983</td>
<td>$830</td>
<td>$333</td>
<td>$333</td>
</tr>
<tr>
<td>1967</td>
<td>413</td>
<td>363</td>
<td>342</td>
<td>342</td>
</tr>
<tr>
<td>1968</td>
<td>433</td>
<td>375</td>
<td>358</td>
<td>358</td>
</tr>
<tr>
<td>1969</td>
<td>470</td>
<td>400</td>
<td>367</td>
<td>367</td>
</tr>
<tr>
<td>1970</td>
<td>485</td>
<td>413</td>
<td>373</td>
<td>373</td>
</tr>
<tr>
<td>1971</td>
<td>500</td>
<td>455</td>
<td>383</td>
<td>383</td>
</tr>
<tr>
<td>1972</td>
<td>515</td>
<td>438</td>
<td>392</td>
<td>392</td>
</tr>
<tr>
<td>1973</td>
<td>530</td>
<td>430</td>
<td>403</td>
<td>383</td>
</tr>
<tr>
<td>1974</td>
<td>540</td>
<td>461</td>
<td>406</td>
<td>386</td>
</tr>
<tr>
<td>1975</td>
<td>550</td>
<td>471</td>
<td>341</td>
<td>361</td>
</tr>
<tr>
<td>1976</td>
<td>550</td>
<td>471</td>
<td>417</td>
<td>390</td>
</tr>
</tbody>
</table>

Furthermore, the extension of benefits under the Social Security Act may bring a railroad annuity under the minimum guarantee. The Social Security Amendments of 1965 make benefits available to children aged 18-21 who are in full-time attendance at school. Although comparable benefits are not available under the railroad retirement system, the annuity of an employee, an employee and his wife, or a survivor family may be increased to equal 110 percent of the computed OASDHI family benefit, including the benefit for the student.

One anomaly occurs: If there is no member of the family eligible for a railroad retirement annuity, the minimum guarantee has no effect. If, for example, a railroad employee's surviving family consists of a widow under age 60 and a child aged 18 attending school, no benefit is payable to the child or to the widow under the railroad retirement system. If the deceased employee had no earnings other than railroad compensation, and had 10 years of railroad service that had continued until his death, neither would an OASDHI benefit be payable.

The minimum guarantee does not apply in such a straightforward manner when the railroad employee also has earnings covered under the Social Security Act. A retired employee who is covered under both systems receives benefits from both with no offset. The minimum guarantee rarely operates in such cases. The railroad retirement annuity is computed under the railroad formula, and the OASDHI benefit for purposes of the minimum guarantee is computed on the total amount of railroad compensation plus creditable earnings under the Social Security Act. The latter computed benefit amount is then reduced by the amount of the OASDHI benefit actually payable; the remainder, increased by 10 percent, constitutes the minimum guarantee.

An employee retiring, for example, at the beginning of 1966 at age 65, with 10 years of railroad service at level compensation of $300 a month, would have an annuity of $66.90 computed under the railroad formula. The same employee would produce an old-age benefit under OASDHI of $112.40, or an amount of $123.70 under the minimum guarantee. If he had sufficient coverage under the Social Security Act to be eligible for the minimum benefit of $44, the additional amount attributable to his railroad compensation (assuming the combined earnings also produce an average monthly wage of $300) would be $68.40 ($112.40 minus $44.00). The minimum guarantee would result in his receiving a railroad

TABLE 6.—Monthly retirement benefit payable to man with maximum creditable earnings in the period immediately preceding retirement

<table>
<thead>
<tr>
<th>Year of retirement</th>
<th>10, OASDHI minimum guarantee applicable</th>
<th>10, OASDHI minimum guarantee not applicable</th>
<th>20</th>
<th>20</th>
<th>40</th>
<th>10</th>
<th>21 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>$140.00</td>
<td>$92.50</td>
<td>$150.00</td>
<td>$217.30</td>
<td>$217.30</td>
<td>$122.70</td>
<td>$132.70</td>
</tr>
<tr>
<td>1967</td>
<td>141.30</td>
<td>85.80</td>
<td>154.90</td>
<td>221.80</td>
<td>221.80</td>
<td>125.40</td>
<td>135.40</td>
</tr>
<tr>
<td>1968</td>
<td>137.80</td>
<td>89.20</td>
<td>158.90</td>
<td>225.80</td>
<td>225.80</td>
<td>128.20</td>
<td>138.20</td>
</tr>
<tr>
<td>1969</td>
<td>134.20</td>
<td>92.50</td>
<td>162.90</td>
<td>229.80</td>
<td>229.80</td>
<td>131.00</td>
<td>141.00</td>
</tr>
<tr>
<td>1970</td>
<td>130.70</td>
<td>95.30</td>
<td>167.90</td>
<td>233.80</td>
<td>233.80</td>
<td>133.80</td>
<td>143.80</td>
</tr>
<tr>
<td>1971</td>
<td>127.20</td>
<td>98.20</td>
<td>171.90</td>
<td>237.80</td>
<td>237.80</td>
<td>136.60</td>
<td>146.60</td>
</tr>
<tr>
<td>1972</td>
<td>123.70</td>
<td>101.00</td>
<td>175.90</td>
<td>241.80</td>
<td>241.80</td>
<td>139.40</td>
<td>149.40</td>
</tr>
<tr>
<td>1973</td>
<td>120.20</td>
<td>103.90</td>
<td>179.90</td>
<td>245.80</td>
<td>245.80</td>
<td>142.20</td>
<td>152.20</td>
</tr>
<tr>
<td>1974</td>
<td>116.70</td>
<td>107.00</td>
<td>183.90</td>
<td>249.80</td>
<td>249.80</td>
<td>145.00</td>
<td>155.00</td>
</tr>
<tr>
<td>1975</td>
<td>113.20</td>
<td>108.70</td>
<td>187.90</td>
<td>253.80</td>
<td>253.80</td>
<td>147.80</td>
<td>158.80</td>
</tr>
<tr>
<td>1976</td>
<td>111.20</td>
<td>108.70</td>
<td>191.90</td>
<td>257.80</td>
<td>257.80</td>
<td>150.60</td>
<td>161.60</td>
</tr>
</tbody>
</table>

1 Assumes retirement at age 65 at beginning of year.
2 For 20 years of employment, benefits are the same as those shown for 21 or more years, except for retirement in 1977, when the amount is $147.00 instead of $151.00.
his earnings covered under the Social Security guarantee if he received no OASDHI benefit. If his earnings covered under the Social Security Act had been at a level amount of $50 a month, still entitling him only to the minimum benefit of $44, his combined earnings would produce an OASDHI benefit of $124.20 (based on an average monthly wage of $350). Then the additional OASDHI benefit of $124.20 (based on an average monthly wage of $350) would provide a railroad retirement annuity of $88.30, for a total payment from both systems of $132.30.

The same employee with 10 years of railroad service, say during World War II and the Korean conflict, followed by 10 years of coverage under the Social Security Act—all with level earnings of $300 a month—would retire at the beginning of 1966 with an old-age benefit of $112.40 and a railroad retirement annuity of $66.90 based on the railroad formula. The minimum guarantee would not be applicable because the railroad compensation added to the covered earnings under the Social Security Act would not increase the old-age benefit under the latter system.

Thus it can be seen that railroad retirement annuities may be affected by almost any change in the Social Security Act, but it is necessary in applying the minimum guarantee to determine that the individual meets the conditions for eligibility under that Act. Under that law, for example, disability benefits are generally available only for total disability, but railroad annuities are also payable under certain conditions for occupational disability.

Illustrative Benefits

Table 4 gives illustrative amounts of monthly retirement annuities for a retired railroad employee and for an annuitant and spouse, for various combinations of average monthly compensation and years of service. For 20 or more years of service, the railroad retirement formula usually yields a higher annuity than that produced by the minimum guarantee.

Annuities based on 40 years of service will not be available before 1977. Moreover, annuities based on average monthly compensation of $400 or more will not be possible before 1967 (table 5). Because of the effect of the maximum monthly base, average monthly compensation based on 30 years of service will not reach $100 before 1974. At the beginning of 1977, the first year that an annuity based on 40 years of service can be paid, the maximum average monthly compensation for 40 years of service cannot be greater than $394.

The amounts actually available for various years of service at the maximum creditable compensation are shown in table 6, where they are compared with the old-age benefits based on the same earnings record under the Social Security Act. For 10 years of service, the minimum guarantee always produces a higher annuity—10 percent more than the old-age benefit. The old-age benefit and the minimum guarantee decrease each year because the average monthly wage is reduced by the inclusion of years with no earnings. In the distant future, it will ordinarily be computed for a period of 38 years, and the effect of the minimum guarantee will be diminished for individuals employed only briefly. For 20 or more years

<table>
<thead>
<tr>
<th>Average monthly remuneration</th>
<th>10 years of service</th>
<th>20 years of service</th>
<th>30 years of service</th>
<th>40 years of service</th>
</tr>
</thead>
<tbody>
<tr>
<td></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>$100</td>
<td>$57.50</td>
<td>$57.50</td>
<td>$111.30</td>
<td>$336.60</td>
</tr>
<tr>
<td>150</td>
<td>71.10</td>
<td>71.10</td>
<td>88.30</td>
<td>102.10</td>
</tr>
<tr>
<td>200</td>
<td>81.70</td>
<td>81.70</td>
<td>88.30</td>
<td>102.10</td>
</tr>
<tr>
<td>250</td>
<td>92.30</td>
<td>92.30</td>
<td>88.30</td>
<td>102.10</td>
</tr>
<tr>
<td>300</td>
<td>102.90</td>
<td>102.90</td>
<td>88.30</td>
<td>102.10</td>
</tr>
<tr>
<td>350</td>
<td>113.40</td>
<td>113.40</td>
<td>88.30</td>
<td>102.10</td>
</tr>
<tr>
<td>400</td>
<td>124.00</td>
<td>124.00</td>
<td>88.30</td>
<td>102.10</td>
</tr>
<tr>
<td>450</td>
<td>134.60</td>
<td>134.60</td>
<td>88.30</td>
<td>102.10</td>
</tr>
<tr>
<td>500</td>
<td>145.20</td>
<td>145.20</td>
<td>88.30</td>
<td>102.10</td>
</tr>
<tr>
<td>550</td>
<td>155.80</td>
<td>155.80</td>
<td>88.30</td>
<td>102.10</td>
</tr>
</tbody>
</table>

Table 7.—Illustrative monthly survivor annuities under the Railroad Retirement Act, as amended in 1965 1

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, average monthly wage under OASDHI assumed to be same as average monthly remuneration shown.

2 Railroad retirement formula produces higher amount.
of service, the railroad annuity is substantially higher.

It will be several years before a retirement annuity as high as $250 can be achieved, and
9 years before as much as $300 will be payable. By 1977, 30 years of service could result in an
annuity as high as $263.40, compared with the potential maximum of $326.00 shown in table 4
but not payable before 1996. Similarly, the highest
amount available at the beginning of 1977 for
40 years of service will be $330.40, in comparison
with the $434.60 eventually possible but not pay-
able under present law before the year 2006.

Survivor benefits are paid for the most part
under the minimum guarantee. The amounts are
shown in table 7 for a widow aged 60 or over and
for a widow with two eligible children. Benefits
based on an average monthly wage as high as $550
may, in rare instances, be paid as early as 1967.
The benefit is based on the railroad formula only
where the average earnings are low and there are
at least 20 years of service.

Notes and Brief Reports

Old-Age Benefits For Workers
Retiring Before Age 65*

Retirement before age 65 under the old-age,
survivors, disability, and health insurance
(OASDHI) program is increasingly becoming
the typical retirement pattern for American
workers. In 1964, 57 percent of the 1 million
workers awarded old-age benefits were under the
traditional retirement age of 65, continuing the
trend toward earlier retirement of recent years.
These trends have important implications for the
OASDHI program, as well as for students of
labor-force trends, pension plans, and other sub-
jects.

Before 1956, age 65 was the earliest age at
which retired-worker benefits were payable.
Under amendments to the Social Security Act,
the eligibility age for workers was reduced to
age 62 for women beginning November 1956 and
for men starting August 1961. A retired worker
who draws benefits before age 65 receives a
permanently reduced benefit; the benefit continues
in reduced amount after age 65. The reduction,
which is based on the number of months before
age 65 that benefits are claimed, is equal to 20 per-
cent at age 62, or 62 1/2 percent for each year under
age 65. There are differences, however, for men
and women in the formula for computing the

basic benefit amount (the benefit before reduc-
tion). The average monthly wage, on which the
benefit is based, is computed over a period ending
at age 62 for women and age 65 for men.

Benefit amounts are refigured at age 65 and the
benefit amount raised to adjust for months in
which benefits were not paid because the benefi-
ciary was working or for other reasons. The
reduction provisions were designed to take into
account the longer period over which benefits
would be paid, thus making benefits available
before age 65 without increasing the costs of the
program.

The amendments also provided benefits at
age 62 for several types of dependents and
survivors, including reduced benefits for wives
and full benefits for widows. The 1965 amend-
ments made available reduced benefits for widows
aged 60–61, effective September 1965.

TRENDS TOWARD EARLY RETIREMENTS

The data on reduced benefits shown in the
tables include all beneficiaries who drew at least
one monthly benefit before reaching age 65. The
trend of women workers toward applying for
reduced benefits, rather than waiting for age 65,
is clearly shown by the year-by-year rise in the
proportion taking reduced benefits, from 53 per-
cent in 1957 (the first full year) to nearly 68
percent by 1964 (table 1). The rate for men
increased from 47 percent to more than 50 per-
cent in a 3-year period (1962–64). It is difficult to
predict whether the rate for men will approach