

# The Railroad Retirement Amendments of 1968

by ORLO NICHOLS\*

THE RAILROAD RETIREMENT system is generally affected by legislation that makes changes in the social security program. In recent years steps have usually been taken to conform its program with social security revisions. Two laws enacted early in 1968 affect all present and potential railroad retirement beneficiaries. The Social Security Amendments of 1967 (Public Law 90-248, signed January 2, 1968) made several changes in the Social Security Act that resulted in a few automatic changes in the railroad retirement system.<sup>1</sup> The Railroad Retirement Amendments (Public Law 90-257, enacted February 15, 1968) made changes in the Railroad Retirement Act beyond those brought about by the amendments to the Social Security Act.

## EFFECT OF SOCIAL SECURITY AMENDMENTS

All monthly cash benefits under the old-age, survivors, disability, and health insurance (OASDHI) program were increased by at least 13 percent for months after January 1968, with the minimum primary insurance amount (PIA) raised from \$44 to \$55. These changes automatically result in higher benefits for those railroad retirement beneficiaries whose benefits are determined under the OASDHI "minimum guarantee" provision, which states that any railroad retirement beneficiary and his family must receive at least 110 percent of the amount they would have received if railroad employment had always been included as covered employment under the Social Security Act.

The OASDHI annual earnings base was increased from \$6,600 to \$7,800. Under a provision of the 1965 amendments to the Railroad Retirement Act, the monthly earnings base for

the railroad retirement system was set at one-twelfth of the OASDHI annual earnings base. The railroad monthly earnings base has therefore risen from \$550 to \$650.

The annual amount that an OASDHI beneficiary may earn without losing any of his benefits was increased from \$1,500 to \$1,680, with the corresponding monthly limit changed from \$125 to \$140. For earnings between \$1,680 and \$2,880 the beneficiary loses \$1 of benefits for each \$2 of earnings (\$1-for-\$2 provision was unchanged). For earnings above \$2,880, the beneficiary will lose \$1 of benefit for each \$1 of earnings. This change affects retired railroad employees whose annuities are computed under the minimum guarantee, those who receive OASDHI benefits, and all survivor beneficiaries.

In addition, the Social Security Amendments of 1967 made a few changes in health insurance for the aged (Medicare), which also covers railroad employees and annuitants. In addition to the 90 days now covered under hospital insurance, a 60-day lifetime reserve for hospital care was added with a \$20 coinsurance amount for each day used. Reimbursement procedures were changed to allow the patient to submit an unpaid itemized bill instead of a bill he has already paid as he would under the old law. Reimbursement for outpatient diagnostic services was transferred from hospital insurance to the supplementary medical insurance program.

## INCREASED RAILROAD ANNUITIES

Under the 1968 amendments, annuities for most railroad retirement annuitants were increased by 110 percent of the dollar amount that they would have been increased if the annuitant had been receiving an OASDHI benefit based on an average monthly wage equal to his average monthly compensation (for survivors, the average monthly wage is actually used). The minimum

\* Office of the Actuary.

<sup>1</sup> See Wilbur J. Cohen and Robert M. Ball, "Social Security Amendments: Summary and Legislative History," and Robert J. Myers and Francisco Bayo, "Financing Basis of Old-Age, Survivors, and Disability Insurance and Health Insurance Under the 1967 Amendments," *Social Security Bulletin*, February, 1968.

## 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:
  - (a) 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.
  - (b) Supplemental annuity payable to annuitants aged 65 or over, if current connection and at least 25 years of service, and regular annuity awarded after June 1966.
- (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 (other than student aged 18–21) if child would qualify for survivor benefit on death of annuitant.
- (4) Widow:
  - (a) Aged 60 or over, or
  - (b) At any age with child in care (other than student aged 18–21) if child qualifies for survivor benefit, or
  - (c) Aged 50–59 if disabled, with annuity reduced 3/10 of 1 percent for each month under age 60. Dependent widower aged 60 or over, or aged 50–59, with same disability provisions as for widow.
- (5) Child of deceased individual:
 

Under age 18, or under age 22 if a full-time student, 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' railroad service in preceding 30 months.
- (3) Completely insured status:
  - (a) Current connection, and (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 (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, 1935) service before 1937 that brings the total to not more than 30 years.
- (2) Average monthly compensation:
 

Average of creditable compensation paid in period of service counted; maximum monthly amount creditable—\$300 before July 1954, \$350 for July 1954–May 1959, \$400 for June 1959–October 1963, \$450 for November 1963–December 1965, \$550 for January 1966–December 1967, and \$650 after 1967.
- (3) Monthly benefits amount:
  - (a) Regular annuity: (i) 3.58 percent of first \$50 of monthly compensation, plus 2.69 percent of next \$100 plus 1.79 percent of next \$500, all multiplied by years of service, and (ii) amount computed in (i) increased by 110 percent of the increase in OASDHI benefits provided by the Social Security Amendments of 1967 for average monthly earnings approximating average monthly compensation, with the increase subject to offset if annuitant receives OASDHI benefit or supplemental annuity.
  - (b) Supplemental annuity (see item A(1)(b)): \$45 plus \$5 for each year of service after 25, with maximum of \$70.
- (4) Minimum benefit amount:
  - (a) If current connection at retirement, amount determined under item (3)(a) shall not be less than the least of \$89.35, or \$5.35 times years of service, or 118 percent of average 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 \$3,600 a year through 1954, \$4,200 for 1955–58, \$4,800 for 1959–65, \$6,600 for 1966–67, and \$7,800 thereafter. (Compensation alone is creditable to a maximum of \$3,900 in 1954, \$4,550 in 1959, \$4,900 in 1963, and \$5,400 in 1964–65.)
- (2) Basic amount:
 

52.4 percent of first \$75 of average monthly remuneration plus 12.8 percent of remainder, increased by 1 percent for (a) each year after 1950 with \$200 or more of remuneration, and (b) for a number of years before 1951 determined by regulation. Minimum basic amount is \$18.14.
- (3) Maximum family benefits:
 

\$207.15 or 2-2/3 times basic amount, whichever is less, but not less than \$38.84 or OASDHI minimum guarantee (as much as \$478.00 beginning in 1969).
- (4) Minimum family benefits:
 

\$18.14 or OASDHI minimum guarantee (\$60.50).

## E. Amounts of dependent and survivor benefits

- (1) Spouse:  
50 percent of retirement or disability annuity (before any reduction for retirement before age 65 or joint-and-survivor option election). Maximum is 110 percent of the maximum wife's benefit under OASDHI (\$115.50 beginning in 1970).
- (2) Widow or widower:  
100 percent of basic amount. Not less than spouse's annuity received immediately before widow's annuity is payable.
- (3) Child of deceased worker:  
2/3 of basic amount.
- (4) Dependent parent:  
2/3 of basic amount.
- (5) Lump-sum death payment:  
10 times basic amount.
- (6) Residual death payment:  
Specified percentages of compensation less benefits paid.

## F. Health benefits

- (1) Inpatient hospital care, posthospital extended care, and posthospital home health services provided under OASDHI.
- (2) Hospital and related benefits provided in Canadian hospitals.
- (3) Supplementary medical benefits provided under OASDHI program, with premium deducted from annuity.

## G. Miscellaneous benefit provisions

- (1) Employment permitted retired workers and spouses: None for any railroad or for last employer before retirement. No other restriction except where minimum guarantee applies (and then only with respect to additional amount payable).
- (2) Employment permitted disability annuitants: None for any railroad or for last employer. Earnings of \$2,400 a year in wages and self-employment permitted while under age 65; 1 month's benefits withheld for every \$200 of annual earnings in excess of \$2,400 but no reduction for months with earnings of \$200 or less. After age 65 same as item (1).
- (3) Employment permitted survivor beneficiaries: None for any railroad. Otherwise to the same extent as for OASDHI beneficiaries (full benefits if earnings from wages and self-employment are \$1,680 or less a year, but in any event for months with \$140 or less of wages and no substantial services in self-employment); this test also applicable to work activities outside the United States.
- (4) Effect of railroad work on OASDHI cash benefits:  
Railroad earnings counted in determining if benefits are payable.

- (5) Duplication of benefits under railroad system:  
Survivor beneficiary may concurrently receive retirement annuity. Increase granted under 1968 amendments subject to reduction for receipt of supplemental annuity.
- (6) Duplication of retirement and spouse's annuity with OASDHI benefits:  
Allowed, with increase under 1966 and 1968 acts reduced by increases under the Social Security Amendments of 1965 and 1967.
- (7) Duplication of survivor benefits with OASDHI benefits:  
Allowed (except benefits not payable under both systems on basis of same wage record).
- (8) OASDHI minimum guarantee:  
Retirement or survivor benefits will not be less than 110 percent of the total amount (or the additional amount plus 10 percent of the total amount) that would be payable by OASDHI system if railroad service were covered employment under that system.
- (9) Credit for military service:  
Imputed compensation of \$160 a month before 1968 and \$260 thereafter during war service if in railroad employment in year of entry into military service or in preceding year. Provisions against using same service under more than one Federal system.
- (10) 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.

## H. Financing

- (1) Tax rates:  
Combined rates, shared equally by employer and employee, paid on maximum compensation of \$650 a month (after 1967): 1968—17.8 percent, 1969—70—19.1 percent, 1971—72—19.9 percent, 1973—75—20.8 percent, 1976—79—20.9 percent, 1980—86—21.1 percent, 1987 and after—21.3 percent.
- (2) Government contribution for military service:  
Actuarially determined cost of additional benefits for military service before 1937 and after June 1963, plus for the latter an allowance for administrative expenses and for interest on unfunded accrued liability. Regular employer-employee taxes on creditable military service based on imputed earnings of \$160 a month for January 1937—June 1963.
- (3) Interest rate on investments:  
Equal to average market yield borne by all marketable interest-bearing obligations not due or callable for 3 years from date of investment, rounded to the nearest 1/8 percent, with a minimum rate of 3 percent.
- (4) Financial interchange:  
OASDHI trust funds to be put in same position in which they would have been if railroad service after 1936 had been included as covered employment under the Social Security Act.

increases are about \$10 for railroad employees and about \$5 for spouses and survivors. In addition, the 7-percent increase granted in the 1966 amendments to the Railroad Retirement Act was extended to average monthly compensation above \$450 by raising the last factor in the previous formula by 7 percent. All these increases are subject to offsets for dual benefits, discussed later in this article.

## BENEFITS FOR DISABLED WIDOWS

Under a new provision, similar to one included in the social security amendments, benefits are paid to disabled widows and dependent widowers between age 50 and age 60, with a permanent reduction of  $\frac{3}{10}$  of 1 percent for each month under age 60 for which the benefit is payable, or somewhat less than the OASDHI reduction of

$\frac{43}{198}$  of 1 percent for each month under age 60 plus  $\frac{5}{9}$  of 1 percent for each month between ages 60 and 62. If the annuity is not paid for some months under age 60, the amount is adjusted when age 60 is reached by omitting those months from the reduction period. The widow or dependent widower must become disabled before age 60 and no later than 84 months after the employee's death, or, for a widow within 84 months after she ceases to have an entitled child in her care, other than a student. This program is similar to the other disability programs under the Railroad Retirement Act in that there is no waiting period.

### CHANGE IN DISABILITY EARNINGS TEST

The new amendments have considerably liberalized the provisions related to the earnings of disability annuitants. Under previous law a disabled railroad employee could earn \$1,200 a year without losing any of his annuity and would not lose his annuity for any month in which he earned \$100 or less. For earnings above \$1,200 he lost his annuity for as many months as there were units of \$100 above \$1,200 (with any amount above the last full \$100 counted as \$100 if it was \$50 or more).

Under the new law the annual earnings limit has been increased to \$2,400 and the corresponding monthly limit to \$200. For earnings of more than \$2,400 the annuity is not payable for the number of months equaling the number of \$200 units above the annual limit, with the amount exceeding the last \$200 unit counted as a \$200 unit if it is \$100 or more. The annuity is not withheld, however, for any months in which the earnings are \$200 or less.

### OTHER CHANGES

Monthly credits for creditable military service after 1967 were increased from \$160 to \$260 for employees under the railroad retirement system. Under OASDHI, \$100 of noncontributory wage credit is generally given, in addition to contributory credit. Another change will allow the payment of benefits in certain cases where a mar-

riage has been found not to be valid; this provision has been part of the Social Security Act since 1960. The change eliminates an inequity with respect to railroad employees who also had wage credits under the OASDHI system but whose benefits would be paid by the railroad retirement system. Under the old law, benefits might have been reduced, or might not have been payable at all, to their dependents or survivors.

### OFFSET FOR DUAL BENEFITS

The increases in railroad annuities provided by the 1968 amendments are not related to a flat percentage of the previous annuity amounts except for the extension of the 7-percent increase under the 1966 amendments. Table 1 illustrates how the increases in railroad retirement annuities were computed. The actual increases are found in the fourth column and are computed by subtracting the second column from the third and increasing the difference by 10 percent. The entries corresponding to earnings above \$550 were computed by assuming that the previous OASDHI benefit formula could have been applied to a maximum average monthly wage of \$650, rather than the maximum of \$550 actually provided.

The increases shown in table 1 apply to those annuitants who receive only a regular railroad retirement annuity, but many annuitants also receive a supplemental annuity or an OASDHI benefit or both.

TABLE 1.—Computation of increases in railroad retirement annuities

Average monthly compensation	PIA under OASDHI amendments		110 percent of PIA increase
	1965	1967	
\$100.....	\$63.20	\$71.50	\$9.13
\$101-150.....	78.20	88.40	11.22
\$151-200.....	89.90	101.60	12.87
\$201-250.....	101.70	115.00	14.63
\$251-300.....	112.40	127.10	16.17
\$301-350.....	124.20	140.40	17.82
\$351-400.....	135.90	153.60	19.47
\$401-450.....	146.00	165.00	20.90
\$451-500.....	157.00	177.50	22.55
\$501-550.....	168.00	189.90	24.09
\$551-600.....	<sup>1</sup> 178.70	204.00	27.83
\$601 or more.....	<sup>2</sup> 189.40	218.00	31.46

<sup>1</sup> Based on average monthly earnings equal to upper limit of average monthly compensation interval.

<sup>2</sup> For an annuitant receiving only a regular railroad retirement annuity.  
<sup>3</sup> Not included in Social Security Amendments of 1965; derived from extension of table.

The supplemental annuity program, initiated by the 1966 railroad retirement amendments, became effective in November 1966 for those annuitants aged 65 and over whose regular annuities were awarded after June 30, 1966, and who had a current connection with the railroad industry (12 months of railroad service in the preceding 30 months) and 25 or more years of railroad service. The amount of the annuity is \$45 plus \$5 for each year of service over 25, with a maximum of \$70. The program, which is to expire on October 31, 1971, is financed by a tax of 2 cents per man-hour on employers. This financing appears to be insufficient at the present time, and the annuities may therefore be reduced in the last year of the program. For those annuitants who receive a pension under a private railroad plan, financed at least in part by employer contributions, the amount of the supplemental annuity is reduced by the amount of the pension attributable to the employer's contributions. If such a reduced supplemental annuity is less than the 7-percent increase granted under the 1966 railroad retirement amendments, the employee will receive at least the amount of that increase.

Those annuitants who receive either a supplemental annuity or an OASDHI benefit, or both, may not receive the full increase in their regular annuities because of provisions for offsets in these increases. Under the previous law, an annuitant who was awarded a supplemental annuity would not receive the 7-percent increase in his regular annuity. Under the 1968 act, his increase as given in table 1 will be reduced by either 6.55 percent of his regular annuity before the increase (an amount approximately equal to the 7-percent increase under the 1966 amendments) or by the amount of his supplemental annuity, whichever is less. However, if a retired railroad employee is entitled to an annuity based on average monthly compensation exceeding \$450 and is also entitled to a supplemental annuity, his increase is reduced by 6.55 percent of the amount based on compensation of \$450. An annuitant who is entitled to an OASDHI benefit but not a supplemental annuity will have his increase reduced by 17.3 percent of his OASDHI benefit, an amount approximately equal to the sum of the 7-percent increase under the Social Security Amendments of 1965 and the 13-percent increase under the 1967 amendments. There is,

however, a minimum increase of \$10 less 5.8 percent of the OASDHI benefit.

To illustrate the operation of this provision, consider the case of a person who was receiving an OASDHI benefit of \$100 before the 1965 social security amendments. Such an individual would have received \$107 after those amendments and \$121 after the 1967 amendments. The \$21 increase since the 1965 amendments is approximately 17.3 percent of the present benefit of \$121. If an annuitant is receiving a supplemental annuity and an OASDHI benefit, the reduction in his increase would be the reduction for a supplemental annuity given above, plus 11.5 percent of his OASDHI benefit, an amount approximately equal to the 13-percent increases provided in the 1967 social security amendments. The minimum increase of \$10 may be reduced by 6.55 percent of the regular annuity if there is a supplemental annuity, or 5.8 percent of the social security benefit if there is no supplemental annuity.

Table 2 illustrates the computation of annuities

TABLE 2.—Illustrative examples of increase in railroad retirement annuities under the 1968 amendments

Item	Case 1	Case 2	Case 3	Case 4
1. Basic facts:				
a. Average monthly compensation	\$290.00	\$340.00	\$355.00	\$325.00
b. Supplemental annuity		70.00		70.00
c. OASDHI benefit under 1965 amendments			100.60	91.00
d. OASDHI benefit under 1967 amendments			113.70	102.90
2. Computations under law before 1968 amendments:				
a. Annuity with 7-percent increase of 1966 amendments	209.58	236.43	162.99	228.38
b. Annuity without 7-percent increase of 1966 amendments	195.69	220.74	152.17	213.23
c. Offset for supplemental annuity (2a minus 2b)		15.69		15.15
d. Offset for OASDHI benefit (6.55 percent of 1c)			6.59	5.97
e. Annuity payable (2a minus 2c and 2d, but not less than 2b)	209.58	220.74	156.40	213.23
3. Computations under present law:				
a. Regular amount	209.58	236.43	162.99	228.38
b. Scheduled increase	16.17	17.82	19.47	17.82
c. Offset for supplemental annuity (6.55 percent of 3a)		15.49		14.96
d. Offset for OASDHI benefit (17.3 percent of 1d if no supplemental annuity; 11.5 percent of 1d if supplemental annuity)			19.67	11.83
e. Tentative addition to annuity before application of minimum (3b reduced—but not below zero—by 3c and 3d)	16.17	2.33		
f. Offset against minimum addition (3c if supplemental annuity or 5.8 percent of 1d if no supplemental annuity)		15.49	6.59	14.96
g. Minimum addition to regular amount (\$10 reduced—but not below zero—by 3f)	10.00		3.41	
h. Annuity payable (3a plus larger of 3e or 3g)	225.75	238.76	166.40	228.38
4. Increase due to 1968 amendments (3h minus 2c)				
	16.17	18.02	10.00	15.15

including the offsets in the additions (shown in table 1) because of receipt of other benefits. Case 1 receives only a railroad retirement annuity and therefore received a 7-percent increase under the 1966 amendments, the same amount as the regularly computed annuity under the 1968 amendments. The scheduled increase of \$16.17 is not subject to reduction.

Case 2 receives both a regular and a supplemental annuity and thus received no increase under the 1966 amendments. His regular annuity under the 1968 amendments reflects the 7-percent increase of the 1966 amendments, but the scheduled increase of \$17.82 is offset for the supplemental annuity. He thus receives only \$2.33 more than 1968 computed annuity, in addition to \$15.69 representing the previously withheld 7-percent increase of the 1966 amendments.

Case 3 receives a railroad annuity and a social security benefit and so had some increase under the 1966 law. The scheduled addition of \$19.47 is eliminated by the social security offset, but \$3.41 of the "minimum" addition of \$10 is preserved; in addition, he receives the \$6.59 offset under the 1966 law.

Case 4 receives both a regular and supplemental annuity and a social security benefit. Under the 1966 amendments he received no increase. The 7-percent increase of those amendments is now payable under the 1968 amendments, since the scheduled addition to the computed annuity was eliminated by the offsets for the supplemental annuity and the social security benefit.

## FINANCIAL AND ACTUARIAL ASPECTS

The increases in annuities and other liberalizations of the railroad retirement program are being partially financed by the higher earnings base rather than by increases in tax rates. The gain from this source occurs in early years because the amount on which taxes are paid is increased while the amounts on which annuities for present beneficiaries are based remain the same. The excess will decrease over a period of years, however, as annuities based on higher amounts of compensation become payable. The combined employer-employee tax rates are changed by the same number of percentage points as the changes in OASDHI tax rates. They remain the same for

TABLE 3.—Combined employer-employee tax rates

Period	[Percent]						Railroad Retirement Act	
	Social Security Act							
	Total		OASDI		Hospital insurance <sup>1</sup>		Pre-vious law	Pre-sent law
	Pre-vious law	Pre-sent law	Pre-vious law	Pre-sent law	Pre-vious law	Pre-sent law		
1968.....	8.8	8.8	7.8	7.6	1.0	1.2	17.8	17.8
1969-70.....	9.8	9.6	8.8	8.4	1.0	1.2	19.3	19.1
1971-72.....	9.8	10.4	8.8	9.2	1.0	1.2	19.3	19.9
1973-75.....	10.8	11.3	9.7	10.0	1.1	1.3	20.3	20.8
1976-79.....	10.9	11.4	9.7	10.0	1.2	1.4	20.4	20.9
1980-86.....	11.1	11.6	9.7	10.0	1.4	1.6	20.6	21.1
1987 and after.....	11.3	11.8	9.7	10.0	1.6	1.8	20.8	21.3

<sup>1</sup> Included in total for both programs.

1968, decrease by 0.2 percent for 1969-70, and then increase by 0.6 percent for 1971-72 and by 0.5 percent for 1973 and after, as shown in table 3.

The operation of the OASDHI financial interchange provision is another source of substantial income to the railroad retirement program. Under this provision, the old-age and survivors insurance, the disability insurance, and the hospital insurance trust funds are placed in the same position in which they would have been if railroad service had always been included in the definition of employment under the Social Security Act. For the past few years, the railroad retirement system has received substantial reimbursements from the social security trust funds. This trend will continue for several years, but a point will be reached when the flow of reimbursements will be reversed.

Before the Social Security Amendments of 1967, the actuarial deficit of the railroad retire-

TABLE 4.—Illustrative monthly retirement annuities<sup>1</sup> under the Railroad Retirement Act, as amended in 1968

Average monthly compensation	Under railroad formula, by years of service				Under minimum guarantee <sup>2</sup>
	10	20	30	40	
\$100.....	\$41	\$73	\$104	\$135	\$79
\$150.....	56	101	146	190	97
\$200.....	67	120	174	228	112
\$250.....	77	140	203	265	127
\$300.....	88	160	231	303	140
\$350.....	98	179	260	340	154
\$400.....	109	199	288	378	169
\$450.....	119	218	316	415	182
\$500.....	130	237	345	452	195
\$550.....	141	257	373	490	209
\$600.....	153	279	404	529	224
\$650.....	166	300	434	569	240

<sup>1</sup> For an individual not entitled to an OASDHI benefit or to a supplemental annuity.

<sup>2</sup> A average monthly wage under OASDHI assumed to be the same as average monthly compensation shown.

ment account, as estimated by the Railroad Retirement Board, was \$43 million a year on a level basis or 0.94 percent of taxable railroad payroll. Those amendments, which automatically increased the railroad earnings base from \$550 to \$650 a month, have created a slight actuarial surplus of \$4 million a year or 0.08 percent of taxable payroll. However, the 1968 railroad retirement amendments, which have provided increased benefits with no corresponding increase in taxes, have brought about an actuarial deficit of \$58 million a year or 1.16 percent of taxable payroll.

TABLE 5.—Illustrative monthly widow's annuities under the railroad formula <sup>1</sup>

Average monthly remuneration	Years of service <sup>2</sup>			
	10	20	30	40
\$100	\$54	\$59	\$63	\$67
\$150	63	68	73	78
\$200	71	77	83	88
\$250	80	86	92	98
\$300	88	95	102	109
\$350	97	104	112	119
\$400	105	113	121	129
\$450	113	122	131	140
\$500	122	131	140	150
\$550	130	140	150	160
\$600	140	151	161	172
\$650	150	161	173	184

<sup>1</sup> For a widow not receiving an OASDHI benefit.  
<sup>2</sup> Assumed to be after 1936 with earnings of at least \$200 for each year of service.

### ILLUSTRATIVE ANNUITIES

Table 4 contains illustrative railroad retirement annuities for employees not entitled to a social security benefit or to a supplemental annuity. Some of the amounts (based on the higher compensation) will be possible only in future years. In 1968, the maximum regular employee annuity will be \$282.05. It will grow to \$308.75

TABLE 6.—Illustrative monthly railroad survivor annuities under the minimum guarantee <sup>1</sup>

Average monthly earnings	Aged widow	1 child	Widowed mother and—	
			1 child	2 or more children
\$100	\$65	\$61	\$118	\$118
\$150	80	73	146	146
\$200	92	84	168	178
\$250	104	95	190	223
\$300	115	105	210	264
\$350	127	116	232	309
\$400	139	127	253	355
\$450	150	136	272	390
\$500	161	146	293	412
\$550	172	157	313	435
\$600	185	168	337	457
\$650	198	180	360	478

<sup>1</sup> For an individual not entitled to an OASDHI benefit.

in 1970, to \$377.15 in 1975, and to higher amounts thereafter.

Spouse annuities are generally equal to one-half the corresponding retirement annuity but subject to a maximum of 110 percent of the maximum wife's benefit currently payable under OASDHI. In the past, the OASDHI wife's benefit has always been equal to half the corresponding primary insurance amount. Under the 1967 amendments, however, the PIA for the maximum average monthly wage of \$650 is \$218, but the corresponding wife's benefit is only \$105. The maximum spouse annuity under the railroad program was increased from \$92.40 to \$104.50 in 1968 and will be increased to \$112.20 in 1969 and to \$115.50 in 1970.

Table 5 shows widow's annuities under the railroad formula, and various survivor annuities based on the minimum guarantee are presented in table 6. It will be noted that, for a widow, the minimum guarantee produces a larger amount in every case except that for 40 years of service and \$100 average monthly remuneration.