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AMENDING THE RAILROAD RETIREMENT ACT OF 1937 AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

GOVERNMENT
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HEARING BEFORE THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE HOUSE OF REPRESENTATIVES NINETIETH CONGRESS

SECOND SESSION

ON

H.R. 14563

A BILL TO AMEND THE RAILROAD RETIREMENT ACT OF 1937
AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT TO
PROVIDE FOR INCREASE IN BENEFITS, AND FOR OTHER
PURPOSES

JANUARY 16, 1968

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AMENDING THE RAILROAD RETIREMENT ACT OF 1937 AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

TUESDAY, JANUARY 16, 1968

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in room 2123, Rayburn House Office Building, Hon. Harley O. Staggers (chairman) presiding.

The CHAIRMAN. The committee will please be in order.

The hearings today are on H.R. 14563, an agreed-on bill which I introduced on the closing day of the last session.

The purpose of this bill is to provide an increase in benefits for all persons covered by the Railroad Retirement Act who have not received increases in benefits under either the Railroad Retirement Act or the Social Security Act as a result of last year's social security bill. In general, the increases will amount to 110 percent of the increases in benefits which the individual concerned would have received under the Social Security Act had he been a social security beneficiary rather than a railroad retirement beneficiary, subject to certain offsets. The increases take effect at the same time the social security increases take effect. Many persons automatically receive increases in railroad retirement benefits when social security benefits increase, because their benefits are computed under the social security formula, which was increased by last year's amendments. These individuals are not affected by the bill. All other beneficiaries will receive increases of \$10 or more, in the case of retired employees, or \$5 or more in the case of wives, widows, parents, and children (before any reductions for early payment of benefits).

The bill also liberalizes the earnings test for employees receiving railroad retirement benefits as a result of disability, provides benefits for disabled widows and widowers, and liberalizes some of the eligibility tests under the Railroad Retirement Act for payment of benefits to family survivors.

The bill also amends the Railroad Unemployment Insurance Act to provide increases in daily rates of benefits for unemployment and for sickness, and makes further revisions in that program.

The bill was drafted to carry out an agreement made between representatives of the carriers and representatives of the brotherhoods. The benefits provided by the bill will not require any further increases in railroad retirement taxes over those currently scheduled in the law.

(The bill, H.R. 14563, and the Railroad Retirement Board report thereon, follows:)

[H.R. 14563, 90th Cong., first sess.]

A BILL To amend the Railroad Retirement Act of 1937 and the Railroad Unemployment Insurance Act to provide for increase in benefits, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That—

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

SEC. 101. The eighth sentence of section 1(h) of the Railroad Retirement Act of 1937 is amended by inserting "before 1968" after "calendar month" and by adding after such eighth sentence the following new sentence: "In making such a determination there shall be attributable as compensation paid to him for each calendar month after 1967 in which he is in military service so creditable the amount of \$260."

SEC. 102. The second paragraph of section 2(d) of the Railroad Retirement Act of 1937 is amended by striking out "\$1,200" wherever this figure appears and inserting in lieu thereof "\$2,400"; by striking out "\$100" wherever such figure appears and inserting in lieu thereof "\$200"; and by striking out "\$50" and inserting in lieu thereof "\$100".

SEC. 103. (a) Section 2(e) of the Railroad Retirement Act of 1937 is amended by striking out "reduction" and inserting in lieu thereof "reductions", and by striking out "section (a)3(1) of this Act" and all that follows and inserting in lieu thereof "section 3(a) (2)".

(b) Section 2(i) of such Act is amended by striking out "the first two provisions in section 3(a) (1)" and all that follows and inserting in lieu thereof "the second proviso in section 3(a) (2), except that, notwithstanding other provisions of this subsection, the spouse's annuity shall (before any reduction on account of age) not be less than one-half of the amount computed in section 3(a) (1) increased by \$5 or, if the spouse is entitled to benefits under the Social Security Act, by the excess of \$5 over 5.8 per centum of the lesser of (i) any benefit to which such spouse is entitled under title II of the Social Security Act, or (ii) the spouse's annuity to which such spouse would be entitled without regard to section 3(a) (2) and before any reduction on account of age, but in no case shall such an annuity (before any reduction on account of age) be more than the maximum amount of a spouse's annuity as provided in subsection (e)."

SEC. 104. (a) Section 3(a) of the Railroad Retirement Act of 1937 is amended by striking out all that appears therein and inserting in lieu thereof the following:

"SEC. 3. (a) (1) The annuity of an individual shall be computed by multiplying his 'years of service' by the following percentages of his 'monthly compensation': 3.58 per centum of the first \$50; 2.69 per centum of the next \$100; and 1.79 per centum of the remainder up to a total of (i) \$450, or (ii) an amount equal to one-twelfth of the current maximum and taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater.

"(2) The annuity of the individual (as computed under paragraph (1) of this subsection, or under that part of subsection (c) of this section preceding the first proviso) shall be increased in an amount determined from his monthly compensation by use of the following table:

"Monthly compensation:

Up to \$100	\$9. 13
\$101 to \$250	11. 22
\$151 to \$200	12. 87
\$201 to \$250	14. 63
\$251 to \$300	16. 17
\$301 to \$350	17. 82
\$351 to \$400	19. 47
\$401 to \$450	20. 90
\$451 to \$500	22. 55
\$501 to \$550	24. 09
\$551 to \$600	27. 83
\$600 and over	31. 46

The amount of the increase shall be the amount on the same line as that in which the range of monthly compensation includes his monthly compensation: *Provided, however*, That, for months with respect to which the individual is entitled to a supplemental annuity under subsection (j), the increase provided in this paragraph shall be reduced by 6.55 per centum of the amount determined under paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso, which is based on the first \$450 of the monthly compensation or an amount equal to the amount of the supplemental annuity payable to him, whichever is less: *Provided further*, That for months with respect to which the individual is entitled to a benefit under title II of the Social Security Act, the increase shall be reduced by (i) 17.3 per centum of such social security benefit if the increase has not been reduced pursuant to the preceding proviso or (ii) 11.5 per centum of such social security benefit if the increase has been reduced pursuant to the preceding proviso (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967): *And provided further*, That the amount computed under this subsection for any month shall not be less than the amount computed in accordance with paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso, plus (i) \$10 minus any reduction made pursuant to the first proviso of this paragraph or (ii) if the individual is entitled to a benefit under title II of the Social Security Act and no reduction is made pursuant to the first proviso of this paragraph, \$10 minus 5.8 per centum of the lesser of the amount of such social security benefit, or of the amount computed in accordance with paragraph (1), or under that part of subsection (e) of this section which precedes the first proviso."

(b) The first paragraph of section 3(e) of such Act is amended by striking out the language before the first proviso beginning with "except that" and continuing through "amended in 1966"; by striking out the language beginning with "(deeming)" and continuing through "the Social Security Act"; and by adding at the end thereof the following three new paragraphs:

"For the purposes of the first proviso in the first paragraph of this subsection, (i) completely and partially insured individuals shall be deemed to be fully and currently insured, respectively; (ii) individuals entitled to insurance annuities under subsections (a) (1) and (d) of section 5 of this Act shall be deemed to have attained age 62 (the provisions of this clause shall not apply to individuals who, though entitled to insurance annuities under section 5(a) (1) of this Act, were entitled to an annuity under section 5(a) (2) of this Act for the month before the month in which they attained age 60); (iii) individuals entitled to insurance annuities under section 5(a) (2) of this Act shall be deemed to be entitled to insurance benefits under section 202(e) or (f) of the Social Security Act on the basis of disability; (iv) individuals entitled to insurance annuities under section 5(c) of this Act on the basis of disability shall be deemed to be entitled to insurance benefits under section 202(d) of the Social Security Act on the basis of disability; and (v) women entitled to spouses' annuities pursuant to elections made under section 2(h) of the Act shall be deemed to be entitled to wives' insurance benefits determined under section 202(q) of the Social Security Act; and, for the purposes of this subsection, any possible deductions under subsections (g) and (h) (2) of section 203 of the Social Security Act shall be disregarded.

"Notwithstanding the provisions of section 202(q) of the Social Security Act, the amount determined under the proviso in the first paragraph of this subsection for a widow or widower who is or has been entitled to an annuity under section 5(a) (1) of this Act which, before attainment of age 60, had been payable insurance amount (reduced in accordance with section 203(a) of the Social Security Act) of the employee as determined under this subsection, and the amount so determined shall be reduced by three-tenths of 1 per centum for each month the annuity would be subject to a reduction under section 5(a) (2) of this Act (adjusted upon attainment of age 60 in the same manner as an annuity under section 5(a) (1) of this Act which, before attainment of age 60, had been payable under section 5(a) (2) of this Act); and the amount so determined shall be reduced by the amount of any benefit under title IV of the Social Security Act to which she or he is, or on application would be, entitled.

"In cases where an annuity under this Act is not payable under the first proviso in the first paragraph of this subsection on the date of enactment of

the Social Security Amendments of 1967, the primary insurance amount used in determining the applicability of such proviso shall, except in cases where the employee died before 1939, be derived after deeming the individual on whose services and compensation the annuity is based (i) to have become entitled to social security benefits, or (ii) to have died without being entitled to such benefits, after the date of the enactment of the Social Security Amendments of 1967. For this purpose, the provision of section 215(b)(3) of the Social Security Act that the employee must have reached age 65 (62 in the case of a woman) after 1960 shall be disregarded and there shall be substituted for the nine-year period prescribed in section 215(d)(1)(B)(i) of the Social Security Act, the number of years elapsing after 1936 and up to the year of death if the employee died before 1946."

Sec. 105. (a) Section 5(a) of the Railroad Retirement Act of 1937 is amended by inserting "(1)" before "A widow"; by inserting before the colon the following: "except that if the widow or widower will have been paid an annuity under paragraph (2) of this subsection the annuity for a month under this paragraph shall be in an amount equal to the amount calculated under such paragraph (2) except that, in such calculation, any month with respect to which an annuity under paragraph (2) is not paid shall be disregarded"; and by inserting at the end thereof the following new paragraph:

"(2) A widow or widower of a completely insured employee who will have attained the age of fifty but will not have attained age sixty and is under a disability, as defined in this paragraph, and such disability began before the end of the period prescribed in the last sentence of this paragraph, shall be entitled to an annuity for each month, unless she or he has remarried in or before such month, equal to such employee's basic amount but subject to a reduction by three-tenths of 1 per centum for each calendar month she or he is under age sixty when the annuity begins. A widow or widower shall be under a disability within the meaning of this paragraph if her or his permanent physical or mental condition is such that she or he is unable to engage in any regular employment. The provisions of section 2(a) of this Act as to the proof of disability shall apply with regard to determinations with respect to disability under this paragraph. The annuity of a widow or widower under this paragraph shall cease upon the last day of the second month following the month in which she or he ceases to be under a disability unless such annuity is otherwise terminated on an earlier date. The period referred to in the first sentence of this paragraph is the period beginning with the latest of (i) the month of the employee's death, (ii) the last month for which she was entitled to an annuity under subsection (b) as the widow of such employee, or (iii) the month in which her or his previous entitlement to an annuity as the widow or widower of such employee terminated because her or his disability had ceased and ending with the month before the month in which she or he attains age sixty, or, if earlier with the close of the eighty-fourth month following the month with which such period began."

(b) Section 5(h) of such Act is amended by striking out all that follows: "be increased to \$18.14" and inserting in lieu thereof a period.

(c) Section 5(i)(1)(ii) of such Act is amended by inserting "deeming such an individual who is entitled to an annuity under subsection (a)(1) of this section to have attained age sixty-two unless such individual will have been entitled to an annuity under subsection (a)(2) of this section for the month before the month in which he attained age sixty", after "an activity within the United States".

(d) Section 5(j) of such Act is amended by striking out all after the colon and inserting in lieu thereof the following: "Provided, however, That the annuity of a child, qualified under subsection (1)(1)(ii)(C) of this section, shall cease upon the last day of the second month following the month in which he ceases to be unable to engage in any regular employment by reason of a permanent physical or mental condition unless in such second month he qualifies for an annuity under one of the other provisions of this Act and unless his annuity is otherwise terminated on an earlier date."

(e) Section 5(l)(1) of such Act is amended by changing the period at the end of subdivision (i) thereof to a semicolon; by striking out "which began" from subdivision (ii)(C) and inserting in lieu thereof "which disability began"; and by striking out "216(h)(1) of the Social Security Act, as in effect prior to 1957, shall be applied" where such language first appears and inserting in lieu thereof "216(h) of the Social Security Act shall be applied deeming, for this purpose,

individuals entitled to an annuity under section 2 (e) or (h) to be entitled to benefits under subsection (b) or (c) of section 202 of the Social Security Act and individuals entitled to an annuity under subsection (a) or (b) of this section to be entitled to a benefit under subsection (e), (f), or (g) of section 202 of the Social Security Act".

(f) Section 5(1) (9) of such Act is amended by inserting "or January 1, 1951, whichever is later" before "; eliminating any excess over \$300"; by striking out "for any calendar year before 1955 is less than \$3,600" and inserting in lieu thereof "in the period before 1951 is less than \$50,400, or for any calendar year after 1950 and before 1955 is less than \$3,600"; by inserting "period or such" before "calendar year 'wages' as defined in paragraph (6) hereof"; by striking out "for such year and \$3,600 for years before 1955" and inserting in lieu thereof "for such period and \$50,400, and between the compensation for such year and \$3,600 for years after 1950 and before 1955"; by striking out "closing date: *Provided*, That for the period prior to and including" and inserting in lieu thereof "closing date or January 1, 1951, whichever is later: *Provided*, That for the period after 1950 but prior to and including"; by inserting "after 1950" after "That there shall be excluded from the divisor any calendar quarter"; and by inserting ", any calendar quarter before 1951 in which a retirement annuity will have been payable to him and any calendar quarter before 1951 and before the year in which he will have attained the age of 20" before ". An employee's 'closing date' shall mean (A)".

(g) Subdivision (i) of section 5(1) (10) of such Act is amended by striking out beginning with "\$450; plus (C)" down to and including "multiplied by" and inserting in lieu thereof "(i) \$450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, plus (C) 1 per centum of the sum of (A) plus (B) multiplied by"; and by striking out "after 1936 in each of which the compensation, wages, or both, paid to him will be equal to \$200 or more" and inserting in lieu thereof "after 1950 in each of which the compensation, wages, or both, paid to him will have been equal to \$200 or more plus, for the years after 1936 and before 1951, a number of years determined in accordance with regulations prescribed by the Board".

(h) Section 5(m) of such Act is amended by striking out all that appears therein and inserting in lieu thereof the following:

"(m) The amount of an individual's annuity calculated under the other provisions of this section (except an annuity in the amount determined under the proviso in subsection (a) or (b)) shall (before any reduction on account of age) be increased in the amount of 82.5 per centum in the case of a widow, widower, or parent and 75 per centum in the case of a child of the increase shown in the table in section 3(a) (2) on the same line on which the range of monthly compensation includes an amount equal to the average monthly wage determined for the purposes of section 3(e) (except that for cases involving earnings before 1951 and for cases on the Board's rolls on the enactment date of the 1967 amendments to the Railroad Retirement Act, an amount equal to the highest average monthly wage that can be found on the same line of the table in section 215(a) of the Social Security Act as is the primary insurance amount recorded in the records of the Railroad Retirement Board shall be used, and if such an average monthly wage cannot be determined, the employee's monthly compensation on which his annuity was computed shall be used; and in the case of a pensioner, his monthly compensation shall be deemed to be the earnings which are used to compute his basic amount): *Provided, however*, That the increase shall (before any reduction on account of age) be reduced by 17.3 per centum of any benefit under title II of the Social Security Act to which the individual is entitled (disregarding for the purpose of this and the following proviso any increase in such benefit based on recomputations other than for the correction of errors after the first adjustment and any increases derived from legislation enacted after the Social Security Amendments of 1967): *And provided further*, That the amount computed under this subsection shall (before any reduction on account of age) not be less than \$5, or, in the case of an individual entitled to benefits under title II of the Social Security Act, such amount shall not be less than \$5 minus 5.8 per centum of the lesser of the social security benefit to which such individual is entitled or the benefit computed under the other provisions of this section."

Sec. 106. Section 10(a) of the Railroad Retirement Act of 1937 is amended by striking therefrom the last sentence and inserting in lieu thereof the follow-

ing new sentence: "Upon the expiration of his term of office a member shall continue to serve until his successor is appointed and shall have qualified."

SEC. 107. All pensions under section 6 of the Railroad Retirement Act of 1937 and all annuities under the Railroad Retirement Act of 1935 are increased as provided in that part of section 3(a)(2) of the Railroad Retirement Act of 1937 which precedes the provisos (deeming for this purpose (in the case of a pension) the monthly compensation to be the earnings which would be used to compute the basic amount if the pensioner were to die); joint and survivor annuities shall be computed under section 3(a) of the Railroad Retirement Act and reduced by the percentage determined in accordance with the election of such annuity; all survivor annuities deriving from joint and survivor annuities under the Railroad Retirement Act of 1937 in cases where the employee died before the month following the month in which the increases in annuities provided by section 104(a) of this Act are effective are increased by the same amount they would have been increased by this Act if the employee from whose joint and survivor annuity the survivor annuity is derived had been alive during all of the month in which the increases in annuities provided by section 104(a) of this Act are effective; and all widows' and widowers' insurance annuities which began to accrue before the month following the month in which the increase in annuities provided by section 14(a) of this Act are effective and which, in accordance with the proviso in section 5(a) or section 5(b) of the Railroad Retirement Act of 1937, are payable in the amount of the spouse's annuity to which the widow or widower was entitled are increased by the amount by which the spouse's annuity would have been increased by this Act had the individual from whom the annuity is derived been alive during all of the month in which the increase in annuities provided by section 104(a) of this Act are effective: *Provided, however*, That in cases where the individual entitled to such a pension or annuity (other than an individual who has made a joint and survivor election) is entitled to a benefit under title II of the Social Security Act, the additional amount payable by reason of this subsection shall be reduced by 11.5 per centum of such benefit (disregarding any increases in such benefit based on recomputations other than for the correction of errors after such reduction is first applied and any increase derived from legislation enacted after the Social Security Amendments of 1967): *And provided further*, That (i) such an annuity under the Railroad Retirement Act of 1935 or a pension shall be increased by not less than \$10, (ii) such a survivor annuity derived from a joint and survivor annuity shall be increased by not less than \$5, and (iii) such a widow's or widower's annuity in an amount formerly received as a spouse's annuity shall be increased by not less than \$5, but not to an amount above the maximum of the spouse's annuity payable in the month in which the increases in annuities provided by section 104(a) of this Act are effective.

SEC. 108. (a) Except as otherwise provided, the amendments made by this title, other than section 102, subsections (f) and (g) of section 105, and section 106, shall be effective with respect to annuities accruing for months beginning with the month with respect to which the increase in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 is effective, and with respect to pensions due in calendar months next following the month with respect to which the increase in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 is effective. The amendments made by section 102 shall be effective with respect to annuities accruing for months in calendar years after 1967. The amendments made by section 105 (f) and (g) shall be effective with respect to benefits payable on deaths occurring on or after the date of enactment of this Act. The amendments made by section 106 shall be effective on the enactment date of this Act.

(b) In cases where an annuity is payable in the month before the month with respect to which increases in benefits under title II of the Social Security Act provided for by the Social Security Amendments of 1967 become effective in an amount determined under the Railroad Retirement Act, other than under the first proviso of section 3(e) of such Act, the provisions of this Act shall be presumed, in the absence of a claim to the contrary, to provide a higher amount of increase in the annuity than the provisions of the Social Security Amendments of 1967 would provide as an increase in the amount determined under the first proviso of section 3(e) of the Railroad Retirement Act.

(c) All recertifications required by reason of the amendments made by this title shall be made by the Railroad Retirement Board without application therefor.

TITLE II—AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SEC. 201. (a) (1) Section 1(k) of the Railroad and Unemployment Insurance Act is amended by striking out "or which is included in a maternity period" and inserting in lieu thereof "or, with respect to a female employee, a calendar day on which, because of pregnancy, miscarriage, or the birth of a child, (i) she is unable to work or (ii) working would be injurious to her health".

(2) The said section 1(k) is further amended by striking out from the first proviso "\$750" and inserting in lieu thereof "\$1,000".

(b) Section 1(l) of such Act is amended by redesignating subsections "(1)" and "(1) (1)" as "(1) (1)" and "(1) (2)", respectively; by striking out from subsection (1) (2), as redesignated, "and the term 'statement of maternity sickness' means a statement with respect to a maternity period of a female employee, in each case"; and by striking out the present subsection (1) (2).

SEC. 202. (a) (1) The first paragraph of section 2(a) of the Railroad Unemployment Insurance Act is amended by striking out (i) "(other than a day of sickness in a maternity period)"; and (ii) "and (iii) for each day of sickness in a maternity period".

(2) The said section 2(a) is further amended by striking out the third paragraph thereof.

(3) The said section 2(a) is further amended by striking out the first line from the table thereof; by striking out "5.50", "6.00", "6.50", "7.00", "7.50", "8.00", "8.50", "9.00", "9.50" and "10.20" and inserting in lieu thereof "\$8.00", "\$8.50", "9.00", "9.50", "10.00", "10.50", "11.00", "11.50", "12.00" and "12.70", respectively; and by striking from the proviso "\$10.20" and inserting in lieu thereof "\$12.70".

(b) (1) Section 2(c) of such Act is amended by striking out "other than days of sickness in a maternity period," wherever it appears; by inserting "and" after "base year;" where it first appears, and by striking out "and the total amount of benefits which may be paid to an employee for days of sickness in a maternity period shall in no case exceed the employee's compensation in the base year on the basis of which the employee was determined to be qualified for benefits in such maternity period".

(2) The said section 2(c) is further amended (i) by striking out "leave work without good cause or voluntarily retire" from the second proviso and inserting in lieu thereof the following: "retire and (in a case involving exhaustion of rights to benefits for days of unemployment) did not voluntarily leave work without good cause"; (ii) by inserting after the words "normal benefits for days of unemployment", the first time they appear in the second proviso, the following: "or days of sickness"; (iii) by inserting after "for, unemployment" in the second proviso the following: "for sickness (depending on the type of benefit rights exhausted)"; (iv) by inserting after "compensable days of unemployment" in the second proviso the following: "or days of sickness, as the case may be,"; (v) by inserting after "first day of unemployment" in the schedule in the second proviso the following: "or sickness, as the case may be,"; (vi) by inserting after the words "days of unemployment" in the schedule in the second proviso the following: "or days of sickness"; (vii) by striking out "leave work without good cause or voluntarily retire" from the second sentence and inserting in lieu thereof the following: "retire and (in a case involving unemployment) did not voluntarily leave work without good cause"; (viii) by inserting after "unemployment," in the second sentence, the following: "or fourteen or more consecutive days of sickness,"; (ix) by inserting after the words "such employment", wherever they appear in the last sentence, the following: "or sickness"; and (x) by adding the following two sentences at the end of such section: "Notwithstanding the other provisions of this subsection, an extended benefit period for sickness benefits shall terminate on the day next preceding the date on which the employee attains age 65, except that it may continue for the purpose of the payment of unemployment benefits; and, except in the case of a succeeding benefit year beginning with a day of unemployment, the next preceding sentence shall not operate to permit the payment of benefits in the period provided for in such sentence for any day of sickness beginning with the day on which age 65 is attained and continuing through the day preceding the first day of the next succeeding general benefit year. For purposes of this subsection and section 10(h), the Board may rely on evidence of age available in its records and files at the time determination of age are made."

SEC. 203. Section 3 of the Railroad Unemployment Insurance Act is amended by striking out "\$750" and inserting in lieu thereof "\$1,000".

SEC. 204. (a) Section 4(a-1) of the Railroad Unemployment Insurance Act is amended by inserting at the end thereof the following new paragraph:

"(iii) if he is paid a separation allowance, any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive fourteen-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by ten times his last daily rate of compensation prior to his separation if he normally works five days a week, (ii) by twelve times such rate if he normally works six days a week, and (iii) by fourteen times such rate if he normally works seven days a week;"

(b) Section 4(a-2) (i) of such Act is amended by striking out from paragraph A thereof "\$750" and inserting in lieu thereof "\$1,000".

SEC. 205. Section 10 of the Railroad Unemployment Insurance Act is amended by inserting in subsection (a) thereof before "; (iii)" the following: "and pursuant to subsection (h) of this section", and by inserting at the end thereof the following new subsection:

"(h) At the close of the fiscal year ending June 30, 1968, and each fiscal year thereafter, the Board shall determine the amount, if any, which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who had been paid benefits in the fiscal year for days of sickness in an extended benefit period under the first sentence of section 2(c), or in a 'succeeding benefit year' begun in accordance with the second sentence of section 2(c), and who upon application therefor would have been entitled to a disability annuity under section 2(a) of the Railroad Retirement Act of 1937 with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have been accrued. In determining such amount, the Board shall presume that every such employee was, in respect to his permanent physical or mental condition, qualified for such an annuity from the date of onset of the last spell of illness for which he was paid such benefits, if (a) he died without applying for such an annuity and before fully exhausting all rights to such benefits; or (b) he died without applying for such an annuity but within a year after the last day of sickness for which he had been paid such benefits, and had not meanwhile engaged in substantial gainful employment; or (c) he applied for such an annuity within one year after the last day of sickness for which he was paid such benefits and had not engaged in substantial gainful employment after that day and before the day on which he filed an application for such an annuity. The Board shall also have authority to make reasonable approximations deemed necessary in computing annuities for this purpose. The Board shall determine such amount no later than June 15 following the close of the fiscal year, and within ten days after such determination shall certify such amount to the Secretary of the Treasury for transfer from the Railroad Retirement Account to the railroad unemployment insurance account, and the Secretary of the Treasury shall make such transfer. The amount so certified shall include interest (at a rate determined, as of the close of the fiscal year, in accordance with subsection (d) of this section) payable from the close of such fiscal year to the date of certification."

SEC. 206. (a) Section 12(f) of the Railroad Unemployment Insurance Act is amended by striking out ", or maternity" wherever it appears; and by substituting

(i) for the comma between "unemployment-compensation" and "sickness" in the first sentence,

(ii) for the comma between "unemployment" and "sickness" in the second sentence, and

(iii) for the comma between "unemployment-compensation" and "sickness" in the second sentence.

(b) The first paragraph of section 12(g) of such Act is amended by substituting "or" for the comma between "unemployment" and "sickness", and by striking out ", or maternity". The second paragraph of such section is amended by striking out ", or maternity" wherever it appears, and by substituting "or" for the comma wherever it appears between "unemployment" and "sickness".

(c) The third paragraph of section 12(i) of such Act is amended by striking out "and, in case of maternity sickness, the expected date of birth and the actual date of birth of the child".

(d) Section 12(n) of such Act is amended by striking out

(i) "or maternity" wherever it appears, and

(ii) "or as to the expected date for birth of a female employee's child, or the birth of such a child".

SEC. 207. Section 13 of the Railroad Unemployment Insurance Act is amended by striking out the following phrases: "and maternity"; "or for maternity"; "or maternity" wherever it appears; and "or to maternity".

EFFECTIVE DATES

SEC. 208. The amendments made by sections 201(a)(1), 201(b), 202(a)(1), 202(a)(2), 202(b)(1), 206, and 207 shall be effective as of July 1, 1968. The amendments made by sections 201(a)(2) and 203 shall be effective with respect to base years beginning in calendar years after December 31, 1966, except that with respect to the base year in calendar year 1967 the amendments made by section 203 shall not be applicable to an employee whose compensation with respect to that base year was not less than \$750 but less than \$1,000; further, as to such an employee, the amendments made by section 202(a)(3) shall not be applicable with respect to days of unemployment and days of sickness in registration periods in the benefit year beginning July 1, 1968. The amendments made by section 202(a)(3) shall otherwise be effective with respect to days of unemployment and days of sickness in registration periods beginning on or after July 1, 1968. The amendments made by sections 202(b)(2)(i) through (vi) shall be effective to provide the beginning of extended benefit periods on or after July 1, 1968. The amendments made by sections 202(b)(2)(vii) through (ix) shall be effective to provide for the early beginning of a benefit year on or after July 1, 1967. The amendment made by section 204(a) shall be effective with respect to calendar days in benefit years beginning after June 30, 1968, and the amendment made by section 204(b) shall be effective with respect to voluntary leaving of work (within the meaning of section 4(a-2)(i) of the Railroad Unemployment Insurance Act) after the enactment date of this Act.

U.S. RAILROAD RETIREMENT BOARD,
Chicago, Ill., January 12, 1968.

HON. HARLEY O. STAGGERS,

*Chairman, Committee on Interstate and Foreign Commerce, Rayburn House
Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: Pursuant to your request of December 19, 1967, this is the report of the Railroad Retirement Board on the bill H.R. 14563, which was introduced by yourself on December 15, 1967. This bill embodies the provisions of a program which was developed jointly by railway labor and management in consultation with the Board. The Board joins these parties in recommending the enactment of the bill.

The bill consists of two titles, the first of which would increase annuities under the Railroad Retirement Act and the other would increase benefits under the Railroad Unemployment Insurance Act. Each title will make other improvements in the Act it would amend, and each will be discussed separately below.

TITLE I—AMENDMENTS TO THE RAILROAD RETIREMENT ACT

The bill would increase annuity amounts payable under the regular formula of the Railroad Retirement Act by an amount approximately equivalent to 110 per cent of the dollar amount of increase which an individual with a similar earnings history could have obtained from the percentage increase in benefits provided by the Social Security Amendments of 1967, subject to certain adjustments which are described below. Annuities payable under the social security minimum guaranty provision in Section 3(e) of the Railroad Retirement Act would not be increased by the bill because such amounts are automatically increased as the result of the 1967 increase in social security benefits.

The increase in annuities provided by the bill would relate only to the percentage increase in the amount of social security benefits over the amount payable under the 1965 amendments to the Social Security Act. The reason for

so restricting the increases is that higher benefits attributable solely to the increase in the social security earnings base to \$7,800 per year come automatically under the Railroad Retirement Act by the operation of the existing provision which fixes the railroad retirement monthly compensation limit at one-twelfth of the annual wage limit under the Social Security Act. This increase in the maximum creditable compensation under the Railroad Retirement Act to \$650 per month will of itself produce higher annuity amounts for those employees who earn in excess of \$550 a month. There will be an additional increase in annuities resulting from the provision in the bill to remove the limitation of the 7 per cent 1966 increase in annuities to the part of the individual's annuity based on the first \$450 of his monthly compensation. The removal of this limitation would make the 7 per cent increase in benefits applicable to the annuity based on the entire monthly compensation, and this would result in an increase in his annuity. Thus, an employee earning more than \$550 a month would have his railroad retirement annuity increased under two legislative enactments. The total of the two increases will, in the general case, be considerably greater than 110 per cent of the increase that could be derived from the 1967 Social Security Amendments by virtue of the combination of the formula increase and the higher earnings base. (See the last part of the Appendix for an illustrative example.)

The change required in the formula for computing retirement annuity amounts which is required to effect the increase is provided for in section 104(a) of the bill. This section would amend the present Section 3(a) of the Railroad Retirement Act in several ways. First, it would raise the annuity factor applicable to the part of the average monthly compensation in excess of \$450 from 1.67 to 1.79 per cent. The effect of this would be to make the 7 per cent increase of 1966 applicable to the whole range of average monthly compensation. Second, the amended Section 3(a) of the Railroad Retirement Act would add another increase computed from the schedule appearing in Section 3(a)(2). The amount of the increase would be subject to certain reductions which are explained later in this report.

For purposes of the schedule increase, Section 3(a) would treat an individual's average monthly compensation (on which his annuity is based) as if it were his average monthly wage under the Social Security Act, and arrive at an approximation of 110 per cent of the social security percentage increases as shown in the table below.

DERIVATION OF INCREASES IN TABLE IN SEC. 104(a) OF THE BILL TO AMEND THE RAILROAD RETIREMENT ACT
(REVISED SEC. 3(a) OF THE RAILROAD RETIREMENT ACT)¹

Average monthly compensation	1965 act primary insurance amount as extended	1967 act primary insurance amount	110 percent of increase in primary insurance amount
(I)	(II)	(III)	(IV)
Up to \$100.....	\$63.20	\$71.50	\$9.13
\$101 to \$150.....	78.20	88.40	11.22
\$151 to \$200.....	89.90	101.60	12.87
\$201 to \$250.....	101.70	115.00	14.63
\$251 to \$300.....	112.40	127.10	16.17
\$301 to \$350.....	124.20	140.40	17.82
\$351 to \$400.....	135.90	153.60	19.47
\$401 to \$450.....	146.00	165.00	20.90
\$451 to \$500.....	157.00	177.50	22.55
\$501 to \$550.....	168.00	189.90	24.09
\$551 to \$600.....	178.70	204.00	27.83
\$601 and over.....	189.40	218.00	31.46

¹ The primary insurance amounts and the increases are those for an average monthly wage corresponding to the highest average monthly compensation in the intervals shown.

As constructed, the second column of the above table includes an extension of the table in Section 215(a) of the Social Security Act before its amendment in 1967. This extension is achieved by adding 21.4 per cent of the average monthly wage in excess of \$550 to the primary insurance amount of \$168 for the 1965 maximum average monthly wage of \$550. The formula underlying the 1965 table for computing a social security benefit called for 62.7 per cent of the first \$110, 22.90 per cent of the next \$290, and 21.4 per cent of the average monthly wage in excess of \$400.

As stated before, the upper end of the monthly compensation in column I of the table is deemed to be the individual's average monthly wage. The figures above \$550 show what his monthly benefit would have been under the Social Security Act as amended in 1965 if the social security wage base had then been increased to the maximum provided by the 1967 Social Security Amendments. The corresponding amount of the social security benefit under the 1965 Act is shown in column II. This amount is then converted to a corresponding higher amount under the 1967 Social Security Amendments and is shown in column III. Finally, the difference between the amount in column III and the amount in column II is increased by 10 per cent to the amount shown in column IV. Since columns II and III above merely show how the amounts in column IV are arrived at, they are not necessary for the purposes of the bill and are omitted from the table in the proposed Section 3(a)(2).

The table takes account of the 1967 change in formula for increasing benefits under the Social Security Act but disregards the effect of the raises in social security benefits due solely to the increase in the earnings base from \$6,600 to \$7,800 per year. The table in the bill thus avoids duplication of benefit increases on the basis of earnings in excess of \$550 a month because, as stated earlier, the increase in the wage base under the Social Security Act will automatically result in an increase in the railroad retirement annuity even without this bill. If the table had included also the part of the social security benefit which is due solely to the increase in the earnings base, there would be a duplication of the increase already available under the present provisions of the Railroad Retirement Act.

The increases in annuities provided for in the bill would be subject to certain reductions. It is the intent of the bill to make certain that every employee annuitant paid under the regular formula receives an increase in the benefit to which he would be entitled under the 1966 amendments to the Railroad Retirement Act, and that in no case shall such increase (prior to reduction for early retirement) be less than about \$10.

To facilitate administration, the bill provides for a method which avoids the computation of an annuity under the 1966 Act as a first step. This is accomplished by applying all reductions against the amount of the increase derived from the schedule in Section 3(a)(2). The reductions provided for in the first two provisos of Section 3(a)(2) aim at the following results:

1. The reduction for the receipt of a supplemental annuity shall be dollarwise the same as under the 1966 Act.

2. The social security offset shall be a combination of the offset in present law for the 7 per cent increase in the Social Security Amendments of 1965 and an additional offset for the 13 per cent increase in the Social Security Amendments of 1967. This is a continuation of the principle which was established by the railroad retirement amendments of 1966.

Basically, there would be four types of cases: (1) no offset of any kind is applicable, (2) the employee is entitled to a supplemental annuity but not to a social security benefit, (3) the employee is entitled to a social security benefit but not to a supplemental annuity, and (4) the employee is entitled to both a supplemental annuity and a social security benefit. In the last three kinds of cases, the offsets are computed by means of appropriate reduction factors in the manner explained in the Appendix.

The third proviso of the new Section 3(a)(2) is intended to make certain that after all the other computations provided for in Section 3(a)(1) and 3(a)(2), the increase (before any reduction for early retirement) would be about \$10 above the amount to which the retired employee would be entitled under the 1966 amendments to the Railroad Retirement Act. Thus, if the amount calculated under the new Section 3(a)(1) and that part of the new Section 3(a)(2) which precedes the third proviso does not, in effect, exceed by \$10 or more the amount calculated under the 1966 law, the third proviso of the new Section 3(a)(2) would apply. To arrive at the amount which would be payable under the 1966 law, it would have been necessary to make a separate calculation which would considerably complicate the adjudication process. In order to avoid this, the bill provides for a procedure which would accomplish the desired result without reference to the benefit amount under the 1966. How this would be done is explained in the computations shown in the Appendix for Case 3. The proviso contains additional language to make sure that in the unusual case where the individual's social security benefit is larger than his railroad retirement annuity, the amount to be deducted from the basic \$10 minimum will not be greater than the amount of the reduction applied against the 7 per cent increase under the 1966 law.

Other provisions in the bill would increase annuities of spouses and survivors of employees in a way similar to that provided for increasing employee annuities, except that the minimum increase above the amount payable under the 1966 amendments to the Railroad Retirement Act would be about \$5 a month instead of about \$10, and except that the spouse's annuity would not be increased over the maximum amount provided in Section 2(e) of the Railroad Retirement Act.

Further, the bill would provide reduced annuities for disabled widows and widowers who have attained age 50 under roughly the same conditions as monthly benefits would be provided for totally disabled widows and widowers covered under the Social Security Amendments of 1967, except that there would be no waiting period before such an annuity could be paid. The reduction would be by three-tenths of 1 per cent for each month the individual is under age 60 when the annuity begins. This factor will ordinarily produce for the disabled widow a benefit somewhat higher than 110 per cent of the corresponding amount under the Social Security Act. The reduction would remain in effect throughout the individual's life. If the annuity is not paid for some months after it begins (for example, in the case of a recovery from disability) the reduction would be adjusted after age 60 is attained by removing from the reduction period the months for which the annuity was not paid.

This bill would amend Section 1(h) of the Act to increase the amount to be credited for each month of military service after 1967 from \$160 to \$260. This would be in accord with the increase in wage credits under the Social Security Act (as amended in 1967) for military service.

The provisions requiring the loss of an employee's disability annuity payment because of work would be changed so that he could now earn \$2,400 in a year instead of \$1,200 without losing annuity payments for any month in the year; also, as a result of the change, he could earn as much as \$200 in a month instead of \$100, regardless of his total earnings for the year, and not lose his annuity for that month.

Finally, the bill would remove an inequity in present law. Prior to 1957, the Railroad Retirement Act and the Social Security Act required, for the purpose of benefits based on a marital relationship, that there be a marriage valid in all respects. In 1957, the Social Security Act was amended to provide benefits in some cases even if the marriage was not valid as theretofore required. The strict requirements in this respect under the Railroad Retirement Act, however, remained unchanged. This resulted in the denial, under the Railroad Retirement Act, of benefits in cases where, in similar situations, the Social Security Administration would have paid the benefits. There are also other cases where individuals, such as a child, can qualify as having the necessary family status under the Social Security Act to be paid benefits but cannot qualify under the Railroad Retirement Act. Title I of the bill would amend the Railroad Retirement Act to incorporate the provisions of the entire current section 216(h) of the Social Security Act in this respect.

There would be some changes of a technical nature designed to facilitate administration. Some of these changes in regard to determining wage and compensation credits before 1951 by electronic computer, would be in general accord with similar changes in the Social Security Act effected by the amendments of 1967.

The increase in annuities provided by the bill would be effective with respect to annuities accruing for months beginning with the month in which the increases in benefits under title II of the Social Security Act are effective (February 1968) and with respect to pensions due in months next following such month.

TITLE II—AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Title II of H.R. 14563 would amend the Railroad Unemployment Insurance Act as shown below.

(1) Maternity benefits would be eliminated, but the definition of "day of sickness" in Section 1(k) of the Act would be amended so as to specifically include a day on which, because of pregnancy, miscarriage, or the birth of a child, a female employee is unable to work or working would be injurious to her health.

(2) The amount of creditable compensation an employee must earn in a base year, as a qualifying condition for the payment of benefits under the Act, would be increased from the present \$750 to \$1,000. A corresponding increase would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily

left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) The benefit rate schedule would be revised, and the maximum daily benefit rate would be increased from \$10.20 to \$12.70 for days of unemployment and days of sickness.

(4) Provision would be made for extended sickness benefits similar to the extended unemployment benefits now provided.

(5) The present provision for the possible early beginning of a benefit year in cases involving days of unemployment would be expanded to provide for the possible early beginning of a benefit year in cases involving days of sickness.

(6) Attainment of age 65 would end all rights to extended sickness benefits. In an accelerated benefit year begun for the purpose of the payment of sickness benefits, attainment of age 65 prior to the beginning of the general benefit year which was accelerated would end all rights to further sickness benefits until the beginning of the general benefit year. These limitations would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected.

(7) Provision is made for the transfer from the Railroad Retirement Account to the railroad unemployment insurance account, at the close of each fiscal year, of the amount which, if added to the railroad unemployment insurance account, would place such account in the same position it would have been in at the close of such fiscal year if every employee who had been paid extended or accelerated sickness benefits in the fiscal year, and who upon application therefor would have been entitled to a disability annuity under Section 2(a) of the Railroad Retirement Act with respect to some or all of the days for which such benefits were paid, had been paid such annuity with respect to all days of sickness for which he was paid benefits which were also days with respect to which such annuity could have accrued.

(8) An additional disqualifying condition would be added, with the effect that an employee who has been paid a separation allowance would not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period would be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal work week.

A more detailed explanation of these changes is given below.

(1) *Elimination of maternity benefits, and provision for days of sickness due to pregnancy, miscarriage, or the birth of a child.*—Under present law, a woman employee could receive the equivalent of 260 days of sickness and maternity benefits in a single benefit year (130 days for sickness, and the equivalent of 130 days of maternity benefits). Under the amendments she could receive no maternity benefits, and the maximum number of days for which she could receive normal sickness benefits in a single benefit year would be 130. For example: if a female employee should be paid for 100 days of sickness during pregnancy and following the birth of her child, she would be entitled to normal sickness benefits for no more than 30 additional days of sickness in that same benefit year (she might be entitled to extended sickness benefits if she had 10 or more years of service and met the other requirements). The statement of sickness that the Board would require with respect to the days of sickness during the pregnancy and following the birth of her child would establish that each day claimed is a day of sickness because it is a day on which, because of pregnancy, miscarriage, or the birth of a child, she is unable to work or working would be injurious to her health.

(2) *Increase in qualifying amount.*—The increase from \$750 to \$1,000 in the amount of creditable compensation which an employee must earn in a base year in order to be qualified to receive benefits under the Act is warranted by the increase in wages since 1963, when such qualifying amount was last increased (from \$500 to \$750). Corresponding changes would be made in the subsidiary remuneration provision, and in the provision stating the minimum amount of compensation which an employee who has voluntarily left work must be paid with respect to time after such leaving before his disqualification for unemployment benefits can end.

(3) *Increase in maximum daily benefit rate.*—Except for the stricter eligibility requirements provided for in the 1963 amendments to the Railroad Unemployment Insurance Act (by Public Law 88-133), there have been no changes in the benefit provisions of the Act since those made by the 1959 amendments (Public Law 86-28). Since that time, however, there have been major changes

in railroad pay rates and earnings levels. Moreover, there have been many improvements in the State unemployment compensation laws in that interval, with the result that the Railroad Unemployment Insurance Act now compares less favorably with the State laws than it did in 1959.

In 19 States, with over half the workers under State unemployment compensation laws, it is now possible for a beneficiary to receive more (including the dependents allowances in 6 States) than the \$51-a-week maximum (5 times \$10.20) now payable under the Railroad Unemployment Insurance Act. Furthermore, supplementary unemployment benefit plans and nongovernmental sickness benefit plans frequently pay more than \$51 a week, and in some cases pay more than the \$63.50 a week (5 times \$12.70) which will be the maximum for Railroad Unemployment Insurance Act benefits under the proposed amendments. Benefits in excess of \$63.50 a week are available in 8 States (including the dependents allowances in 6 States).

(4) and (5) *Extended and accelerated benefits for sickness.*—The addition of extended benefit periods and accelerated benefit years for sickness would provide for sickness the same treatment that unemployment has received since 1959. This would benefit primarily the older, long-service employees, who are more likely to have long illnesses. Currently, the proportion of beneficiaries exhausting sickness benefits is as large as the proportion exhausting normal unemployment benefits, and the need is greater for the sickness beneficiary. Even with the fine health and welfare benefits that have been negotiated for railroad employees, the cost of illness is much greater than the cost of unemployment and, of course, the sickness beneficiary is not available for placement in nonrailroad employment the way an unemployment beneficiary is, so he does not have the same opportunity to obtain other income.

It is now possible for beneficiaries in two of the four States with statutory plans for sickness benefits to become entitled to sickness benefits for more than 26 weeks in a single year, if they have more than one spell of sickness in that year. Also, sick leave plans (for example, in Federal employment) may have payment durations longer than 26 weeks where the length of available leave is based on total service and the amount of leave previously used; some large industrial plans pay sickness benefits for 52 weeks or more.

(6) *Termination of right to extended sickness benefits, and sickness benefits in an accelerated benefit year, upon attainment of age 65.*—When an employee attains age 65, his rights to extended sickness benefits would cease. If he attained age 65 after the early beginning of a benefit year based on sickness, and before the beginning of the general benefit year which was accelerated, his rights to further sickness benefits would end until the beginning of that general benefit year. These limitations based on attainment of age 65 would not deprive any employee of rights he now has to sickness benefits under the present law; such rights would continue unaffected.

(7) *Transfers from the Railroad Retirement Account to the railroad unemployment insurance account.*—Many individuals who will receive the new extended sickness benefits, or sickness benefits in an accelerated benefit year, would be qualified for disability annuities under the Railroad Retirement Act. If they were to apply for, and receive, such annuities, their entitlement to sickness benefits would be limited by Section 4(a-1) (ii) of the Railroad Unemployment Insurance Act, the purpose of which is to prevent the duplication of payments under that Act and other social insurance laws. It is expected, however, that after extended and accelerated sickness benefits are introduced a considerable number of these individuals will postpone applying for their disability annuities, with the result that Section 4(a-1) (ii) will not operate during the periods of such postponement. For this reason, the amendments include a provision for an annual transfer of funds from the Railroad Retirement Account to the railroad unemployment insurance account in an amount which will place the latter account in the position it would have been in at the close of the fiscal year if those individuals had applied for, and received, their disability annuities for days for which they were paid sickness benefits in the fiscal year. Ordinarily, an individual's annuity qualifications in terms of age, service, and physical and mental condition, are investigated and determined by the Bureau of Retirement Claims on a case-by-case basis. Such a thorough treatment is not practical or desirable for purposes of the contemplated interaccount transfer. The amendments authorize the Board to presume that individuals in certain situations are qualified for disability annuities; to make reasonable approximations deemed necessary in computing annuities for this purpose; and to rely on evidence of age available in its files and records. It is expected that the

amount to be transferred will be ascertained by applying statistical methods and reasonable approximations.

(8) *Disqualification for days after separation in the case of an employee who has been paid a separation allowance.*—The new disqualifying condition would mean that an employee who has been paid a separation allowance could not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period will be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal work week. The disqualification would apply to any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive 14-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by 10 times his last daily rate of compensation prior to his separation if he normally works five days a week, (ii) by 12 times such rate if he normally works six days a week, and (iii) by 14 times such rate if he normally works seven days a week. The purpose of the formula is to make the disqualification cover a period as nearly as possible equivalent to the length of time it would have taken the employee to earn the amount of the separation allowance. In the application of the formula, every employee would be regarded as normally working five days a week unless the evidence showed that he normally works six or seven days a week.

The application of the formula may be illustrated by the following example: An employee received a separation allowance of \$1,000; his last daily rate of pay was \$25, and there was nothing to show that he normally works six or seven days a week. The daily rate of pay, \$25, would be multiplied by ten, the product being 250. The amount of the separation allowance, \$1,000, would be divided by this 250, the result being 4. Consequently, the disqualification period, beginning with the day following the employee's separation from service, would continue for four consecutive 14-day periods, amounting to 56 consecutive calendar days.

Actuarial Cost Estimates

The bill would increase the cost of the retirement and survivor program by \$62 million a year and the cost of the unemployment and sickness insurance program by \$21 million per year. Since the bill would not generate any additional revenues, the added cost would have to be met from existing resources. In the case of the railroad retirement amendments (title I of the bill), the effect of the bill would be to use up the actuarial gains resulting from the 1967 Social Security Amendments and to have the system absorb an additional \$15 million per year. This means that after the enactment of the bill there will be an actuarial deficiency of \$58 million per year on a level basis which is equivalent to 1.16 per cent of taxable payroll under the new limit of \$650 per month. The amendments to the Railroad Unemployment Insurance Act (title II of the bill) would have the effect of prolonging the liquidation of the remaining indebtedness to the Railroad Retirement Account and of slowing down the accumulation of reserves thereafter.

A more detailed analysis of the financial consequences of the bill is given below.

I. AMENDMENTS TO THE RAILROAD RETIREMENT ACT

The pertinent question here is how the actuarial condition of the railroad retirement system after the enactment of the bill will compare with that which existed immediately prior to enactment of the 1967 Social Security Amendments. In order to answer this question, it is necessary to begin the cost analysis with a discussion of the financial effects of these amendments on the railroad retirement system.

Actuarial effects of the 1967 Social Security Amendments

In broad outline, the 1967 Social Security Amendments affected the railroad retirement system in the following ways:

1. The railroad retirement earnings base went up from \$550 to \$650 per month effective January 1, 1968. This will generate substantial increases in both tax collections and benefit disbursements.
2. The scheduled tax rates were changed by the same fractions of percentage points as were the social security rates.

3. Benefits computed under the social security minimum guaranty went up by 110 per cent of the corresponding increases granted by the social security amendments. A similar increase took place in the amount of the maximum spouse's annuity that may be paid under the Railroad Retirement Act.

4. The benefit reimbursements under the financial interchange with social security will be substantially increased but so will the contributions on railroad payrolls which are credited to social security under that arrangement.

Some of the effects will be felt almost immediately and some will be delayed for many years. In the first category are the additional taxes due to the increase in the earnings base, the additional benefits payable in the social security minimum and spouse maximum cases, and a large part of the additional credits and debits under the financial interchange. On the other hand, the additional benefits due to the increase in the earnings base will build up very gradually and it will take many years before they will be fully developed. Because of this, the experience in the next several years will not give a good indication of the cost effects over the long range.

The actuarial cost analysis for the effects of this legislation on the railroad retirement system is given in some detail in Table 1. The analysis was made from a long-range point of view and is based on the assumptions used in the tenth actuarial valuation. The additional income is expected to exceed the additional outgo by about \$47 million a year on a level basis. This would have been sufficient to wipe out the actuarial deficiency of \$43 million per year and to create an actuarial surplus of \$4 million per year.

TABLE 1.—*Estimated cost effects of the 1967 social security legislation on the railroad retirement system (equivalent level amounts per year)*

<i>Item</i>	<i>Amount per year (millions)</i>
Additional RR taxes exclusive of medicare.....	\$89.9
Additional RRA benefit payments, total.....	92.8
Higher earnings base (exclusive of effect on spouse maximum).....	34.1
Increase in spouse maximum.....	18.3
Overall minimum cases.....	40.4
Additional gain from financial interchange, net.....	49.9
Benefit reimbursements.....	+96.9
OASDI contributions.....	-47.4
Additional medicare taxes.....	+4.4
Actuarial balance after enactment, surplus.....	+4.0
Deficiency before any 1967 legislation.....	-43.0
Excess of additional income over additional outgo.....	+47.0

Actuarial effects of H.R. 14563

Title I of this bill would affect only benefit payments under the Railroad Retirement Act; it would not affect in any way the earnings base, tax receipts, or the transactions under the financial interchange. (The latter are governed by social security law and not railroad retirement law.) As stated elsewhere in this report, the main purpose of this part of the bill is to assure that all railroad retirement beneficiaries will receive benefit increases approximately equal to 110 per cent of the increase they could have received by virtue of the formula changes provided for in the 1967 Social Security Amendments if railroad service had been covered under the Social Security Act. More specifically, the bill aims at taking care of those beneficiaries who otherwise would not have received increases in their railroad retirement benefits by virtue of the changes in the social security benefit formulas. (Additional benefits due to the increase in the earnings base would have been available even without this bill.) In order to treat nondual and dual beneficiaries alike, the bill provides for reducing the railroad retirement increase by the dollar amount of the latest increase in the individual's simultaneous social security benefit, if any. It should be noted in this connection that

the partial social security offset also had the effect of keeping the cost of the amendments within reasonable bounds. Without it, the cost would have been nearly \$35 million per year greater.

It is estimated that the enactment of the bill would increase railroad retirement benefit disbursements by \$62.2 million a year on a level basis (Table 2). When this additional cost is combined with the actuarial surplus of \$4.0 million per year which would have existed without this bill (Table 1), an actuarial deficiency of \$58.2 million per year emerges. This is equivalent to 1.16 per cent of taxable payroll under the new limit of \$650 per month. While the existence of such an actuarial deficiency is a matter of potential concern, it does not pose a threat to the operating solvency of the system for many years to come. It should also be kept in mind that, in a sense, the cost estimates given here are preliminary because they are based on a valuation for the program provisions in effect immediately before the enactment of the 1967 Social Security Amendments. The next valuation (due some time in 1970) should give a more precise picture of the situation.

TABLE 2.—*Estimated cost effect of H.R. 14563 on the Railroad Retirement System (equivalent level amounts per year)*

<i>Item</i>	<i>Amount per year (millions)</i>
Schedule increases before dual-benefit offsets-----	+ \$88. 6
Addition for \$10 and \$5 minimums-----	+ 2. 5
Savings from dual benefit offsets-----	- 34. 6
Benefits to disabled widows-----	+ 2. 0
Increases in last annuity factors-----	+ 4. 2
Change in disability work restriction-----	+ 1. 0
Savings on residual payments-----	- 1. 5
Net cost-----	+ 62. 2
Actuarial deficiency after enactment-----	+ 58. 2

¹ Equivalent to 1.16 per cent of taxable payroll.

Immediate effects

The immediate effects of the 1967 Social Security Amendments and this bill on benefit payments under the Railroad Retirement Act are shown in Table 3. All the 950,000 railroad retirement beneficiaries would receive increases effective February 1, 1968. The increases would average around \$13 per month for retired employees (they would generally range from a minimum of \$10 to a maximum of nearly \$21), \$7 for spouses, \$11 for aged widows, and \$11 for other survivors. Also, benefits averaging \$83 per month would become available to about 3,000 disabled widows between the ages of 50 and 60. The additional benefit payments for the first year would come to somewhat over \$130 million. The additional retirement tax receipts for calendar year 1968 (on an accrual basis exclusive of medicare taxes) will be around \$60 million. As stated before, these additional taxes will result from the 1967 Social Security Amendments and not from the bill.

The financial interchange determination due in May or June of 1968 will not as yet reflect any of the effects of the new legislation because it will pertain to operations during fiscal year 1966-1967. As stated earlier, the financial interchange transactions will be affected only by the 1967 Social Security Amendments; this bill would have no bearing on them.

As shown in Table 3, the average railroad retirement increases for the major classes of beneficiaries affected by the bill will be smaller than for those affected by the Social Security Amendments of 1967. This seeming peculiarity is due to the fact that substantial proportions of the individuals affected only by the bill are receiving social security benefits in addition to their railroad retirement annuities. These dual beneficiaries would not receive a full increase under the bill because of the provision calling for a partial social security offset. (They would receive, however, a full increase in their benefit income from both systems.) By comparison, the great majority of the individuals affected by the social security amendments will receive full increases from the Railroad Retirement Board because there are relatively few dual beneficiaries among them. For nondual beneficiaries, that is, those not entitled to simultaneous social security benefits, the increases under the bill would, as a general matter, compare favorably with the increases which came about as a result of the social security amendments. (See last part of Appendix for an illustrative example.)

TABLE 3.—IMMEDIATE EFFECTS OF H.R. 12080 AND H.R. 14563 IN THE FIRST YEAR AFTER THE EFFECTIVE DATE

Item	Total	Retired employees	Wives	Aged widows	Other monthly survivors
Number receiving increases on effective date (thousands) ¹	¹ 950	437	205	258	50
By virtue of 1967 Social Security Amendments.....	356	44	² 89	173	50
By virtue of H.R. 14563.....	653	393	² 175	85	-----
Average amount of increases ³	-----	\$13	\$7	\$11	\$11
By virtue of 1967 Social Security Amendments.....	-----	17	7	13	11
By virtue of H.R. 14563.....	-----	13	5	6	-----
Total additional benefit payments during year (millions):	¹ \$128	\$70	\$18	\$33	\$7
By virtue of 1967 Social Security Amendments.....	50	9	7	27	7
By virtue of H.R. 14563.....	78	61	11	6	-----

¹ In addition almost \$3,000,000 will be paid to about 3,000 disabled widows between the ages of 50 and 60 who will become eligible to benefits averaging \$83 a month by virtue of H.R. 14563.

² About 59,000 wives will receive increases by virtue of both bills. This duplication is shown in these figures but omitted in the total.

³ For those receiving increases by virtue of the particular legislation.

II. AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Title II of the bill provides for a substantial increase in the daily benefit rate for both unemployment and sickness and would make it possible for employees with 10 or more years of service to draw sickness benefits for considerably longer periods. As a result of the bill, average benefits per full week of unemployment or sickness would increase from about \$50 to \$62 and larger amounts of sickness benefits would be paid to most employees who will experience long illness in a benefit year. The bill also contains several features aimed at keeping additional costs within reasonable bounds. Of these, the most important costwise is the provision calling for certain reimbursements from the Railroad Retirement Account, designed to recoup the savings which would otherwise accrue to that account because of the introduction of extended and accelerated sickness benefits. No change is made by the bill either in the amount of compensation subject to contributions or in the schedule of contribution rates.

It is estimated that title II of the bill would increase the benefit costs of the unemployment and sickness insurance program by \$20.5 million a year (Table 4). This figure is an average for the next five years rather than a level cost because the latter cost approach is not applicable to programs which do not involve liabilities deferred for many years. To make the cost estimate moderately conservative, the additional costs were calculated on the assumption that benefit disbursements under present law would have averaged \$45 million a year for unemployment and \$40 million a year for sickness.

In the last fiscal year, when benefit payments were at their lowest in the past 15 years, the income of the unemployment and sickness insurance program exceeded the benefit outgo by \$60 million so that it was possible to reduce the indebtedness to the Railroad Retirement Account by about the same amount. Under these circumstances, it is felt that the program can absorb the additional cost created by the bill without materially affecting its potential solvency. Obviously, the amounts available for the repayment of the indebtedness to the Railroad Retirement Account would be greatly reduced; however, it is expected that they would still be of the order of \$30 million per year. With such a rate of repayment of principal, the indebtedness would be liquidated in another five or six years. From that point on, some reserves would begin to gradually accumulate.

TABLE 4.—COST ESTIMATE FOR PROPOSED AMENDMENTS TO THE RUIA (AVERAGE ADDITIONAL COSTS PER YEAR IN FIRST 5 YEARS)

[Amount per year in thousands]

Provision	Total	Unemployment	Sickness
Increase in maximum daily benefit.....	\$19,900	\$10,100	\$9,800
Increase in amount of qualifying earnings.....	-2,780	-2,400	-380
Restriction on claimants receiving separation allowances.....	-1,240	-1,040	-200
Introduction of extended and accelerated sickness benefits ¹	5,500	-----	5,500
Elimination of special maternity benefits.....	-930	-----	-930
Net increase in benefit costs.....	20,450	6,660	13,790

¹ Net amount after adjustment for reimbursements from the railroad retirement account.² To this another \$500,000 per year would be added for increases in administration expenses. Thus, the total cost comes to about \$21,000,000 per year.

Note: All items in the table relate to a benefit schedule with a maximum of \$12.70 per day.

This report is being submitted on behalf of all three members of the Board who unanimously recommend enactment of this bill.

The Bureau of the Budget advises that while there is no objection to the submission of this report, the actuarial deficiency which the bill would create is a matter of serious concern and that the Board should develop recommendations at an early date to cover the increased cost of this measure.

Sincerely yours,

HOWARD W. HABERMAYER, *Chairman.*

APPENDIX

The table which follows explains how employee annuities would be computed under the bill H.R. 14563. It deals with all four types of cases which may arise. In Case 1, there is no offset involved because the annuitant is not entitled to a supplemental annuity and is not receiving a social security benefit. In Case 2, the employee is entitled to a supplemental annuity but not to a social security benefit. Case 3 refers to a man who is not entitled to a supplemental annuity but is receiving a social security benefit. Finally, Case 4 deals with the rather infrequent occurrence of entitlement to both a supplemental annuity and a social security benefit.

The table brings out the following facts:

1. The offset for the supplemental annuity would be almost exactly the same as under present law (items 3(c) and 2(c) of the table).

2. The social security offset under the bill (before adjustment for the minimum) exceeds the corresponding offset under present law by 13 per cent of the amount payable immediately before the 1967 amendments. This can be seen from the figures shown in items 1(c), 2(d) and 3(d) of the table. For example, in Case 4, the \$11.82 of item 3(d) is 13 per cent of \$91.00, and in Case 3, the \$19.67 of item 3(d) exceeds the \$6.59 of item 2(d) by \$13.08 which is 13 per cent of the \$100.60 in item 1(c).

3. The \$10 minimum specified in the third proviso of the new Section 3(a) (2) of the Act would apply mostly in cases where the amount computed under the new Section 3(a) (1) of the Railroad Retirement Act is not large in relation to the social security benefit.

4. The 5.8 per cent of the social security benefit under the 1967 Act is practically the same as 6.55 per cent of the corresponding amount under the 1965 Act. Similarly, 11.5 per cent of the former is the same as 13 per cent of the latter. Finally, 17.3 per cent of the amount under the 1967 Social Security Act accounts for both the 7 per cent increase given by the 1965 Social Security Amendments and the 13 per cent increase given in 1967. (A \$100 social security benefit under the law before it was amended in 1965 became \$121 under the 1967 Social Security Act. 17.3 per cent of \$121 is almost exactly equal to \$21.)

A case not dealt with in the table, but which requires special mention, is the one where the average monthly compensation will be in excess of \$450. Consider a future annuity award which will be based on, say, \$650 of monthly compensation and 30 years of service. Assume that no offset for either a supplemental annuity or a social security benefit will be involved. The amount computed under

the new Section 3(a)(1) of the Railroad Retirement Act will be \$402.90 and the schedule increase will be \$31.46, producing a total annuity of \$433.36. Under the law before the 1967 Social Security Amendments, this employee could have received only \$345.60 because earnings in excess of \$550 were not credited and the 7 per cent increase in the annuity factor did not apply to the part of the monthly compensation between \$450 and \$550. The difference between the two amounts of annuity is \$87.76. By comparison, the increase in the maximum social security benefits from the 1965 to the 1967 Social Security Act is \$50 (\$218 vs. \$168). Thus, the total railroad retirement increase is greatly in excess of 110 per cent of the total social security increase, a point which was stressed in the main body of the report.

If, however, this employee will be entitled to a supplemental annuity of, say, \$70 per month (but not to a social security benefit), his annuity under the bill would be reduced by \$19.36 (6.55 per cent of \$295.50 which is the part of the annuity based on the first \$450 of the average monthly compensation). This is almost exactly the same reduction as would have been applicable under present law since in both instances the reduction would be in an amount derived from the 7 per cent increase in the annuity factors applicable to the first \$450 of the average monthly compensation. Thus, the effective total increase in this man's annuity (from the railroad retirement law in effect immediately before the Social Security Amendments of 1967 to the law as it would be amended by H.R. 14563) would be approximately the same \$87.76 as quoted above for the case where there would be no entitlement to a supplemental annuity.

ILLUSTRATIVE EXAMPLES OF HOW H.R. 14563 WOULD INCREASE EMPLOYEE ANNUITIES UNDER THE RAILROAD RETIREMENT ACT

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.....	None	70.00	None	70.00
(c) Social security benefit before amendments of 1967.....	None	None	100.60	91.00
(d) Social security benefit after amendments of 1967.....	None	None	113.70	102.90
2. Computations under present law:				
(a) Benefit with 7-percent increase of 1966 amendments.....	209.58	236.43	162.99	228.38
(b) Benefit without 7-percent increase of 1966 amendments.....	195.69	220.74	152.17	213.23
(c) Offset for supplemental annuity (item 2(a) minus item 2(b)).....	None	15.69	None	15.15
(d) Offset for social security benefit (6.55 percent of item 1(c)).....	None	None	6.59	None
(e) Annuity payable (item 2(a) minus sum of items 2(c) and 2(d) but not less than item 2(b)).....	209.58	220.74	156.40	213.23
3. Computations under H.R. 14563:				
(a) Amount under sec. 3(a)(1) of the act.....	209.58	236.43	162.99	228.38
(b) Schedule increase under sec. 3(a)(2) of the act.....	16.17	17.82	19.47	17.82
(c) Offset for supplemental annuity (6.55 percent of item 3(a)).....	None	15.49	None	14.96
(d) Offset for social security benefit (17.3 percent of item 1(d) if no supplemental annuity or 11.5 percent of item 1(d) if there is a supplemental annuity).....	None	None	19.67	11.83
(e) Addition to benefit under sec. 3(a)(1) of the act before application of minimum (item 3(b) minus sum of items 3(c) and 3(d)).....	16.17	2.33	0	0
(f) Offset against minimum (3(c) if there is a supplemental annuity or 5.8 percent of item 1(d) if no supplemental annuity).....	None	15.49	6.59	14.96
(g) Minimum addition to amount computed under sec. 3(a)(1) of the act (\$10 minus item 3(f)).....	10.00	0	3.41	0
(h) Annuity payable (item 3(a) plus larger of items 3(e) or 3(g)).....	225.75	238.76	166.40	228.38
4. Increase due to H.R. 14563 (item 3(h) minus item 2(e)).....				
	16.17	18.02	10.00	15.15

¹ Because the offset for the supplemental annuity eliminates the entire 7-percent increase provided by the 1966 amendments.

The CHAIRMAN. At this point I would like to insert in the record a statement by our colleague, and member of this committee, the Honorable Samuel Friedel, sponsor of similar legislation in the first

session of this Congress. Mr. Friedel is unable to be with us this morning due to illness.

(The statement referred to follows:)

STATEMENT OF HON. SAMUEL N. FRIEDEL, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF MARYLAND

Mr. Chairman, I regret that I cannot be with you this morning, but I would appreciate your making my statement a part of the record. As you know, I have long had an interest in, and sympathy for, the plight of the retired railroader, who is trying to meet the ever-increasing cost of living on a fixed income.

When the Administration introduced its bill last year to increase social security benefits by 20%, H.R. 5710, I introduced my bill, H.R. 7167 to provide the same percentage increase in Railroad Retirement benefits as well as to provide automatic cost-of-living adjustments, both now and in the future. These increases would be financed out of contributions from general revenues.

However, now that the Social Security Amendments of 1967 have been signed into law by the President, the final increase for social security beneficiaries is established at 13%. Therefore, I have no objection to an amendment to my bill to give retired railroad employees the same percentage increase.

I believe that the retirement increases provided for under my bill are a vital necessity for the maintenance of an adequate standard of living of this important group of America's retired labor force. The cost of living in the urban areas of our country has now risen to almost 116% of the 1957-59 base years. More important, compared to 1937, the year in which the original Railroad Retirement bill was passed, our cost of living has increased by 131.2%. How, then, does this shocking rise relate to the legislated increases in Railroad Retirement benefits over the years? The Congress has increased the annuities for retired railroad workers 79% in thirty years. These figures mean that the cost of living has increased 52.2% faster than the retirement benefits. Furthermore, these figures translate into severe hardship for the already-retired worker whose annuity is determined from wages reflecting the cost of living of ten, or twenty, or thirty years ago. His average monthly salary from which his annuity is computed remains the same throughout his years of retirement, and is no longer responsive to his needs in today's economy. Therefore, he can only receive increases in benefits as Congress decides to grant them. My bill will not make up the entire 52% deficiency, but it will certainly provide some improvement in this less-than-adequate situation, a situation we cannot choose to ignore.

It goes without saying, Mr. Chairman, that I support your bill, H.R. 14563, which provides a 13% increase for retired railroaders. I am pleased to note that your bill also provides for some liberalization in unemployment and sickness benefits, an area long neglected.

We must improve the standard of living for our retired railroad workers whose annuity payments have lagged so far behind the ever-increasing cost of living. It is for this reason, Mr. Chairman, that I urge favorable consideration of the best bill, which the Committee in its judgment finally decides upon, to help relieve this gross inequity.

The CHAIRMAN. At this time we will hear from our colleague, the Honorable Richard Poff of Virginia. Please proceed, Mr. Poff.

STATEMENT OF HON. RICHARD H. POFF, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF VIRGINIA

Mr. POFF. Mr. Chairman, I have been promising railroaders in my district, who were somewhat understandably upset when Congress adjourned without enacting railroad retirement legislation equivalent to the social security legislation enacted, that this honorable committee would move promptly after Congress reconvened to supply that omission. Inasmuch as Congress reconvened only yesterday, I believe

all will agree that this promise has been redeemed. May I express my warm commendation and congratulations to the chairman and all members of the great Committee on Interstate and Foreign Commerce for scheduling hearings on H.R. 14563.

I suppose that each and all of us hold some reservations about this legislation. Every individual legislator, if given the authority to write the bill, would write it differently. Specifically, I am somewhat concerned about certain features of the changes made in the unemployment benefits program. I had also hoped that survivors, particularly widows, would be treated more generously. In several other particulars, the bill is not all I would want it to be.

However, it is important to move promptly in order to meet the same effective date deadline as that fixed for social security benefit increases. Passage of this bill will make it possible for railroaders on the benefit rolls, like social security annuitants, to receive checks reflecting their increases in March.

It is impossible to describe verbally every feature of every change in every benefit formula this bill will make. Draftsmen were compelled to deal with at least 6 separate categories of beneficiaries and with an infinite number of variants of each. However, it is fair to say that with certain offsets and credits for increases already received by operation of the financial interchange provisions, the railroad retirement beneficiary will receive under this bill the full amount of the increase which his opposite number under the social security program will receive, plus 10 percent. It is important to emphasize that this is a generalization. By reason of offsets and credits, the March railroad retirement check will not reflect in every case a benefits increase equal to 110 percent of the social security increase. However, this will be the measure in the average case.

According to estimates prepared by the Railroad Retirement Board, these benefit increases will not require further increases in railroad retirement taxes. This is partly because the effect of the changes in the social security funding program will, through operation of the financial interchange provisions, eliminate the present ninety-four one hundredths of 1 percent actuarial deficit in the railroad retirement program and establish a surplus of eight one hundredths of 1 percent of payroll. The cost of this legislation (which is about 1.24 percent of payroll) will leave a deficit of about 1.16 percent of payroll. This figure is not markedly different from the present actuarial posture.

It is gratifying to know that this legislation has the full support of representatives of the brotherhoods and representatives of the railroads. In such case, it should be expeditiously approved by both Houses of Congress.

I know that the committee now does not have time to hear testimony on legislation other than that specifically scheduled for this hearing. However, I hope the committee will, during this session of Congress, be able to set aside a special day to hear testimony concerning the legislation which I have described in letters I have written to the chairman. These include bills to reduce the retirement age, bills to repeal the last employer clause, bills to repeal the outmoded, antique base period and establish instead the 5-best-years rule and bills which otherwise bear upon the improvement of the railroad retirement program.

Let me close by thanking you for this opportunity to present these views in support of this legislation.

The CHAIRMAN. Thank you for your views, Mr. Poff.

Our next witness this morning will be Mr. Howard W. Habermeyer, Chairman of the Railroad Retirement Board.

We are happy to have you, Mr. Chairman, and you may proceed as you see fit.

STATEMENT OF HON. HOWARD W. HABERMEYER, CHAIRMAN, RAILROAD RETIREMENT BOARD

Mr. HABERMEYER. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Howard W. Habermeyer, and I am Chairman of the Railroad Retirement Board. I am here to testify in regard to the bill, H.R. 14563, on behalf of all three members of the Board.

As you know, the bill embodies the provisions of a program developed jointly by railway labor and management in consultation with our Board. We, the members of the Railroad Retirement Board, join these parties in giving this bill our unqualified support and respectfully urge its early enactment.

The bill would improve the programs administered by our Board by providing much needed benefit increases and introducing certain new kinds of benefits. A detailed description of these improvements and of their financial implications is given in our formal report already transmitted to this committee. I shall therefore limit my testimony to a brief discussion of the bill's main features and of its financial implications for the programs which it would amend.

AMENDMENTS TO THE RAILROAD RETIREMENT ACT

The purpose of title I of the bill as to take care of a difficult situation that was created for the railroad retirement program by the enactment of the Social Security Amendments of 1967. As you know, general increases in social security benefits automatically result in corresponding increases in benefits for large numbers of railroad retirement beneficiaries but not for all of them.

The beneficiaries who receive increases are those whose annuities are computed under the 110 percent social security minimum guaranty of the Railroad Retirement Act and a large proportion of all wives who are paid a spouse's annuity. All other railroad retirement beneficiaries are left without increases, and this group includes the great majority of retired employees.

The bill before you would take care of the group left out, and by doing so, it would assure that all railroad retirement beneficiaries receive equal treatment. In this respect, the bill is similar to the part of the Railroad Retirement Amendments of 1966, which provided benefit increases for those beneficiaries who were not in line for increases as a result of the 1965 Social Security Amendments.

The benefit increases provided by the bill would be in amounts approximately equal to 110 percent of the increase the individual in question could have received from social security by virtue of the formula changes incorporated in the 1967 Social Security Amendments if railroad employment had been covered under the Social

Security Act. Since social security benefits are based only on average creditable earnings without regard to length of coverage, the increases provided by the bill would be computed in the same manner. This is the basis for the schedule appearing in section 104 of the bill.

It should be noted, however, that in cases where average monthly earnings used in the computation of railroad retirement benefits will be in excess of \$550, the individual would receive benefit increases from three sources:

- (1) The schedule increase provided by the bill;
- (2) The increase in the limit on creditable earnings under the Railroad Retirement Act from \$550 to \$650 per month, which came about automatically as a result of the Social Security Amendments of 1967; and
- (3) The provision of the bill which increases by 7 percent the railroad retirement annuity factors applicable to the part of the average creditable earnings which is in excess of \$450.

This is the reason why the schedule increases reflect only the effect of the 1967 change in the social security benefit formula; when the possible increases from the other two sources are added to it, a total increase in the railroad retirement benefit will be obtained which will compare favorably with the total social security increase derived from all the 1967 changes in social security law.

As for immediate effects, increases derived solely from the bill would go to some 594,000 present beneficiaries; increases derived solely from the 1967 Social Security Amendments to 297,000 beneficiaries; and increases derived from both sources to 59,000 beneficiaries. Thus, if the bill is enacted, all railroad retirement beneficiaries, without exception, will receive benefit increases effective on the same date (February 1, 1968) and in amounts based on essentially the same formulas. The minimum basic increases (before reduction, if any, for early retirement) under the bill would be \$10 a month for a retired employee and \$5 for a spouse or survivor. The present maximum increase for a retired employee would be about \$21 because the average monthly compensation used in the computation of an employee annuity can now be no higher than \$433. In toto, title I of the bill would give increases to about 653,000 present beneficiaries, most of whom are retired employees. In addition, the bill would bring in some 3,000 beneficiaries of a new type. I am referring to disabled widows between the ages of 50 and 60 who otherwise would not be eligible for benefits under the Railroad Retirement Act. The additional benefit disbursements in the first year would be about \$81 million. This includes \$78 million for regular beneficiaries and \$3 million for disabled widows.

The bill would continue the principle of partial offsets for the receipt of certain other benefits. The employees who are receiving supplemental annuities but no social security benefits will have the same reduction as under present law and no more. The present offset for social security benefits will be continued, but an additional offset will be made for the latest increase given by the Social Security Amendments of 1967. The social security offsets are designed to avoid preferential treatment of beneficiaries who are also entitled to social security benefits. Without such offsets, the dual beneficiaries would

receive two increases amounting to more than the single increase the nondual beneficiaries would receive from the Board. Another important reason for the offsets is that they were considered necessary in order to keep the costs of the bill within reasonable bounds.

Title I of the bill would increase the benefit costs of the Railroad Retirement Act by about \$62 million a year on a level basis. The enactment of the bill would not result in any additional income to the system because it would not change the earnings base, the tax rates, or the income derived from the financial interchange with the social security system. However, the income and outgo of the railroad retirement system were changed extensively by the social security amendments and the result of these changes was a net gain of \$47 million per year on a level basis. This gain would be utilized to finance the bulk (75 percent) of the additional costs that would be created by the bill. The remaining costs of \$15 million per year would result in a corresponding increase in the actuarial deficiency over the amount of deficiency which existed immediately before the enactment of the 1967 Social Security Amendments. Thus, the actuarial deficiency after the enactment of the bill would be approximately \$58 million a year, which is equivalent to 1.16 percent of the taxable payroll for the new earnings base of \$650 a month. We believe that the merits of the bill outweigh the moderately adverse effect it would have on the actuarial condition of the railroad retirement system.

AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Title II of the bill would increase the maximum daily benefit rate for unemployment and sickness from \$10.20 to \$12.70 and would make it possible for railroad workers with 10 or more years of service to receive sickness benefits for longer periods.

Furthermore, an accelerated benefit year, that is a benefit year beginning on a date earlier than July 1, could begin also with a day of sickness, whereas under present law it can begin only with a day of unemployment. The sharp increase in costs would be moderated by certain restrictions, the most important of which is that extended and accelerated sickness benefits would not be paid after the employee attains the age of 65. The bill would also provide for certain reimbursements from the railroad retirement account to the railroad unemployment insurance account. These reimbursements would compensate the unemployment insurance account for the extra costs it would otherwise incur because disabled employees receiving extended sickness benefits might postpone filing a claim for a disability annuity.

Title II of the bill does not provide for any additional income to the railroad unemployment insurance account. The tax base would remain at \$400 per month and the schedule of contribution rates would remain unchanged. The financing of the amendments is made possible by the fact that under present law the income of the program is far in excess of its benefit outgo. In fact, in the last fiscal year, the excess amounted to \$60 million and this amount was utilized to reduce the indebtedness to the railroad retirement account to about \$190 million as of June 30, 1967. (The indebtedness was as high as \$314 million 4 years earlier.)

The bill would increase the costs of the railroad unemployment and sickness insurance program by \$20.5 million a year. We believe that these additional costs can be absorbed by the program without materially affecting its potential solvency. Obviously, the amounts available for the repayment of the indebtedness to the railroad retirement account would be greatly reduced; however, it is expected that they will still be of the order of \$30 million per year. With such a rate of repayment of principal, the indebtedness would be liquidated in another 5 or 6 years. From that point on some reserves will begin to gradually accumulate.

As I have stated earlier, the Board is unanimously in favor of the bill. Since the increase in benefits for annuitants affected by this bill would take effect on the same date as the social security increases, which is February 1, 1968, it would be desirable to adjust all our benefits at the same time and at the earliest possible date. We therefore respectfully request that this much needed legislation be considered an item of top priority on the committee's agenda.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Chairman. I might say the reason we have having these hearings today is that it is top priority.

Mr. HABERMAYER. I want to say we really appreciate this effort you have put forth to give us a prompt hearing and prompt attention on this much needed bill.

The CHAIRMAN. We realize the importance of it. I think every member of this committee does, and it would be an injustice if we allowed this social security increase to go into effect without the railroad retirees receiving additional compensation.

It is a rather complicated bill. I have been working in this field for some time and thought at one time I knew most of these things. It seems to me there are several complications in the bill that ought at some time to be clarified in some way.

Mr. HABERMAYER. We are going to attempt to do that as soon as we can get this amendment behind us. We are going to try to find some way of setting up our computations on a basis that will be easier to explain and understand. I have been working in this field now for almost 32 years, and I will agree with you it is very complicated.

The CHAIRMAN. I could start asking questions, and I am sure we could be here tomorrow and the next day asking questions, but I am not going to do that. I would like to explain to the members of the committee, as I understand this is an agreed-upon bill between management and labor and the Board.

Mr. HABERMAYER. That is right.

The CHAIRMAN. For that reason I was hoping we could get this bill reported today, that we can have the testimony and perhaps immediately go into executive session.

Mr. HABERMAYER. Thank you very much.

The CHAIRMAN. Mr. Springer, do you have any questions?

Mr. SPRINGER. Just to review this briefly, Mr. Chairman. I want to get the fundamentals before the committee.

What you are attempting to do in this bill is something similar to what was done in the social security bill for railroad retirees?

Mr. HABERMAYER. That is right.

Mr. SPRINGER. Have you followed the Social Security Act amendment very carefully?

Mr. HABERMAYER. The formula we have established in section 104 of the bill sets forth a table.

Mr. SPRINGER. That is on page 4 of the bill, right?

Mr. HABERMAYER. Yes. This gives increases that are approximately 110 percent of what the railroad man would have received if his earnings had been covered by social security rather than by railroad retirement.

Mr. SPRINGER. Let's go to the costs for a second.

It is my understanding that as of a few days ago the debt was \$190 million, which is excess of outgo over income.

Mr. HABERMAYER. That is the unemployment insurance account, not the retirement account.

Mr. SPRINGER. That is title II, right?

Mr. HABERMAYER. That is title II.

Mr. SPRINGER. And you will have a surplus this year of roughly \$60 million on that?

Mr. HABERMAYER. We had a surplus last year of \$60 million.

Mr. SPRINGER. And that will reduce the \$190 million, is that right?

Mr. HABERMAYER. Actually, the \$190 million is what the unemployment insurance account was in debt to the railroad retirement fund. The unemployment insurance account borrowed from the railroad retirement account \$190 million, the debt we owed last June. At the present time, it is around \$170 million. It is continuing to go down every quarter. We anticipate this year, without amendments, we would have \$50 to \$60 million surplus again to repay to this account. With the amendments, we will incur additional costs of about \$20.5 million. So we would have between \$30 and \$40 million we can reduce the indebtedness with.

Mr. SPRINGER. Title I and title II, the whole bill, how much does that cost? \$60 million?

Mr. HABERMAYER. Title II would be \$20.5 million. That is the unemployment and sickness account.

Mr. SPRINGER. And title I?

Mr. HABERMAYER. Title I would be \$81 million in the first year and \$62 million on a level basis into the future.

Mr. SPRINGER. That is \$100 million this year?

Mr. HABERMAYER. For title I, the cost would be \$81 million this year, but, spread out into perpetuity, it would amount to about \$62 million per year.

Mr. SPRINGER. In other words, \$62 million—

Mr. HABERMAYER. On a level basis, that is right, sir.

Mr. SPRINGER. Is there anything else substantially that the bill does?

Mr. HABERMAYER. No; it does bring in disabled widows.

Mr. SPRINGER. Tell me the people that are brought in that are not now under it.

Mr. HABERMAYER. It will be just the widows. We anticipate about 3,000 between the ages of 50 and 60.

Mr. SPRINGER. Anyone else?

Mr. HABERMAYER. We have a situation where widows have been qualified for benefits or are eligible for benefits under social security

and not under railroad retirement. We call them de facto widows or widows barred at the present time because of legal impediment. It is a few, a handful, that will be brought in.

Mr. SPRINGER. Do they get both social security and this?

Mr. HABERMAYER. No; they get either social security or this.

Mr. SPRINGER. They would get more this way?

Mr. HABERMAYER. Yes.

Mr. SPRINGER. Is there anything else?

Mr. HABERMAYER. No, sir; that is about it.

Mr. SPRINGER. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any questions from other members of the committee?

Mr. DEVINE. I have a question.

The CHAIRMAN. All right.

Mr. DEVINE. In your statement you say you believe the merits of this bill will outweigh the moderately adverse effect it will have on the actuarial condition of the account. Do you think it is really a moderately adverse effect? Will it increase the deficiencies?

Mr. HABERMAYER. The increase in the deficiency would be approximately \$15 million per year and would raise the \$43 million deficiency we had before the social security amendments to \$58 million per year. I consider it moderate. I do think that within the very near future we are going to have to come in for additional financing to support the retirement system.

Mr. DEVINE. Some economists say the social security system is fast approaching what may be considered actuarial unsoundness. Are we approaching the same situation here?

Mr. HABERMAYER. I do not think that the actuaries would agree with the economists that the social security system is unsound.

Mr. DEVINE. I said fast approaching. Fifteen years ago they said if it will reach 10 percent, it is the end of the line.

Let me conclude with this. I understand this is a contributory program of working railroaders and management.

Mr. HABERMAYER. Yes.

Mr. DEVINE. Will the U.S. Treasury be called upon to add to the fund under this bill?

Mr. HABERMAYER. No, sir.

Mr. DEVINE. Thank you.

The CHAIRMAN. Mr. Rogers?

Mr. ROGERS. Mr. Chairman, I just want to make sure of the statement.

You say the benefits now will amount to about 110 percent based on parity with the social security amendment?

Mr. HABERMAYER. That is right.

Mr. ROGERS. Do you plan to come in to make recommendations to make the plan actuarially sound?

Mr. HABERMAYER. Yes. We will have to do that within the next few years. A 1 percent deficiency is a little too high to carry.

Mr. ROGERS. What would you consider a normal carry, about a half of 1 percent?

Mr. HABERMAYER. We have always said a half of a percent.

Mr. ROGERS. And will this bill now bring it to 1 percent?

Mr. HABERMAYER. It will be 1.16, just a little over 1 percent.

Mr. ROGERS. How soon would you plan to come in?

Mr. HABERMEYER. We would like to wait. You see, every 3 years our actuary makes an evaluation. We have just completed an evaluation last year, but I would think at the completion of the next evaluation within 3 years we should come in to put this thing before you.

Mr. ROGERS. When was the last evaluation?

Mr. HABERMEYER. Last year.

Mr. ROGERS. So it would be 2 years from now?

Mr. HABERMEYER. Yes, sir. That would be about the time we should consider the question of corrective action.

Mr. ROGERS. I yield to Mr. Kornegay for one question.

Mr. KORNEGAY. I would just like to ask a question, Mr. Chairman.

The bill provides for the financing, does it?

Mr. HABERMEYER. No, sir; there is no financing included in it; it is just the increase in benefits.

Mr. KORNEGAY. The increase in benefits?

Mr. HABERMEYER. That is right.

Mr. KORNEGAY. And you are talking now about coming back for the financing?

Mr. HABERMEYER. Yes, sir.

Mr. KORNEGAY. What is the percentage of increase on the average?

Mr. HABERMEYER. In the benefits?

Mr. KORNEGAY. Yes.

Mr. HABERMEYER. It cannot be related percentage-wise to the benefits we pay. It would be a dollar amount equivalent to about 110 percent of what the railroad man would have gotten had his railroad service been covered by social security. The minimum increase would generally be \$10 for retired persons, \$5 for widows and others. The maximum increase would be about \$21.

Mr. KORNEGAY. Is it comparable to the increase under social security?

Mr. HABERMEYER. Yes, sir. The whole purpose of the bill is to give increases comparable to social security to railroad people.

Mr. KORNEGAY. In line with the social security increases?

Mr. HABERMEYER. That is right.

Mr. KORNEGAY. That is what I understood, and the benefits in the bill are comparable to those that we recently placed in the Social Security Act?

Mr. HABERMEYER. That is exactly right.

Mr. KORNEGAY. Thank you.

The CHAIRMAN. Mr. Moss has a question.

Mr. MOSS. I just want to pursue further, very briefly, the line of questions of Mr. Rogers.

On the last evaluation you were found to be ninety-four-one-hundredths of 1 percent deficient?

Mr. HABERMEYER. Yes.

Mr. MOSS. And it would increase by twenty-two-one-hundredths of 1 percent?

Mr. HABERMEYER. That is right.

Mr. MOSS. And that margin of 1.16 percent would then be the total deficiency that would cause concern?

Mr. HABERMEYER. That would concern us.

Mr. MOSS. And require some increase in the contribution rate or the basis upon which contributions are paid?

Mr. HABERMEYER. That is right.

Mr. MOSS. Thank you.

The CHAIRMAN. Mr. Brotzman?

Mr. BROTZMAN. Thank you, Mr. Chairman. I think the last answer probably got to the point I was interested in. I got in a little bit late.

The point I wanted to ask you about I understand was raised by the distinguished gentleman from Illinois.

I understand you are collecting moneys to retire a debt. Is that not correct according to your testimony, you said you were retiring the debt?

Mr. HABERMEYER. We have two funds that we manage. One is the railroad retirement account.

Mr. BROTZMAN. The railroad retirement account?

Mr. HABERMEYER. Yes; that is the account that supports our retirement and survivor program, and that account is financed jointly by railroad employees and railroad employers on an equal basis. Then we have the railroad unemployment insurance account. That account serves the unemployment and sickness insurance program which is financed entirely by railroad employers.

Mr. BROTZMAN. There is no contribution by the employees?

Mr. HABERMEYER. None whatsoever. A few years ago that account got into trouble, and this committee and the Congress gave us authority to borrow from the railroad retirement account to support the unemployment and sickness program.

Mr. BROTZMAN. So you had difficulty with the unemployment account and got permission to borrow from the first account?

Mr. HABERMEYER. Yes, sir. That account got to the point where we owed about \$314 million around 4 years ago. Since then our receipts have exceeded our benefit payments to an extent where we reduced that debt from \$314 million to a current debt of \$170 million. Last year, our receipts exceeded our disbursements by about \$60 million.

Now the increases we are asking for in the unemployment insurance and sickness benefit program will cost about \$20.5 million. So that will reduce the amount—

Mr. BROTZMAN. The amount you can pay back?

Mr. HABERMEYER. That will reduce the amount we can pay back to the railroad retirement account, but we still anticipate we ought to liquidate that debt in about 5 or 6 years.

Mr. BROTZMAN. This leads to the next question, which is really the question I had.

According to your statement you contemplate that you are going to have to ask some changes which I presume would permit a larger contribution to these particular accounts by employees and employers; is that correct?

Mr. HABERMEYER. Yes; that would be for the railroad retirement account.

Mr. BROTZMAN. That is account No. 1?

Mr. HABERMEYER. Yes; at the moment, we have about \$4.5 billion in this account, and, even with this deficit, our actuary estimates that for the next 15 years our receipts will exceed our disbursements. Possibly longer than that. But we have to plan on this retirement account so that 15 years from now we are not going to go broke.

We are going to have to see that this fund is kept in proper perspective at all times. That is the account we will have to be looking at within the next 2 or 3 years.

There are several ways we get receipts. We get the tax from the employer and employee. We get interest on the money we have in the fund. Actually, the interest we are receiving today is much higher than that the actuary is using in the computations, so that possibly we can reduce the deficiency if we include the interest we are going to get in excess of what we have been using in the calculations.

There is a third source of getting money for the system, and that is the interchange with social security, which is the special financial arrangement with the social security system. I should explain that a bit.

Some years ago it was felt that the social security system should not benefit by virtue of there being a railroad retirement system. So every year we jointly calculate and pay social security what they would have collected from railroad workers and railroad employers in social security taxes. Then we jointly compute what they would have had to pay railroad beneficiaries in benefits, and they make that payment to us. So far, that has been working to our advantage. In other words, the flow of money has been our way.

Mr. BROTZMAN. I think you stated you think in about 3 or 4 years you are going to have to ask the Congress for permission to increase the amount of collections.

Mr. HABERMAYER. Yes, sir.

Mr. BROTZMAN. To augment these funds?

Mr. HABERMAYER. Yes, sir.

Mr. BROTZMAN. Thank you very much.

The CHAIRMAN. Are there any further questions?

Mr. SKUBITZ. Mr. Chairman.

The CHAIRMAN. Mr. Skubitz.

Mr. SKUBITZ. Mr. Chairman, my neighbor in Pittsburg, Kans., is the widow of a railroad worker. She visited with me about her problem before I returned to Washington. It seems as though her husband had paid the full amount under the railroad retirement program and then took a job under social security and was entitled to social security payments. At his death she has a choice, as I understand it, between railroad retirement or social security benefits, but she cannot get both of them. Is that correct?

Mr. HABERMAYER. Yes; she cannot get both benefits but she does not have a choice. If her husband retired from the railroad industry and then took a job with outside industry, we would pay the widow's benefits, that is, the railroad retirement board would pay them. We would include the social security earnings in our computation. She would only get one check from one agency. In this particular case, from us.

Mr. SKUBITZ. Suppose the husband had never worked at a job covered by social security. Would the check that she received be equal to the check that she is now getting?

Mr. HABERMAYER. Without the social security earnings, her check would probably be less, but most likely not substantially less.

You touch on the one group of beneficiaries that I have spoken about before to this committee and the Congress. I think that this group gets the poorest treatment, from a benefit standpoint, from our system.

Mr. SKUBITZ. Does this bill do anything to help this group of people?

Mr. HABERMEYER. Yes, it will give the widows an increase in benefits.

Mr. SKUBITZ. It will?

Mr. HABERMEYER. Yes.

Mr. SKUBITZ. It does not seem fair to me that a person who pays into the railroad retirement program, and then pays in the full amount under social security, is required to surrender one or the other.

Mr. HABERMEYER. In order to have retirement benefits as favorable as they are it has not been possible from a financial point of view to provide better widows' benefits.

Mr. SKUBITZ. The point is, it is at her expense though.

Mr. HABERMEYER. If benefits to widows of railroad employees could be paid concurrently under both systems, we would run into some pretty serious financial problems.

Mr. SKUBITZ. The point is, the worker paid for both benefits.

Mr. HABERMEYER. This is a misconception.

Mr. SKUBITZ. If it is, I would like an explanation.

Mr. HABERMEYER. People generally have not actually paid in full for their benefits, especially those already retired. We have people on our rolls who have been receiving benefits since 1937; we have paid them \$40,000 or more in benefits, and they paid little or nothing, in a few cases nothing, into our fund. So I suppose, they say, "We paid for it," but you can see that they have not paid for it. I cannot add anything to that.

Mr. SKUBITZ. May I write you about this case?

Mr. HABERMEYER. Any time you have a question on any case, do not hesitate to send it to my office.

Mr. SKUBITZ. Apparently I do not have all the facts and I would like to get them.

Mr. HABERMEYER. Drop me a note.

The CHAIRMAN. Mr. Pickle?

Mr. PICKLE. I would like to ask Mr. Habermeyer, when do you contemplate you will come before the committee with respect to recommendations of further financing?

Mr. HABERMEYER. Mr. Pickle, our actuary makes a study every 3 years. We just completed a study last year. Two years from now, we will have another study.

On the basis of that, we would probably make a decision as to how we will want to ask the Congress to adjust the financing. It is possible that things may change. Our actuaries operate on assumptions. You look at the experience of this 3-year period, see how it affects the study that was completed 3 years earlier, and he may conclude that the deficit that we now say is 1.16 percent, may be something less than that. It might be something larger than that. But at the end of that study I think then we will have to decide what we should do.

Mr. PICKLE. I was thinking, perhaps, in the next few months is when you might request to appear before this committee.

Mr. HABERMAYER. No, sir.

Mr. PICKLE. It is a much longer time?

Mr. HABERMAYER. I would say 2 to 3 years.

Mr. PICKLE. Thank you. I am surprised, though, to hear it will be this long.

The CHAIRMAN. Any further questions? If not, I want to thank you very much Mr. Chairman, for coming and giving us the benefit of your views.

Mr. HABERMAYER. Thank you very much, Mr. Chairman.

The CHAIRMAN. I have a letter signed jointly by Mr. Goodfellow of the Association of American Railroads and G. E. Leighty of the Railway Labor Executives' Association, endorsing the bill. This I would like to have inserted into the record at this point.

(The letter referred to follows:)

WASHINGTON, D.C., January 15, 1968.

HON. HARLEY O. STAGGERS,
Chairman, Committee on Interstate and Foreign Commerce,
Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: We, the Association of American Railroads and the Railway Labor Executives' Association, jointly endorse, support, and respectfully request prompt enactment of, the bill H.R. 14563, which is now before your Committee.

We are indeed pleased to advise you of our agreement on all the provisions of the bill (a brief explanation of which is attached to this letter). The major provisions of Title I of the bill are necessary in view of the enactment of the Social Security Amendments of 1967. Further, as you know, the increases in monthly benefits under the Social Security Amendments of 1967 will be effective on February 1, 1968, which increase will be included in the benefit checks of March 1, 1968. It is our strong desire that the increase in railroad retirement annuities should also be included in the annuity checks as close to this date as possible. This would be possible to a large degree only if this bill is enacted promptly.

We are advised by the Chief Actuary of the Railroad Retirement Board that the bulk of the costs of the bill (75 percent) would be offset by the actuarial gains from the 1967 social security amendments. Therefore, the enactment of this bill would not cause a material change in the actuarial condition of the railroad retirement system; it would be nearly the same as it was before the enactment of the Social Security Amendments of 1967.

Title II of the bill would substantially improve the railroad unemployment insurance system without requiring an increase in the contribution base or contribution rate.

We, therefore, respectfully request that your Committee expedite consideration of this bill so that it could be enacted before the end of this month.

We are authorized to say that the Brotherhood of Locomotive Engineers also endorses and supports H.R. 14563.

Sincerely yours,

ASSOCIATION OF AMERICAN RAILROADS,
By THOMAS M. GOODFELLOW
RAILWAY LABOR EXECUTIVES' ASSOCIATION,
By G. E. LEIGHTY.

EXPLANATION OF THE MAJOR PROVISIONS OF THE BILL

TITLE I

The vast majority of survivor annuities and some retirement and spouses' annuities are computed under a guaranty formula in section 3(e) of the Railroad Retirement Act which, in effect, provides for payment of 110 per cent of the amount which would be payable under the Social Security Act if the railroad service had been social security employment; and many spouses' annuities would be larger except for a limit to 110 per cent of the highest amount that could be paid to anyone as a wife's benefit under the Social Security Act. On the other hand, the vast majority of employee annuities and a significant proportion of

aged widows' annuities are computed under the regular railroad retirement formula. The enactment of the 1967 Social Security Amendments will result in increases in the annuities of individuals described in the first sentence above, without the aid of this bill. With respect to the individuals described in the second sentence above, title I of the bill would increase their annuities by an amount approximately equivalent to 110 per cent of the dollar amount resulting from the percentage increase in benefits provided by the Social Security Amendments of 1967 under the Social Security Act, subject to certain adjustments which are described below. This increase in annuity amounts would relate only to the percentage increase in the amount of social security benefits over the amount payable under the 1965 Amendments to the Social Security Act. The annuity increases would be so restricted because higher social security benefits attributable solely to the higher limit on creditable earnings would come about from the increase in the social security earnings base by the Social Security Amendments of 1967 and from the maximum creditable monthly compensation under the Railroad Retirement Act which is automatically increased from \$550 to \$650 per month by the operation of existing provisions of the Railroad Retirement Act. This increase in the maximum creditable compensation of itself will produce higher annuity amounts for those employees who earn in excess of \$550 a month. In addition, the 7 per cent increase in annuity amounts provided by the 1966 amendments to the Railroad Retirement Act (Public Law 89-699) which do not now apply to monthly compensation over \$450 would be made to apply to such monthly compensation.

In cases where the railroad retirement annuitant is also being paid social security benefits, there would be an offset against the schedule increase in his annuity by the amount of the percentage increase in his social security benefits provided by the Social Security Amendments of 1967; however, before any reduction required for age, there would be an increase of at least \$10 a month in employee annuities (and this increase would be in addition to the higher amount payable due to the raise in the compensation limit and to the application of the 7 per cent increase in 1966 to compensation above \$450), and of at least \$5 a month in each spouse and survivor annuity; and these minimum increases would be without regard to the offset for entitlement to social security benefits.

TITLE II

Under title II of the bill, maternity benefits, as such, would be eliminated, but with respect to a female employee, a day of sickness would include a day on which, because of pregnancy, miscarriage, or the birth of a child (i) she is unable to work or (ii) working would be injurious to her health.

The amount of compensation to be earned in a base year as a basic qualification for benefits would be increased from \$750 to \$1,000.

The benefit rate schedule would be revised and the maximum daily benefit rate would be increased from \$10.20 to \$12.70 for days of unemployment and days of sickness.

Provision would be made for extended sickness benefits, similar to the extended unemployment benefits now available, and for accelerated sickness benefits through possible early beginning of a benefit year with a day of sickness, similar to the possible early beginning of an accelerated benefit year with a day of unemployment as now provided for.

Extended and accelerated sickness benefits would not be paid for days after attainment of age 65. This limitation would have no effect upon the right to normal sickness benefits, or to normal, extended, or accelerated unemployment benefits of such employee after attainment of age 65.

With respect to every employee who, upon application therefor, would have been entitled to a disability annuity under section 2 of the Railroad Retirement Act for a period which includes days for which extended or accelerated sickness benefits had been paid, there would be transferred from the Railroad Retirement Account to the railroad unemployment insurance account at the close of each fiscal year the amount which would have been paid as such annuity if the employee had applied for it, up to that total amount of all sickness benefits paid him during that fiscal year for days for which the disability annuity could have accrued. Provision is made for interest on the amount transferred from the close of the fiscal year to the date of certification of the amount for transfer.

An additional disqualifying condition would be added, with the effect that an employee who has been paid a separation allowance would not receive any unemployment or sickness benefits for a period following his separation from service;

the length of the period is determined by a formula taking into account the amount of his separation allowance, his last daily rate of pay and his normal work week.

The CHAIRMAN. Our next witness will be Mr. Lester Schoene, general counsel of the Railway Labor Executives' Association, accompanied by Mr. G. E. Leighty.

STATEMENT OF LESTER P. SCHOENE, GENERAL COUNSEL, RAILWAY LABOR EXECUTIVES' ASSOCIATION; ACCOMPANIED BY G. E. LEIGHTY, CHAIRMAN

Mr. LEIGHTY. Mr. Chairman, could I make a brief statement?

The CHAIRMAN. Yes, sir.

Mr. LEIGHTY. My name is G. E. Leighty, chairman of the Railway Labor Executives' Association, representing 23 standard railway labor organizations. Mr. Schoene will enter a list of the organization in his testimony.

A committee of our organization met with a committee of railroad management headed by Mr. Goodfellow, president of the Association of American Railroads; Mr. Prince, who is their executive vice president, and Mr. Hiltz, who is chairman of the National Railway Labor Conference. We worked out an agreed-upon program for railroad retirement and unemployment insurance.

This bill that you have before you is a result of the negotiations and very careful consideration of the entire problem by these committees. I want to say that the railroad conferees were very, very, shall I say, adept at negotiations and were very reasonable in all of their approaches. This is one step along the line which I hope will result in closer management-labor relations in the industry. We firmly endorse this bill, both labor and management, and we hope that it can be enacted promptly.

The CHAIRMAN. Thank you, Mr. Leighty. I might say in behalf of the committee that we hope that this is a good omen for 1968, that management and labor will work closer together. I know that the committee would be very happy if that takes place and we will do anything we can to help out.

Mr. Schoene?

Mr. SCHOENE. Mr. Chairman and members of the committee. I will be very brief. As Mr. Leighty has indicated, I am a lawyer. I am counsel for the Railway Labor Executives' Association in these matters, and have been for over 20 years.

The Railway Labor Executives' Association, as I am sure this committee knows, is an association of the chief executives of the standard railway labor organizations. If I may with your permission, Mr. Chairman, I will hand the reporter a list of the organizations whose chief executives are affiliated with the association.

(The list referred to follows:)

ORGANIZATIONS WHOSE CHIEF EXECUTIVES ARE MEMBERS OF RAILWAY LABOR EXECUTIVES' ASSOCIATION

American Railway Supervisors Association
American Train Dispatchers' Association
Brotherhood of Locomotive Firemen and Enginemen
Brotherhood of Maintenance of Way Employees

Brotherhood of Railroad Signalmen
 Brotherhood of Railroad Trainmen
 Brotherhood Railway Carmen of America
 Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and
 Station Employees
 Brotherhood of Sleeping Car Porters
 Hotel and Restaurant Employees and Bartenders' International Union
 International Association of Machinists and Aerospace Workers
 International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths,
 Forgers and Helpers
 International Brotherhood of Electrical Workers
 International Brotherhood of Firemen and Others
 International Organization Masters, Mates and Pilots of America
 National Marine Engineers' Beneficial Association
 Order of Railway Conductors and Brakemen
 Railroad Yardmasters of America
 Railway Employees' Department, AFL-CIO
 Seafarers' International Union of North America
 Sheet Metal Workers' International Association
 Switchmen's Union of North America
 Transportation-Communication Employees Union

Mr. SCHOENE. I had intended to spend a few minutes describing the bill that you have before you, but it has been so completely described by the Chairman of the Railroad Retirement Board I think I would find myself repeating his testimony if I attempted to go into any of the specific provisions of the bill.

Basically, what you have is a sort of aftermath of the Social Security Amendments of 1967. Those amendments did increase the tax on railroad employees and on railroads without giving corresponding benefits to employees who are retired.

I think in that respect there possibly may be some misconception on the part of some members of the committee as a result of Chairman Habermeyer's testimony. He testified, perfectly correctly that this bill does not increase the tax rate or the tax base in any respect, and that is true. However, what you should have in mind is that as a result of the social security amendments railroad retirement taxes were increased, both the rates and the base were increased. Also some beneficiaries receive direct benefits from the social security amendments. This bill is one that, in its railroad retirement aspects, completes the job of providing corresponding benefits, increases for those who did not get any benefit increase as a result of the social security amendments.

There is also another item that I think I should comment on, again generated by questions to the Chairman of the Railroad Retirement Board.

The Chairman testified, again completely correct, that there is a slight actuarial deficit in the railroad retirement account. This is all perfectly true. But, it should be understood, lest you get the impression that this account is running in the hole from day to day, I would like you to have in mind that this account has always been putting money aside for the future, and it is currently putting aside over \$200 million a year for future benefits.

In other words, the income of this fund today, with these amendments, will be \$200 million a year in excess of the expenditures. So we are not confronting any immediate crisis about the financing of this system.

I think, Mr. Chairman and members of the committee, that is all I need to say at this point.

The CHAIRMAN. Thank you, Mr. Schoene.

I think that, as complex a question as it is, probably you are right, it is enough to say in this area, because when the experts agree and management agrees and labor agrees and the Board agrees, we have come to the point then that there has been considerable thinking and work done on the subject. So I think perhaps you are right, enough has been said.

Are there any questions? Mr. Springer?

Mr. SPRINGER. No questions, Mr. Chairman, but I want to congratulate you gentlemen on working these matters out and saving this committee an awful lot of work on our part. I might say that it is in the public interest too, in this way, have industry and labor work out their own problems.

The CHAIRMAN. Mr. Kornegay?

Mr. KORNEGAY. I also want to congratulate you gentlemen and all those involved in this matter. The only question I have is this: I take it this bill, 14563, was drafted after agreement was reached by all parties concerned?

Mr. SCHOENE. I think that is a substantially correct statement. Actually, drafting was going on all the time that negotiations were going on. The drafting kept fairly current with the negotiations, but in the sense that this bill does represent the results of the negotiations, you are absolutely correct.

Mr. KORNEGAY. That is what I wanted to find out. You have studied the bill and agreed or disagreed on portions of it, and this bill is the product of negotiations carried out by labor and management and the railroad retirement people?

Mr. SCHOENE. It is, exactly; yes.

Mr. KORNEGAY. Thank you. You do agree with all portions of it?

Mr. SCHOENE. Yes. There are a few typographical errors that I assume the committee will correct, but that is all.

Mr. KORNEGAY. Thank you.

The CHAIRMAN. Are there further questions?

If not, I would like at this time to thank you very kindly.

I now want to reiterate what Mr. Springer has said on behalf of the full committee, that we want to thank management represented here by the President of the Association of American Railroads, Mr. Goodfellow, and also labor for the work that you have done and the time that you have spent on things that would have been otherwise disagreeable. This is the way, I can assure you, you are helpful to the committee.

Now, since the President of the Association of American Railroads is here, would you have something to say, Mr. Goodfellow? If you do, we will be glad to hear from you.

Mr. LEIGHTY. Thank you, Mr. Chairman.

Mr. SCHOENE. Thank you, Mr. Chairman.

**STATEMENT OF THOMAS M. GOODFELLOW, PRESIDENT,
ASSOCIATION OF AMERICAN RAILROADS**

Mr. GOODFELLOW. Mr. Chairman and gentlemen, I would not want to leave here without thanking you for hearing us and telling you how pleased we are that we could work this out with the labor people under Mr. Leighty. Further than that, I do want to say that we had a real reason for wanting to do this, because we want our employees in the railroad industry to have the same benefits that all other people in this country do. So we were pleased to work this out because this brings them up so they get the benefits the same as the people who are under social security.

Mr. Hiltz, who comes from Chicago, who joined in this effort, could not be here this morning but I want to tell you that he sends his best and also wants to thank you.

That is all I have to say.

The CHAIRMAN. Thank you, Mr. Goodfellow. As chairman of the committee and on behalf of the committee I want to welcome you and say thank you, and to say that we wish for you a highly successful and pleasant tenure of office and to say that we, as a committee, will work with both sides.

Are there other questions or statements?

Mr. SPRINGER. I want to say that this committee has gone through a lot of trials in the past between management and labor. We are hoping that we can avoid them. We think this is a good start toward that. I want to say we think it is in the public interest when management and labor can agree on their own problems rather than coming here and dumping them before this committee.

Mr. GOODFELLOW. We will try to use this as a good start.

The CHAIRMAN. Mr. Rogers?

Mr. ROGERS. I want to join with the chairman, too, in saying that we are pleased to see you here before this committee. As you have assumed the responsibilities of your office fairly recently, we are delighted to see you before the committee. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any further statements?

If not, thank you so much for coming and giving us the benefit of your views.

I have a statement from the National Railroad Pension Forum in which they state a position for this bill and endorse it wholeheartedly. I would like to place this in the record at this point.

(The statement referred to follows:)

STATEMENT OF THE NATIONAL RAILROAD PENSION FORUM, INC.

Mr. Chairman and members of the committee, my name is Robert B. Byrnes. I live at 1514 17th Street NW., Washington, D.C.

My position is Washington representative of the National Railroad Pension Forum, Inc., of Chicago, with members in every State and on all of the principal railroads.

I wish to state that the officers of the Forum support all provisions of your bill, H.R. 14563, and gratefully commend the chairman and members of the committee for taking up this helpful legislation so early in this session of the Congress.

Early enactment of this bill will remove the disappointment many railroad annuitants felt when the Social Security benefits were enacted.

Retired railroaders and their families will be grateful to you for the additional income enactment of the bill will bring them, and employees now working will be glad to know that more adequate pensions than are at present provided, will be coming to them when they retire.

Thank you Mr. Chairman, and members of your committee.

The CHAIRMAN. This will conclude our hearings. If the room will be cleared, the committee will go into executive session.

(The following letter was submitted for the record:)

AMERICAN ASSOCIATION OF RETIRED PERSONS,
NATIONAL RETIRED TEACHERS ASSOCIATION,
Washington, D.C., January 15, 1968.

HON. HARLEY O. STAGGERS,
*Chairman, Committee on Interstate and Foreign Commerce,
Rayburn House Office Building,
Washington, D.C.*

DEAR MR. CHAIRMAN: This letter is to express our support of your bill, H.R. 14563, and particularly Title I thereof.

Among the more than one million members of the National Retired Teachers Association and the American Association of Retired Persons, there are many thousands who are recipients of annuities under the Railroad Retirement Act. A large number of those under the Act have already benefited by the raise in Social Security benefits. However, we also have many who did not come under the 110% minimum guarantee of the Act, H.R. 14563, which you introduced, would equitably bring those persons up to the same level as the beneficiaries who already have been guaranteed their increase.

As you know, this bill was developed jointly by railway labor and management, and supported by the Railroad Retirement Board. We join with those organizations in urging speedy passage of this bill.

Sincerely yours,

ERNEST GIDDINGS,
Legislative Representative.

(Whereupon, at 11 a.m., the hearing was concluded.)



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