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 anuities 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.