

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