

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.)