

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.....	² 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. HABERMEYER, *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