

As the OASDI system is modified and developed in the years to come, it will continue as the major source of retirement income benefits for as far ahead as one can see.

THE RAILROAD RETIREMENT SYSTEM

An interesting illustration of the maturing of a pension program is found in the operations of the Railroad Retirement System. Disregarding the active hiring during World War II, covered employment was virtually unchanged at 1.2 million between 1939 and 1956. Since then it has declined by about one-third. As a consequence, the median age of employees rose from 41.5 to 46.2 years between 1950 and 1960, and is continuing to rise. Covered payrolls, the base for financing pension commitments, moreover, showed no net increase between 1950 and 1965. Meanwhile, the pension rolls, including retirement, disability, and survivors benefits, skyrocketed as follows:

By the 1960's, therefore, the number of beneficiaries (which includes survivors) began to exceed the number of covered employees, and this condition is likely to continue. Given stable payrolls, the system obviously had to increase the contribution rate sharply to meet the doubling of benefits between 1955 and 1965 (see table II-1) or draw upon the trust fund at a substantial rate. This fund, after reaching \$3,374 million in 1954, has grown slowly to \$3,946 million at the end of 1965 and cannot support a large excess of benefit payments over receipts. The Railroad Retirement Act Amendments of 1966, in addition to increasing benefits, introduced a tax of 2 cents per hour on employers to cover the current cost of a temporary supplemental program. The regular combined tax rates on employees and employers exclusive of the cost of hospital insurance, became 15.2 percent in 1966 and are scheduled to rise to 19.2 percent by 1973. Even this schedule is estimated by the actuaries to be insufficient to meet promised benefits.

While this industrywide program is not typical, it illustrates the problems of a social insurance system when the vitality and growth of the economic activity involved begin to erode. The consequences of failing to make provision in previous decades for accruing retirement costs are also evident. It is apparent that railroad employees and the public as consumers of rail transportation services will continue to be the source of growing transfers of income to retired workers and their dependents for many years to come. Since air transportation companies currently provide for full pension costs, their competitive cost position will be enhanced in the future, relative to rail transportation. Thus, the mechanism for handling retirement income payments may have marginal effects upon the allocation of resources among competing forms of transportation.

FEDERAL EMPLOYEE RETIREMENT SYSTEMS

The Federal Civil Service Retirement System was intended to be fully funded, but Government contributions have lagged far behind the accrual of benefit costs. The appropriation of additional funds by the Congress to meet full costs apparently ranks low in the order of priorities, in the absence of more serious concern among employees about the fulfillment of the Federal Government's pension commit-