

The Railroad Retirement Act in 1954

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The past 3 years have seen the enactment of several laws that affect the operation of the railroad retirement program. Because of the close relationship between that program and old-age and survivors insurance, the recent legislation is summarized here and its effects considered for the convenience of Bulletin readers.

SINCE the enactment of the 1951 amendments to the Railroad Retirement Act, several laws have been adopted that have affected operations under that act. In order of their enactment, these laws are:

(1) Public Law No. 590 (Eighty-second Congress); this law—the Social Security Act Amendments of 1952—affected the railroad retirement program through the operation of the “old-age and survivors insurance minimum guarantee” and financial interchange provisions of the Railroad Retirement Act.

(2) Public Law No. 398 (Eighty-third Congress), signed June 16, 1954, which repealed the “dual-benefit” restriction in the 1951 amendments to the Railroad Retirement Act.

(3) Public Law No. 746 (Eighty-third Congress), signed August 31, 1954, which included several changes in the Railroad Retirement Act; the most important were a reduction of the eligibility age for survivor benefits for widows, dependent widowers, and parents from age 65 to age 60 and the raising of the maximum wage base for computation of benefits and payment of contributions from \$300 to \$350 per month.

(4) Public Law No. 761 (Eighty-third Congress), the Social Security Amendments of 1954; this law, like the 1952 amendments to the Social Security Act, affected the railroad retirement program through the operation of the old-age and survivors insurance minimum guarantee and the financial interchange provisions of the Railroad Retirement Act.

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In the following pages the influence of these laws on the railroad retirement program is reported. The amendments to the Railroad Retirement Act are considered first and then the 1952 and 1954 amendments to the Social Security Act. A short history of the operation of the financial interchange provision of the Railroad Retirement Act is also given.

Public Law 398

One of the provisions contained in the 1951 amendments to the Railroad Retirement Act concerned dual benefits under old-age and survivors insurance and the railroad retirement program. Under it, a railroad annuitant eligible for both a railroad retirement annuity and an old-age insurance benefit would have his railroad annuity reduced by the portion based on service before 1937, or by the amount of the old-age insurance benefit, whichever was smaller. Under a saving clause, the annuities of those already retired when the 1951 amendments were enacted were not reduced below the amount they were previously receiving (although the increase generally provided was in such cases wholly or partially cancelled). The provision was opposed by the annuitants affected—those whose railroad annuities were based on service before 1937—but it had the support (or at least not the opposition), both at enactment and during its existence, of the majority of railroad labor, railroad management, and the Railroad Retirement Board.

It was not long after enactment of the 1951 amendments that legislative measures were introduced to repeal the dual-benefit provision, and

hearings were held by the Eighty-third Congress. While proponents of the provision made up the majority of those who testified, the opinion of those opposing it prevailed, and amending legislation was recommended by both the House and Senate committees. As a result, both Houses of Congress adopted the provision, which became Public Law No. 398 with President Eisenhower's signature on June 16, 1954. The new law repealed the dual-benefit provision retroactively to October 30, 1951, when it had become effective.

One of the main arguments put forth by those who opposed passage of the law was that, since the railroad retirement system was operating at a deficit, no legislation should be enacted that would increase the deficit. It was also stated that prohibition of the receipt of dual benefits, as defined in the 1951 amendments, was both equitable and necessary.

The dual-benefit provision was in operation from October 30, 1951, to June 16, 1954. Its repeal affected an estimated 36,000 persons out of the 294,000 retired railroad employees who were receiving benefits in June 1954. These 36,000 persons (and their wives, if any) received adjustment checks, since the repeal was retroactive to October 30, 1951. Refunds were also made for an additional 3,000 retired employees who had died.

The Railroad Retirement Board has estimated that repeal of the dual-benefit provision will increase the cost of the system by 0.15 percent of payroll. Before the provision was repealed, the system had a level-cost deficiency of 0.91 percent of payroll (according to the latest valuation, completed in early 1953). The deficit was thus increased to an estimated 1.06 percent of payroll. In contrast, when the 1951 amendments were enacted, the level-cost deficiency was estimated at 1.93 percent of payroll, or well above the deficiency of 1.06 percent after Public Law No. 398 was enacted.

The passage of this law did not

make the railroad retirement system less solvent than it was estimated to be when the 1951 amendments were adopted; in fact, it was much nearer solvency. In actual dollars, the Railroad Retirement Board has estimated that the additional disbursements each year would average \$11 million for the first 10 years after repeal, \$15 million for the following 10 years, \$9 million for the third 10 years, \$3 million for the fourth 10 years, and steadily decreasing amounts thereafter until about the year 2000, after which additional dis-

bursements resulting from the repeal of this provision will cease.

Public Law 746

On August 31, 1954, President Eisenhower signed Public Law No. 746. Several important changes affecting retirement and survivor benefits are made by the new law, and substantial increases are made in unemployment and sickness benefits under the Railroad Unemployment Insurance Act. In addition, the taxable earnings base for both systems is increased. The major changes in

the Railroad Retirement Act—most of which became effective September 1, 1954—are listed in the following paragraphs.

(1) In what is probably the most significant change, the eligible age for receipt of survivor benefits by a widow, dependent widower, or dependent parent was reduced from 65 to 60. The application of the old-age and survivors insurance minimum guarantee was extended also to such individuals between the ages of 60 and 65, even though they cannot be eligible for old-age and survivors in-

Principal provisions of the Railroad Retirement Act, as amended in 1954

Initial qualification for benefits:

At least 10 years of railroad service is required to qualify for all but one type of benefit under the Railroad Retirement Act (see item A (8)). Persons with less than 10 years of service are transferred to OASI¹ system.

A. Benefits payable to—

- (1) Age annuitant:
Aged 65 or over, or aged 60 or over if 30 or more years of service (but for men under age 65, annuity reduced 1/180 for each month under age 65 at time of retirement).
- (2) Disability annuitant:
Unable to engage in any regular employment; or unable to engage in usual occupation, if "current connection" with railroad industry when disabled and if 20 or more years of service or aged 60 or over.
- (3) Spouse of annuitant aged 65 or over:
Aged 65 or over (husband to be eligible must be dependent), or regardless of age for wife with dependent child under age 18 present (or aged 18 or over if child is disabled and disability began before that age).
- (4) Widow:
Aged 60 or over, or with dependent child under age 18 (or aged 18 or over if child is disabled and disability began before that age). Dependent widower aged 60 or over.
- (5) Children of deceased individual:
Under age 18 (or aged 18 or over if child is disabled and disability began before that age).
- (6) Dependent parent:
Aged 60 or over, and no surviving spouse or child who could ever receive monthly benefits.
- (7) Lump-sum death payment:
For deaths when no monthly benefits payable immediately.
- (8) Residual death payment:
Payable after all benefit rights, including those of survivors, have terminated—to assure total payments of at least employee contributions paid plus some allowance for interest. Suitable modifications for those with less than 10 years of service. (See item on initial qualification.)

B. Insured status for survivor benefits

- (1) "Quarter of coverage":
In general, calendar quarters with \$50 or more of railroad compensation after 1936, or similar credits under OASI.
- (2) "Current connection":
In general, exists at time of retirement or death if 1 year of railroad service in preceding 2½ years.

(3) Completely insured status:

- (a) Current connection, and either (i) 1 quarter of coverage for each 2 quarters after 1936 (or after age 21 if later) and before age 65 (or death or retirement if earlier), with minimum of 6 quarters of coverage, or (ii) 40 quarters of coverage; or
 - (b) Retirement annuity based on at least 10 years of service accrued before 1948, or pension payable.
- (4) Partially insured status:
Current connection, and 6 quarters of coverage in year of death or retirement and 3 preceding years.
 - (5) Transfer of credits to OASI system:
If not insured as in items (3) and (4), railroad credits used in determining survivor benefits under OASI.

C. Amount of retirement benefits

- (1) "Years of service":
All service after 1936 plus—for those in "employment status" on August 29, 1935—service before 1937 that will make total of not more than 30 years.
- (2) "Average monthly compensation":
Average of creditable compensation paid in period of service counted; maximum of \$300 creditable for any month before July 1954 and \$350 for any month after June 1954. For retirement after end of year in which age 65 is attained, amount computed as of end of such year is used if larger. Special method used for determining average earnings for service before 1937.
- (3) Monthly benefit amount:
2.76% of first \$50 of monthly compensation, plus 2.07% of next \$100, plus 1.38% of next \$200, all multiplied by years of service on which average monthly compensation is based.
- (4) Minimum benefit amount:
 - (a) If having current connection at retirement, amount determined under item (3) shall not be less than least of \$69, \$4.14 times years of service, or average monthly compensation.
 - (b) "OASI minimum guarantee" (see item F (9)).

D. Basic amount of survivor benefits

- (1) "Average monthly remuneration":
Based on railroad compensation and OASI credits from 1937 to retirement (or death, if earlier) divided by total time elapsed in such period, with maximum combined credits of \$3,600 a year before July 1954 and \$4,200 a year after June 1954. Average may be computed at age 65 if higher amount results.
- (2) "Basic amount":

¹ OASI means old-age and survivors insurance under the Social Security Act.

surance benefits until they reach age 65. (Under the minimum guarantee, the retirement or survivor benefit under the railroad program, plus any old-age and survivors insurance benefits payable, may not be less than the old-age and survivors insurance benefits would be on the basis of wage credits earned under both systems combined.)

(2) Benefits were made payable to a disabled child over age 17 and to his widowed mother if the child became disabled before he reached age 18. The old-age and survivors insur-

ance minimum guarantee also applies to mother and child beneficiaries in this category.

(3) Recipients of survivor benefits under the Railroad Retirement Act became eligible to receive retirement benefits under the Railroad Retirement Act in their own right without any reduction in the survivor benefits.

(4) The maximum creditable compensation was raised from \$300 a month to \$350 a month. This increase is applied in computing the amounts for both survivor and retirement bene-

fits. The increase in the maximum compensation considered for both taxing and benefit purposes went into effect July 1, 1954; the corresponding increase for old-age and survivors insurance (from \$3,600 a year to \$4,200 a year under the 1954 amendments to the Social Security Act) became effective as of January 1, 1955.

(5) In computing benefits, an employee's earnings after age 65 may be excluded in the determination of his "average monthly compensation" if a higher benefit will result. The

Principal provisions of the Railroad Retirement Act, as amended in 1954—Continued

40% of first \$75 of average monthly remuneration, plus 10% of remainder of average monthly remuneration, all increased by 1% for each year after 1936 with \$200 or more of remuneration. Minimum basic amount is \$14. For individuals completely insured as under item B (3) (b), basic amount alternatively computed from average monthly compensation (item C (2)) or from average monthly earnings of pensioner, and higher amount used.

- (3) Maximum family benefits: \$160, or 2 2/3 times the basic amount, whichever is the lesser— but not less than \$30 or the OASI minimum guarantee (see item F (9)).
- (4) Minimum family benefits: \$14; also OASI minimum guarantee (see item F (9)).

E. Normal amounts of dependent and survivor benefits

- (1) Spouse: 50% of full retirement or disability annuity (disregarding any reduction made for retirement before age 65), with maximum of \$40.
- (2) Widow: 100% of survivor basic amount. Widow's annuity shall not be less than any spouse's annuity received immediately before widow's annuity.
- (3) Child of deceased worker: 66 2/3% of survivor basic amount.
- (4) Dependent parent: 66 2/3% of survivor basic amount.
- (5) Lump-sum death payment: 10 times the basic amount.

F. Miscellaneous benefit provisions

- (1) Employment permitted retired workers and spouses: None for any railroad or for last employer before retirement. No restriction on other employment except where OASI minimum guarantee applies.
- (2) Employment permitted disability annuitants: Earnings of \$100 or less per month in wages and self-employment in any month in which individual is under 65 and still disabled is allowed without forfeiture of that month's benefits.
- (3) Employment permitted survivor beneficiaries: None for any railroad and to the same extent as for OASI beneficiaries (full benefits if earnings from wages and self-employment are \$1,200 or less per year, but in any event for months with \$80 or less of wages and no substantial service in self-employment).
- (4) Effect of railroad employment on benefits of OASI beneficiaries: Railroad earnings counted in determining whether bene-

fits are payable.

- (5) Duplication of benefits under railroad system: Survivor beneficiary may also receive retirement annuity concurrently.
- (6) Duplication of retirement annuity with OASI benefits: Duplication allowed.
- (7) Duplication of spouse's annuity with OASI benefits: When individual is eligible only for OASI wife's benefit, no reduction is made in annuity. When individual is eligible for other type or types of OASI benefit, annuity is reduced by any excess of all OASI benefits over full amount of wife's benefit (if any).
- (8) Duplication of survivor benefits with OASI benefits: Not permitted; in effect, only larger benefit payable.
- (9) "OASI minimum guarantee" provision: The guarantee that retirement or survivor benefits under railroad system, plus any OASI benefits payable, will not be less than OASI benefits would be on basis of combined credits under both systems.
- (10) Credit for military service: Given at rate of \$160 per month for service during a war-service period if in railroad service in year of entry into military service or in preceding year. Special provisions for crediting military service rendered before 1937. Provisions against using same service under more than one Federal system.
- (11) Time within which benefits must be claimed: Lump-sum death payment within 2 years. No limit for residual death payment. Monthly benefits retroactive for 12 months.
- (12) Right of waiver of annuity or pension: Any person may decline to accept all or any part of an annuity or pension.

G. Financing provisions

- (1) Tax rates: 6 1/4% on employer and 6 1/4% on employee, paid on maximum compensation of \$350 per month.
- (2) Government contribution: Actuarially determined cost of additional benefits for military service rendered before 1937. Regular employer and employee taxes on other creditable military service based on imputed earnings of \$160 per month.
- (3) Interest rate on investments: Minimum of 3% per year prescribed by Railroad Retirement Act.
- (4) OASI "interchange": OASI trust fund to be put in same position in which it would have been if railroad employment after 1936 had been covered thereunder, by transfers in appropriate direction. Takes into account, among other matters, payment of benefits on basis of combined wage credits.

new provision is retroactive to November 1951, when service and earnings after attainment of age 65 became creditable toward annuities.

(6) Under a new disability "work clause," a disability annuitant may earn as much as \$100 a month in wages and self-employment without forfeiting benefits in that month. This clause replaces the provision that a disability annuitant who earned more than \$75 in each of 6 consecutive months was deemed not to be disabled thereafter.

The amendments include no provision for raising the benefits under the act other than that making creditable a worker's monthly earnings up to \$350, rather than \$300. Through this provision it is possible for future railroad beneficiaries to obtain higher benefits than those formerly payable. For a railroad annuitant to have the maximum average monthly compensation, however, all his service must have been since June 1954. Thus it will be some time before this change will produce sizable increases in benefits.

If a man retires, for example, on January 1, 1957, with 20 years of service in which he earned the maximum amount creditable (\$300 a month from January 1, 1937, until June 30, 1954, and \$350 a month from July 1, 1954, to December 31, 1956), his average monthly compensation will be \$306.25. His monthly retirement benefit would be \$112.12. Without the 1954 amendments, his benefit would have been \$110.40, so that the increase is only \$1.72 a month. If, however, a man retires on or after July 1, 1974, with 20 years of continuous service at \$350 a month, his benefit will be \$124.20, or about 10 percent larger.

Another example is that of a man who retires on January 1, 1967, with 30 years of continuous service at the maximum compensation creditable. He would have worked 210 months at \$350. The result would be an average monthly compensation of \$320.83, which gives a monthly annuity of \$174.22. Under the law as it was before the 1954 amendments, the benefit would be \$165.60. If a man were to retire on or after July 1, 1984, with 30 years of continuous service

at \$350 a month, his monthly annuity would be \$186.30.

Table 1 gives illustrative monthly retirement annuities under the Railroad Retirement Act for various periods of service. The annuities

Table 1.—Illustrative monthly retirement annuities under the Railroad Retirement Act

[Annuities would also be computed on the basis of the old-age and survivors insurance minimum guarantee, but in relatively few cases would this procedure result in an increase]

Average monthly compensation	Amount of annuity	
	Nonmarried worker	Married worker
10 years' service		
\$100.....	\$24.15	\$36.23
150.....	34.50	51.75
200.....	41.40	62.10
250.....	48.30	72.45
300.....	55.20	82.80
350 ²	62.10	93.15
20 years' service		
\$100.....	\$48.30	\$72.45
150.....	69.00	103.50
200.....	82.80	122.80
250.....	96.60	136.60
300.....	110.40	150.40
350 ²	124.20	164.20
30 years' service		
\$100.....	\$72.45	\$108.68
150.....	103.50	143.50
200.....	124.20	164.20
250.....	144.90	184.90
300.....	165.60	205.60
350 ²	186.30	226.30
40 years' service		
\$100.....	\$96.60	\$136.60
150.....	138.00	178.00
200.....	165.60	205.60
250.....	193.20	233.20
300.....	220.80	260.80
350 ²	248.40	288.40

¹ The minimum annuity provision would be applicable for persons with "current connection" and would yield larger amounts than those shown. In such cases this provision would raise the benefits for a 10-year man to those shown for a man with average monthly compensation of \$200 and benefits for a 20-year man to those for a man with \$150.

² All service must be after June 30, 1954.

based on an average monthly compensation of \$350 apply only to service after June 1954. For a person in railroad service before July 1954 who had always earned \$350 or more a month, the annuity will fall between those based on average monthly compensation of \$300 and those based on \$350, approaching the latter as the employee obtains more service credits after June 1954.

Illustrative monthly survivor annuities for various periods of service are shown in table 2. The majority of the benefit amounts are payable under the old-age and survivors insurance minimum guarantee, about which more will be said in the following section.

In summary, the amendments to the Railroad Retirement Act made by Public Law No. 746 did not apply to provisions affecting benefit amounts, with one exception—that in which the limit on taxable earnings is raised from \$300 to \$350 a month. Any other increases in benefit amounts will be the result of the 1954 amendments to the Social Security Act.

Before the passage of Public Law No. 746, the level-premium cost of the Railroad Retirement Act as estimated by the Railroad Retirement Board (with the effect of the additional cost of benefits provided in Public Law No. 398 omitted from consideration) was 13.41 percent of taxable payroll. The level-premium cost of the same benefits, after changing the limit on taxable earnings from \$300 to \$350 a month and before allowing for the increase in benefits that arises from the corresponding increase in the limit on creditable earnings, is 12.30 percent of payroll. The change in the limit on creditable earnings from \$300 to \$350 a month raised the cost of retirement and survivor benefits 0.57 percent of payroll, and the reduction from 65 to 60 in the eligibility age for aged survivor beneficiaries increased the cost by 0.43 percent. The change in the disability work clause reduced the cost by 0.03 percent of payroll. Continuance of survivor benefits to a dependent disabled child past age 18 (and to the mother) and other minor changes increased the cost by 0.02 percent of payroll. Thus, the total increase in benefit costs is 0.99 percent of payroll, which, added to the adjusted level-premium cost of the benefits under the old law (12.30 percent of payroll), produces a total level-premium cost of 13.29 percent of payroll. In dollars, Public Law No. 746 represents an additional average annual income of \$56.0 million and, in the long run, an addi-

tional average annual expenditure of \$53.8 million.

The cost of a retirement system is best measured by looking at the contribution rates in relation to payroll. In the case of the railroad retirement system, the financing is now on a level-contribution rate basis. The net cost effect of Public Law No. 746 is a decrease in cost of 0.12 percent of payroll (13.41 percent minus 13.29 percent), which almost exactly balances the increase in cost of 0.14 percent of payroll arising from Public Law No. 398 (after allowing for the fact that the payroll base is approximately 10 percent larger because of Public Law No. 746). Thus the railroad retirement system is in virtually the same actuarial balance relative to payroll following these two 1954 amendments as it was before the legislation; as a result it is in a substantially better position than that indicated by the estimates made when the far-reaching 1951 amendments were enacted.

Effects of Coordinating Provisions

The 1951 amendments to the Railroad Retirement Act contain two provisions that are directly affected by the old-age and survivors insurance benefit conditions. Under the first, any beneficiary under the railroad retirement system would receive a benefit amount at least equal to the amount that his railroad retirements earnings, plus any earnings in employment covered by old-age and survivors insurance, would entitle him to under the latter program. The second provision called for a financial interchange between the two programs that maintains the old-age and survivors insurance trust fund in the same position it would have been in if railroad employment had been covered by old-age and survivors insurance since January 1, 1937.¹

Through the operation of the first provision, the railroad retirement system is automatically affected every time the benefit amounts under the

¹For a more detailed description of the financial interchange provisions see Robert J. Myers, "Railroad Retirement Act Amendments of 1951: Financial and Actuarial Aspects," *Social Security Bulletin*, March 1952.

old-age and survivors insurance system are changed. The second provision required a study and subsequent transfers of funds to carry out its intent.

Both the 1952 and 1954 amendments to the Social Security Act raised benefit amounts through adjusting the formula upon which the benefits are based. As a result, the minimum amount guaranteed to railroad retirement beneficiaries was also raised in many cases. In the future, survivor benefits under the railroad retirement formula will be almost completely replaced by corresponding benefits computed under the old-age and survivors insurance formula. Survivor benefits based on railroad service up to 30 years, except for a few based on average

monthly earnings of \$100 or less, would be replaced by old-age and survivors insurance benefits. For survivor benefits based on service greater than 30 years, even at higher earnings levels, the benefit amount would, in more cases, be computed under the railroad retirement formula. Since most survivor annuitants, excluding aged widows, usually are entitled on the basis of shorter durations of service (less than 30 years), the great majority will be computed on the basis of the old-age and survivors insurance formula (table 2).

After the passage of the financial interchange provision, the Railroad Retirement Board and Social Security Administration began the work and study necessary to compute the amounts as of June 30, 1952, that would place the old-age and survivors insurance trust fund in the same position it would have been in if railroad employment after 1936 had been covered by old-age and survivors insurance. This was the first portion of the study as prescribed by the law. Upon its completion, \$488.2 million was certified as the amount "owed" the old-age and survivors insurance trust fund by the railroad retirement system as of June 30, 1952. Under the law this amount remains in the railroad retirement account as a credit to old-age and survivors insurance.

An initial, rough estimate of \$700 million had been arrived at by both the Social Security Administration and the Railroad Retirement Board as the amount owed the old-age and survivors insurance trust fund as of the end of 1950. This estimate differs substantially from the \$488.2 million later certified. Interest of \$11,595,000 on the certified amount for the fiscal year 1952-53 was certified for transfer to the old-age and survivors insurance trust fund in February 1954.

As prescribed by the law, the second portion of the study was to determine the amount that would put the old-age and survivors insurance trust fund in the "same situation" as of June 30, 1953. As a result of this study, the amount owed to the old-age and survivors insurance trust fund was determined to be \$424.5 million (table 3). Interest of \$9,551,000 on this amount for the fiscal year

Table 2.—Illustrative monthly survivor annuities under the Railroad Retirement Act¹

Average monthly remuneration	Amount of annuity	
	Widow aged 60 or over	Widow and 2 children
	10 years' service	
\$100.....	² \$45.00	² \$90.00
150.....	² 51.40	² 120.00
200.....	² 58.90	² 157.10
250.....	² 66.40	² 177.20
300.....	² 73.90	² 197.10
350.....	² 81.40	² 200.00
	20 years' service	
\$100.....	² \$45.00	\$91.00
150.....	² 51.40	² 120.00
200.....	² 58.90	² 157.10
250.....	² 66.40	² 177.20
300.....	² 73.90	² 197.10
350.....	² 81.40	² 200.00
	30 years' service	
\$100.....	² \$45.00	\$98.58
150.....	² 51.40	² 120.00
200.....	² 58.90	² 157.10
250.....	² 66.40	² 177.20
300.....	² 73.90	² 197.10
350.....	² 81.40	² 200.00
	40 years' service	
\$100.....	\$45.50	\$106.17
150.....	52.50	122.50
200.....	59.50	² 157.10
250.....	66.50	² 177.20
300.....	² 73.90	² 197.10
350.....	² 81.40	² 200.00

¹ Individual assumed to enter railroad service at age 21 in 1935 or later and to remain steadily employed therein at a level wage. Figures indicate survivor benefits should death occur at ages 31, 41, 51, and 61, respectively.

² Old-age and survivors insurance minimum guarantee applies.

Table 3.—Summary of calculations of amount in the railroad retirement account to be credited to the old-age and survivors insurance trust fund as of June 30, 1953, according to the financial interchange provision of the Railroad Retirement Act ¹

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest	Balance at end of year
1937.....	\$37.2	\$0.1	-----	\$0.2	\$37.3
1938.....	24.7	.9	-----	1.1	62.2
1939.....	40.3	1.3	-----	1.9	103.1
1940.....	40.9	6.7	\$2.4	3.0	137.9
1941.....	49.7	13.9	2.1	3.7	175.3
1942.....	62.3	20.0	2.2	4.5	219.9
1943.....	74.7	25.7	2.4	5.2	271.7
1944.....	83.5	32.0	2.6	6.0	326.6
1945.....	84.7	40.0	2.6	7.2	375.9
1946.....	87.8	51.6	3.0	7.9	417.0
1947.....	91.4	61.0	3.1	8.3	452.6
1948.....	95.4	72.0	3.4	13.4	486.0
1949.....	87.8	84.2	3.3	6.5	492.8
1950.....	129.4	112.8	3.6	10.4	516.2
1951.....	152.9	183.6	3.5	15.1	497.1
1952.....	155.0	201.1	3.4	11.1	458.7
1953*.....	75.5	113.0	2.0	5.3	424.5

¹ Amounts shown represent estimates for what would have been additional receipts and expenditures of the old-age and survivors insurance trust fund if railroad retirement employment after 1936 had been under old-age and survivors insurance and the resulting amount that is owed to the old-age and survivors insurance trust fund.

² Preliminary estimate for first 6 months.

1953-54 was transferred to the old-age and survivors insurance trust fund in July 1954.

Table 3 gives a year-by-year summary of the amount owed to the old-age and survivors insurance trust fund by the railroad retirement system. The amount increases gradually through 1950 to a peak of \$516 million and then declines somewhat until June 30, 1953, when it reaches \$425 million. A decrease will probably continue for at least several years. However, with the further increases in the contribution rates under old-age and survivors insurance, the extension of old-age and survivors insurance coverage, and the

relative maturity of the railroad system in comparison with old-age and survivors insurance, it is believed by the Social Security Administration that in the long-run the transfers between the two systems will be to the advantage of the old-age and survivors insurance system. This belief is further reinforced by the fact that the 1954 amendments to the Social Security Act, although increasing benefits, also provide ultimately larger contribution rates than had been prescribed previously. The Railroad Retirement Board, on the other hand, believes that, on the basis of estimates they made both at the time of the 1951 amendments and subsequently, a gradual liquidation of this "fund" will occur, and that eventually there will be a flow of cash reimbursements from the old-age and survivors insurance trust fund to the railroad retirement account.

The work required by this financial interchange provision has produced, in addition to the results required by law, an interesting analysis of the experience of a closed group of workers and the effect on them of the old-age and survivors insurance system. Railroad employment has been somewhat stable in past years; there has been no great net influx of new workers, and at the same time the number who are retired as a percentage of those eligible to retire has been approximately 75 percent for the past 5 years and, even earlier, was close to this. Consequently, the study shows what might be the progress of the old-age and survivors insurance fund under the conditions of a mature and stable working population.

Table 4 shows the progress of the old-age and survivors insurance trust fund from 1937 through 1952, with the experience of the railroad retire-

Table 4.—Progress of old-age and survivors insurance trust fund, including experience of railroad retirement system as computed under the financial interchange provision of the Railroad Retirement Act, 1937-52

[In millions]

Calendar year	Contributions	Benefits and administrative expenses	Interest	Balance at end of year
1937.....	\$551.2	\$1.1	\$2.5	\$552.6
1938.....	367.7	10.9	16.5	925.9
1939.....	606.3	15.5	28.9	1,545.6
1940.....	647.9	70.7	45.9	2,168.7
1941.....	839.0	130.2	59.9	2,937.4
1942.....	1,074.8	180.8	76.8	3,908.2
1943.....	1,314.2	223.5	93.4	5,092.3
1944.....	1,399.2	272.8	112.7	6,331.4
1945.....	1,370.2	346.5	141.5	7,496.6
1946.....	1,383.2	472.4	159.5	8,566.9
1947.....	1,649.3	575.9	172.5	9,812.8
1948.....	1,783.2	682.9	294.6	11,207.7
1949.....	1,757.8	808.9	152.2	12,308.8
1950.....	2,800.2	1,138.8	267.4	14,237.6
1951.....	3,520.1	2,153.1	432.4	16,037.0
1952.....	3,973.9	2,486.7	376.3	17,900.5

ment system included. It will be noticed that the railroad retirement experience has had relatively little effect on the overall progress of the fund, as would be expected in view of the relative size of the coverage of the two programs.

As provided by law, new estimates will be given as of the end of each fiscal year in the future. The progress of the fund to date will be indicated, and the amount agreed to by both agencies as the amount necessary to be transferred (from either one of the funds to the other) will be certified. For some time any transfer that may occur from old-age and survivors insurance to the railroad retirement account will probably be deducted, according to law, from the amount that is owed the old-age and survivors insurance trust fund by the railroad retirement system.